

ECONOMIC PROFILE

Current Economic Background

Bainbridge Island, located 35 minutes from downtown Seattle via ferry, is a vibrant, diverse community. With views of the snow-capped Olympic Mountains to the west and Mount Rainier to the east, Bainbridge Island is the closest getaway destination by ferry from Seattle. The area has a rich history and a unique culture of strong community engagement and sustainable environmental practices.

Demographics

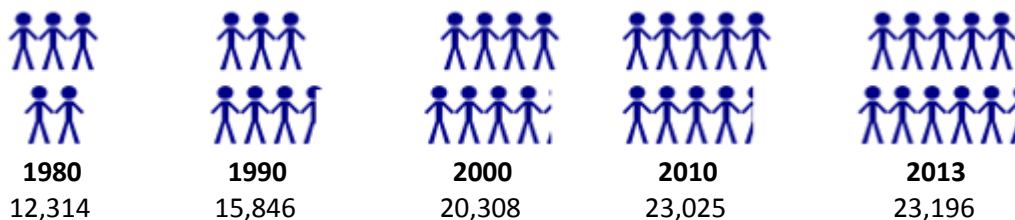
In 2015, Bainbridge Island is home to a community of over 23,000 citizens. Population has remained relatively stable over the past 15 years, after rapid growth between 1980 and 2000, see Figures 1 and 2.

Figure 1: Regional Population Growth

Bainbridge Island		Kitsap County		Washington State	
Population					
2013	23,196	2013	253,968	2013	6,971,406
Population Growth					
2000	20,308	2000	231,969	2000	5,894,121
% Change	12.5%	% Change	8.66%	% Change	15.45%

Source: 2000 U.S. Census and 2013 American Community Survey

Figure 2: Bainbridge Island Population Growth



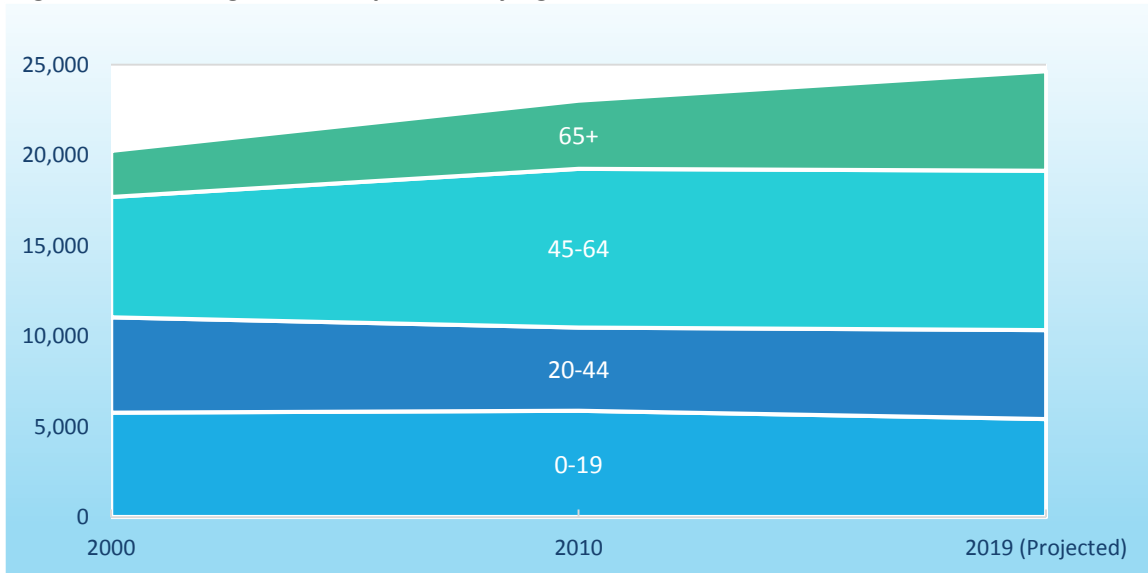
Source: 1980-2010 U.S. Census and 2013 American Community Survey

While modest population growth is anticipated to continue, the number of residents under 65 is expected to remain constant. In contrast, the number of residents aged 65 and above is growing rapidly, see Figure 3. The senior population is anticipated to increase more than 26% by 2019, which will affect the way the economy of the Island looks and operates as the needs and desires of its residents change.

An aging population typically spends less on clothing, transportation, and food but spends far more on health care. Services which give the ability for older residents to stay in their homes such as transit services, meal delivery, and in-home caregivers will be in greater demand in addition to other long-term

care options like assisted living facilities. Although their level of consumption may be more limited overall, seniors tend to have an increased demand for higher-end products. Ultimately, the changing demographics may necessitate a shift in resources away from education and childcare.

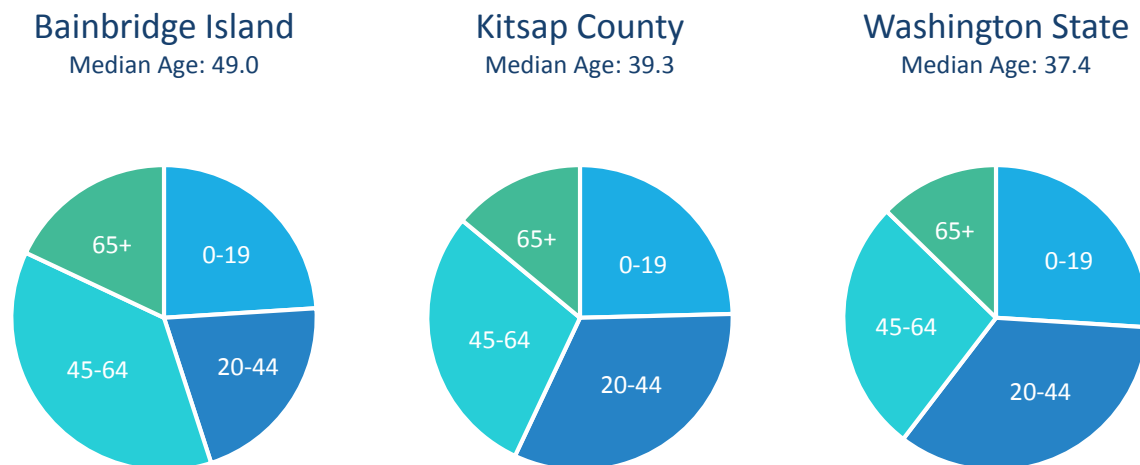
Figure 3: Bainbridge Island Population by Age



Source: 2000-2010 U.S. Census and Experian Census Area Projections & Estimates

With the majority of the population above 45 years of age, the composition of the Bainbridge Island population is markedly different than that of both Kitsap County and Washington State. Further, the median age for Bainbridge Island is nearly 10 years older than that of Kitsap County and nearly 12 years older than that of Washington State, see Figure 4. Experian predicts that the median age on Bainbridge Island is projected to be greater than 50 years of age by 2019.

Figure 4: Population by Age

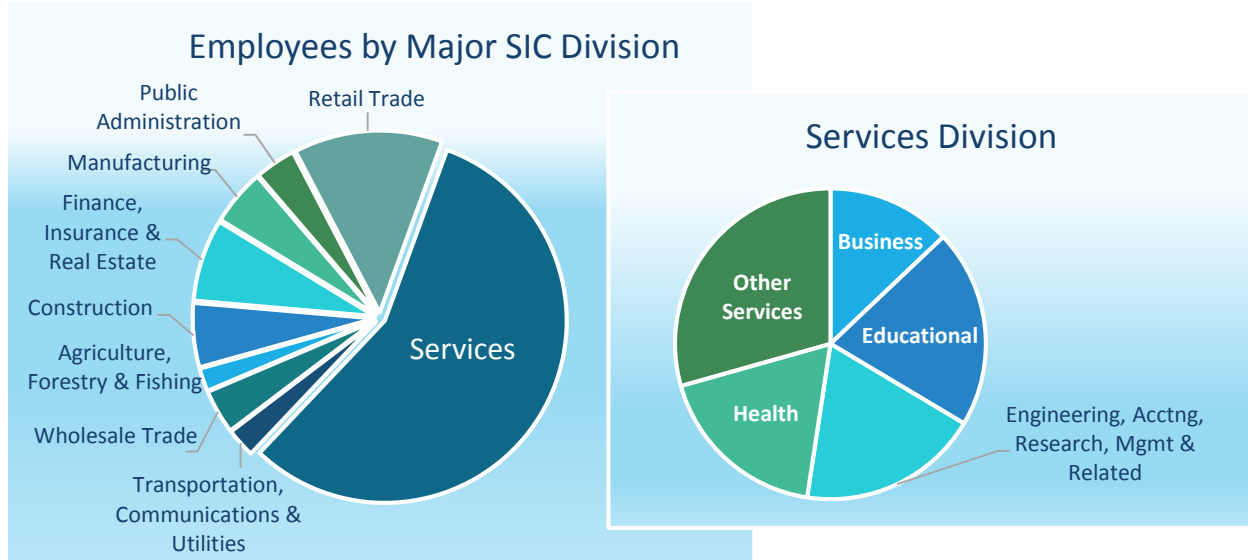


Source: Experian Census Area Projections & Estimates

Bainbridge Island Workforce

Residents enjoy a wide range of amenities. Cultural sites include the Bainbridge Island Museum of Art, Bainbridge Island Historical Museum, Bloedel Reserve, Islandwood, Japanese American Exclusion Memorial, and Bainbridge Performing Arts. The Island also boasts numerous galleries, shops, museums, bakeries, and restaurants. The majority of people employed on Bainbridge Island work within the services industry based on their standard industrial classification (SIC) per the Occupational Safety & Health Administration, see Figure 5. The primary services represented include health, education, business, engineering, and accounting.

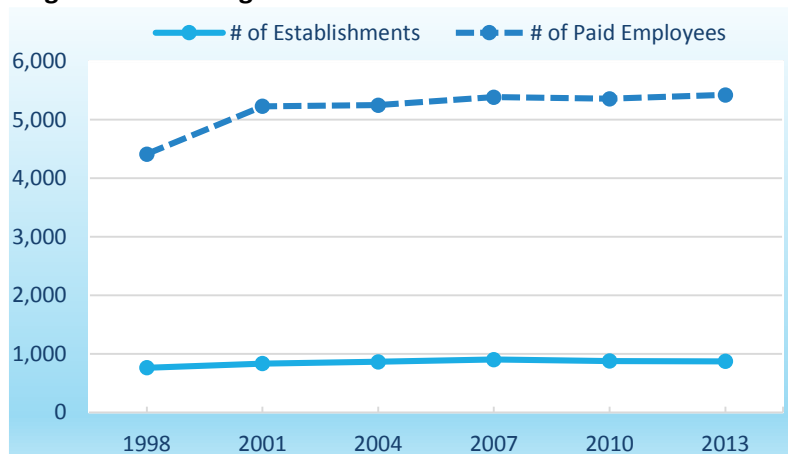
Figure 5: Employees on Bainbridge Island



Source: DemographicsNow

Both the number of people working on the Island and the number of business establishments has remained relatively stable since 2001, see Figure 6. Although the population has grown, the number of available jobs on the island has not increased proportionally.

Figure 6: Bainbridge Island Business Patterns



Source: U.S. Census Bureau, 2013 Zip Code Business Patterns

At 4.2%, unemployment on Bainbridge Island is lower than Kitsap County (6.3%) and Washington State (6.9%) and is projected by Experian to drop to 3.6% by 2019.

There are nearly 10,000 Island residents in the labor force, and with fewer than 6,000 jobs on the Island, it is clear that a number of Island residents must work elsewhere in Kitsap County or the nearby Seattle metropolitan area.

Islanders commute by car far less frequently than Kitsap County or the State as a whole, instead relying more heavily on public transit, see Figure 7. This translates to longer commute times, as the Bainbridge Island commute is longer by 13-18 minutes on average. Also significant in viewing commute patterns is the high number of residents who work at home, almost three times the percentage within Kitsap County or Washington.

Figure 7: Regional Commute Types

Commute Type	Bainbridge Island	Kitsap County	Washington State
Vehicle (Self or Carpool)	49.1%	78.6%	83.2%
Public Transit	25.3%	8.3%	5.8%
Worked at Home	16.3%	6.6%	5.4%
Walked	5.6%	4.4%	3.5%
Other Means	3.7%	2.1%	2.1%
Mean Commute Time (mins)	43.2	29.7	25.7

Source: 2013 American Community Survey

Figure 8: City Business License Information (10/8/15)

	# of Licenses	% of Total Licenses
On-Island Location	2198	68%
Home-based Businesses (included in On-Island Count)	1345	42%
Off-Island Location	1020	32%
Total Business Licenses	3218	100%

Figure 9. Bainbridge Island Home-Based Businesses by Type

Business Type	Number	%
Construction & Related Services	143	10.6%
Artists & Entertainment	141	10.5%
Management & Professional Services	111	8.3%
Marketing, Advertising & Graphic Design	109	8.1%
Accommodations, Real Estate & Related	90	6.7%
Health & Wellness	79	5.9%
Landscaping	60	4.5%
Engineering, Environmental, Scientific & Technical Services	57	4.2%
Computer & Technology	56	4.2%
Educational Services	50	3.7%
Finance, Investment & Accounting	44	3.3%
Fitness, Recreation & Related	43	3.2%
Legal Services	43	3.2%
Home Furnishings & Interior Design	41	3.1%
Nonprofit, Civic & Advocacy Organizations	38	2.8%
Miscellaneous	37	2.8%
Agriculture	30	2.2%
Food Services & Manufacturing	28	2.1%
Architects	24	1.8%
Machinery & Equipment	20	1.5%
Maintenance & Cleaning	19	1.4%
Travel & Transportation	17	1.3%
Pet Services	16	1.2%
Industrial Design & Manufacturing	14	1.0%
Personal Services	11	0.8%

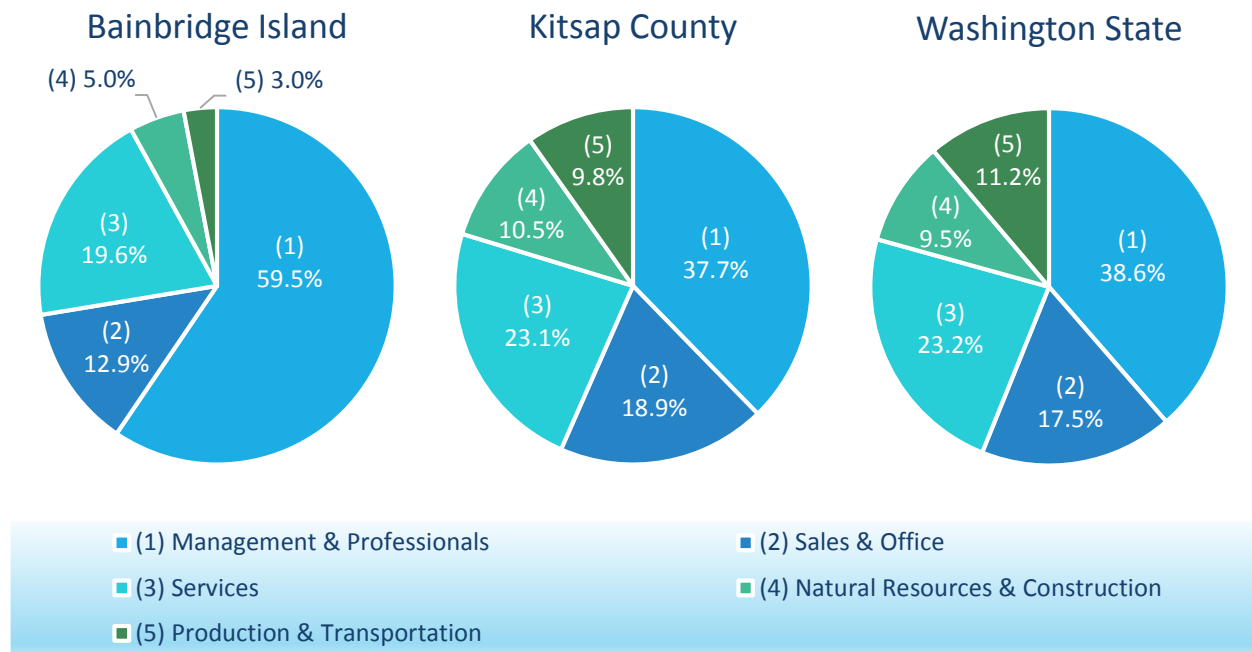
Business Type	Number	%
Childcare	8	0.6%
Clothing	7	0.5%
Water Utilities	5	0.4%
Florists	3	0.2%
Total	1,344	100.0%

Source: City of Bainbridge Island Business Licenses (10/8/15)

Based on the large number of Island residents working off-Island, the type of occupations in which they are employed gives a better indication of their financial means as opposed to analyzing the composition of Island jobs.

Bainbridge Island residents overwhelmingly hold professional or management positions: almost 60% of the workforce holds such positions, sharply contrasting with the less than 40% of Kitsap County or Washington residents that do, see Figure 8. These positions also tend to command a much higher salary than other types of positions.

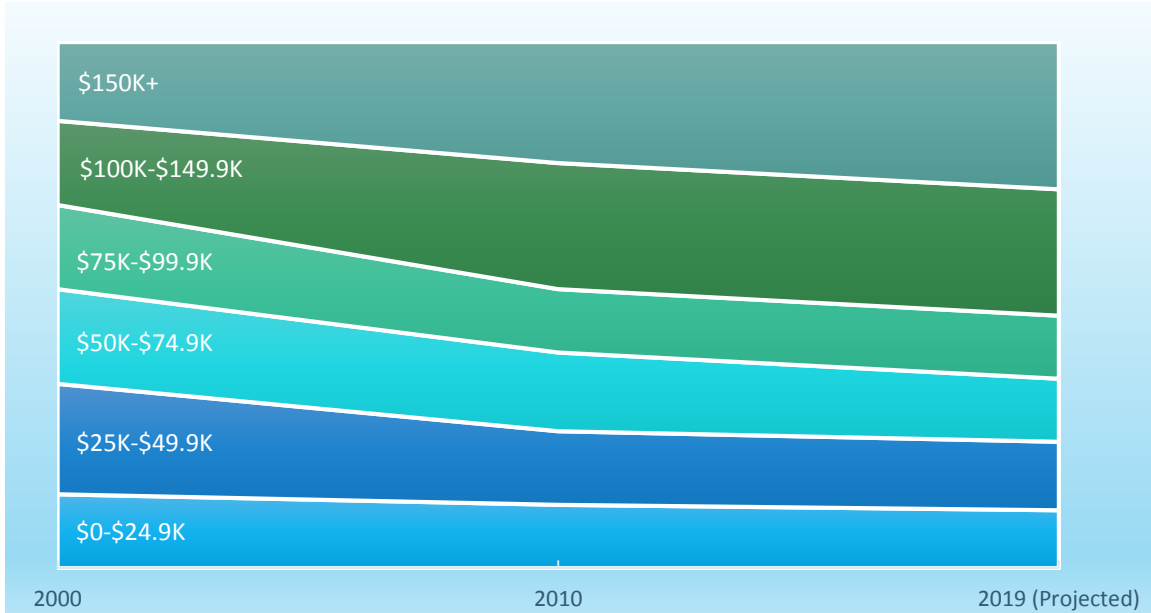
Figure 10: Workforce by Occupation



Source: 2013 American Community Survey

Since 2000, the proportion of Bainbridge Island households with incomes greater than \$100,000 has steadily increased with Island businesses benefitting from off-Island income. Bainbridge Island has significantly higher median household incomes, when compared to Kitsap County or Washington State, see Figures 9 and 10.

Figure 11: Proportion of Bainbridge Island Households by Income Bracket



Source: 2000-2010 U.S. Census and Experian Census Area Projections & Estimates

Figure 12: Median Household Income

	2000	2010	2014	2019 (Projected)
Bainbridge Island	\$70,797	\$92,762	\$89,223	\$103,499
Kitsap County	\$46,923	\$62,712	\$59,362	\$68,859
Washington State	\$45,811	\$57,181	\$58,274	\$67,667

Source: 2000-2010 U.S. Census and Experian Census Area Projections & Estimates

Living and Working in the Same Community

As shown previously in Figure 5, the majority of people employed on Bainbridge Island work in the services industry or retail trade. The corresponding wages paid to employees on the Island in these sectors show a much lower average wage than represented by the median household income, see Figures 10 (above) and 11.

Figure 13: Average Wages on Bainbridge Island by Industry

Industry Name	Average Annual Wage*
Health Care & Social Assistance	\$30,306
Other Services (excl. Public Administration)	\$29,576
Retail Trade	\$27,748
Arts, Entertainment & Recreation	\$21,257
Accommodation & Food Services	\$16,754

**Average Annual Wage is calculated based on the total wages paid by reporting employers during calendar year 2014 and the average of the same 12 months employment for the same employers.*

Source: Washington State Employment Security Department

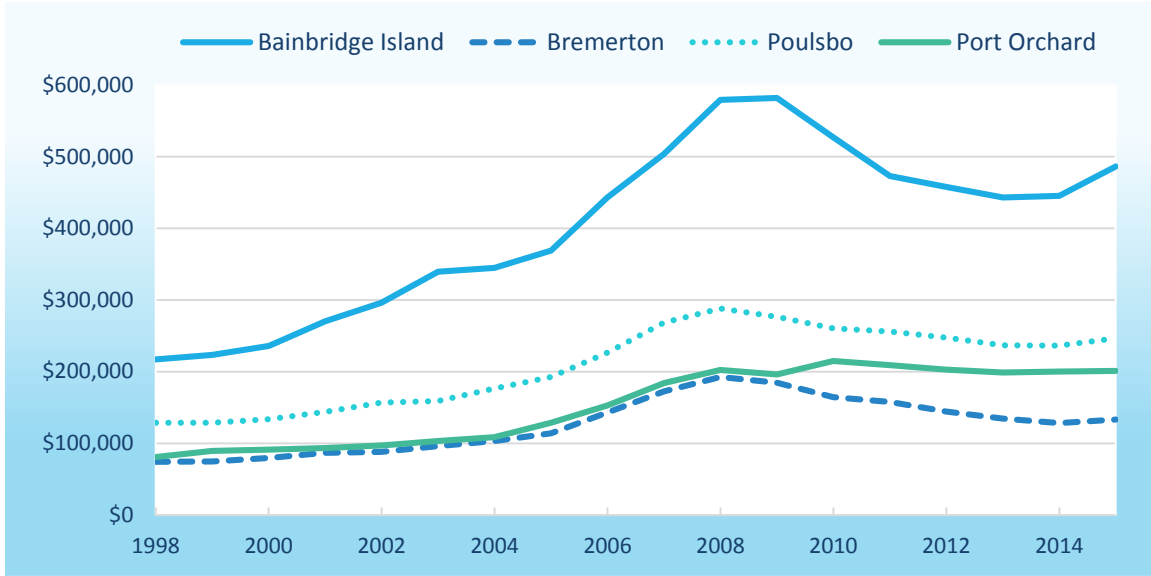
This disparity in income and wages could be the result of a number of different factors such as the prevalence of part-time work in these sectors or that a sizable portion of these employees reside off-Island. Regardless of the reason, it is clear that the wage and salary analysis above coupled with a highly competitive housing market indicates that many jobs within the Island economy cannot provide workers sufficient incomes to make living within the community possible, even for dual income households.

Bainbridge Island Residential Investment

Bainbridge Island is primarily a residential community. Just over 9,600 of the total 17,779 acres of the Island are developed for residential land uses. A majority of the remaining land has been kept undeveloped to maintain the unique rural character so highly regarded by Island residents.

Approximately 87% of all Bainbridge Island property value is in the form of residential property which has a 2015 assessed valuation of over \$5.3 billion per the Kitsap County Assessor. Home values on Bainbridge Island tend to be much higher than those in neighboring communities, see Figure 11. This represents an investment of some portion of the income imported into the community from well-paying jobs in Seattle and elsewhere in addition to employment on the Island.

Figure 14: Regional Median Assessed Home Values



Source: Kitsap County Assessor, Statement of Assessments 2001-2015

Residential investment also drives a portion of the local economy by supporting a demand for businesses such as home repair and remodeling, landscaping services, food service, auto repair, interior design, insurance, house cleaning, day care, and municipal services.