

DATE: February 23, 2016
TO: The City of Grants Pass and Josephine County
FROM: Terry Moore and Alexandra Reese, ECONorthwest
SUBJECT: COMPLETE EDS SITUATIONAL ASSESSMENT

This situational assessment provides the foundation for the Grants Pass and Josephine County strategic plan for economic development. It will appear as an appendix to the full plan.

1 Introduction

A strategic plan should respond to the realities of existing conditions and the possibilities and likelihoods of future conditions. A situational assessment provides information about past, current, and likely future conditions. It sets the stage for a strategic plan that addresses current and potential problems and opportunities.

A situational assessment looks at two specific aspects of economic development. First, it looks at direct measures of economic development conditions at the national, state, and local level. Think of these as the *outputs* of economic activity. Second, it looks at conditions (*inputs*) that influence economic development.

What are these inputs? Think about them as things that matter to businesses. These factors influence their decisions about the type and amount of economic activity they will pursue. Economists call these things *factors of production*.

The main factors of production (the things businesses need to operate) are:

- Labor and entrepreneurship
- Land and buildings
- Infrastructure and services
- Supplies (materials)
- Access to markets
- Business clusters

The Situational Assessment is organized as follows:

- **Chapter 2: Context for local economic development** summarizes national and state trends that set the stage for the description of local economic development conditions.
- **Chapter 3: Economic development conditions in Grants Pass and Josephine County** provides an overview of direct measures of economic development in the study area.

- **Chapter 4: Conditions that impact economic development** summarizes existing conditions, future conditions, and opportunities in Grants Pass and Josephine County for key factors of production.

2 Context for Local Economic Development

Economic development in Josephine County will occur in the context of long-run national and long- and short-run Oregon State trends. This chapter summarizes those trends and their implications for local economic development in the County and Grants Pass.

2.1 National Trends

The U.S. will see continued economic growth, which will improve workforce conditions. Analysis from the Congressional Budget Office (CBO) predicts moderate GDP growth: 3.1% in 2016, 3.7% in 2017, and 2.2% in both 2018 and 2019. Increases in consumer spending, business investment, and residential investment are expected to drive this growth. Beyond 2019, CBO projects that output will increase by 2.1% per year, higher than 2008-2014 growth, but lower than growth in the 1980's, 1990's, and early 2000's, mainly due to slower labor force growth.

Increases in output will drive better workforce conditions. Growth in hourly compensation will increase labor force participation, slowing its longer-term decline.¹ At the same time, a higher percentage of the labor force will find employment, leading to a decrease in the unemployment rate. The CBO projects that the unemployment rate will fall to 5.0% by the fourth quarter of 2017, and remain relatively steady after that. It may increase on the margin to 5.25% from 2020-2025.²

The U.S. is increasing productivity. Productivity, measured by output per hour of labor input, increased in most sectors between 2000 and 2010, peaking in 2000 and 2007. However, the recession interrupted productivity increases. After, many industries saw large productivity increases from 2009 to 2010. Industries with the fastest productivity growth were Information Technology-related industries. These include wireless telecommunications carriers, computer and peripheral equipment manufacturing, electronics and appliance stores, and commercial equipment manufacturing wholesalers.³

Federal budgets will need to pay increasing social security costs. The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability

¹ Congressional Budget Office. An Update to the Budget and Economic Outlook: 2015-2025. August 2015. <https://www.cbo.gov/publication/50724>

² Congressional Budget Office. An Update to the Budget and Economic Outlook: 2015-2025. August 2015. <https://www.cbo.gov/publication/50724>

³ Brill, Michael R. and Samuel T. Rowe, "Industry Labor Productivity Trends from 2000 to 2010." Bureau of Labor Statistics, *Spotlight on Statistics*, March 2013.

Insurance Trust Funds estimates that the number of Social Security recipients will grow from 59 million in 2014 to over 90 million in 2035, a 53% increase. Lower birth rates for replacement generations means that the number of covered workers will likely increase 14.7% over the same time period (compared to the 53% increase in retirees), from 165 million to almost 190 million in 2035. Thus, the number of Social Security beneficiaries per 100 covered workers will increase from 36 in 2014 to 58 in 2035, driving up the percent of the federal budget dedicated to Social Security and Medicare.⁴

Baby boomers are working full-time after qualifying for social security benefits. The National Institute of Aging reports that an increasing proportion of people in their early- to mid-50s expect to work full-time after age 65. In 2004, about 40% of these workers expected to work full-time after age 65, compared with about 30% in 1992.⁵ This trend can be seen in Oregon, where the share of workers 65 years and older grew from 2.9% of the workforce in 2000 to 4.1% of the workforce in 2010, an increase of 41%. Over the same 10-year period, workers 45 to 64 years of age increased by 15%.⁶

The U.S. needs replacement workers. The need for workers to replace retiring baby boomers will outpace job growth. According to the Bureau of Labor Statistics, there will be 50.6 million total job openings over the 2012-2022 period, over two-thirds from replacement needs. Almost two-thirds of job openings are in occupations that do not require postsecondary education (e.g., retail sales person, food preparation workers, and home care aides).⁷

The fastest growing occupations will require an academic degree. Although about two thirds of new jobs added by 2022 will not require an academic degree, the majority of the *fastest growing* occupations will require a degree and, on average, they will yield higher incomes. Occupations requiring an academic degree likely to grow the fastest are: industrial-organizational psychologists, interpreters and translators, diagnostic medical sonographers, occupational therapy assistants, genetic counselors, physical therapist assistants, and physician assistants.

⁴ The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2015, *The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 13, 2011.

⁵ "The Health and Retirement Study," 2007, National Institute of Aging, National Institutes of Health, U.S. Department of Health and Human Services.

⁶ Analysis of 2000 Decennial Census data and 2010 U.S. Census American Community Survey, 1-Year Estimates for the table Sex by Age by Employment Status for the Population 16 Years and Over

⁷ "Occupational Employment Projections to 2012-2022," Bureau of Labor Statistics, December 2013.

The relationship between natural resources and the economy has changed.

Once, natural resources were a direct source of economic activity; now, they play a more indirect role in economic development. Economic activity from natural resource extraction is a smaller share of total activity. At the same time, these resources are now more important to quality of life for local communities, an important factor in economic development. Increases in population and household income have increased demands for outdoor recreation, scenic vistas, clean water, and other resource-related amenities. Such amenities contribute to a region's quality of life and play an important role in attracting both households and firms.⁸

Demand and prices for energy will increase. Despite increases in energy efficiency and decreases in demand for energy among some industries, the Energy Information Administration expects demand for energy to increase over the 2013 to 2040 period. Increases in population and economic activity, particularly among industrial and other commercial users, will drive growth in energy consumption. Residential use may decline slightly. Higher prices will accompany increased demand.⁹

As energy prices increase over the planning period, transportation energy consumption will decrease. Higher energy prices may decrease willingness to commute long distances,¹⁰ but fuel efficiency gains for vehicles may partially offset this impact. Moreover, continued improvements in communication technology means increasing alternatives to physical travel. The U.S. is expected to increase their vehicle miles traveled (VMT) through 2040.¹¹

Companies will move to where labor costs are lower. Labor and transportation costs are primary determinants of globalization. When the wage gap between two areas is larger than the additional costs of transporting goods, companies are likely to shift operations to an area with lower labor costs. Conversely, when transportation costs increase, companies may have incentive to relocate to be closer to suppliers or consumers.

The impact of declining fuel costs on business mobility occurs incrementally over time, and is difficult to measure in the short-term. If transportation costs decrease

⁸ For a more thorough discussion of relevant research, see, for example, Power, T.M. and R.N. Barrett. 2001. *Post-Cowboy Economics: Pay and Prosperity in the New American West*. Island Press, and Kim, K.-K., D.W. Marcouiller, and S.C. Deller. 2005. "Natural Amenities and Rural Development: Understanding Spatial and Distributional Attributes." *Growth and Change* 36 (2): 273-297.

⁹ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040*, U.S. Department of Energy, April 2015.

¹⁰ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040 Early Release Overview*, U.S. Department of Energy, April 2015.

¹¹ Energy Information Administration, 2015, *Annual Energy Outlook 2015 with Projections to 2040 Early Release Overview*, U.S. Department of Energy, April 2015.

over the planning period, businesses may not make the decision to relocate (based on transportation costs) because the benefits of being closer to suppliers and markets may not exceed the costs of relocation.

People will move to more temperate climates as climate change occurs. There is a consensus among the scientific community that global climate change is occurring and will have important ecological, social, and economic consequences over the next few decades and beyond.¹² Extensive research shows that Oregon and other western states already have experienced noticeable changes in climate and predicts that more change will occur in the future.¹³

In the Pacific Northwest, climate change is likely to (1) increase average annual temperatures, (2) increase the number and duration of heat waves, (3) increase the amount of precipitation falling as rain during the year, (4) increase the intensity of rainfall events, and (5) increase sea level. These changes are also likely to reduce winter snowpack and shift the timing of spring runoff to earlier in the year.¹⁴

But the affects of climate change on local economic development are relative, and may benefit Oregon. California and Arizona will get hotter and drier. Oregon is likely to look good to many businesses and households in comparison.

2.2 State Trends

State, regional, and local trends will also affect economic development over the next 20 years.

¹² Karl, T.R., J.M. Melillo, and T.C. Peterson, eds. 2009. *Global Climate Change Impacts in the United States*. U.S. Global Change Research Program. June. Retrieved June 16, 2009, from www.globalchange.gov/usimpacts; and Pachauri, R.K. and A. Reisinger, eds. 2007. *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II, and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*.

¹³ Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Upper Willamette River Basin of Western Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon. March. and Doppelt, B., R. Hamilton, C. Deacon Williams, et al. 2009. *Preparing for Climate Change in the Rogue River Basin of Southwest Oregon*. Climate Leadership Initiative, Institute for a Sustainable Environment, University of Oregon. March.

¹⁴ Mote, P., E. Salathe, V. Duliere, and E. Jump. 2008. *Scenarios of Future Climate for the Pacific Northwest*. Climate Impacts Group, University of Washington. March.; Littell, J.S., M. McGuire Elsner, L.C. Whitely Binder, and A.K. Snover (eds). 2009. "The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate - Executive Summary." *In The Washington Climate Change Impacts Assessment: Evaluating Washington's Future in a Changing Climate*, Climate Impacts Group, University of Washington; Madsen, T. and E. Figdor. 2007. *When it Rains, it Pours: Global Warming and the Rising Frequency of Extreme Precipitation in the United States*. Environment America Research & Policy Center and Frontier Group.; and Mote, P.W. 2006. "Climate-driven variability and trends in mountain snowpack in western North America." *Journal of Climate* 19(23): 6209-6220.

Long-term Trends

Oregon will see more in-migration from other states. Oregon will continue to experience in-migration (more people moving *to* Oregon than *from* Oregon) from other states, especially California and Washington. From 1990 to 2013, Oregon's population increased by almost 1.1 million, 65% of whom were people moving into Oregon (net migration). The average annual increase in population from net migration over the same time period was just over 29,000. Oregon's net migration was highest during the early- to mid-1990s, peaking at just over 60,000 in 1991. Oregon hasn't experienced negative net migration since the early- to mid-1980s.¹⁵

Oregon nonfarm employment is likely to increase. The OEA expects total nonfarm employment to increase from 1.7 million in 2013 to just over 2 million in 2022, an increase of 340,000 jobs. The industries with the largest growth will be Professional and Business Services, Leisure and Hospitality, Health Services, and Retail Trade, accounting for 61% of forecast growth.¹⁶

Oregon increasingly depends on exports. Oregon's exports totaled \$19.4 billion in 2008 – a near doubling of the value of exports in 2000. Exports reached \$21 billion in 2014, and are forecast to remain at that level in 2015. Oregon exports primarily to countries along the Pacific Rim, with Canada, China, Japan, Korea, and Malaysia as top destinations. Oregon's largest exports are tied to high-tech, mining, and agricultural products.¹⁷

Oregon continues to see shifts in manufacturing, from natural resource-based to high-tech and other manufacturing industries. Since the 1970s, resource-extraction related industries have declined as a share of total economic activity. An of this transition is the shift within Oregon's manufacturing sector, in which employment declined in the Lumber & Wood Products industry while concurrently increasing in other manufacturing industries, such as high-technology manufacturing (Industrial Machinery, Electronic Equipment, and Instruments), Transportation Equipment manufacturing, and Printing and Publishing.¹⁸

¹⁵ Portland State University Population Research Center. 2013 Annual Population Report. April 2014. <http://www.pdx.edu/prc/annual-oregon-population-report>

¹⁶ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 48.

¹⁷ Oregon Office of Economic Analysis. Oregon Exports 2015: Destination Countries. August 2015. <http://oregoneconomicanalysis.com/2015/08/13/oregon-exports-2015-destination-countries/>

¹⁸ Although Oregon's economy has diversified since the 1970's, natural resource-based manufacturing accounts for nearly 40% of employment in manufacturing in Oregon in 2014, with the most employment in Wood Product and Food manufacturing (QCEW).

Mainly due to the wage growth during in three years, Oregon wages are at their highest point relative to other states since the recession in the early 1980's. In 2014, average annual wage was \$46,515, and median household income was \$51,075.¹⁹ The OEA forecasts that total personal income (all classes of income, minus Social Security contributions, adjusted for inflation) in Oregon will increase 63%, from \$157 billion in 2013 to be \$256 billion in 2022. It forecasts per capita income will increase by 47% over the same time period, from \$40,000 in 2013 to \$59,000 in 2022 (in nominal dollars).²⁰

Small businesses support a large share of employment in Oregon. While small businesses (those with 100 or fewer employees) played a large part in Oregon's expansion between 2003 and 2007, they also suffered disproportionately in the recession and its aftermath (64% of the net jobs lost between 2008 and 2010 were from small businesses).

In 2012, small businesses accounted for 96% of all businesses and 41% of all private-sector employment in Oregon. Said differently, most businesses in Oregon are small (in fact, 77% of all businesses have fewer than 10 employees), but the largest share of Oregon's workers work for large businesses.

The average annualized payroll per employee at small businesses was \$34,248 in 2012, which is considerably less than that at large businesses (\$48,938) and the statewide average for all businesses (\$46,669).²¹ This trend may explain, in part, why Oregon wages are relatively low.

Short-term Trends

The Oregon economy is currently "at full throttle growth." Over the past year, Oregon added over 50,000 jobs, a 3.4% growth rate. The professional and business services, health services, and leisure and hospitality industries have accounted for almost half of total growth in the State.²² Wage increases have accompanied employment growth.

Oregon has not, however, completely recovered from the recession. It has a large labor-force participation gap (the difference between the percent of the population either employed or looking for work now and the same percentage

¹⁹ Oregon Quarterly Census of Employment and Wages, 2014. <https://www.qualityinfo.org>; US Census American Community Survey 1-Year Estimates, 2014, Table B19013.

²⁰ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 47.

²¹ U.S. Census Bureau, 2012 Statistics of U.S. Businesses, Annual Data, Enterprise Employment Size, U.S. and States. <http://www.census.gov/econ/susb/>

²² Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, , page 8 <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0915.pdf>

when “operating at full strength”).²³ The OEA expects economic growth in Oregon to remain at the current pace through 2017, but slow as more baby boomers retire.²⁴

The housing market is continuing to recover. Oregon is seeing high household formation rates, which is good for the housing market. But the supply of housing (both rental and ownership) has not kept pace with demand, causing home prices and rents to rise. The OEA expects construction to increase over the next three years, relieving some of this pressure.²⁵

The Oregon Index of Leading Indicators has grown since 2012. The OEA uses this index to monitor strength of employment and business performance. The leading indicators showing improvement are: volume of airfreight, initial claims for unemployment, wage and salary withholdings, and incorporations of new companies. Negative trends among the Index of Leading Indicators include: flat housing permits, decreasing industrial production, and the appreciating Oregon Dollar Index.²⁶

Oregon’s economic health is dependent on the export market. The value of Oregon exports in 2014 was \$21 billion. Oregon’s main importers are: China (20% of total Oregon exports), Canada (15%), Malaysia (12%), Japan (8%), South Korea (6%), and Taiwan (5%).²⁷ With the appreciation of Oregon’s dollar, Oregon’s exports have slowed.²⁸ The economic slowdown across many parts of Asia will continue to affect the Oregon economy. However, the Trans-Pacific Partnership, a bill that would reduce trade barriers if approved, would increase Oregon exports to participating countries (such as Malaysia, Japan, and Canada).

²³ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 8 <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0915.pdf>

²⁴ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3.

²⁵ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 18.

²⁶ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 15.

²⁷ United States Census. State Exports from Oregon, 2011-2014. <https://www.census.gov/foreign-trade/statistics/state/data/or.html>

²⁸ Office of Economic Analysis. Oregon Economic and Revenue Forecast, September 2015. Vol. XXXV, No. 3, page 7

3 Economic Development Conditions in Grants Pass and Josephine County

Public-sector economic development policy focuses on creating economic prosperity. This chapter describes direct indicators of economic prosperity. For each indicator, the situational assessment compares Josephine County to other counties in the Southwest Oregon Region (Coos, Curry, Douglas, and Jackson counties), the State of Oregon, and the United States. This chapter covers four categories of indicators:

- 3.1 Economic Activity
- 3.2 Population and Employment
- 3.3 Income
- 3.4 Industry Activity

3.1 Economic Activity

3.1.1 Output

Real per capita GDP for Grants Pass MSA was \$22,015 in 2014, which was higher than many southern Oregon counties, but lower than its neighbor, Medford; the State; and the U.S. Real GDP per capita in these comparable geographies was as follows:

- Medford MSA (part of Jackson County), \$30,757;²⁹
- Oregon, \$50,568; and
- The U.S., \$52,526.³⁰

Two factors may explain why Grants Pass MSA had a relatively low output. The first reason is that its population has a larger share of retirees (see 3.2.1 Population). The second is that educational institutions, which offer stable jobs but do not generate high output, are among the major employers of the region. Of Josephine County's top ten employers (ranked by number of employees), three are public-sector educational institutions: Rogue Community College, Grants Pass School District, and Three Rivers School District (ranked number one, three, and four, respectively).³¹

²⁹ Medford is the only other MSA in the five-county Southwest region. All other southwest Oregon counties are part of a Micropolitan area. GDP is only calculated for metropolitan area.

³⁰ Bureau of Economic Analysis.

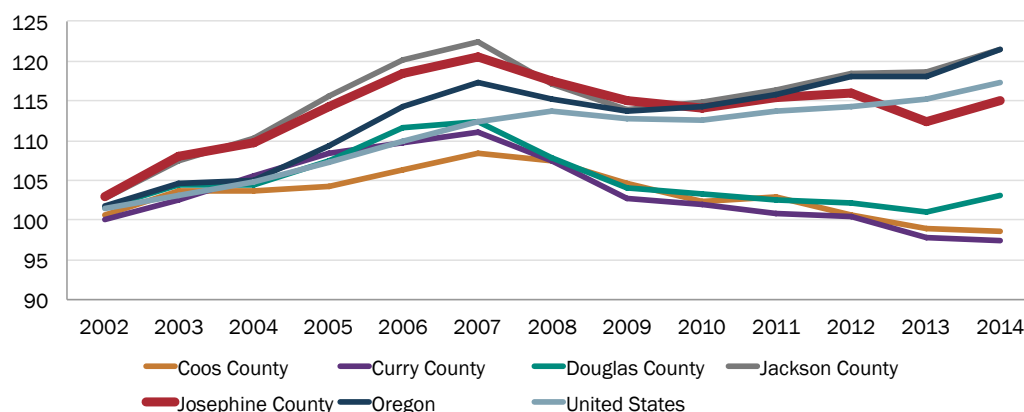
³¹ Bureau of Economic Analysis.

3.1.2 Number of Establishments

The number of businesses in Josephine County increased on par with Jackson County, the State, and the U.S. as a whole. Counties in southwestern Oregon divide into two groups with respect to number of businesses. The first group, including Coos, Curry, and Douglas counties, experienced decreases in private businesses from 2007 to 2013. The second group, including Jackson and Josephine counties also experienced declines. But, the number of businesses leveled off in 2009 and began to grow in 2013. Josephine County's average annual growth in businesses was just behind the U.S. and Oregon at 1.1% from 2001 to 2014.³²

Trends in the U.S. and the State are in line with those of Jackson and Josephine counties. The U.S. had 9.3 million private establishments in 2014. Oregon had 134,891 private establishments in 2014. From 2001-14, private businesses in the U.S. and the State grew at an average annual rate of 1.2 and 1.5%, respectively.³³ During the recession (2007-2009) the number of firms decreased in all places.

Figure 1: Number of Businesses, indexed (2001=100), 2002-2014



Source: ECONorthwest, Using BLS QCEW data

3.2 Population and Employment

This section shows the population and employment trends for Josephine County.

3.2.1 Population

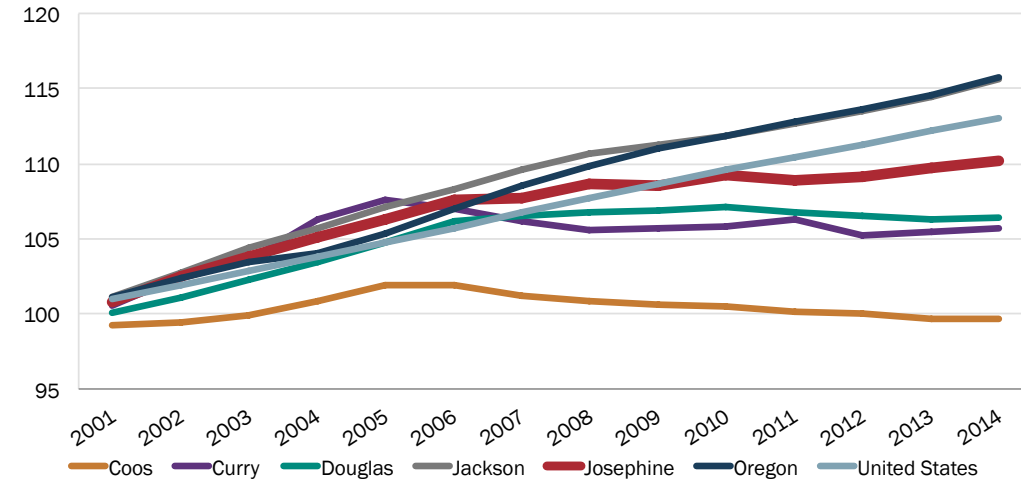
Josephine County's population was 83,599 in 2014, placing it in the middle of the pack for southern Oregon counties.³⁴ Of the comparison counties in Figure

³³ Bureau of Labor Statistics. QCEW data.

³⁴ Bureau of Economic Analysis. 2015 Local Area Personal Income and Employment. Table CA1 Personal Income, Population, Per Capita Income. <http://www.bea.gov/itable/>

2, two are larger (Jackson County with 210,027; Douglas County with 106,972) and two are smaller (Coos with 62,475; Curry 22,335).

Figure 2: Population Growth, Indexed, 2001-2014 (2000 = 100)

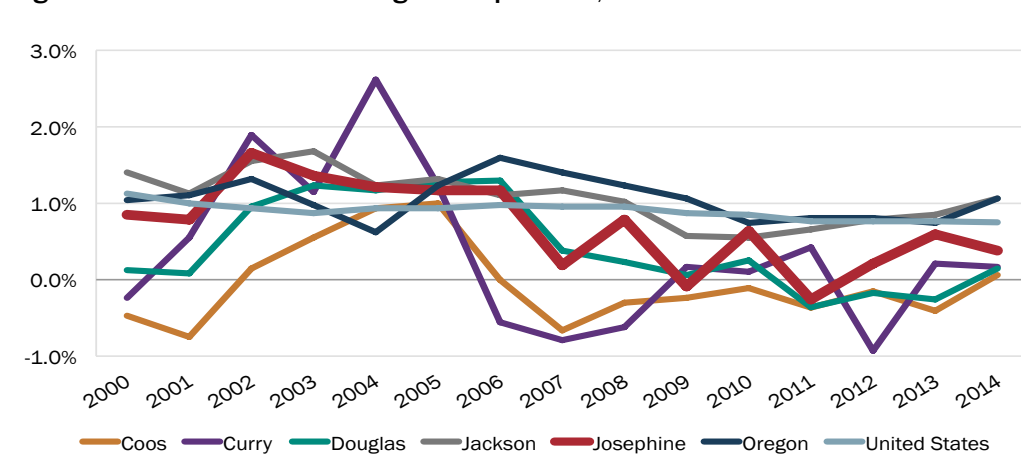


Source: ECONorthwest using BEA data

Historically, Josephine County had more population growth than other southwest Oregon counties, Oregon, and the U.S. From 1969 to 2000, Josephine County’s population grew at an average annual rate of 2.5%. From 2000 to 2014 Josephine County’s average annual percent change in population was 0.7%.³⁵

But, relative population trends are changing: a higher share of people moved to Jackson and Curry counties in 2014 than to Josephine County. In 2014, immigrants (including those from other cities, counties, states, or countries) comprised 5.8% of Josephine County’s population. Jackson County’s in-migrant share was 6.6% and Curry County’s was 9.2% that same year.

Figure 3: Annual Percent Change in Population, 2000-2014



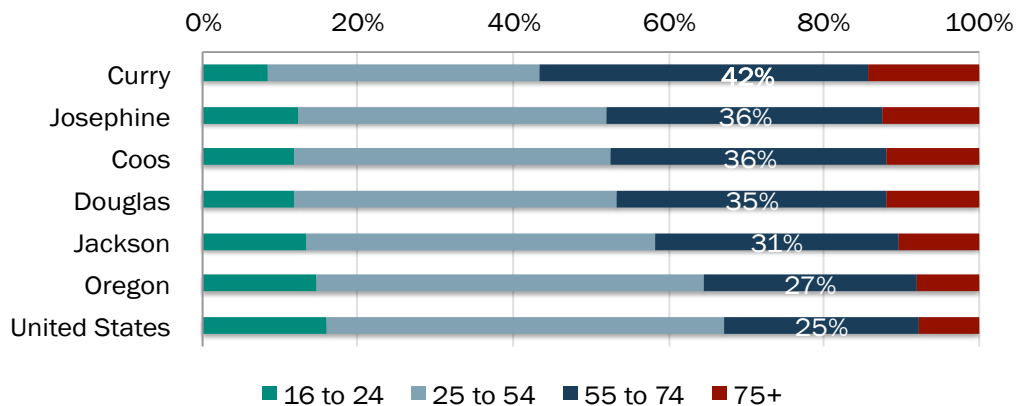
Source: ECONorthwest using BEA data

³⁵ Compared to Jackson Counties (1.1 percent), Oregon (1.1 percent), and the United States (0.9 percent)

The OEA forecasts that Josephine County’s population will grow at a moderate rate of 1.16% per year from 2015 to 2030, which is in line with the State as a whole. Oregon’s forecasted annual growth rate for the same time period is 1.17%.³⁶

Josephine County has a relatively old and aging population. Josephine County’s share is larger than Oregon’s (19%) and the U.S. (17%), as well as most southern Oregon counties. Curry County is the only county in southwest Oregon to have a larger share of people 65 and older (33%). This aging population will increase demand in health care services and replacement workers.

Figure 4: Age Groups 16 and older as Share of Total Population, 2014



Source: ECONorthwest using U.S. Census 5-year estimates

3.2.2 Employment

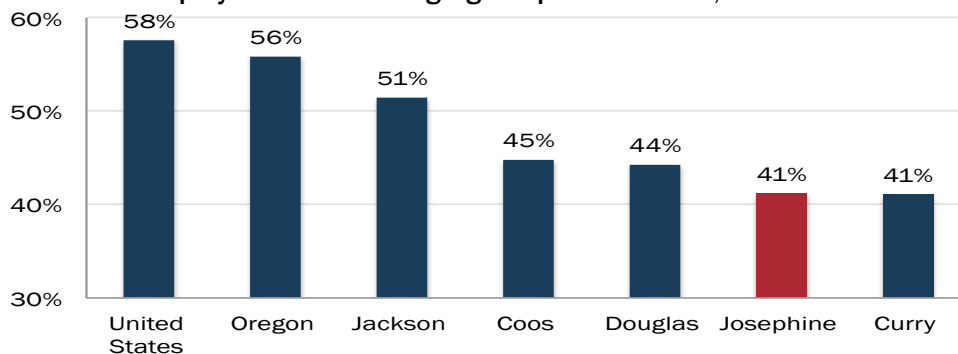
Josephine County has a relatively low employment-to-population ratio.³⁷ The U.S. share (58%) gives a sense of the participation rate needed to keep the U.S. economy running. Subareas of the U.S. may differ, and the smaller the subarea the more likely it is to vary from the average. Low percentages suggest high unemployment, high percentages of retirees, or both.

In 2014, the Josephine County’s employment-to-population ratio was 41%. Oregon, the U.S., and most other counties in southwest Oregon had higher employment to population ratios in 2014. Figure 4 suggests the explanation: a much higher than average percent of the population is over 55 years old.

³⁶ Office of Economic Analysis. Long term Population Forecast for Oregon and its Counties, 2000-2040. March 2013. <http://oregon.gov/das/oea>

³⁷ Employment to Population ratio was calculated using a working age population (workers 16 and older).

Figure 5: Total Employment to Working Age Population Ratio, 2014

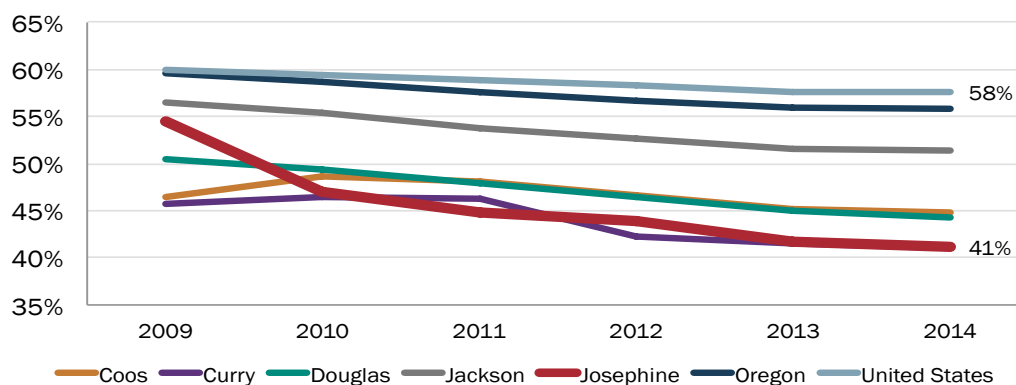


Source: ECONorthwest using U.S. Census 5-year estimates

Figure 5 may slightly understate true employment population ratios. These ratios use the total working age population, as opposed to the civilian, non-institutionalized population. The difference between the two is that the latter excludes persons who are in the military or institutions like prisons, four-year colleges, mental institutions, or nursing homes—those not available for work. The Census does not report the historical civilian non-institutionalized population data for all local geographies on an annual basis, hence the use of the total working age population. But, the difference between the two ratios is small: across all geographies in 2014, a year in which both population counts are available, there is only a one percent difference in the ratios.

Southwest Oregon, Oregon, and the United States all had decreasing ratios of employment to population from 2009 to 2013. Josephine County had the largest decline, with an average annual change of -5.3% from 2009 to 2014.³⁸ The relatively large percentage of retirees in the County is likely largely responsible for this trend.

Figure 6: Ratio of Total Employment to Working Age Population, 2009-2014



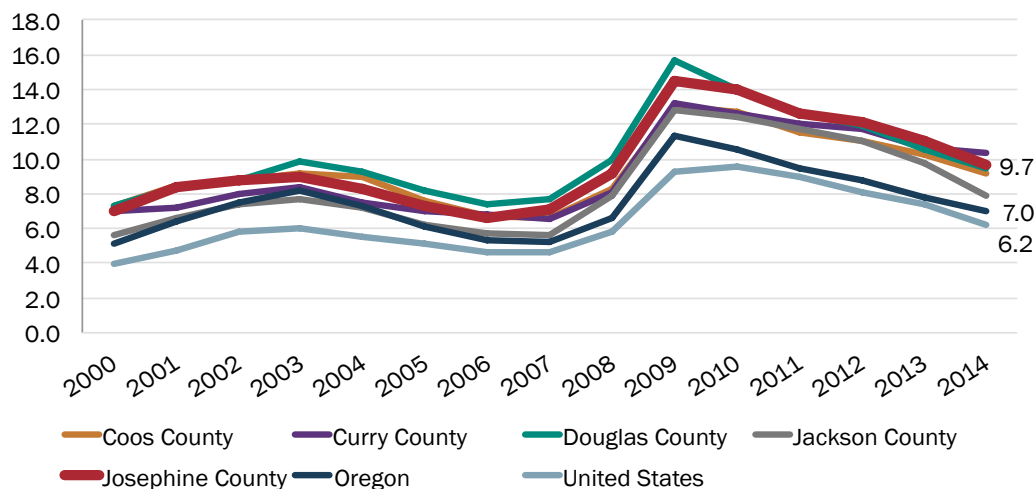
Source: ECONorthwest using U.S. Census 5-year estimates

³⁸ Coos (-.06%), Curry (-2.1%), Douglas (-2.6%), Jackson (-1.8%), Oregon (-1.2), and the United States (-0.7%)

3.2.3 Unemployment

Josephine County's unemployment rate in 2014 was 9.7%, which was higher than most comparable geographies. Jackson, Douglas, and Coos counties had lower unemployment rates in 2014. Oregon's unemployment rate for 2014 was 7.0% and the U.S. was 6.2%.³⁹ Although Josephine County's unemployment rate is relatively high, it has improved the most since the recession.

Figure 7: Josephine County Unemployment Rate, 2000-2014

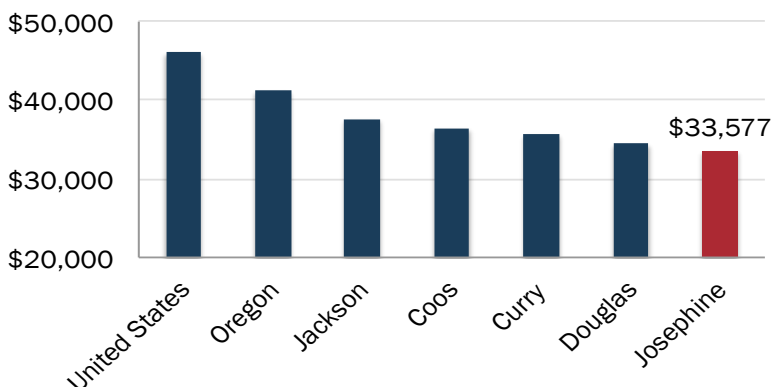


Source: ECONorthwest using BLS Local Area Unemployment Statistics.

3.3 Income

Josephine County had the lowest per capita income compared to other southwest Oregon counties, Oregon, and the United States in 2014. The large percentage of retirees and high unemployment rate are largely responsible for this trend.

Figure 8: Josephine County Per Capita Income, 2014



Source: ECONorthwest, using BEA data

³⁹ Bureau of Labor Statistics. 2015

Growth in per capita income over the last 15 years is on par with the State as a whole and many southern Oregon Counties. Josephine County had a 0.6% annual average increase in real per capita income from 2001 to 2014, which is 0.1% greater than the State as a whole. Three counties experienced the same or lower rates of growth: Douglas and Curry counties experienced the same average annual growth as Josephine, and Coos County saw an annual average growth rate of 1.1% during this same time period. The U.S. led the pack with an annual average increase of 0.8%.⁴⁰

Median income trends parallel per capita income trends. Josephine County's median household income in 2014 was \$36,870. It is lower than Jackson County (\$44,918), Oregon (\$51,657), and the U.S. (\$53,657). Household income has not recovered to its pre-recession level, which peaked at \$46,967 in 2006.⁴¹

Income trends derive from the population and employment trends described in this chapter. Josephine County has an older population, and relatively high unemployment. This combination results in Josephine County having a lower per capita income compared to all other geographies shown in Figure 8.

3.4 Industry Activity

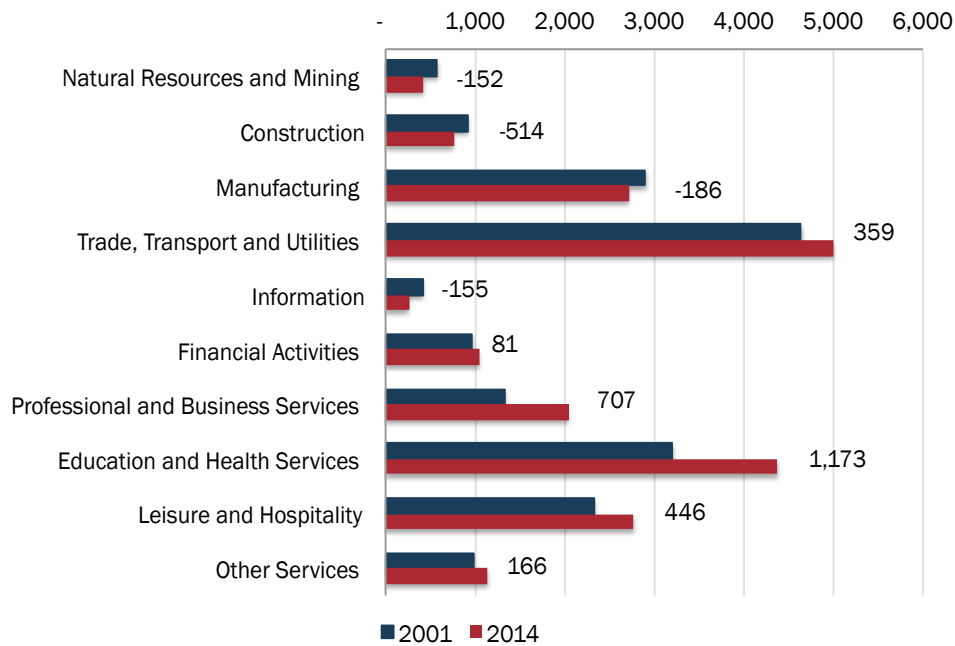
Trade, Transport, and Utilities and Education and Health services employed the greatest share of people in Josephine County in 2014. This fact is largely due to the concentration of major employers in these two industries. The four largest employers in the County in 2009 are in the Education and Health Services industry: Rogue Community College (919 employees), Three Rivers Hospital (900 employees), Grants Pass School District (670 employees), and Three Rivers School District (645 Employees) were the top four employers. Wal-Mart and Fred Meyers dominate the retail stores sector and were the 5th and 12th largest employers in Josephine County with 470 and 220 employees, respectively.⁴²

⁴⁰ All amounts are in 2014 Dollars.

⁴¹ U.S Census ACS 1-Year estimates

⁴² Major Employers in Josephine County. Grants Pass and Josephine County Chamber of Commerce. 2009

Figure 9: Employment by Industry, Josephine County, Total and Difference 2014 and 2001



Source: ECONorthwest using BLS QCEW data

Growth in the education and health services industry bodes well for the local economy. This industry has two benefits: (1) it can be a traded sector industry in that customers may spend federal transfer payments that bring new money into the local economy, and (2) these jobs pay comparably higher wages.⁴³

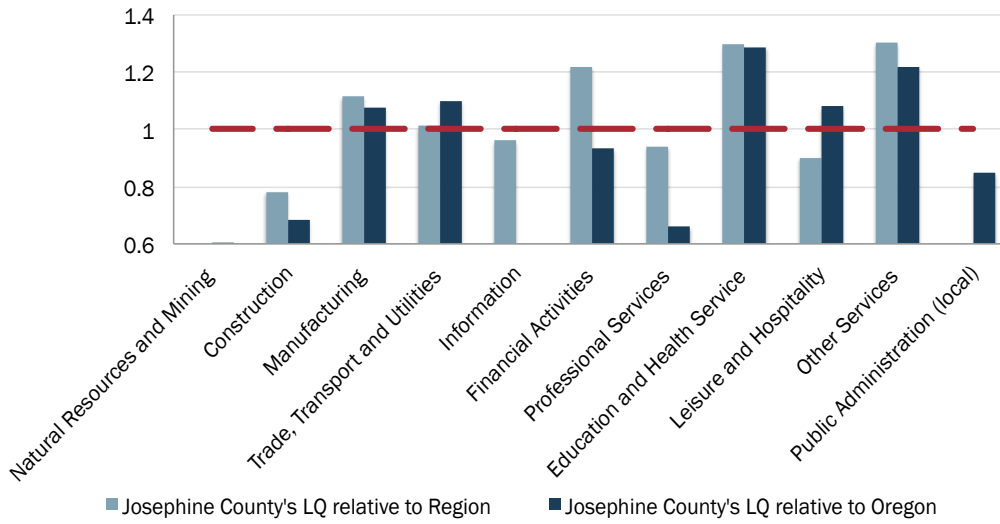
Josephine County has a higher relative concentration of employment in the Manufacturing, Transport and Utilities, Financial Activities, Education and Health Service, and Other services sectors. Figure 10 shows Josephine County’s Location quotients (LQ) compared to the southwest Oregon County regional average⁴⁴ and to the State.⁴⁵ Location quotients are often used to suggest evidence of comparative advantage—for a concentration of an industry to exist in one place, industry must be more productive there than it would be somewhere else.

⁴³ Tauer, Guy. Spotlight on Rogue Valley Manufacturing: Recovery From The Great Recession. January 4, 2016. State of Oregon Employment Department. <https://www.qualityinfo.org>

⁴⁴ Region is comprised of Coos, Curry, Douglas, and Jackson Counties.

⁴⁵ Location quotients are often used to suggest evidence of comparative advantage. This is because for a concentration of an industry to exist in one place, it must be because that industry can be more productive there than it could relative to existing somewhere else.

Figure 10: Josephine County Employment Location Quotients Compared with Southwest Oregon Region and Oregon, 2014



Source: ECONorwest, using BLS QCEW data

4 Conditions that Impact Economic Development

Government has a comparative advantage in creating positive effects on economic development factors for the following factors of production:

- **Labor:** workforce development and education (Section 4.1)
- **Land and Buildings:** the planning and entitlement of land so that it is ready for the development of buildings (Section 4.2)
- **Infrastructure:** so that sites are connected to what is needed to support buildings and the operations they house (Section 4.3)
- **Services:** the kinds of things that businesses need to support operations and their employees need to support quality of life (Section 4.4).

For these four factors of production, it is not simply the case that local government *might* be able to do something to improve quality or reduce cost. Rather, historical precedent has created an expectation by both the private and public sectors that local government *must* do something to improve their quality and value.

For that reason, we view government actions with respect to these factors of production as the bedrock of a local economic development policy. Before proceeding to fancier and more speculative actions (e.g., building incubator space, subsidizing “target” industries), a local government should first ensure that it is doing a good job of providing the facilities and services that business expects it to provide.

4.1 Labor: Workforce Development and Education

4.1.1 What and Why

The relative productivity and cost of *labor* is the single most important cost factor for most businesses (especially service businesses). Other things being equal, firms want higher labor productivity—more output per dollar spent on labor—which is a function of both the costs and skill of labor. Businesses that are “footloose” (not strongly tied to a particular location—for example, businesses that extract and process natural resources) and looking to expand will look for locations where they can find the best labor value (a pool of appropriately trained workers and competitive wage rates).

Government can help retain and attract businesses by providing high-quality public education (K–12, college, and university) and training, and coordinating public and private education and training efforts to ensure a robust and

responsive system. Increasingly, many governments choose to focus their efforts on promoting *access to opportunity* for diverse populations, as diversity in the workforce can benefit the private sector bottom line.

Governments may also attempt to attract an educated and skilled labor force through *placemaking* (which overlaps with 4.2, Land, actions below). Such investment in the public realm can make a region more attractive to households and reduce the difficulties and costs to businesses of attracting and retaining labor. The literature of economic theory (and increasingly the empirical literature) is clear that quality of life factors affect people's desire to live in a certain place, and that a perceived high quality of life can offset wages.

4.1.2 Conditions Assessment

The conditions assessment for workforce development and education is split into the four categories: labor force characteristics, K-12 education, higher education, and workforce training. The first is about who needs to be provided education and training; the next three are about different levels of education and training. Each category makes different contributions to the education and training of the workforce, and requires targeted actions to address opportunities.

Criteria for evaluating labor supply or the effectiveness of public policies aimed at workforce include labor force participation rates, employment, unemployment rates, and participation rates in workforce training programs.

Labor force characteristics

The City of Grants Pass has an unemployment rate higher than the State average, and it has increased since 2005. It peaked at 16.5% in February 2009, and has decreased since the recession, to 9.6% in 2014, and 7.6% in September 2015. The downward trend in the unemployment rate is a positive sign.

On one hand, high unemployment may be “structural” and may signify a long-run decline or lack of growth in regional economic prospects. On the other hand, if unemployment is the result of a cyclical downturn, then a qualified labor pool may be ready to support business expansion. The implications of a high unemployment rate for economic development policy are ambiguous without further evaluation.

Focus group participants said the City of Grants Pass and Josephine County have difficulty recruiting and retaining skilled labor. Relatively low wages and the absence of social opportunities discourage young professionals from continuing to work in the City and County. The implication here is that unemployment is due in part to structural issues in the economy.

Economic development policies to address these issues might include: (1) providing better workforce training to develop the local labor market, and (2)

market locational advantages and natural amenities to retain and attract skilled employees seeking a high quality of life.

K-12 Education

When deciding where to move, households often consider school quality as an important factor. School quality is not instrumental in the development of the incumbent labor force, but it can also attract families that will grow the current and future labor force.

Two school districts serve Josephine County and the City of Grants Pass: Grants Pass School District and Three Rivers School District. The Oregon Department of Education requires school districts to release annual report cards about performance. Third parties also rank school districts and individual schools. Households seeking information about school quality may look at any of these sources when deciding where to move.

Grants Pass School District

Key findings from the annual report card include:

- The high school graduation rate is comparably good. According to its report card 73% of students earned a standard diploma within four years of entering high school in 2013-2014, roughly the State average, but higher than its like-district average of 60.9%.^{46,47} In 2013-2014, 80.3% of students earned a regular, modified, extended, or adult high school diploma or completed a GED within five years of entering high school, compared to 82.1% statewide and 78% in like-districts.⁴⁸
- But, fewer high school graduates pursue higher education post-graduation in the school district as compared to the State. For 2012-2013 graduates in the District, 51.6% of students enrolled in a 2- or 4-year school within 16 months of graduation, as compared to 60.5% in Oregon and 49.3% for like-districts.⁴⁹

Grants Pass School District has received the following objective, third-party ratings:

- **School Digger.** School Digger rates school districts and schools in all 50 states. It ranked Grants Pass School District 45th out of 148 districts in Oregon. It ranked Grants Pass High School 193rd out of 292 high schools.⁵⁰

⁴⁶ According to the Oregon Department of Education, like-districts are demographically similar.

⁴⁷ Grants Pass SD 7 Report Card, 2014-15.

⁴⁸ Grants Pass SD 7 Report Card, 2014-15.

⁴⁹ Grants Pass SD 7 Report Card, 2014-15.

⁵⁰ School Digger. Schooldigger.com

- **U.S. News Best High Schools.** Grants Pass High School received a Bronze rating from U.S. News, based on state test performance and college readiness. A bronze rating indicates the school outperforms statistical expectations for students in its state, and disadvantaged students (black, Hispanic, and low-income) outperform disadvantaged students in the state.⁵¹ U.S. News rated Grants Pass High School below the Oregon average for college readiness.⁵²
- **The Oregonian.** The Oregonian compiled information presented in individual school report cards to provide proficiency and growth ratings. The district's schools received ratings that ranged from very low to very high, with most falling somewhere in the middle. Grants Pass High School received a low rating in reading proficiency and growth. Highland Elementary School received high English and math proficiency scores, but average growth scores.⁵³

Three Rivers School District

Key findings from the annual report card include:

- According to its report card, 64.8% of students earned a standard diploma within four years of entering high school in 2013-2014, lower than Oregon's rate of 72% but higher than the like-district average of 50.1%. In 2013-2014, 81% of students earned a regular, modified, extended, or adult high school diploma, or completed a GED within five years of entering high school, compared to 82.1% statewide and 69.5% in like-districts.⁵⁴
- The percent of students who pursue higher education within 16 months post-graduation in the school district (59.1%) is slightly below the state average (60.5%), but much higher than its like-district average (51.8%).
- The report card identifies three schools (two elementary and one middle school) as model schools in 2013-14. Model schools are "high poverty schools that were ranked in the top 5% of Title 1-A schools in the state based on Oregon's rating formula...[and] serve as models of successful student outcomes."

Three Rivers School District received the following objective, third-party ratings:

⁵¹ U.S. News Best High Schools. How U.S. News Calculated the 2015 Best High School Rankings. <http://www.usnews.com/education/best-high-schools/articles/how-us-news-calculated-the-rankings>

⁵² U.S. News Best High Schools. <http://www.usnews.com/education/best-high-schools/oregon>

⁵³ 2015 Grants Pass School Performance Ratings. <http://schools.oregonlive.com/performance/Grants-Pass/>

⁵⁴ Three Rivers/Josephine County SD Report Card, 2014-15.

- **School Digger.** It ranked Three Rivers School District 48th out of 148 districts in Oregon. North Valley High School ranked 142nd, Hidden Valley high School ranked 191st, and Illinois Valley High School ranked 231st out of 292 high schools.⁵⁵
- **U.S. News Best High Schools.** Hidden Valley High School received a bronze rating and is near the Oregon average for college readiness and math and reading proficiency. Illinois Valley High School received a bronze rating, but received a college readiness score below Oregon’s average. North Valley High School did not receive a rating, but is near the Oregon average for college readiness and math and reading proficiency.⁵⁶
- **The Oregonian.** The district’s schools received ratings that ranged from very low to very high, most categorized as low, middle, or high. Williams Elementary School received very high ratings in all categories.⁵⁷

Higher Education

Rogue Community College’s (RCC) main 80-acre Riverside campus is located in Grants Pass, though it has other campuses in Medford and White City. RCC had 16,584 students enrolled in RCC for the 2014-15 school year. Of this total, 8,682 attended classes in Josephine County, 6,369 of whom attended RCC at the Grants Pass Riverside campus.⁵⁸

“RCC offers six two-year degrees, 73 career and technical training programs, 22 Career Pathways certifications, and a variety of short-term training, academic skills, and continuing and community education classes; plus services to the business community.”⁵⁹

RCC focuses its efforts largely on workforce training and post-graduate employment. Several resources include:

- **The Cooperative Work Experience (CWE) program** enables students to earn credit for paid or unpaid on-the-job training.⁶⁰

⁵⁵ School Digger. Schooldigger.com

⁵⁶ U.S. News Best High Schools. <http://www.usnews.com/education/best-high-schools/oregon/districts/three-riversjosephine-county-school-district-100943?int=bda6b8>

⁵⁷ 2015 Three Rivers Josephine County School Performance Ratings. <http://schools.oregonlive.com/performance/Three-Rivers-Josephine-County/>

⁵⁸ About RCC. <http://web.roguecc.edu/about-rcc>

⁵⁹ RCC at a Glance, 2015.

⁶⁰ CWE Employer Guide.

<http://go.roguecc.edu/sites/go.roguecc.edu/files/dept/CWE/EmpResources/CWEEmployersGuide.pdf>

- **RCC Career Services at RCC** helps students learn about majors and careers, search for employment, write resumes and cover letters, and improve interviewing skills by conducting mock interviews.⁶¹
- **The Pathfinder program** provides opportunities for high school students to learn about career and college opportunities in addition to taking RCC courses. Specific Pathfinder programs include S.T.E.M. and COLLEGE NOW, described below. The program is available for all students in the Rogue Valley.
 - **Science, Technology, Engineering, and Math Academy (S.T.E.M.).** S.T.E.M. provides an introduction to career opportunities in these sectors for high school students. The program includes educational workshops, tours, and presentations as well as opportunities for mentorship.⁶²
 - **COLLEGE NOW.** High school students in the COLLEGE NOW program can earn free college credit (in addition to high school credit) for specific classes offered at high schools. RCC recommends five “entry points” for high school students: Oregon Transfer Module, one-year Basic Healthcare Certificate, High Technology Studies: Industrial Technology career pathways certificate, Business and Information Systems Career Pathway certificate, or the Early Childhood Education basic career pathways certificate.

Workforce Training

RCC, discussed above, provides substantial workforce training. In addition to RCC, many businesses, the City of Grants Pass, and one non-profit also provide workforce training. Ninety-seven percent of surveyed businesses offer in-house training, 64% offer workshops, 56% report self-taught training, and 45% offer distance learning.⁶³

The City of Grants Pass is working with the RCC Small Business Development Program to establish “Launchhouse,” an incubator/business accelerator program that would mentor entrepreneurs.

The Job Council, an organization based in downtown Grants Pass, provides assistance to adults, youth, and displaced workers to enhance employability. It also provides supportive services, workshops, and job training assistance.

⁶¹ <http://web.roguecc.edu/career-services/>

⁶² S.T.E.M. Academy. RCC Pathfinder Programs.
<http://go.roguecc.edu/department/pathfinder/stem-academy>

⁶³ Grants Pass Business Survey Summary Data, 2014

Some workforce training gaps do exist. Businesses identified the following areas of need for employee training: customer service, basic workforce skills, management/supervisory, basic technical skills, basic computer skills, machinery/technology, advanced computer training, and apprenticeship programs.⁶⁴

4.1.3 Implications for a City / County Economic Development Strategy

Regarding K-12 education in the County, evidence shows it is about average for the State as a whole, and above average for districts with similar characteristics. That leaves plenty of room for improvement.

Regarding higher education, the County does not have a state university or college and is unlikely to get one. It has a community college that is a pathway to four-year and higher degrees, and a resource for technical training. The City and County should continue to work with RCC to bolster its workforce training programs and engage students in the K-12 system with available resources—stakeholders identified resource matching as a critical need.

4.2 Land and Buildings

4.2.1 What and Why

Most businesses require a physical space (e.g., office, warehouse, factory, or storefront) in which to operate, and buildings need land that is properly located, sized, serviced, and priced. Governments can support access to land and buildings with efficient planning, entitlement, zoning, brownfield redevelopment, land assembly, land cost write-down, and building improvements. Government has a critical role to play in ensuring that this key factor of production is of high quality and delivered *efficiently* in a *business-friendly climate*. In some cases, government gets involved in supporting the development or redevelopment of buildings (e.g., urban renewal programs).

4.2.2 Conditions Assessment

The conditions assessment for land use is divided into the following categories: ownership and value, commercial land, residential land, and rural land. Each category has specific challenges that require specific actions to improve economic development conditions.

⁶⁴ Grants Pass Business Survey Summary Data, 2014

Ownership and Value

Of the 1.04 million acres in Josephine County, the federal government owns 68%, the State owns 0.84%, and the County owns 3.2%.⁶⁵ Thus, less than 30% of the land in Josephine County is privately owned.

Total real market value of all taxable property in FYE 2016 was \$8.21 billion. Total taxable assessed value was \$6.95 billion in FYE 2016, leading to \$64.3 million in taxes and assessments imposed by all taxing jurisdictions in the County. Of the property taxes collected, 56% went to education, 28.9% went to cities, 8.1% went to the County, and 3.1% went to rural fire protection.

Commercial

Land designated for commercial uses must be near major arterials or collectors and have limited flexibility related to slopes. In 2008, the City of Grants Pass identified a deficit of 195 commercial sites (comprising 336 acres) for the 2009-2029 planning period in the Grants Pass Urban Growth Boundary (UGB):

- Sites between 20 and 50 acres: 3
- Sites between 5 and 20 acres: 11
- Sites between 2 and 5 acres: 16
- Sites between 1 and 2 acres: 55
- Sites less than one acres: 110⁶⁶

In 2014, the City of Grants Pass updated total commercial land needs and supply for the 2013-2043 planning period. This update includes the UGB expansion (2013-2033) and Urban Reserve area (2033-2043). After applying efficiency measures and before infill and redevelopment, the report calculated a deficit of 423 acres of commercial land in the expanded UGB and Urban Reserve over the 2013-2043 planning period. Assuming greater efficiency of use, the need drops to 273 acres; the following sources could satisfy 243 acres of this need:⁶⁷

- Vacant and partially vacant land in the current UGB (from the updated buildable lands inventory): 138
- Vacant and partially vacant land in UGB expansion area: 36
- Vacant and partially vacant land in Urban Reserve: 38

Additionally, 15 acres of High Density Residential/Office and 4 acres of Commercial/Residential are vacant or partially vacant.

⁶⁵ Statement of Taxes and Summary of Assessment Roll for Josephine County, FYE 2016.

⁶⁶ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14 Revised 9/18/2012, pg. 14-41

⁶⁷ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14, Addendum 2: 2014 Update

Industrial

Land designated for employment (includes business park, industrial park, and industrial designations, but not commercial designations) has the most specific location and citing requirements: near I-5, rail, and major arterial and collector roads; and relatively flat.⁶⁸

In 2008, the City of Grants Pass identified a deficit of industrial and other employment land by site size for the 2009-2029 planning period in the Grants Pass UGB. Over the planning period, the City estimated the need for 96 additional industrial sites, totaling 421 acres, in the following sizes:⁶⁹

- Sites over 50 acres: 2
- Sites between 20 and 50 acres: 2
- Sites between 5 and 20 acres: 15
- Sites between 2 and 5 acres: 11
- Sites between 1 and 2 acres: 20
- Sites less than one acres: 46

In 2014, the City of Grants Pass updated total employment land needs and supply for the 2013-2043 planning period. After applying efficiency measures and before infill and redevelopment, the UGB and Urban Reserve required 523 acres of industrial (employment) land over the 2013-2043 planning period. It estimated the need for 448 acres after infill and redevelopment. Over the planning period, the following sources may supply the required 448 acres:⁷⁰

- Vacant and partially vacant land in current UGB (from the updated buildable lands inventory): 154 acres
- Vacant and partially vacant land in UGB expansion area: 176 acres
- Vacant and partially vacant land in Urban Reserve: 120 acres

Within the newly adopted UGB, the City has a limited number of sites larger than 5 acres planned for industrial or other traded-sector uses. The City has about 10 industrial sites larger than 5 acres, mostly within the city limits. The largest site is a 100-acre parcel zoned for industrial and other traded-sector uses. The City may aggregate some smaller sites to create larger sites.

These sites are generally on relatively flat land, in the following areas, with the following service constraints:

⁶⁸ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14, Addendum 2: 2014 Update

⁶⁹ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14 Revised 9/18/2012, pg. 14-41

⁷⁰ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14, Addendum 2: 2014 Update

- **East Grants Pass, north of the Rogue River between Highway 99 and I-5.** The City is in the process of determining infrastructure constraints through updates to the City's Sewer Collection Master Plan, Water System Master Plan, and Transportation System Plan. Funding infrastructure improvements will be a challenge, but the City intends to complete these improvements and fully service these areas in the next five to ten years.
- **North Grants Pass along the eastern edge of I-5.** Some sites have water, but none have sewer or wastewater treatment. The City anticipates that servicing these sites, particularly those at the northern edge, will be a challenge. The City will only service this land if demand for industrial uses necessitates it.

Policies adopted in recent years support the preservation of prime industrial land and discouraging conversion of industrial land to commercial and residential uses. The City is in the process of considering additional policies to preserve prime industrial lands, such as restricting non-traded sector uses (e.g., mini-storage) in industrial areas.

Residential

The City used siting criteria to identify areas suitable for residential land designation. Land designated for residential uses has more siting flexibility. Low density has the most flexibility related to slopes, and higher density residential had some flexibility related to slopes but still needed to be near major arterials and collectors.⁷¹

The City of Grants Pass also updated total residential land needs and supply for the 2013-2043 planning period in 2014 to reflect new population growth estimates. The planning period includes the UGB expansion (2013-2033) and Urban Reserve area (2033-2043). Total need for vacant and partially vacant buildable lands in the planning period (2013-2043) after deducting infill and redevelopment and reflecting efficiency measures is 1,455 acres:

- Low density residential: 815 acres
- Moderate density residential: 326 acres
- Moderate-high density residential: 197 acres
- High density residential: 65 acres
- High density residential, group quarter: 52 acres

Over the planning period, the following sources will supply the required acres:⁷²

⁷¹ Grants Pass & Urbanizing Area Comprehensive Plan, Element 14, Addendum 2: 2014 Update

⁷² Grants Pass & Urbanizing Area Comprehensive Plan, Element 14, Addendum 2: 2014 Update

- Vacant and partially vacant land in current UGB (from the updated buildable lands inventory): 899 acres
- Vacant and partially vacant land in UGB expansion area: 210 acres
- Vacant and partially vacant land in Urban Reserve: 398 acres

Rural Land

The top three rural land designations in Josephine County are commercial (46% of total land), five-acre minimum rural residential (16%), and woodlot resource (16%). Within the commercial segment, 2,718 acres (not including land within City boundaries) are zoned industrial. This amount of land well exceeds any reasonable estimate of demand for the next 10 years.

There are several opportunities for business and job growth on rural lands that are outside of Grants Pass:

- **Lumber and Wood Products.** The federal government owns about 62% of Josephine County, and that land is primarily forested. The County owns 30,000 acres of forestland, 25,000 of which are capable of growing timber.
- **Mining and other natural resources uses.** The County may wish to explore mineralization of its parcels. If mineral resources exist, the County could explore mining as a viable industry.
- **Wine and Value-Added Agriculture.** Focus group participants identified the wine industry as opportunity for economic development in Grants Pass, as it could be considered a “gateway” to Oregon wine country.⁷³ Grants Pass is located in the Rogue Valley American Viticultural Area (AVA), known for its drier grape growing climate and corresponding opportunities to produce varietals like cabernet sauvignon, merlot, cabernet franc, and syrah.⁷⁴
- **Cannabis.** Josephine County currently has at least 2,363 growers. With new legalization laws, there is likely to be an oversupply of recreational and medical cannabis in Oregon. Edible products have less competition. Due to anti-smoking legislation and the policies of lodging and car rental companies, tourists are a ready-made market. They also have less price sensitivity than Oregonians. Edible products also have high producer mark-ups. Production will migrate south from the Portland and Willamette Valley areas to Josephine, Jackson, and Douglas counties where growing conditions are considerably better. Josephine County has an opportunity to process cannabis into branded consumer products.

⁷³ Focus Group Summary

⁷⁴ Wines Northwest, Rogue Valley and Applegate Valley. <http://www.winesnw.com/rogue.html>.

- **Destination tourism.** The County has a bevy of pristine recreation areas that draw tourists from across the Pacific Northwest and beyond. It should continue to market these resources and facilitate the development of complementary tourism-based companies (e.g., tour companies, equipment producers, accommodation, and food and beverage).

4.2.3 Implications for a City / County Economic Development Strategy

The information in this section suggests the City has made reasonable estimates of commercial, industrial, and residential land need for 20 and 40 years, and has expanded its UGB and created Urban Reserves with amounts of land that approximately match estimate needs. The greater challenge now is ensuring that it has infrastructure and services in a timely manner at reasonable costs (Sections 4.3 and 4.4).

The County (excluding urban areas) has plenty of land for the limited expansion of urban uses and for additional agriculture or other rural land uses. There is a suite of opportunities available for the development and use of rural lands. It is unlikely that one use will dominate (as timber once did); it is more likely that many complementary uses will spring up and, together, will bolster the local economy.

4.3 Infrastructure

4.3.1 What and Why

Businesses need buildings to operate. Buildings need land. But the land must be served by essential infrastructure. Key infrastructure required for most business includes electricity, water, wastewater, transportation, and telecommunication connections. Quality infrastructure and amenities also help to attract and retain a talented labor pool.

Government can, and is generally expected to, provide most of the local infrastructure to support industrial, commercial, and residential development. Though the private sector usually provides these services on site (e.g., it pays for the pipes, wires, and roads that connect a development to a larger infrastructure network), it usually does not build or maintain the off-site network and facilities. Business cannot grow and add jobs without infrastructure; they recognize government's role in providing it and expect to pay reasonable fees as part of the cost of doing business. Providing necessary and expected infrastructure efficiently and fairly may be the most significant thing that local governments can do to support economic development.

4.3.2 Conditions Assessment

The conditions assessment for infrastructure is divided into the following categories: roads and bridges, rail, water/wastewater, fiber, public safety, transit, and airport. Each category has specific challenges and requires unique actions to improve economic development conditions.

Roads and Bridges

Grants Pass and Josephine County have good surface transportation systems. In its most recent 2004 update, the Josephine County Transportation System Plan (to be updated later in 2016) designated 100% of County roads as minor collector or higher, and gave 99.9% of all County-maintained roads a “good” or “very good” rating.⁷⁵ This is, in the experience of ECONorthwest, exceptional: few counties are in such a position.

The County maintains 104 National Bridge Inventory System (NBIS) bridges, and another 92 non-NBIS bridges. The 2004 TSP identified 45 bridges with sufficiency ratings between 50 and 80 (bridges that are in fair condition, but still cost effective to improve).⁷⁶

The state of the County transportation system is in jeopardy. Josephine County continues to pursue state funding for capital projects and bridge replacements. But, due to the decline of O&C receipts, Josephine County annual maintenance programs operate at 50-60% of optimal, which leads to deferred maintenance that will eventually reduce road and bridge quality.⁷⁷

Rail

Central Oregon and Pacific Railroad (CORP) provides short-line rail service in Josephine County. Predominantly carrying lumber and freight, the 391-route-mile CORP rail network runs from Weed, California, to Springfield, Oregon, passing through Ashland, Medford, and Roseburg on its route. CORP connects to other rail networks: Coos Bay Rail Link, Union Pacific Railroad, Rogue Valley Terminal Railroad Corporation, Yreka Western Railroad.⁷⁸ The line carries between one and five million tons of cargo each year.⁷⁹ Grants Pass has a PML Forest Products Intermodal rail/truck reload facility that services its portion of this network.

⁷⁵ Josephine County Rural TSP.

⁷⁶ Josephine County Rural TSP.

⁷⁷ Email from Robert Brandes, Public Works Director

⁷⁸ Central Oregon & Pacific Railroad. Overview.

http://www.gwrr.com/operations/railroads/north_america/central_oregon_pacific_railroad

⁷⁹ Josephine County Rural TSP

Key stakeholders in Jackson and Josephine Counties identified a need for rail service improvement.⁸⁰ The TSP supports the claim, identifying (1) steep grades and tight turning radii limit that limit operating speeds, and (2) underutilization due to tunnel dimensions. Forty-three miles of the line are limited to 10 mph and can only accommodate smaller railcars.⁸¹ As large rail companies continue to increase the size of rail cars, short lines like CORP must consider improving infrastructure to accommodate larger cars.⁸²

Water/Wastewater

Water and wastewater treatment is an infrastructure priority for the City and County. This infrastructure segment is deficient:

- Many industrial properties, particularly in the City of Grants Pass and unincorporated area of Merlin, lack water and wastewater systems, preventing business development.⁸³
- The City's water treatment plant is almost at capacity and requires significant improvement to add capacity.⁸⁴

Public Safety

There continues to be a negative perception of public safety in the City and County. Key concerns include law enforcement, homelessness, drug use, and lack of funding for the Josephine County jail. The City and County must address public safety concerns before they can attract new major businesses to the area.

Fiber

Lack of fiber infrastructure is a barrier to economic development.⁸⁵ It hinders both business development and workforce training.

Transit

Josephine Community Transit runs six routes, four in Grants Pass and two commuter lines (to Cave Junction, Merlin/Sunny Valley, and Wolf Creek). Additionally, the County operates Rogue Valley Commuter Line, offering service between Grants Pass and Medford (with stops in Rogue River and Gold Hill on request). Since 2009, ridership has increased 133%, a result of network service improvements.

⁸⁰ Rogue Valley Regional Economic Development Forum, 2014

⁸¹ Josephine County Rural TSP

⁸² Josephine County Rural TSP

⁸³ Focus Group Summary

⁸⁴ WTP Facility Plan Update, City of Grants Pass, 2014

⁸⁵ Focus Group Summary

Airport

There are two commercial airports in Josephine County, the Grans Pass Airport and the Illinois Valley Airport. There are approximately 198 aircraft based at Grants Pass Airport and about 32 aircraft based at the Illinois Valley Airport. Airports generate revenues through fuel sales, ground leases for executive land use, county hangars, private and corporate hangars, and Emergency Land Use Agreements (ELUAs). Both airports in Josephine County have capacity and potential for growth. Several State and federal grant opportunities exist, but they require a local match.

4.3.3 Implications for a City / County Economic Development Strategy

Section 4.2.3 noted that raw land of suitable size, topography, and location is not a critical problem in the City or County; such land exists. The more critical problem is that the raw land may not be able to be serviced quickly or cheaply. Since businesses need *buildable* sites (ones with essential infrastructure that the City, County, or partner public service districts are supposed to provide), policies related to the provision of infrastructure are likely to be key elements of an economic development strategy.

Funding infrastructure and service improvements in the City and County is a problem for many reasons. First, the City and County tend to rely on State and federal funding for infrastructure improvements, which limits their ability to make those improvements. Second, the community tends to vote against funding for infrastructure/service improvements, particularly public safety. Third, relatively low property tax rates in the County, while incentivizing businesses to locate in the area, limit funding for necessary infrastructure improvements.

4.4 Services

4.4.1 What and Why

It is typical for cities to increase the services they provide as they grow. Growth in services derives from: (1) an increase in people needing the same services; and (2) a need for services to accommodate different types of people and needs, and to cope with the effects of increased development and density (e.g., services to maintain environmental quality and to reduce nuisances). Some of the services relate directly to the provision of factors of production described above; others address more broadly basic safety and quality of life issues (e.g., police and emergency services; library and parks).

Businesses use services to a varying degree, but all are necessary. Some they use directly, but infrequently (e.g., police and fire). They require this segment of services to protect against business disruption and loss. Some they may use only indirectly (e.g., libraries or parks), meaning their owners, employees, and

families depend on them. This segment is thus equally important to economic development. Whatever the level, they want the services provided efficiently so that business development and operating fees and taxes are reasonable.

4.4.2 Conditions Assessment

The conditions assessment for services has three categories: land use and permitting, incentives, and coordination and communication.

Land Use Permitting

Starting a business in Josephine County can take time. The Josephine County Rural Land Development Code “requires a process to approve businesses according to zoning, level of development, and type of operation proposed.” If the use does not change, the development does not require a permit and approval takes one to two weeks. However, if there is a new or expanded use, the land use permit process takes between 8 and 22 weeks, depending on its impact and requirement of public notice. At the time of permitting, businesses in Grants Pass are also required to pay five Systems Development Charges (SDCs): water, sewer, transportation, parks, and storm drain.⁸⁶

Stakeholders in Jackson and Josephine Counties identified a need to improve and streamline the permitting and regulatory processes from “concept to shovel.”⁸⁷ Of 42 businesses that expanded or relocated in 2014, 26% identified County or City planning requirements and timing as a challenge for expansion or relocation.⁸⁸ The system is neither clear nor predictable, indicating clear need for improvement.

Incentives

The City of Grants Pass and Josephine County offer many incentives to new and existing businesses:

- **Rogue Enterprise Zone.** The City of Grants Pass and Josephine County have one combined enterprise zone. By offering property tax relief, the Zone reduces business costs and should encourage business investment, other things being equal. Traded-sector businesses can receive “up to 15 years of tax abatement for all newly developed or new Oregon equipment.”⁸⁹ Stakeholders stated that the opportunity is underutilized because of poor publicity.⁹⁰

⁸⁶ <https://www.grantspassoregon.gov/DocumentCenter/View/1996>

⁸⁷ Rogue Valley Regional Economic Development Forum, 2014

⁸⁸ Grants Pass Business Survey Summary Data, 2014.

⁸⁹ <https://www.grantspassoregon.gov/145/Rogue-Enterprise-Zone>

⁹⁰ Focus Group Summary

- **System Development Charges Incentive Program.** To reduce the cost of starting a business in Grants Pass, the City’s Department of Economic Development offers an SDC Incentive Program, which reimburses businesses for up to 100% of SDCs. As of 2013, the program had served six local businesses, providing over \$100,000 in reimbursements.⁹¹
- **Economic Development Sponsorships and Grants.** The City provides economic development sponsorships and grants for local organizations that promote City activities and community events. As of 2013, the program had provided almost \$30,000 in sponsorships and grants.⁹²
- **Micro Enterprise Loan Program.** The City’s program provides loans of \$300 to \$10,000 to local entrepreneurs looking to start a business in Grants Pass.⁹³ As of 2013, the City had not issued any loans under the program.⁹⁴
- **Illinois Valley Community Development Organization (IVCDO) Micro-Business Revolving Loan.** The IVCDO Micro-Business Revolving Loan Fund provides loans of up to \$25,000 for the startup or expansion of small businesses. The IVCDO has issued over 90 loans since 2000.⁹⁵
- **Industrial Development Revolving Loan Fund.** The City of Grants Pass issues loans that are a third of the project cost (up to \$125,000) for “land, buildings, fixed equipment and machinery, research, and development of eligible businesses.” Repayment schedules cannot exceed 15 years.⁹⁶

Coordination and Communication

Businesses that are trying to start up or relocate need information: accurate information, not marketing exaggerations. Information is a factor of production, and it can be costly to collect and evaluate. Local governments can reduce this business cost by providing thorough, relevant, and accurate information quickly.

Several government organizations and their partners in Josephine County and Grants Pass assist in the collection of information about the quality and availability of factors of production, coordinate economic development efforts, and communicate key information to potential and existing businesses. They are described below.

⁹¹ City of Grants Pass Performance Audit of Economic Development and Tourism Programs, 2013.

⁹² City of Grants Pass Performance Audit of Economic Development and Tourism Programs, 2013.

⁹³ City of Grants Pass, Micro Enterprise Loan Program.
<https://www.grantspassoregon.gov/141/Micro-Enterprise-Loan-Program>

⁹⁴ City of Grants Pass Performance Audit of Economic Development and Tourism Programs, 2013.

⁹⁵ IVCDO Economic Development. <http://www.ivcdo.org/economic-development.html>.

⁹⁶ City of Grants Pass, Industrial Development Revolving Loan Fund.
<https://www.grantspassoregon.gov/138/Industrial-Development-Revolving-Loan-Fu>

- **Grants Pass/Josephine County Chamber of Commerce.** The Chamber works with government agencies and other organizations to strengthen the local economy, promote the community, provide networking opportunities, and represent business interests in government. The Chamber runs the Business Retention & Expansion (BR&E) Committee, which conducts a face-to-face business survey every three years. The surveys provide important information on how the City, County, and other organizations can assist new and existing businesses.⁹⁷
- **Grants Pass Department of Economic Development.** The department’s website provides information on business development programs and funding, as well as area statistics. It also provides links to other local and regional resources.
- **Southern Oregon Regional Economic Development, Inc. (SORED I).** The nonprofit SOREDI provides economic development services to 13 cities in Josephine and Jackson Counties. These services include: (1) helping to locate properties suitable for expanding and/or relocating businesses and providing tours of those properties; (2) connecting businesses to, and arranging meetings with, business counselors, property agents, City/County planning staff and other businesses; (3) coordinating among regional institutions and agencies that provide workforce training, employment, financial planning, and technical services to businesses; and (4) assisting with site selection and permitting processes. The SOREDI website provides businesses with easy-to-understand information about various business incentives, news, and events.
- **Illinois Valley Community Development Organization (IVCDO).** The IVCDO works “to improve economic and social conditions in rural southwest Oregon through cooperative programs and partnerships designed to enhance the standard of living, create jobs, and encourage sustainable development.” It partners with RCC’s Small Business Development Center to create the Illinois Valley Business Entrepreneurial Center to provide free consulting services with business centers.⁹⁸

4.4.3 Implications for a City / County Economic Development Strategy

Both *land-use permitting* and *incentives* are two-edged swords. Land-use permitting (and related land-use planning and regulation) exists to protect and enhance public health, safety, and welfare. Moreover, government usually provides the ongoing protection and service: sewerage and treatment plants, road improvements and maintenance, and police and fire. Providing services

⁹⁷ Grants Pass and Josephine County BR&E. <http://www.grantspasschamber.org/business-retention-a-expansion.html>

⁹⁸ IVCDO. <http://www.ivcdo.org/index.html>

and facilities requires money, which comes primarily from taxes and fees. Thus, if governments give incentives by reducing or waiving those taxes and fees, they can be short on money to provide a desired level of service.

Josephine County's tax base is moderate relative to other counties (for example, real market value (RMV) in Multnomah, Lane, and Jackson Counties are respectively 12, 5, and 3 times greater than those in Josephine County; Douglas, Coos, and Klamath County have RMVs that are similar; Gilliam, Grant, and Harney Counties have RMVs 10 times smaller). But, Josephine County has the *lowest* tax rate (relative to RMV) of any county in Oregon.⁹⁹

Reducing property tax to attract growth is a gamble and requires some evaluation: Would the growth attracted have come anyway? Will it pay back in jobs and future tax revenues the incentives given? Can the County provide quality services (which also attract growth) with its low tax revenues?

There is little downside of having an *efficient* land-use permitting and regulatory process: what needs to be done should be done as quickly and economically as the desired outcomes allow. Thus, evaluating the efficiency of that process is a typical action found in local economic development plans. The challenge, of course, is finding the right balance between streamlining the public's desire for involvement and review, and desired land-use outcomes.

⁹⁹ <http://www.oregon.gov/DOR/programs/gov-research/Pages/research-property.aspx> Oregon Department of Revenue, *Oregon Property Tax Statistics, Fiscal Year 2014-15*, Exhibit 5, page 7.