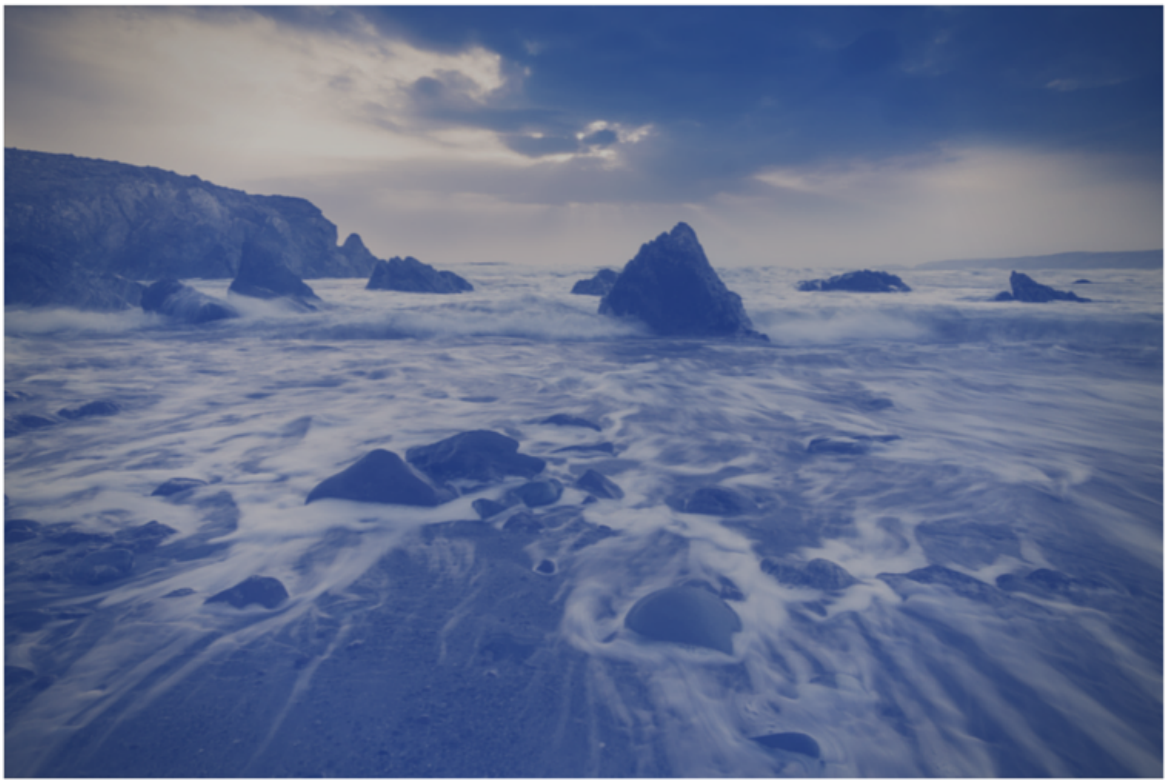
LINCOLN COUNTY'S ECONOMY

KEY TAKEAWAYS FROM THE "TEN YEAR UPDATE ON LINCOLN COUNTY, OREGON'S ECONOMY"



ECONOMIC DEVELOPMENT ALLIANCE
OF LINCOLN COUNTY, 2014

Ten Year Update on Lincoln County, Oregon's Economy – Summary

- The study compares Lincoln County's economy in 2003 and 2013. Since these two points in time bookend The Great Recession, true economic growth over the decade in question is difficult to accurately assess; there have been many ups and downs over the period of study. However, the latest economic data from Lincoln County show promise, particularly following a recession.

- Traded sector companies are those that sell their goods and services outside of Oregon, thus bringing money into the state. The major traded sectors of Lincoln County's economy include commercial fishing, timber, agriculture, tourism, and "other identified industries." The "other identified industries" sector includes marine science and education, paper and paperboard mills, water transportation, marine cargo handling, boat and ship building, steel fabrication, government, special education, and military. A more detailed breakdown of the degree to which each of these sectors contributes to the county's economy is available on page 3 of this document.

- All of the traded sectors of Lincoln County's economy showed growth between 2003 and 2012.

- Though it represents the smallest traded sector overall, contributing to just 0.3 percent of personal income in Lincoln County in 2012, agriculture showed the strongest percent growth between 2003 and 2012, followed by "other identified industries." The weakest growth over the same period was seen in the tourism sector.

- Historically, Lincoln County's economy has been dependent on a combination of natural resource based industries and tourism. The growth of the "other identified industries" sector between 2003 and 2012 indicates a diversification of the local economy to encompass not only natural resource and tourism-based employment but also these "other identified industries."

- With the exception of paper and paperboard mills and miscellaneous industries (including government and military), the "other identified industries" sector largely consists of firms that can be considered part of the maritime economy. The siting of NOAA's MOC-P facility in Newport, the upcoming buildout construction of the Toledo Boatyard, and the planned OSU expansion are just some examples of the expected future growth of maritime-related industry in Lincoln County.

- While inflation adjusted wages showed significant growth as well as post-recession recovery over the past decade, income in Lincoln County has remained relatively flat over the same period. Adjusted for inflation, average earnings per job were approximately the same in 2012 as they were in 2003 at $36,000. A more in depth analysis of median income in Lincoln County, including a look at variations in median income between cities, is included on page 5 of this document.

- Though its population grew modestly (4 percent) over the past decade, as a trend Lincoln County experiences an out-migration of young adults who leave the coast in search of educational and employment opportunities. This is observable as a shift in demographics as well as a shift in sources of personal income. Both will be explored more in depth on pages 2-4 of this document.

- The source of all of the data and figures that follow is the Ten Year Update on Lincoln County, Oregon's Economy released by the Lincoln County Board of Commissioners in 2014.

Lincoln County's Sources of Total Personal Income

Personal income is broken down into the three categories of net earnings, transfer payments, and investment income. Net earnings include wage, salary, and proprietorship earnings. Transfer payments consist of payments to individuals by businesses as well as federal, state, and local governments. Unlike net earnings, transfer payments are not made to individuals for work or services performed. Transfer payments include retirement payments such as Social Security, unemployment insurance, and income maintenance such as the SNAP program. Investments include income from private investments such as rent, interest, and dividends. Private pension payments are also classified as investment payments.

Figure 1: Sources of Total Personal Income, Lincoln County, 2003

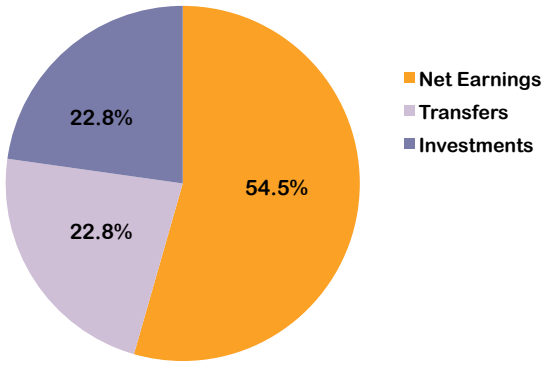
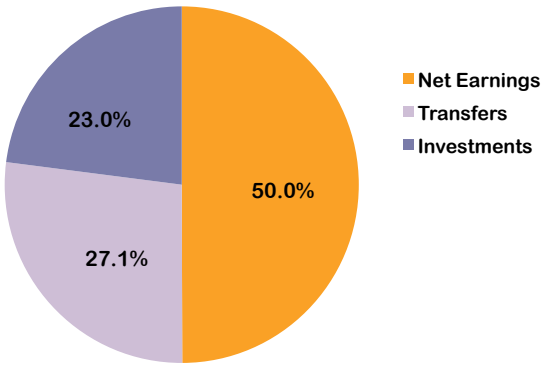


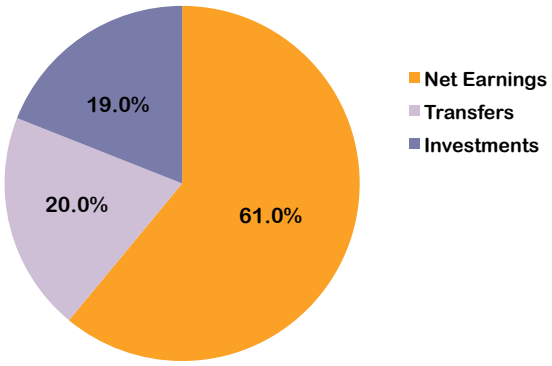
Figure 2: Sources of Total Personal Income, Lincoln County, 2012



What the Data Show: In 2012 a larger percentage of personal income in Lincoln County could be attributed to transfer payments than in 2003 (Fig. 1 and 2). In fact, between 2003 and 2012, transfer payments accounted for 62 percent of total personal income increases in Lincoln County. This is largely explained by the in-migration of retirees.

As of 2012, just 50 percent of total personal income in Lincoln County was derived from net earnings, compared to 61 percent statewide (Fig. 2 and 3). Though in some senses a disproportionate reliance on transfer and investment income provides a stabilizing force for the local economy, it also raises equity concerns. For example, if local housing is priced to meet the demands of retirees rather than the local workforce, this may induce housing cost burdens for Lincoln County's workforce and detract from the county's overall livability.

Figure 3: Sources of Total Personal Income, Oregon, 2012



Lincoln County's Sources of Net Earnings, 2012

In 2012, fifty percent of Lincoln County's income was derived from net earnings, including wage, salary, and proprietorship earnings (Fig. 4). The sources of those net earnings have been broken down below. Of the identified sources, commercial fishing, tourism, timber, and marine science were the largest contributors to net earnings in the county in 2012, in that order (Fig. 5).

Figure 4: Sources of Total Personal Income, Lincoln County, 2012

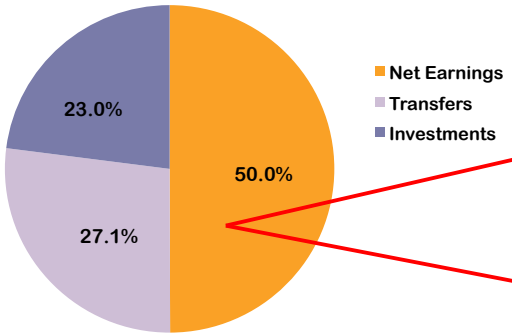
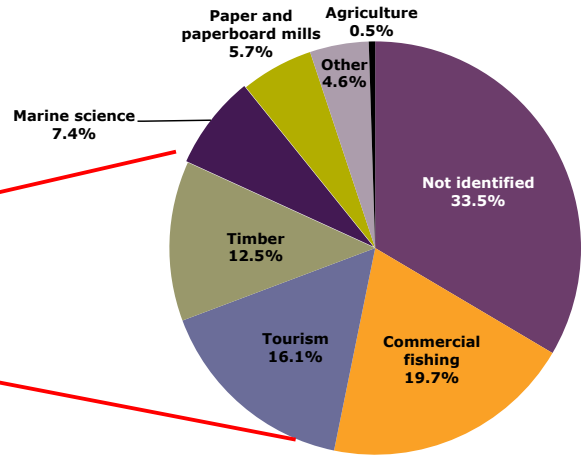


Figure 5: Sources of Net Earnings, Lincoln County, 2012



Lincoln County's Sources of Transfer Payments to Individuals, 2012

In 2012, twenty-seven percent of Lincoln County's income was derived from transfer payments (Fig. 6). The sources of transfer payments to individuals have been broken down below. Of the identified sources, retirement and disability insurance and medical benefits—including medicare, public assistance medical care, and military medical insurance benefits—were the largest contributors to transfer payments in the county in 2012 (Fig 7).

Figure 7: Sources of Transfer Payments to Individuals, Lincoln County, 2012

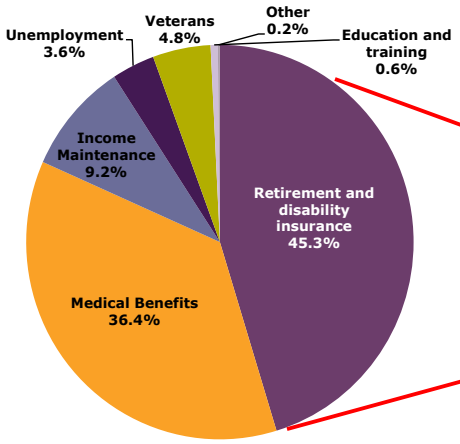
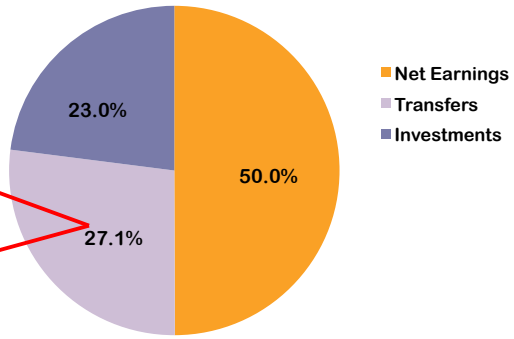


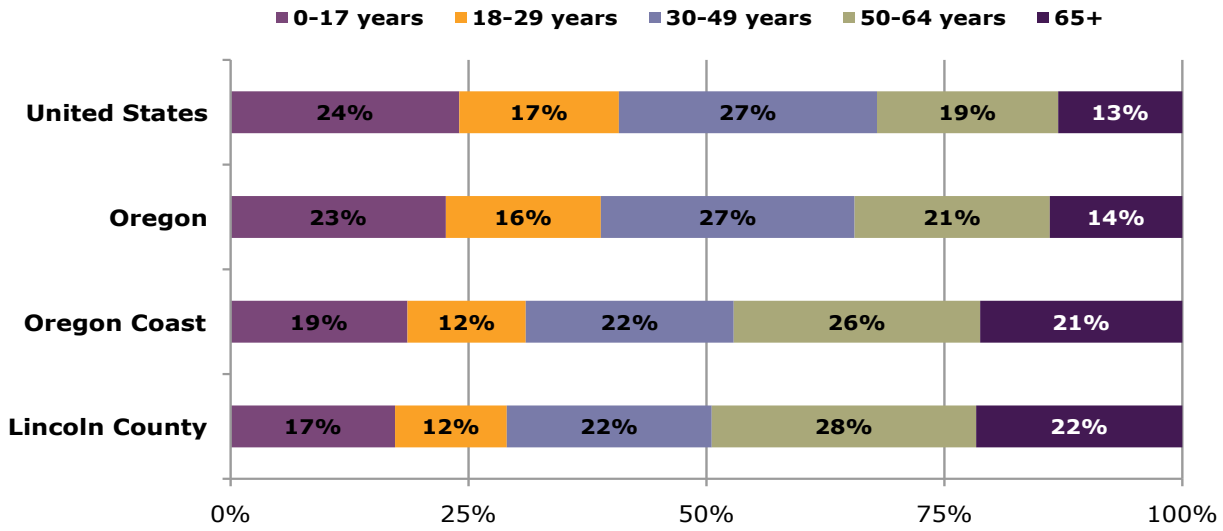
Figure 6: Sources of Total Personal Income, Lincoln County, 2012



Age of Lincoln County's Population

In 2012, 50 percent of Lincoln County's population was 50 years or older, and the county's median age was 49.6. The median age in Oregon was 38.4. Lincoln County has higher shares of the 50-64 and 65+ cohorts and lower shares of cohorts under 50, both youth and workforce age, as compared to Oregon and the US as a whole (Fig. 8). More research is needed to determine the implications on the aging retiree population on local issues such as education, employment, and healthcare.

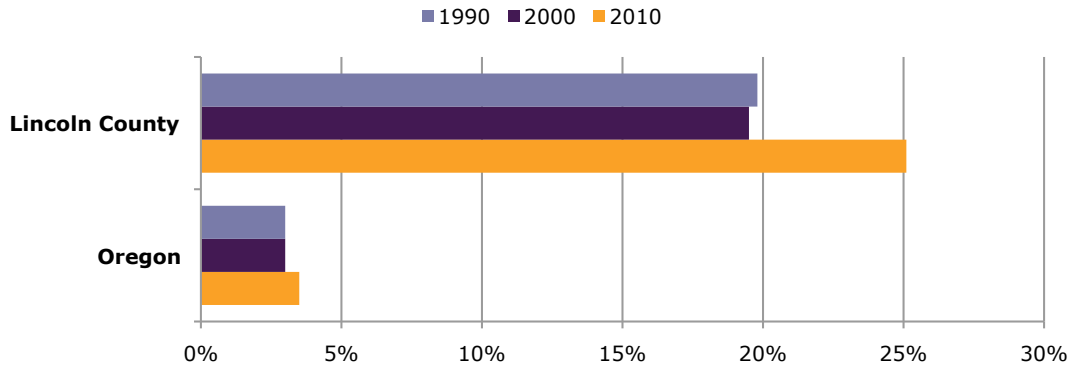
Figure 8: Share of Population by Age Group, Lincoln County, 2012



Housing in Lincoln County

Data indicate a growing share of second homes in Lincoln County. In 2010, over a quarter of Lincoln County's housing stock was comprised of second homes, as compared to about 3 percent statewide (Fig. 9). This figure is up from the previous two decades, where just under 20 percent of housing in Lincoln County consisted of second homes. While tourism and retirees are both large and important contributors to the county's economy, the prevalence of second homes in the area may contribute to housing affordability concerns for the local workforce. For this reason, the supply and affordability of the local housing stock should be tracked carefully by the county and its municipalities in coming years.

Figure 9: Second Homes as a Percent of Total Housing Units, 1990, 2000, 2010

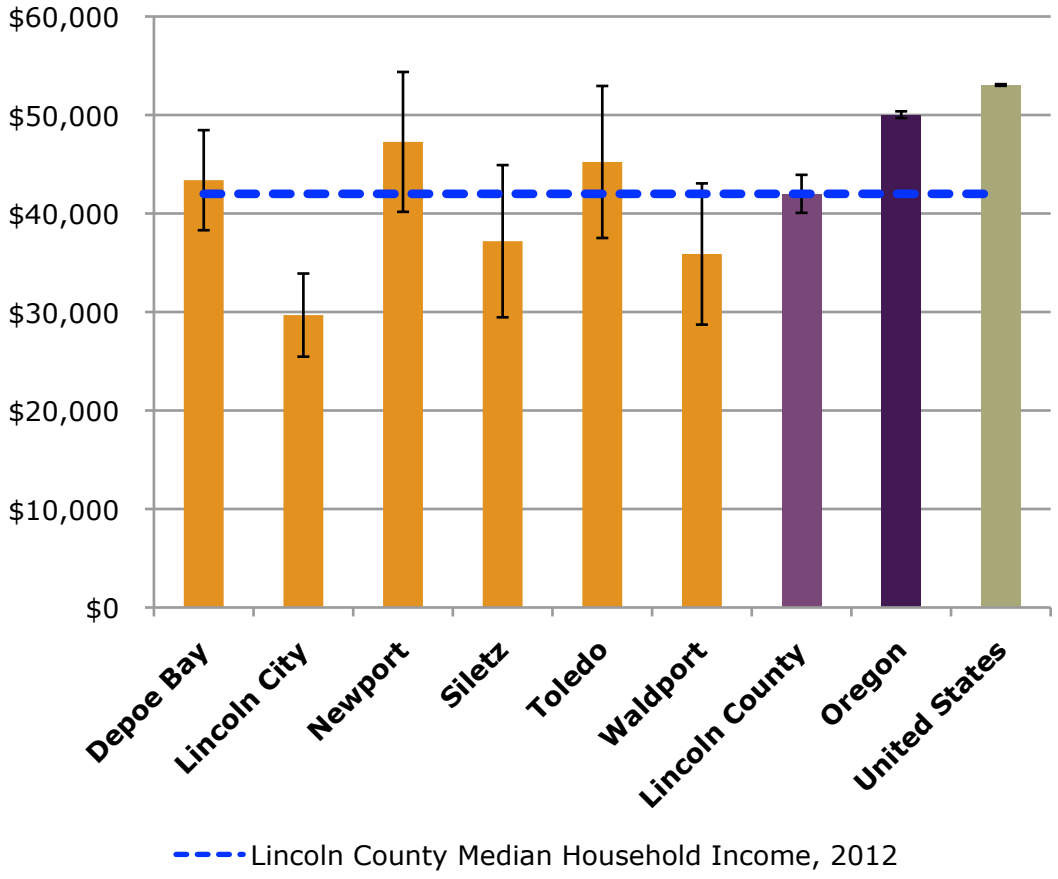


Median Household Income and Income Inequality in Lincoln County

Wages in Lincoln County have shown stronger growth than employment over the past decade, indicating employment growth in higher paying occupations following the recession. Nevertheless, after adjusting for inflation, median household income in Lincoln County was slightly lower in 2012 ($41,996) than it was in 2000 ($45,159). Although the gap has decreased from previous decades, the county's median household income continues to lag behind the state's. While incomes in Lincoln County have remained relatively stagnant over the period of analysis, it should be noted that this trend mirrors those that have occurred at the state and nationwide levels over the same period.

Though the median represents the midpoint of a dataset, and so it stands that half the data will be above and half the data will be below the median, there is a marked variation in income levels among the cities in Lincoln County. In 2012, the median household incomes in Lincoln City ($29,686 +/- $4,219), Waldport ($35,889 +/- $6,459), and Siletz ($37,188 +/- $7,727) were substantially lower than cities such as Newport ($47,270 +/- $7,100) and Toledo ($45,230 +/- $7,718) (Fig. 9). Income inequality among the county's cities can be attributed in part to the presence of higher-wage jobs based at large, established employers in Toledo (e.g. Georgia Pacific, Port of Toledo) and Newport (e.g. NOAA, Hatfield Marine Science Center, fisheries) than in some of the other cities. As the County plans for and strategizes about the future of its economy, to the degree that growth in higher wage jobs can be targeted toward cities experiencing low and declining incomes it should.

Figure 9: Median Household Income, 2012



Note: Error bars are used to indicate the margin of error, or uncertainty, in a reported measurement. Figures have been reported with a 90 percent confidence interval.

Items for Consideration and Future Action

Sector Strategies

- The **marine science and education** sector in particular shows potential for job and wage growth that is less susceptible to seasonal or annual variations in the same manner as the county's other basic, natural resource and tourism based sectors experience. Targeted workforce training, recruitment, and expansion efforts related to businesses in the marine science and education sector should be prioritized by the County for this reason in particular. To the degree that these opportunities can be spread throughout the county to benefit lower income areas such as Lincoln City, Waldport, and Siletz they should.

- As Lincoln County works to achieve recognition for its **maritime cluster**, and pursues state and regional funding to attract and expand maritime related businesses and training locally, the presence of maritime-related industries that have shown strong growth over the past decade, as well as the planned expansions of existing maritime-related facilities, can serve to qualify funding solicitation efforts.

- Oregon leads the nation in the number of **fisheries** certified as sustainable by the Marine Stewardship Council. Opportunities for Lincoln County to enter new markets for value added seafood products, and particularly to strengthen the fishing industry value chain to benefit more local businesses and serve local tourists and consumers, should be explored and capitalized upon in coming years.

Education

- In 2012 Lincoln County had the highest rate of persons over 25 with a bachelor's education (24 percent) of all coastal counties. However, this figure was still below the state of Oregon overall (29 percent). Because there is a known correlation between educational attainment and income, to the degree that the County can support efforts to increase educational attainment among its population it should. An example might be helping to connect local students with seamless pathways between regional educational institutions and careers in marine science and education.

- Good schools are essential for recruiting a talented workforce. A concerted effort needs to be made to establish, inventory, and raise awareness about special programs and opportunities, such as the Oregon Coast STEM Hub, available through local schools. Such programs should exist throughout the county, and information about them should be made readily available to local employers to be used for workforce recruitment purposes.

Infrastructure

- Data show that workers commute into and throughout Lincoln County for employment purposes. National trends indicate that many companies are now allowing flexible schedules and telecommuting. Additionally, there is a strong through largely unstudied presence of

microenterprise and sole proprietorships in Lincoln County. Future investments in strengthened telecom infrastructure might be one option for increasing incomes throughout the county. This may serve to aid cities that do not stand to benefit as much from anticipated growth of the maritime economy due to factors such as absence of a port.

Further Research Needed

- There is a need for more research related to the small business climate in Lincoln County, particularly about services, opportunities, and infrastructure businesses lack at present that could contribute to their future success.

- There is a need for more research on the "retiree effect" on Lincoln County's economy. Knowledge gaps exist regarding the manner in which retiree income contributes to Lincoln County's economy. There is also a need for further research around the implications of an aging population on workforce tends and local services and infrastructure, including healthcare, housing, transportation, and even potential competition for part-time employment with young workers seeking their first jobs.

- In 2010, a quarter of Lincoln County's housing stock was second home housing units, up from just below 20 percent in 2000. The implications of these trends on the overall affordability of housing, and rental housing in particular, must be carefully tracked.

- Other rural regions in Oregon have facilitated successful pairings of local angel investors and fledgling startups seeking capital. Given a known presence of affluent retirees in Lincoln County, there is perhaps some potential to be explored in terms of pairing retirees who want to invest in the local economy and fledgling startups—or even real estate developments—seeking capital.

Conclusions

- Lincoln County's economy has diversified in recent years to incorporate a growing sector of "other identified industries," including marine science and education and other maritime related firms. In addition, retirees are contributing a growing share to the county's population and its sources of local income. As Lincoln County's population grows and ages, its workforce will need to be replaced over time. The trend in out-migration of young adults will exacerbate demand for workers in many industries. Investment in amenities including quality, affordable housing, transportation, affordable childcare, arts and culture, and good schools should be prioritized by the county in coming years to attract a competitive workforce as the existing population continues to age.