

APPENDIX 9-1 ECONOMY OF THE AREA

SUMMARY: The economy of Wallowa County has traditionally relied heavily on timber production and agriculture and, to a lesser extent, recreation, government, and the arts. The timber and agriculture sectors of the economy have been in severe decline for several years. Most sectors of the economy are seasonal with the heaviest rate of unemployment experienced during the winter months. Wallowa County's unemployment rate is consistently higher than the state's. To alleviate high seasonal unemployment, development of winter oriented activities and non-seasonal industry will be needed, but Wallowa County's long cold winters will still result in some seasonal employment variations.

The Wallowa County Board of Commissioners has implemented a "Strategic Plan" with a goal to address the economic problems of the County and to promote action programs that will solve these problems. The program recognizes such concerns as the out migration of the County's youth, seasonal unemployment, remoteness of the County, lack of industrial diversification and family wage jobs, and other economic issues.

PAST AND PRESENT: The primary sectors of the Wallowa County employment are: agriculture, timber, recreation/tourism, construction, government, and arts. Summaries of each are found below.

Agriculture income has severely declined over the last twenty years. In 1980 personal farm income was \$11,131 and by 2000 it had plummeted to a minus \$7,507, a decrease of 167%.

Agriculture will continue to be an important economic activity. If prices for farm goods continue to decline, this sector of the economy will increasingly struggle. Also, Forest Service land use planning could have a significant impact on livestock production because of the increased costs and limitations on grazing on public land.

Largely due to the policies of the U S Forest Service, which greatly restrict timber sales on Federal land, Wallowa County now has only one operating lumber mill, located outside of Wallowa. In 1980 timber harvest from public lands was 60,345 thousand board feet, while in 2000 it was 6,327 thousand board feet, a decrease of 89%. The harvest from private lands has remained about the same. Now, most of the timber cut locally is cut from private lands. The branch railroad is back in operation and is hauling forest products from the mill at Wallowa. However, even as this is written, the mill is laying off 30 workers due to a lack of harvestable timber. World market prices also effect the economic health of the timber industry. Possible United States Forest Service program changes could further decrease the annual

allowable cut and have an adverse effect on County employment. Also, the accumulation of fuel load in the National Forests, due to a lack of harvest, now presents a significant fire hazard to the residents and economy of the County.

Recreation and tourism are considered a primary County "industry." This industry is shifting towards more conventional tourism. Please see Appendix 8-1 for a discussion of recreation and tourism.

Government employment (Federal, State and local) was one of the "bright spots" in the County economic picture. Government jobs have been increasing over the years and they are good paying jobs with attractive benefits. Some of this increase is due to the Salmon Habitat recovery Plan and other conservation efforts. However, the County has no control over the employment policies of Federal, State, and some local sectors such as schools. Fluctuations in this piece of the economy can have severe impacts on the County economy as a whole. Recently, for example, reductions in Forest Service, state and school employment have had a significant impact.

The arts continue to be an important piece of the County economy. The County now has four active bronze foundries and many galleries. In addition to providing local employment, the arts also contribute to tourism and County promotion in general.

Construction is an increasingly important piece of the County's economic output. Construction currently makes up about 12% of the County's gross economic output.

The County has an industrial zone, which should encourage rural types of industry. However, the encroachment of residential uses, proximity to rivers and wetlands, lack of services, and unavailability for sale severely limit the use of County industrial lands. An ongoing study of the County's industrial properties indicates that only 20% of properties zoned industrial may be suitable for industrial use. Closer examination of these properties may lower this percentage. Currently, the County suffers from a lack of available usable industrial land.

Overall, there is a pressing need for family wage jobs in the County. Although retirees bring needed skills into the County, a diverse healthy local economy cannot be achieved based solely on retirees and vacationers. Families drive the need for a diverse range of goods and services and for schools, hospitals and libraries. Over the last twenty years County unemployment has been as high as ~~13.7~~ 14.6 % and as low as 7.5 %, and has consistently exceeded the state level. Although the average County wage has about doubled over the last twenty years (\$11,589 in 1980 and \$22,562 in 2000), it has dropped to 2/3 of the state average wage. Also, although the median home value has increased by 135% over the last ten years, the median household income has increased only 51%. An economy made up of diverse small industry, including agriculture and forestry, would insulate the County economy from external influences, would attract families to the County, and would help reverse some of the other alarming trends detailed here. Examples of individual local entrepreneurial businesses would be Wolfe Fleece, Bronson Log Homes, Matt Cross's The Gadget Shop, Tim Hall Photography and

Green/Christoffersen Marketing. There are many others.

FUTURE: The economy of Wallowa County is in transition. This transition has been driven, up to this point, by forces largely outside of the control of the County. Resource based industries are dependent upon Federal and State policies and commodity markets. However, resource based industries, which currently make up about 30% of the County's gross economic output, will most likely always be important to the economy. Tourism and government (which together make up about 24% of the County's gross economic output) have increased to fill some of the gap, but State and Federal employment levels are outside of the County's control. Retirement income has also increased to the point where transfer payments are now greater than earned income within the County.

Change is always difficult. However, Wallowa County needs to change and adapt to the forced transition in its economy. We know where we are. The question is where do we want to be. Once we know these two points, we can chart our course.

In the future, Wallowa County will probably still be small in population, but the County can be a vibrant community retaining its culture and enjoying economic stability, diversity and managed growth. What might this look like?

Timber and agriculture will continue to be important participants in the local economy, and will continue to strongly influence the culture and values of the County. The retention of the railroad can lower transportation costs, and allow for growth in the value added wood and agricultural products industry. This sector can supply needed family wage jobs. However, the County must maximize local influence on policy, regulation and management of these natural resources on public lands.

Wallowa County is a special place, and tourism and recreation continues to grow. Tourists may wish to purchase vacation or retirement homes in the County. Please see Appendix 8-1 for a discussion of the future of recreation and tourism.

Local medical services are important to the community, especially in light of the County's growing retiree population. The Wallowa Memorial Hospital provides services such as X-ray, MRI, and surgery. Without a local hospital, County residents would have to travel to La Grande or further to obtain basic medical care. It is in the County's interest to facilitate the retention and improvement of its hospital and work to acquire and retain highly competent medical personnel in Wallowa County.

Arts related industries continue to grow and are an increasingly important segment of the local economy. Wallowa County is known for its bronzes. Galleries and arts associated businesses should form a strong relationship with the tourism industry to the mutual benefit of both. The County should promote the public display of art objects produced in Wallowa County. The County economy would benefit from facilitating the local film and video liaison to promote Wallowa County for use in movies and commercials. The County

County should continue to encourage the establishment of foundries, galleries, home based occupations and other arts related facilities.

The construction industry in Wallowa County can provide family wage jobs and the construction of homes will increase demand for services as wide ranging as groceries to video rentals to insurance. As there seems to be a demand for retirement and second homes in the County and a shortage of lots to build them on, the County should consider establishing a new rural residential zone to facilitate the placement of these homes. Such homes might be in lieu of HB3326 homes and should reflect the culture and values of the County.

Education is the heart of a community and employers desire an educated workforce. The County shall facilitate local educational opportunities, including a strong K through 12 and establishment of a local community college. The County should also ensure the preservation and teaching of local history via the County Museum and should facilitate establishment of the Nez Perce cultural center.

Retirees are an asset to the County as they bring in needed skills. They may either volunteer or work at second jobs. While not directly vested in the school system, they will live in homes which would increase the tax base and utilize services provided by County businesses and institutions. The County should encourage retirees to settle in the County by making properly zoned parcels available to site homes for retirees.

A diverse economy is less vulnerable to economic fluctuations. Wallowa County needs to encourage new diverse industry by making usable industrial lands available and ensuring that utility services are available, including high speed internet access where appropriate. The County would benefit from targeting industries that are suitable to locate here and facilitating business assistance. If feasible the County should acquire the Joseph State Airport and establish an industrial park at the Airport or other suitable location and zone the land accordingly. It is in the County's interest to encourage and facilitate economic improvement aids such as Economic Improvement Districts, Enterprise Zones, or port districts. The County shall encourage home based occupations and shall encourage young professionals to settle in the County.

The County is currently inventorying its industrial zoned lands. Results so far indicate that only about 20% of land zoned industrial is actually suitable for industrial use. Small diverse industries including value added and specialty manufacturing could be attracted to the County, however, suitable shovel ready industrial parcels and turn key sites will be needed. The County must rezone parcels unsuitable to industrial use and rezone as industrial an equivalent amount of usable industrial land. The County must also facilitate providing utility services to these parcels and otherwise make relocating businesses to the County attractive.