

EXECUTIVE SUMMARY

Study Purpose

This study was undertaken to update a report published in 1994 that contained a comprehensive look at the Oregon Coast's demographic and economic trends. Both the 1994 and this update study were sponsored by the Oregon Coastal Zone Management Association (OCZMA) in the interest of providing consistent, accurate, and relevant information for member governments. The update was necessary to address the many significant changes that have taken place in the last decade in the national, State, and Oregon Coast's economies and population base. In particular, shifts in federal and state natural resource and land management policies sparked dramatic changes to economies and the general population. Looking at demographics, the Coast's population is accelerating away from young families raising children and moving toward a population of retirees who have either stayed in or relocated to the region to enjoy the environment and quality of life. These social changes have had a profound impact on school and other local government services.

Coastal leaders and communities benefit by having a single, overarching study to document area-wide and local trends. Study results help in having a cost-effective approach for developing plans and policies to address the trends. In the absence of a single study, individual jurisdictions would be forced to prepare their own background and assessments (if they were prepared at all). Locally prepared assessments would not be consistent with neighboring jurisdictions, making region-wide comparisons among jurisdictions difficult or impractical.

This study's final report is just one of the outcomes of the update project. Presentations were made at study steering group meetings and OCZMA board meetings to bring coastal leaders and data users up to speed on the trends and what they mean. Focused information from study results and links to other helpful resources are posted on the OCZMA website.

Study Approach

Updated descriptions are a result of (1) economic analysis tasks, (2) social analysis tasks, and (3) interpretive tasks.

(1) Economic Analysis Tasks

The economic analysis work has two parts: (a) economic base analysis, and (b) a special emphasis to determine the importance and opportunities from retirement and retirement related income.

(2) Social Analysis Tasks

Population information is from decennial census and other serial primary data collection programs. Social trends are itemized for demographic, housing, health and well being indicators, and wealth statistics at relevant temporal and spatial scales.

(3) Interpretive Analysis Tasks

The interpretive task overlaps the economic and social analysis. Study steering group meetings were held to define emerging issues, the influences and consequences of the issues, and how descriptive indicators can be used for policy and planning.

Economic base analysis used seven basic sectors to describe the economy: commercial fishing, timber, agriculture, tourism, "other identified export based industries," "other earned income," and "non-earned income." The other identified export based industries sector includes four subsectors: water transportation and marine cargo; paper and paperboard mills; ship building, steel fabrication, and other construction; and other identifiable such as government, research, communication, special education, and military. The other earned income sector contains other unique businesses found on the Oregon Coast which cannot be identified due to data confidentiality and/or data specification issues. Other earned income is a residual calculation after accounting for the other five earnings sectors multiplier effects. The non-earned income is transfer payments and investment earnings. The economic base model was developed to generate estimates of the seven basic sectors' direct, indirect, and induced income at the county level. The model was derived from an economic input-output methodology. The demographic and economic analysis uses Year 2000 census information and Year 2003 county level personal income released by the Bureau of Economic Analysis (BEA).

Demographic Description

Population Characteristics

Since 1970, the population of Oregon has been growing much faster than the population of the United States (Table ES.1). There has been overall growth in coastal counties, but at a slower pace than Oregon. The exceptions are Lincoln and Curry counties which have grown almost as

Table ES.1
Population Percent Change During 1970 to 2000 for U.S., Oregon, and Coastal Counties

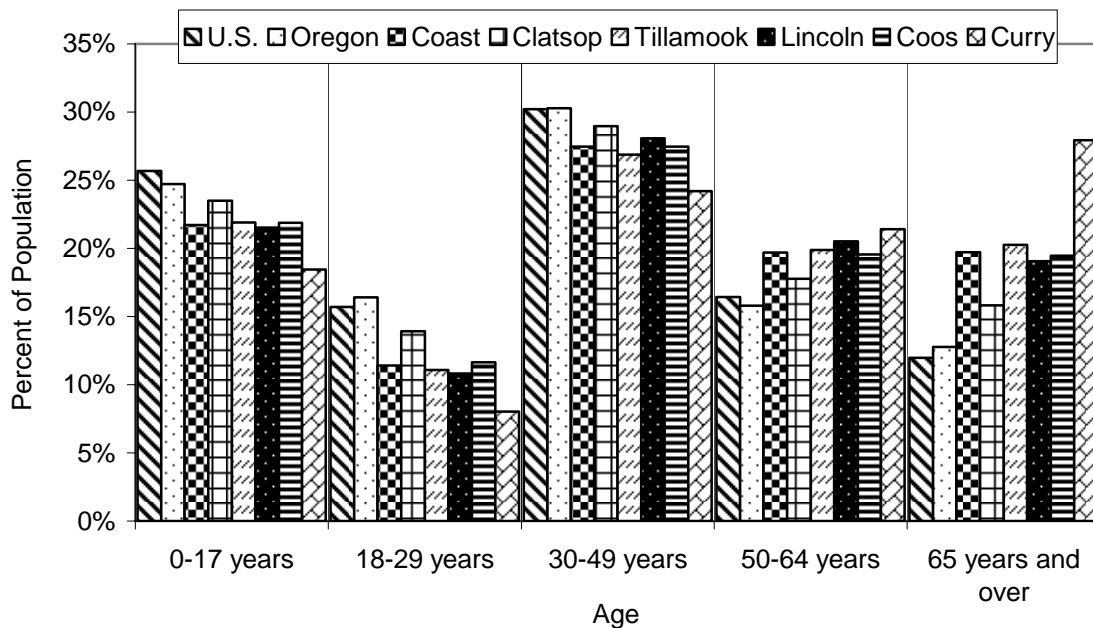
	1970	1980	1990	2000	Percent Change		
					1970-2000	1980-2000	1990-2000
Clatsop	28,473	32,489	33,301	35,630	25%	10%	7%
Tillamook	18,034	21,164	21,570	24,262	35%	15%	12%
Lincoln	25,755	35,264	38,889	44,479	73%	26%	14%
Coastal Lane	2,246	4,411	5,162	7,340	227%	66%	42%
Coastal Douglas	4,039	4,984	4,796	4,370	8%	-12%	-9%
Coos	56,515	64,047	60,273	62,779	11%	-2%	4%
Curry	13,006	16,992	19,327	21,137	63%	24%	9%
Coast	148,068	179,351	183,318	199,997	35%	12%	9%
Oregon	2,091,533	2,633,105	2,842,321	3,421,399	64%	30%	20%
U.S.	203,211,926	226,545,805	248,709,873	281,421,906	38%	24%	13%

Notes: 1. Cities of Florence and Reedsport represent coastal Lane and coastal Douglas counties, respectively.

fast as Oregon's population in the last two decades. The population of Coos County has been growing much slower than the Coast and the State.

Generally, coastal counties have an overall out-migration of young adults who leave the region to find education and employment opportunities. With these migration patterns alone, coastal areas would experience significant shifts in their demographic structure. However, this trend is exacerbated by in-migration patterns. The national population is "aging" with large population cohorts moving into middle and older age groups. The people in these retirement age cohorts are moving to the Coast. The trend is the same for Oregon, but more so for the coastal counties (Figure ES.1). Among the coastal counties, Tillamook and Curry counties are attracting the most retirement age people.

Figure ES.1
Study Area, State, and U.S. Age of Population in 2003

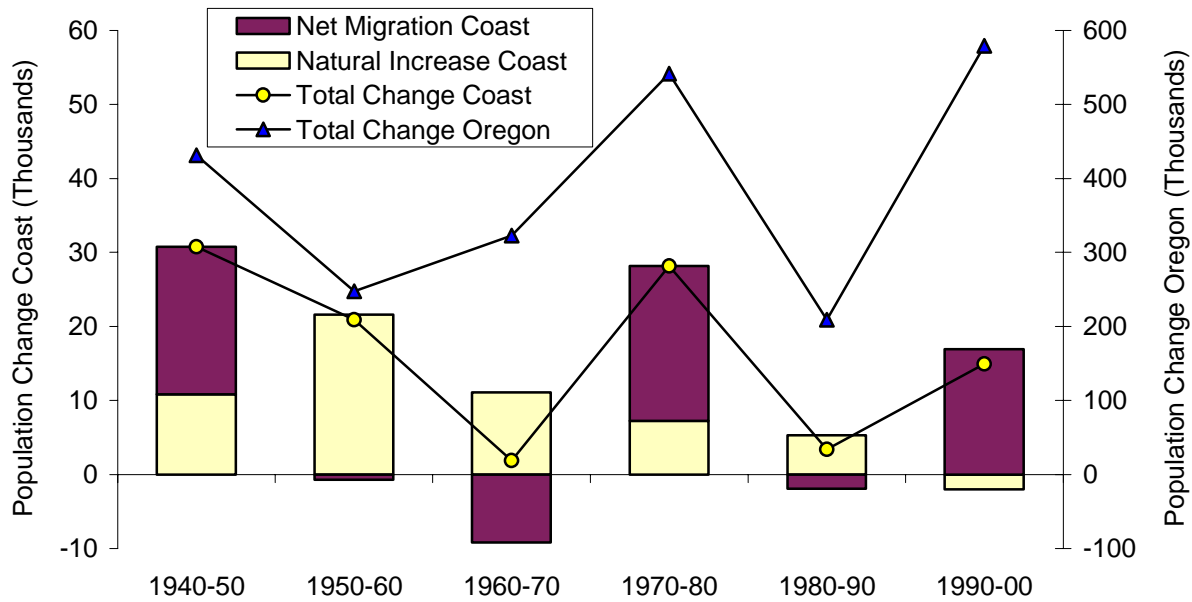


Net migration (individuals moving out minus those moving into an area) has oscillated between positive and negative in the shown intercensal periods (Figure ES.2). The growth in population due to natural increases (births minus deaths) has declined steadily since 1950, reaching a negative value between 1990 and 2000.

Geographic Density

The State and coastal counties have similar population densities at 35.6 and 27.6 persons per square mile, respectively. Since Oregon's land area includes vast unpopulated areas east of the Cascades, the coastal counties' density would indicate that density is very low. By comparison, the population density of the Portland Metropolitan Statistical Area (excludes land area and population of Clark County, Washington) is 357.4 in 2000.

Figure ES.2
Coast and Oregon Population Change by Component During Years 1940 to 2000



- Notes:
1. Net migration equals in-migrants minus out-migrants.
 2. Natural increase equals births minus deaths.
 3. Coast does not include coastal Lane and coastal Douglas counties.

Housing Stock

The housing stock for the Oregon Coast is generally older than for the State. This is so despite the growth of second homes and condominiums.

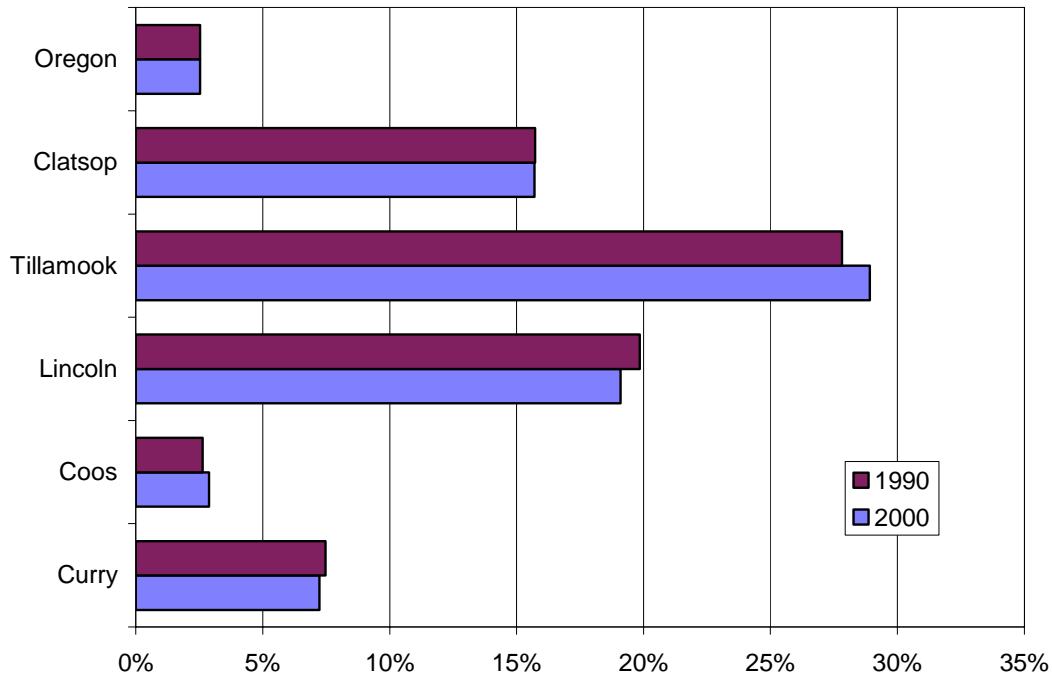
The usual statistic to measure housing availability is misleading for the Oregon Coast. Most counties' overall vacancy rates are substantially higher than the State's. This is because the census defined total vacancy rate includes vacant units market ready and vacant units which serve as a second home. Coastal counties' housing stock includes a much higher proportion of second homes than the State (Figure ES.3). Tillamook County has the highest percentage of second homes of all the coastal counties.

The median value of owner occupied homes is less than the State. But, the residential assessed value per capita is much higher. This demonstrates the presence of higher-valued second homes on the Coast than in the rest of the State.

Employment

Oregon's coastal areas have undergone significant economic and demographic transitions. Traditional resource-based industries like commercial fishing and wood products have declined in relative importance. Trade and service jobs associated with businesses serving tourism and retirees have increased. Because of the influence of the dairy industry in Tillamook County,

Figure ES.3
 Second Homes as a Percent of Total Housing Units for Oregon and Coastal Counties in 1990 and 2000



agriculture has remained fairly constant. The major change, however, has been the increase of "other" industries in these counties, which reduced the relative importance of natural resource industries.

The flip side of employment is unemployment. There are some dramatic differences between the counties over time (Figure ES.4). In the past, Oregon's coastal counties were much more vulnerable to recessions, such as the downturn in the early 1980's. During those years, all Oregon's counties experienced worse unemployment. In the last decade, there have been fewer spikes in unemployment. And today, four of five coastal counties have less or about equal unemployment rates than the rest of the State.

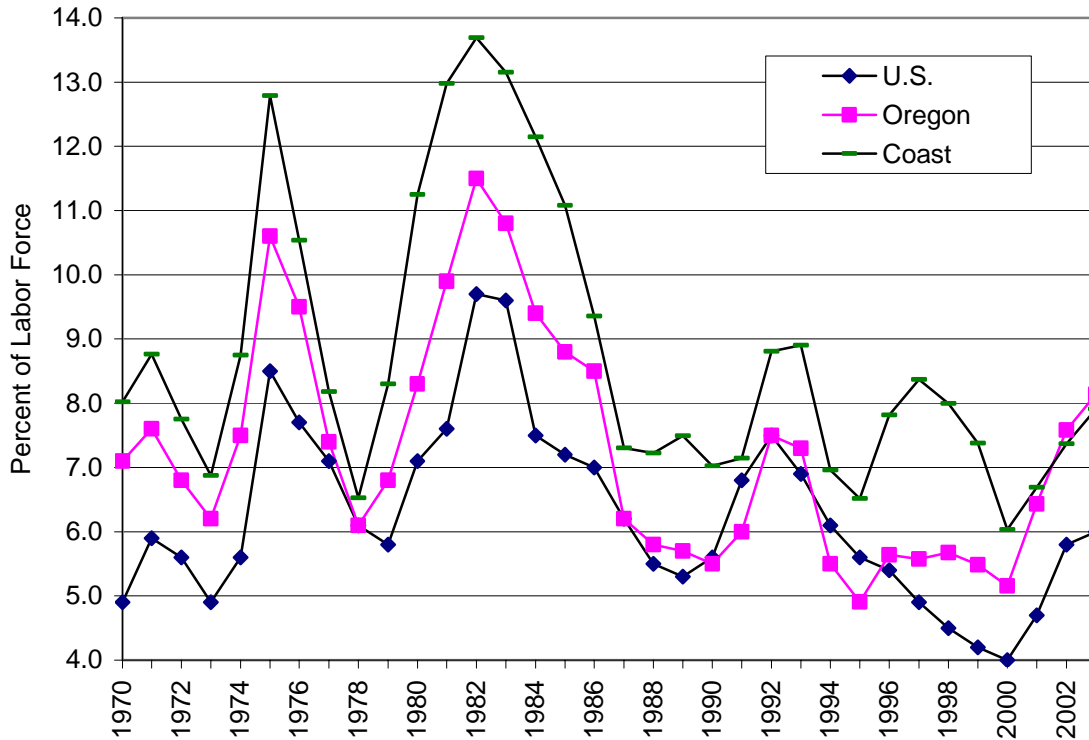
Firm Size

The Coast has a higher proportion of firms in the smallest size class than the State, though the proportion has been declining for both the Coast and the State. The percent of employment in proprietorships is higher on the Coast than in the State and has stayed about the same over the last 30 years.

Labor Force Participation

The Coast's labor force participation is showing a growth rate which exceeds the rate of growth for the area's population. This differential in growth rates, which also took place at the State and

Figure ES.4
Unemployment Rate in 1970 to 2003



- Notes: 1. Coastal counties are Clatsop, Tillamook, Lincoln, Coos, and Curry.
2. There was a change in measuring unemployment rate starting in 1990. A time series model was used rather than a handbook method.

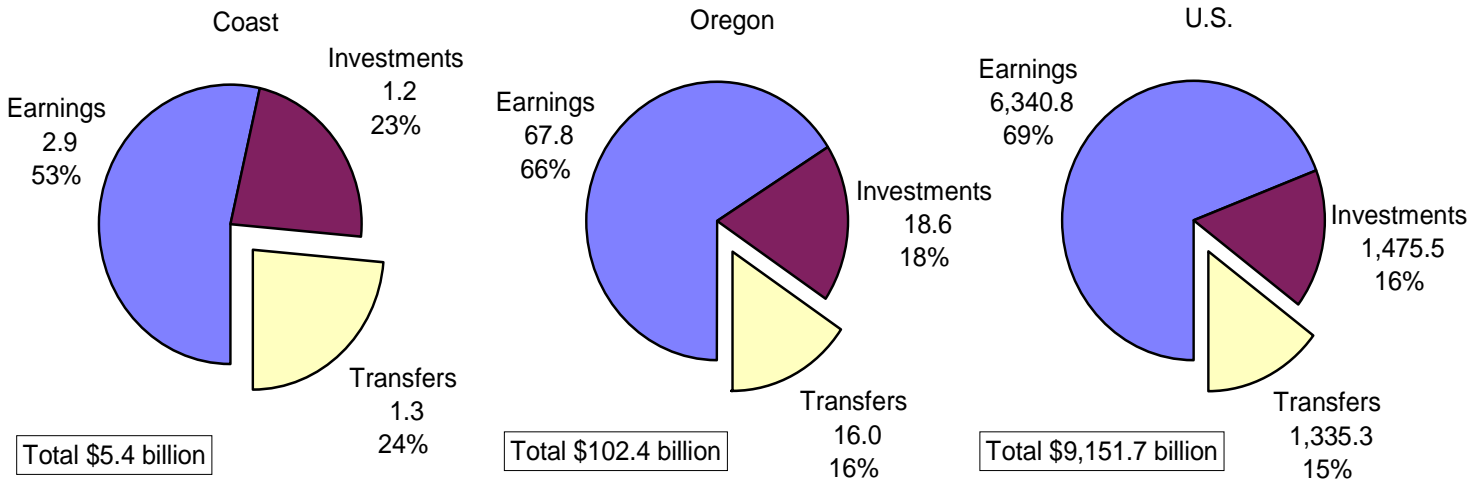
national level, can be attributed in large measure to the entry of proportionately more women into the labor force. In addition, the aging of the population, the entry of the baby boomers, early retirement for men, and overall population growth also played their parts.

Income

A revealing income trend over time is the dramatic increase in transfer payments as a percent of total household and individual personal income (Figure ES.5). This is partially a function of the increase in retirees collecting Social Security payments in these areas. While total personal income has increased, the share of total personal income that is earned (i.e., employee compensation and proprietor income) has remained about the same (Figure ES.6). This means a lot of spending on the Oregon Coast is not tied to salaries and wages from local businesses or industries.

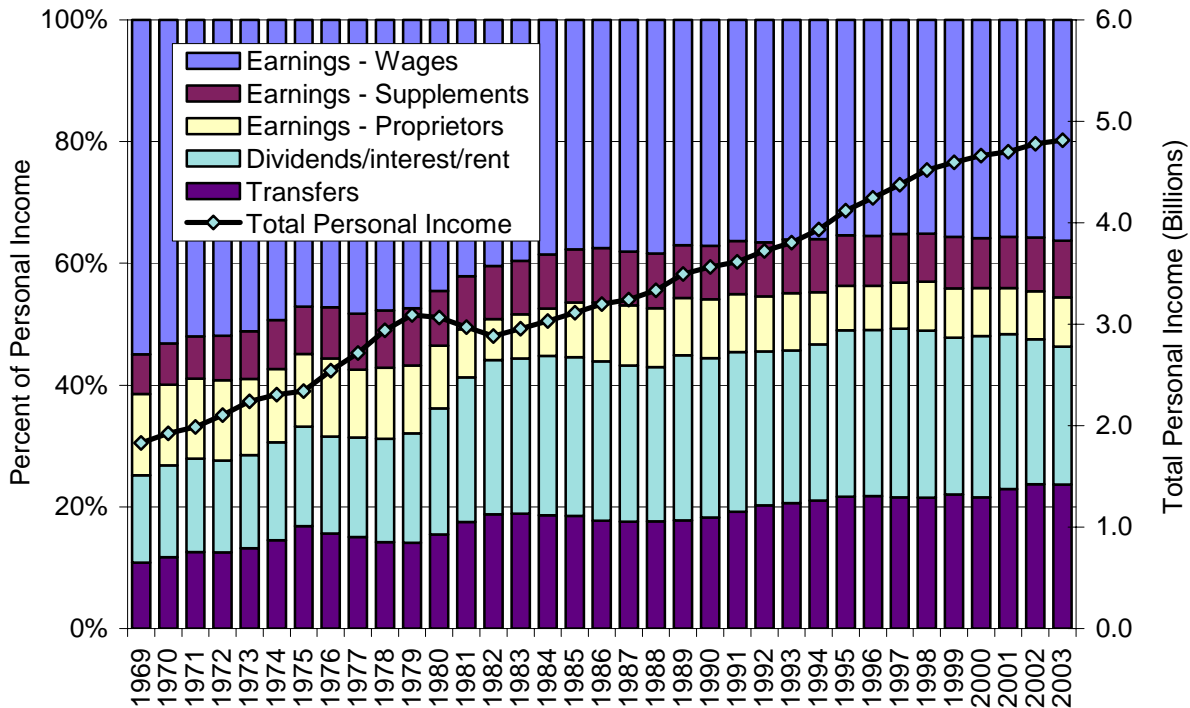
Per capita income is one of the most accurate indicators of economic well-being. It is the total of income from all sources - wages, interest earnings, dividends, business profits, and transfer payments like welfare, unemployment compensation, and retirement - divided by the total population. The per capita net earnings in the coastal counties are still well below per capita net

Figure ES.5
Sources of Personal Income to the Coast, Oregon, and U.S. in 2003



Notes: 1. Coast includes Clatsop, Tillamook, Lincoln, coastal portions of Lane and Douglas, Coos, and Curry counties.

Figure ES.6
Total and Shares in Sources of Total Personal Income for the Oregon Coast in 1969 to 2003



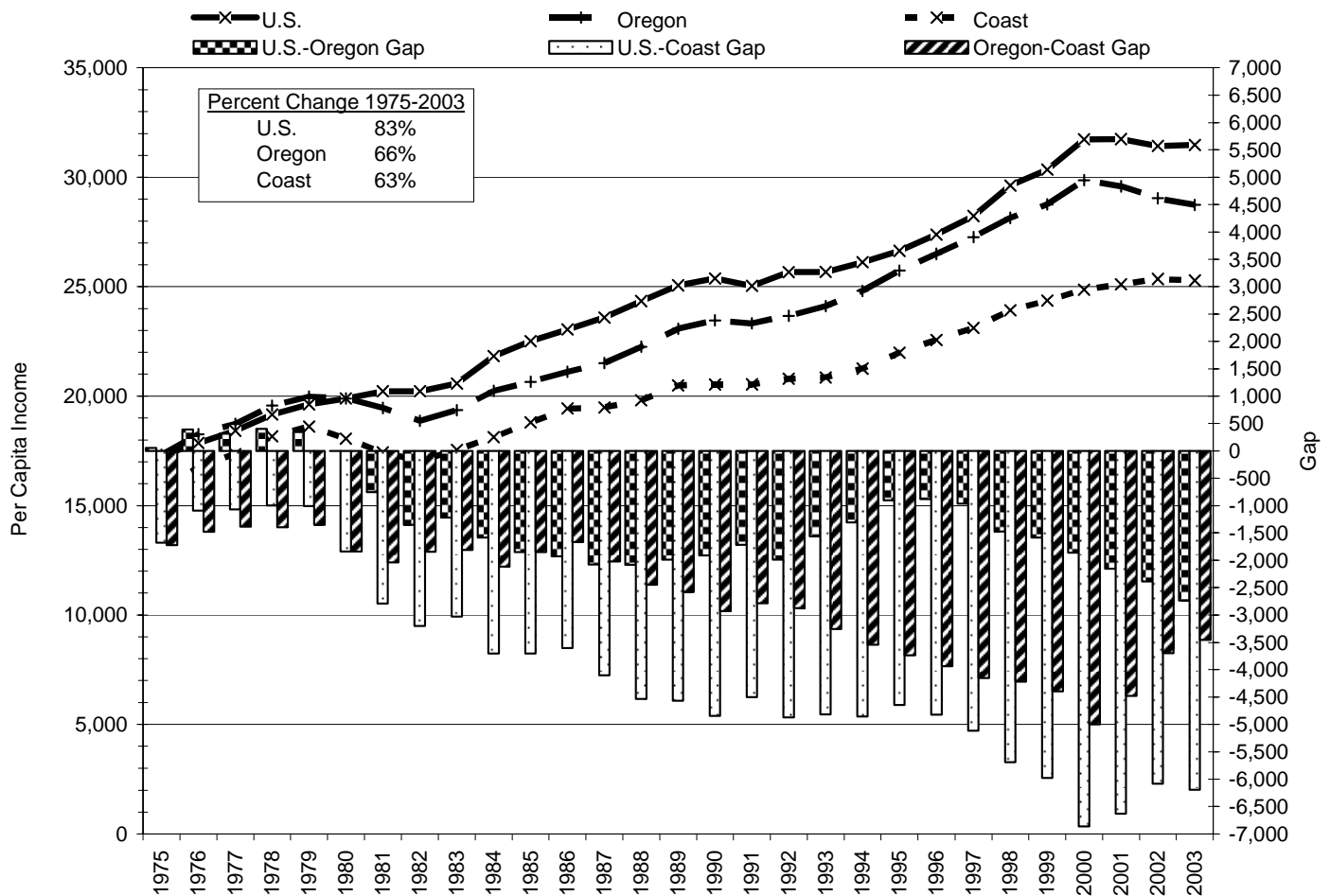
- Notes: 1. Total personal income in billions adjusted to Year 2003 dollars using the GDP implicit price deflator developed by the U.S. Bureau of Economic Analysis.
 2. Includes Clatsop, Tillamook, Lincoln, Coos, and Curry counties.
 3. Components of earnings by place of residence estimated using components of earnings by place of work.

earnings at the State or national level. However, the gap has been decreasing in recent years (Figure ES.7).

The personal income component for wages, largely comprised of the amount the average worker earns, is less along the Coast and in Oregon. Measured in real 2000 dollars, the average Coast worker earned about \$24,112; the average Oregon worker earned \$32,776.

Income inequality statistics can be misleading when averages are used as indicators. A few households in very high income brackets can mask the effects of many households in lower income brackets. The income brackets by county are shown in Table ES.2 and Figure ES.8. All coastal counties have far fewer households in the highest income brackets than the State. Coos and Curry counties have the highest proportion of households in the lowest income bracket.

Figure ES.7
Coastal Counties Income Maintenance in 1975 to 2003

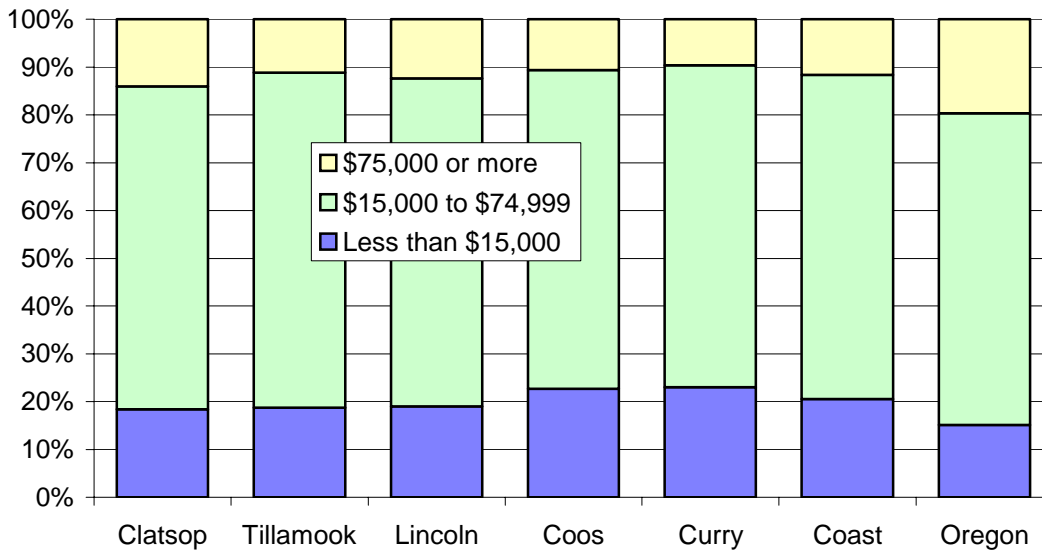


- Notes:
1. Per capita income is average annual per capita personal income. This includes household income from all sources (net earnings, investments, and transfers) divided by population.
 2. Dollars adjusted to 2003 using the GDP implicit price deflator developed by the U.S. Bureau of Economic Analysis.
 3. Coastal counties are Clatsop, Tillamook, Lincoln, Coos, and Curry.

Table ES.2
Household Income Distribution by County in 1999

Area Name	Median Household Income	Households	Income				Income Distribution			
			Less than \$15,000	\$15,000 to \$74,999	\$75,000 or more	\$100,000 or more	Less than \$15,000	\$15,000 to \$74,999	\$75,000 or more	\$100,000 or more
Clatsop	\$36,301	14,741	2,709	9,959	2,073	946	18.4%	67.6%	14.1%	6.4%
Tillamook	\$34,269	10,214	1,914	7,157	1,143	548	18.7%	70.1%	11.2%	5.4%
Lincoln	\$32,769	19,352	3,675	13,285	2,392	1,071	19.0%	68.6%	12.4%	5.5%
Coos	\$31,542	26,181	5,929	17,459	2,793	1,251	22.6%	66.7%	10.7%	4.8%
Curry	\$30,117	9,554	2,198	6,438	918	466	23.0%	67.4%	9.6%	4.9%
Coast	\$32,893	80,042	3,833	12,438	2,129	968	20.5%	67.8%	11.6%	5.3%
Oregon	\$40,916	1,335,109	201,824	870,422	262,863	133,375	15.1%	65.2%	19.7%	10.0%

Figure ES.8
Household Income Distribution by County in 1999



Another indicator which shows coastal counties are skewed towards lower household incomes than the State is the proportion of people living below poverty level. The proportion in coastal counties is 13.6 percent, compared to the State's 11.6 percent in 2000.

Lagging wages contribute to the housing problem along much of the Coast. Many potential workers are unable to secure affordable housing as rising demand for coastal property has priced homes and rentals out of their reach. This lack of workforce housing in turn makes it more difficult for employers to attract and retain workers in occupations such as trade and service workers. This is especially true for businesses oriented towards the tourism industry.

Social Description

The Oregon Coast is distinguished by its health and well-being characteristics. Figure ES.9 shows statistics for educational attainment, access to health services, the poverty rate, the proportion of substandard housing and the crime rate for the Oregon Coast as compared to the State. All statistics show the Coast is quite different than the State.

Indicators of prosperity for coastal residents compared to the rest of the State are shown in Table ES.3. Bank deposits per capita are less on the Coast than for the State. The effective buying income (equivalent to the federal government's disposable personal income and a bulk measure of retail market potential) is less for the Coast than the State. Not surprisingly, retail sales per capita on the Coast is also less. A contributing factor is the sales leakages that occurs when coastal residents travel to large urban centers along the I-5 Corridor where price and product selection is better than on the Coast.

Economic Sector Summaries

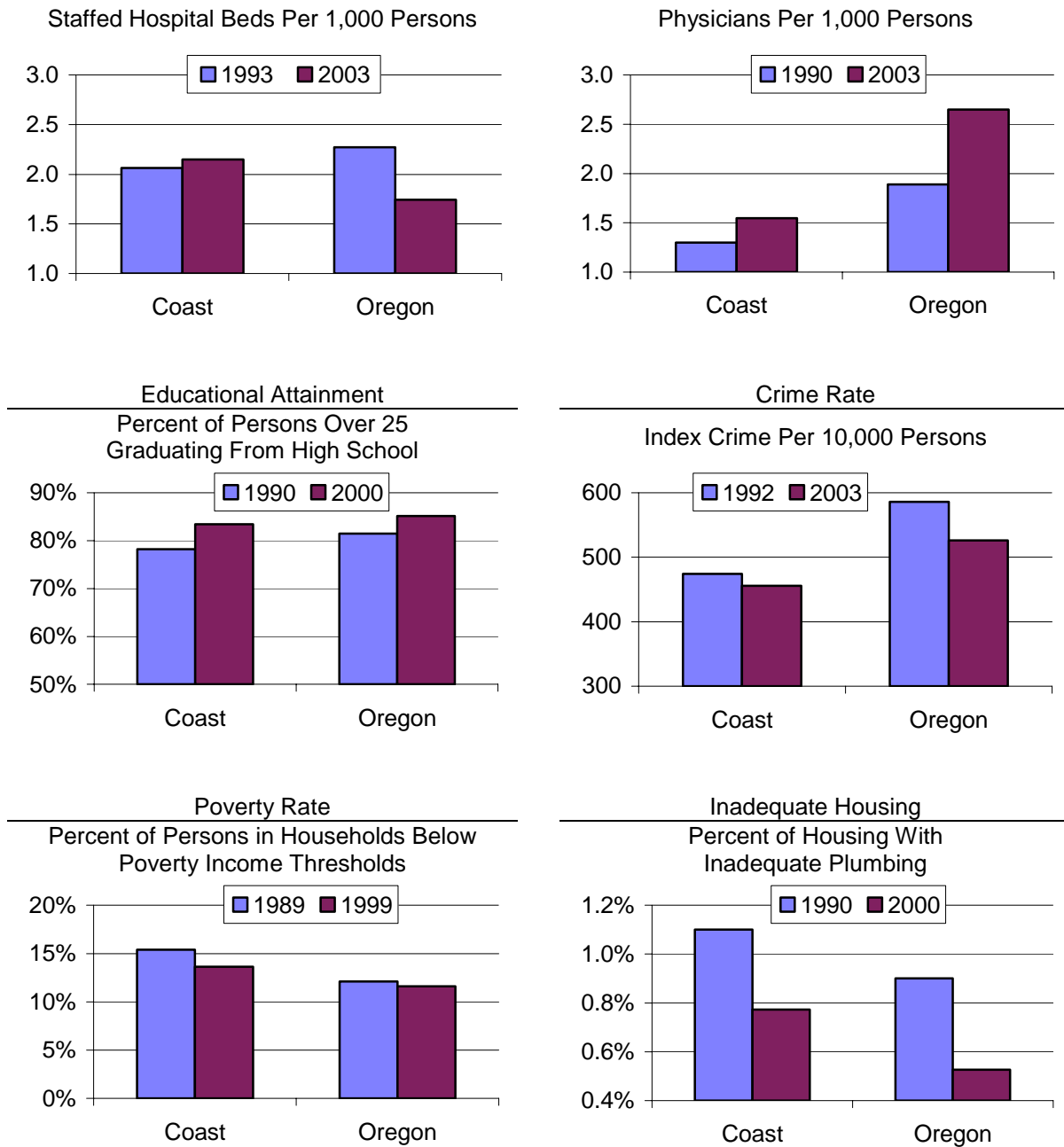
Six major agglomerated industry sectors were used to explain the sources of the net earnings component of total personal income for county residents: commercial fishing, agriculture, timber, tourism, other identified export based industries, and other earned income. The first five of these sectors should be viewed as "basic" exporting sectors. The last sector is a residual calculation using total net earnings. It is assumed that all other goods and services industries are the result of either the six agglomerated sectors, or the non-earned sector comprised of transfer payments (retirement income for example) and investment (dividends, interest and rent for example) income. Because the coastal counties have larger than average income percentages coming from transfer payments and investment income, we also calculate a "retiree" effect. This effect may also be viewed as a basic "exporting" sector.

Tracing personal income sources in the coastal areas shows that natural resource based industries such as commercial fishing, agriculture, timber, and tourism continue to be important contributors to coastal communities. The contributions from these industries to each county's economy for the year 2003 is shown in Map ES.1 and Table ES.4. Fishing (including oyster culture) makes up as much as 11 percent of the total personal income of coastal residents in such areas as Clatsop County. Agriculture makes up as much as 13 percent in Tillamook County. The timber industry contributes five to 12 percent of personal income in the five counties on the Coast. Coos County has pulp and paper mills, marine transportation sectors, and sizable ship building sectors. These identified sectors contribute up to 11 percent to these counties. Tourism also is a significant contributor to coastal areas, contributing as much as eight percent of total personal income in Clatsop and Lincoln counties. The high security California State prison in northern California is a contributor for the estimated six percent to Curry County.

Since the 1980's, personal income generated by the timber and fishing industries has declined for various reasons. Some of these reasons are decreasing availability of natural resource for harvests, new demands to use natural resources for recreation and habitat preservation, and in the case of fish products, decreasing prices. The changing demographic of coastal areas has also led

Figure ES.9
Coast and Oregon Social Characteristics and Decadal Changes

Health Services



- Notes: 1. Data for Coast includes Clatsop, Tillamook, Lincoln, Coos, and Curry counties, except hospital beds per capita include the coastal portions of Lane and Douglas counties.
 2. Hospital service area assumed to be inclusive of county area where hospital is located.
 3. The index crime statistic was created by the FBI to provide a general measure of crime rates across jurisdictions and over time. Index crimes include the person crimes of murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault and the property crimes of burglary, larceny-theft, motor-vehicle theft, and arson.

Table ES.3
Coast and Oregon Prosperity Measures in 2003

	<u>Coast</u>	<u>State</u>
<u>Property Value</u>		
Assessed Value Per Capita		
Residential	\$47,737	\$30,518
Commercial/Industrial/Multi-housing	\$15,796	\$15,111
Utilities	\$2,846	\$3,248
Other	\$15,994	\$13,182
Total	\$82,373	\$62,059
Net Property Tax Rate	1.204%	1.533%
<u>Wealth</u>		
Bank Deposits Per Capita	\$8,619	\$11,791
Effective Buying Income (2002) Per Household	\$35,657	\$43,768
Retail Sales Per Household	\$24,779	\$33,946
Personal Bankruptcy Filing Rate (Per 1,000 Population)	6.01	6.67
Average Wage Per Worker	\$26,000	\$34,446
<u>Housing Costs</u>		
Median Monthly Housing Costs to Owners in 1999	\$661	\$914
Median Monthly Housing Costs to Renters in 1999	\$537	\$620
Median Value of Owner Occupied Homes (2000)	\$130,228	\$152,100

Notes: 1. Average wage per worker is for covered employment in 2003.

to a shift in income and employment opportunities. As the population of coastal counties has continued to age in the last 20 years, income from transfer payments has risen, and the percent of total personal income that is earned in the current generation (i.e., employee compensation and proprietor income) has fallen. The relative importance of natural resource based industries as a source of income has declined as other industries have increased.

Not identified is 19 to 44 percent of total personal income in these coastal counties. (The indirect and induced effects of investment income and transfer payments are included in this calculation.) For some coastal areas, many small manufacturing and service companies export their product. Such industries as plastic wedge manufacturers, plastic water tank manufacturers, computer hardware and software developers, writers, and artists sell products outside the coastal area and bring income back to regional economies for spending. Such small industries are important when summed together. However, they are too dispersed to be identified in this study.

Retirement Related Income Effects

Retirement income in coastal counties is related to income earned earlier by residents. It is either income of residents electing to stay during their retirement years or it is income that is transferred to the coastal areas by retiree aged people moving to the Coast. The in-migration of retirees has helped increase coastal counties' total personal income. It is difficult to identify the

Map ES.1
Coastal County Locations and Total Personal Income Sources

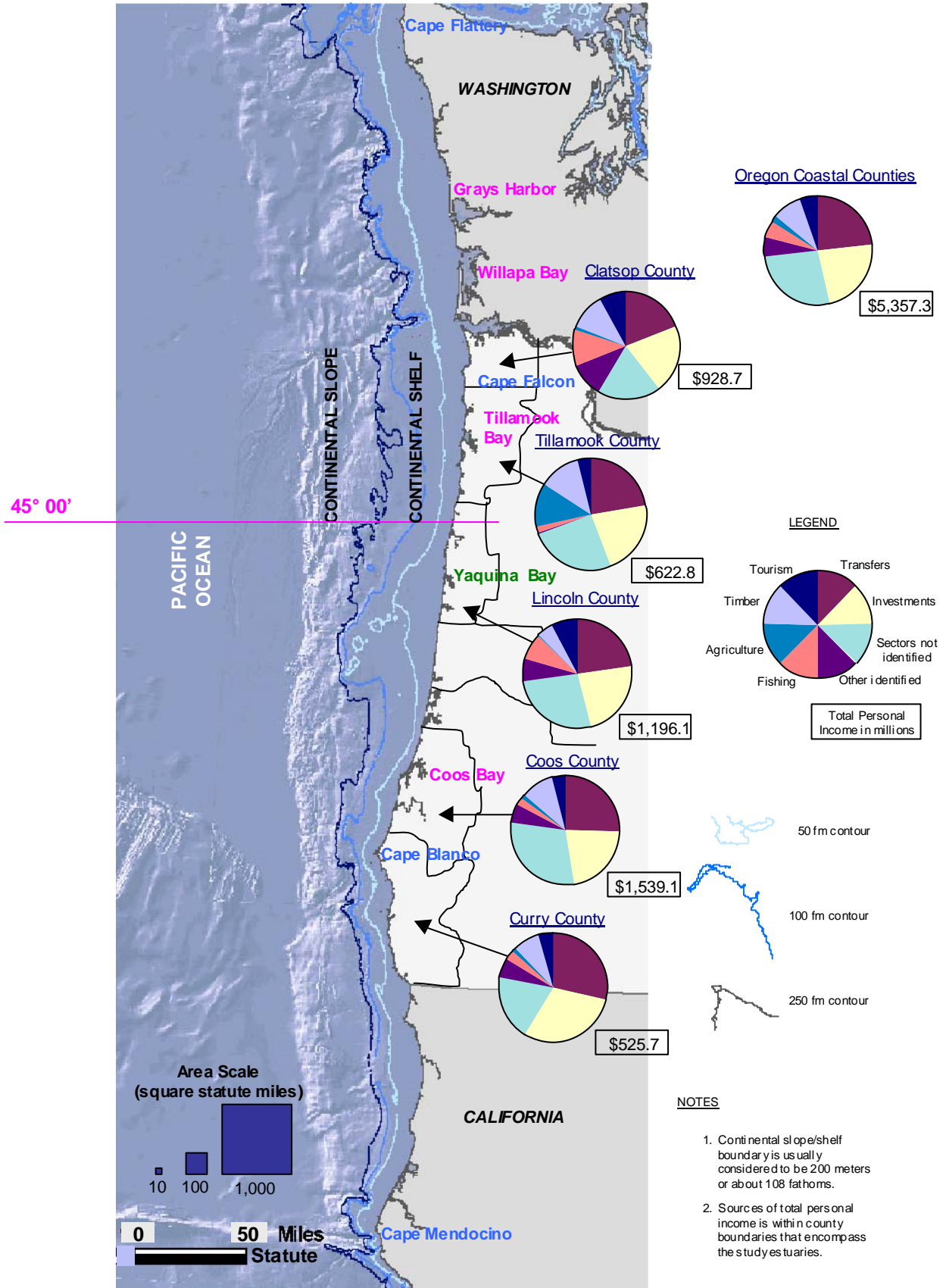


Table ES.4
Sources of Total Personal Income for Identified Sectors in 2003

	U.S.		Oregon		Clatsop		Tillamook		Lincoln		Coastal Lane		Coastal Douglas		Coos		Curry		Coastwide	
	Income	%	Income	%	Income	%	Income	%	Income	%	Income	%	Income	%	Income	%	Income	%	Income	%
Total Personal Income	9,151,694.0	100%	102,418.8	100%	928.7	100.0%	622.8	100.0%	1,196.1	100.0%	398.5	100.0%	145.1	100.0%	1,539.1	100.0%	525.7	100.0%	5,355.9	100.0%
Net Earnings	6,340,842.0	69%	67,825.2	66%	563.6	60.7%	348.0	55.9%	644.6	53.9%	214.7	53.9%	76.4	52.6%	810.3	52.6%	218.3	41.5%	2,875.9	53.7%
Commercial fishing; also					89.2	9.6%	6.1	1.0%	54.8	4.6%	1.1	0.3%	2.5	1.7%	28.0	1.8%	12.2	2.3%	194.0	3.6%
Distant water and fish meal					12.0	1.3%	1.2	0.2%	39.7	3.3%	1.5	0.4%	1.9	1.3%	2.1	0.1%	0.7	0.1%	59.1	1.1%
Aquaculture					0.0	0.0%	3.5	0.6%	0.8	0.1%	0.0	0.0%	0.1	0.1%	3.1	0.2%	0.0	0.0%	7.6	0.1%
Agriculture					6.1	0.7%	81.3	13.1%	2.2	0.2%	1.6	0.4%	1.0	0.7%	19.7	1.3%	7.7	1.5%	119.7	2.2%
Timber					106.4	11.5%	74.8	12.0%	60.1	5.0%	13.7	3.4%	12.8	8.8%	148.1	9.6%	40.6	7.7%	456.5	8.5%
Tourism					74.8	8.1%	23.5	3.8%	89.9	7.5%	19.2	4.8%	7.2	5.0%	59.3	3.9%	24.0	4.6%	298.0	5.6%
Other identified industries																				
Paper and paperboard mills					41.3	4.4%	0.0	0.0%	60.3	5.0%	0.0	0.0%	0.0	0.0%	25.3	1.6%	0.0	0.0%	126.9	2.4%
Water transportation and marine cargo					7.4	0.8%	0.0	0.0%	0.7	0.1%	0.0	0.0%	0.0	0.0%	50.9	3.3%	0.6	0.1%	59.6	1.1%
Ship building, steel fabric., other heavy constr.					43.7	4.7%	0.0	0.0%	0.8	0.1%	0.0	0.0%	5.3	3.6%	8.0	0.5%	0.1	0.0%	57.9	1.1%
Other identifiable (govt., research, comm., special ed., military)					6.9	0.7%	0.9	0.2%	17.9	1.5%	1.2	0.3%	2.3	1.6%	1.3	0.1%	30.2	5.8%	60.7	1.1%
Subtotal identified industries					387.7	41.7%	191.4	30.7%	327.4	27.4%	38.4	9.6%	33.1	22.8%	345.8	22.5%	116.1	22.1%	1,439.9	26.9%
Other not identified					176.0	18.9%	156.6	25.1%	317.2	26.5%	176.3	44.2%	43.3	29.8%	464.5	30.2%	102.2	19.4%	1,436.0	26.8%
Investments	1,475,529.0	16%	18,634.0	18%	188.3	20.3%	134.0	21.5%	274.5	23.0%	91.5	23.0%	31.6	21.8%	335.7	21.8%	155.3	29.5%	1,210.9	22.6%
Transfers	1,335,323.0	15%	15,959.6	16%	176.7	19.0%	140.9	22.6%	277.0	23.2%	92.3	23.2%	37.1	25.5%	393.1	25.5%	152.1	28.9%	1,269.2	23.7%
Total Employment	127,795,827		1,563,725		15,396		8,038		16,589						22,299		6,461			
Unemployment Rate	6.0		8.1		7.0		6.6		8.6						8.7		7.2			
Per Capita Personal Income	31,472		28,734		25,801		25,210		26,672		25,057		23,504		24,380		24,228			
Population	290,788,976		3,564,330		35,993		24,705		44,846		15,902		6,174		63,130		21,697		212,447	

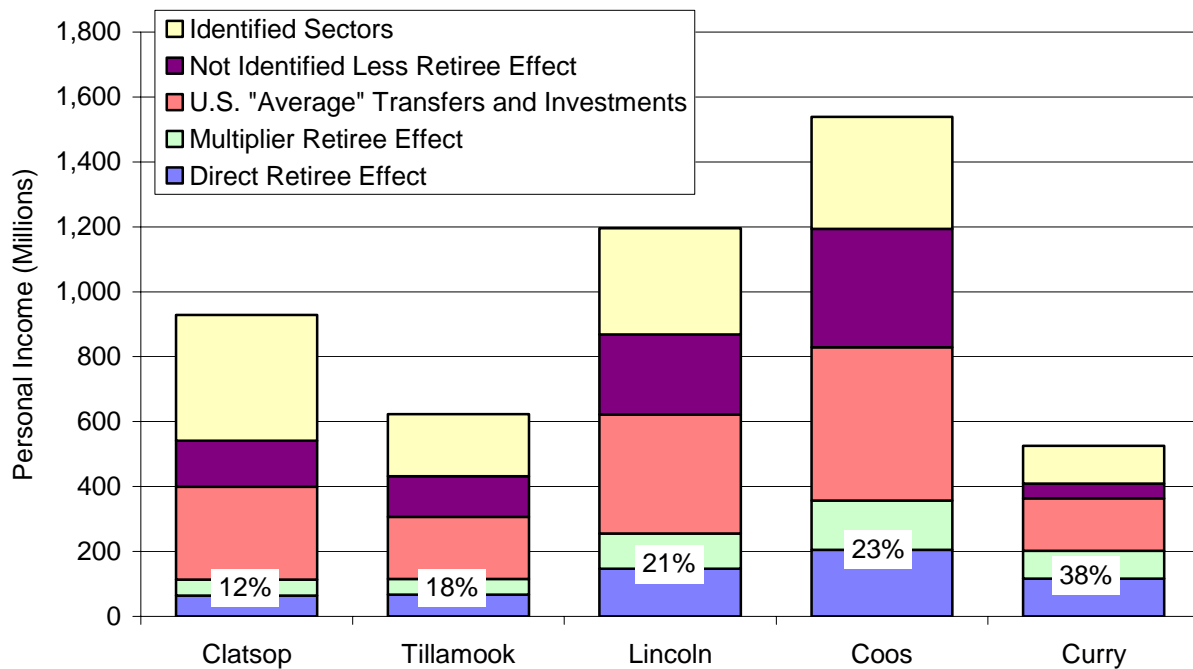
- Notes:
1. Personal income in millions of 2003 dollars.
 2. Personal income generated by identified sectors includes direct as well as indirect and induced income. The economic sectors dependent upon the identified sectors, such as retail and service businesses, are included in the identified sectors. This means the "multiplier effect" is included.
 3. Investment and transfer personal income is only direct income, although research shows that the multiplier effect is approximately one for both of these sectors.
 4. Population is from U.S. Bureau of Economic Analysis estimates.
 5. Total employment includes covered payroll.
 6. For coastal Lane and Douglas counties, the ratio of coastal county to county per capita personal income from census information in 2000 was applied to county per capita personal income from U.S. Bureau of Economic Analysis information in 2003 to determine coastal county per capita personal income in 2003. Coastal county total personal income in 2003 was based on population estimates developed using Census 2000 zip code data adjusted using the PSU rate of growth between 2000 and 2003 for the cities of Florence and Reedsport. The shares of earnings, investments, and transfers from adjacent counties are used as a proxy.

income amount using traditional data sources. It can be assumed that it is mostly from the non-earned BEA categories of transfer payments and investments, but households comprised of non-retirement aged people also have some income from these sources.

In 2003, transfers and investments ranged from nine percent to 28 percent higher for coastal areas than for the U.S. These higher percentages may be viewed as an indicator that the retiree effect is much higher on the Oregon Coast than in the U.S. For an analytical process, we have assumed the U.S. average share that is received as transfer and investment income is a basic amount (Figure ES.10). Then the percentage over and above the U.S. average multiplied by the consumption multiplier for that county is an estimate of the retiree effect. The retiree effect becomes a new portion of what was previously only the not identified sector income plus transfers and investments in excess of the U.S. average.

Residents in smaller communities do not spend all of their income in these communities. They are more likely to travel to other, larger areas for much of their personal needs, such as health care, food, and automobile purchases.

Figure ES.10
Retiree Effect Economic Contributions in 2003



- Notes: 1. Retiree effect assumes half of purchases for selected personal need items are made out-of-area.
 2. The shown share of total personal income includes direct and multiplier retirement effect.
 3. Retiree effect is an index and does not represent total economic contribution from spending from retirement age residents.

These out-of-area purchases were modeled by including only half of the average local senior household expenditures for personal need items. When half of the major purchases for health care, transportation, and entertainment are assumed to take place out of the area by retirees, the local retiree effect ranges from 12 percent for Clatsop County to 38 percent for Curry County. The other not identified sector decreases from 27 percent to 21 percent in Lincoln County and 19 percent to nine percent in Curry County.

The growth of non-earned income, particularly from retirement programs, represents a major and increasing source of purchasing power in many coastal areas. Coastal areas that capture an increasing share of the retirement related income, which accompanies a net in-migration of retirees, can stimulate employment and incomes by increasing local spending. It may be that these year-round residents foster economic and employment stability.

Research of the consumption patterns in local coastal areas as well as demand for local services by age and income groups is needed to provide information on the business and local fiscal impact of this growing population. For economic development policy in coastal communities, the comparison needs to be made between the benefits of attracting this age cohort with the overall cost in public services, changes to land use demands, and other impacts.

Lessons Learned From Economic Dependence on Natural Resources

The economic growth of the American West was highly dependent on the availability of cheap or free natural resources. For most of the 19th century the emphasis on public land management was simply to move land from federal to private ownership. During this formative period, many Americans viewed federal lands as a vast resource to be settled and exploited. Driving economic interests were fur trading, transportation, homesteading, agriculture, mining, fishing, and forest use.

The West's once-important natural resource industries declined dramatically in terms of jobs and incomes. These industries - mining and metal processing, logging and lumber products, and agriculture - historically supported European settlement. They are still widely believed to be the economic lifeblood of the region's rural areas and small cities. Their decline still provokes deep anxiety. The fear is the region will become more depressed and more residents will be forced to leave.

Despite these fears, the changing industrial structure has not triggered an overall decline in jobs, income, or residents in the region. On the contrary, as industrial transformation proceeded, in-migration, employment, and aggregate real income have boomed.

Several public policy alternatives for economic development are recommended:

- Public policy makers should recognize that local government cannot manipulate local pay and income by subsidizing job creation.

- Local economic policy should focus first on enhancing the ability of existing residents to earn a decent living rather than recruiting new employers with tax breaks and other subsidies.
- Public policy makers should focus on the present and the future and try not to dwell on the past economy.
- Local economic policy should treat the community's site-specific characteristics, both public services and the quality of the natural and social environments, as important determinants of both citizen well-being and local economic vitality.

Challenges to Economic Growth in Coastal Communities

The challenges facing economic growth in coastal communities include dealing with its unique social and economic characteristics.

- Problems of distance and accessibility
- Narrower bases of economic activity, making it vulnerable to cyclical swings
- Lower levels of labor, skill sets, and education/training facilities
- Gaps in communication and transportation infrastructure
- Greater distance to producer's markets
- Lower population densities that deny "critical mass" levels for certain businesses, public services, and organizations
- Smaller tax bases, making the provision of public infrastructure and services more difficult to finance
- Less access to and local control over investment capital
- Dependence on a small circle of leaders who are often volunteers serving a variety of roles
- Higher quality of life (lower crime rates, cleaner environment, scenic views, and less congestion)

Policies to increase economic activity on the Oregon Coast should seek to smooth out the economic seasonal roller coaster of the coast. Infrastructure requirements designed for peak load are too expensive and not providing services at the peak level discourages sustainable investments.

In economic terms, an area may have a "comparative advantage" over another area for reasons of proximity to manufacturing inputs, product markets, labor availability, transportation, etc. Economic development efforts should promote these advantages. The Oregon Coast's comparative advantage is the natural amenities. Pricing is another tool for marketing goods or services that are in demand. Is it wise to provide and price goods and services that attract and overwhelm coastal areas for three months of the year? A review of public services should include these seasonal variation issues.

Oregon coastal communities in closer proximity to large metropolitan areas are faring better economically than the more remote communities. Natural resource extractive industries are still important in these areas, but the commodity value is no longer an automatic competitive

advantage for economic development. These areas have other advantages for economic growth: high quality of life being in a rural setting, sufficient medical, shopping, and other services, and comparably low land values. They also have transportation infrastructure and proximity that allows a convenient driving distance to higher levels of education, medical services, airports, etc. Economic development public policy in other coastal communities needs to recognize the success in these mentioned communities, and where possible, promote the same advantages.

Local government leaders should avoid trying to manipulate local pay and job creation through subsidization. Local economic policy should focus on enhancing the ability of existing residents to earn a decent living rather than seeking new employers with tax breaks or other subsidies. Local economic policy should treat the community's site-specific characteristics, both public services and the quality of the natural and social environments, as important determinants of both citizen well-being and local economic vitality. In turn, visitors will be attracted from metropolitan areas for ecological and cultural based tourism. This will make public goods an important part of the local economic base, and attract desired economic growth. Economic growth can occur from distinctive places with a high quality of life:

- A resource base is still important, but it no longer an automatic competitive advantage.
- Traditionally, more capital and more labor is what made economies grow.
- An extraordinary quality of life can attract and retain talented people.
- Knowledge businesses can occur anywhere, but adequate telecommunication infrastructure is required to take full advantage of these opportunities.
- Talented and skilled people are key to supporting a knowledge economy. Opportunities for educational enrichment are needed from kindergarten through life.

Large expanses of timberlands, water vistas, low density development, and footloose business opportunities (not tied to nearness of manufacturing input and market centers) will draw visitors and permanent residents. Knowledge based industries dependent on reliable and robust broadband services will be attracted to the quality of life amenities available to owners and workers in these coastal areas. The biggest challenge will be to maintain these amenities as the region experiences growth.

The following list of economic development practices is recommended:

- Plan for new economic and regulatory policies
- Plan for economic development at the correct scale
- Develop locally relevant economic information
- Promote community based conflict resolution
- Encourage sustainable enterprise financing
- Build local infrastructure
- Provide for community and environment initiatives

How will planning and policy making anticipate and take advantage of population growth patterns? There are two primary challenges to overcome. First, there needs to be ways to deal with scale. Cooperation in the operation of public facilities and services is needed between single communities that cannot afford on their own. Governments need to be imaginative in

trying to stimulate this kind of analogous scale in rural communities. An example is that it may be more cost effective for regional public facility authorities and service districts to provide services rather than traditional general purpose government. Second, the key for rural economies is going to be connectedness. That is, rural areas such as the Oregon Coast have to be able to communicate and transport. They need to be connected to Portland and other growth centers in the Willamette Valley.

Other challenges are to have an institutional structure that is informed about innovation and about rapid changes in the marketplace, technology, and finance. Rural areas need to gain access to information about and expertise in such areas as business planning and development and national and international competition. Government alliances for consolidation of public services should be explored whenever possible. A more educated work force must be provided. Revitalization efforts must address the problems of sustaining the environment, improving infrastructure, and capitalizing on the area's quality of life. An efficient and well maintained surface and air transportation system has to be provided.

