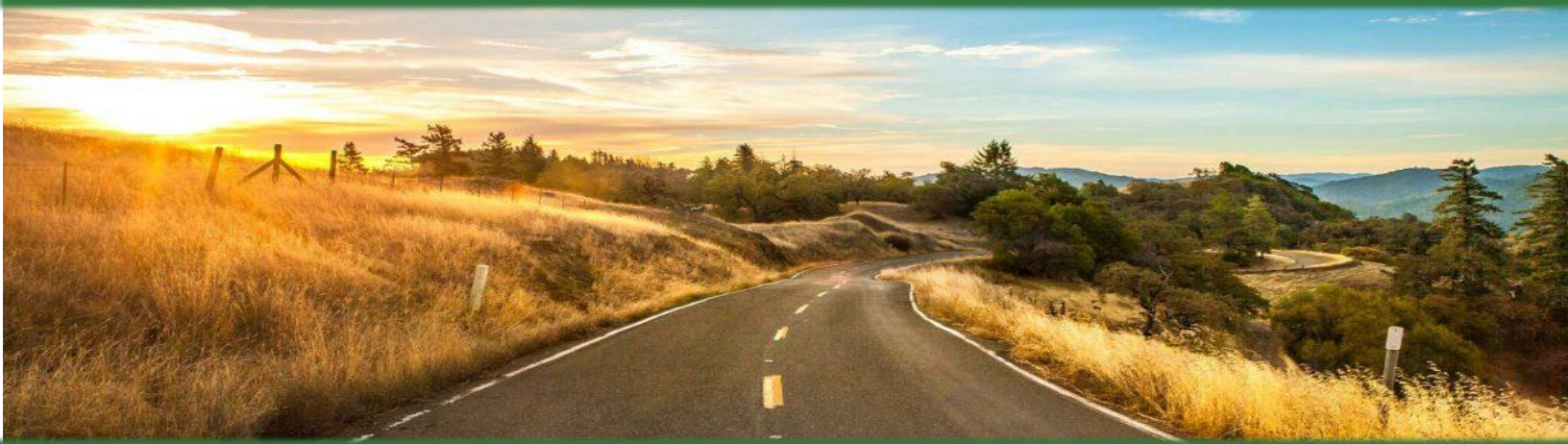


Mendocino County 2018-2019 Economic Assessment



208 B. South Oak St.
Ukiah, CA 95482
www.edfc.org
707-234-5705

Funded in part by:





This report was partially paid for by a grant from the US Economic Development Administration Grant #07 79 07475.

Lead Author: Heather Gurewitz, MCRP, Executive Director of EDFC

Contributors: Mary Anne Petrillo, West BDC, Travis Scott, Visit Mendocino, Brad McDonald, RCHDC, Alyssum Weir, ACMC, Heidi Pickman, CAMEO

Data Support Provided by: Randall Weaver, California State Employment Development Department, Labor Market Information Division and A.B. Priceman of Garden Ranch Real Estate, Tara Moratti, Broker-Associate with Coldwell Banker Mendo Realty, Inc

Editors: Diann Simmons and Wilder Herbertson

Accepted by the EDFC Board of Directors on August 8, 2019.



Inside This Report

- Overview 4
- In the News: Events that Impacted Our Local Economy..... 6
- On the Ground: Local Perception 7
- Mendocino County’s Economic Status 8
 - Housing & Real Estate Trends 8
 - Income and Poverty Trends 10
 - Business Demographics 12
 - Taxable Transactions in Mendocino County..... 13
 - Labor Force & Employment 14
 - Industry Employment..... 15
 - Key Industry Conditions: Agriculture and Natural Resources, Tourism, and Cannabis 18
- Economic Development in Mendocino County 23
 - Economic Development and Financing Corporation’s Highlights..... 23
 - Workforce Alliance of the North Bay 24
 - West Business Development Center..... 25
 - Arts’ Council 26
 - Visit Mendocino 27
 - Rural Community Housing Development Corporation 28
- A Final Note..... 28



Overview

Mendocino’s economy has been on an upward trend but local growth in the county has been slower and less extensive than comparable metrics at the state and national levels.

It is possible to conclude that the local economy is stable, but also vulnerable to economic downturns and especially to natural disasters such as fires and earthquakes.

There is a pressing need to engage in activities that build economic resiliency.

Economic Development and Financing Corporation (EDFC) created this report so that business owners, policy makers, and community members can better understand local current economic conditions in a long term context. This is critical to develop strategies and build lasting resiliency in our local economy.

This report offers a statistical representation of the local economy as well as an on-the-ground perspective. We reviewed 11 economic indicators and interviewed more than 15 key business owners, industry leaders, and stakeholders. We also incorporated information obtained at Economic Summit held on January 31, 2019.

Real Estate Trends and Housing Values

• Overall real estate trends are stable to positive. Sales, inventory, and pricing over 5 years remain steady. Home values have steadily increased since 2012, though there is reason to believe the market has reached its peak and may begin to decline.

Income, Cost of Living & Poverty

• The comparative changes in Median Household Income (MHI) and the Consumer Price Index show declining affordability. Mendocino County’s median income is below and continues to lag behind state and national MHI. Additionally, the erratic fluctuations in the poverty rate may indicate a significant population with vulnerable income levels.

Business Growth, Sales, and Employment

• Trends show a growing number of businesses but a decrease in the size of businesses. Taxable sales have increased steadily and there has been an overall gain in Total Industry Employment. There is a major shift from production and agriculture employment to service-based employment.

Agriculture, Natural Resource, & Tourism

• Agriculture continues to be a major economic driver, as does tourism. Both industries show steady growth. Timber had major losses in the past but appears to have stabilized. There is not enough data to provide more than preliminary metrics on the cannabis industry as it continues to adapt to the new regulatory environment.

The indicators included:

- Real Estate Pricing and Sales
- Zillow Home Value Index
- Median Household Income
- Poverty Rate
- Business Demographics
- Taxable Sales
- Labor Force and Employment
- Industry Employment
- Agricultural Commodity Values
- Timber Volumes and Values
- Tourism Spending
- Cannabis License Data

It is more than highly likely that there will be an economic downturn in the future, but it is impossible to say when or how serious it will be. That is why it is critical to develop, adopt, and implement strategic efforts to improve our economic resiliency.

Currently there are many organizations working to



Mendocino County 2018-2019 Economic Assessment

improve the local economy and their continued work has made an impact over the years. In addition to discussing the state of the economy, this report also includes a section on the key achievements of Mendocino County's key economic development organizations.

EDFC is using this data, along with the results of the economic summit held by EDFC in 2019, as a basis to develop a strategic economic recovery and resiliency plan and begin to implement projects to create a resilient local economy. We will continue to work with public, private, and non-profit partners in the community, to create sustainable prosperity in Mendocino County.



Professionals, business owners, and local officials attend the Mendocino County Economic Summit hosted by EDFC in Willits on January 31, 2019.

In the News: Events that Impacted Our Local Economy

There were many events that took place between July 1, 2018 and June 30, 2019 that impacted Mendocino County's economy. In the interviews conducted, many business owners and stakeholders said that both state and national events impacted their business. These ranged from laws and regulations passed by the State of California to tariffs, international trade and immigration policy on the federal level.



Locally, one of the most significant events took place in July of 2018 when two wildfires in the eastern hills of Mendocino County and western Lake County merged and became the Mendocino Complex Fire.¹ This was less than a year after the Redwood Valley Fire, which had major economic impacts. These fires impacted tourism and agriculture in the county.

Additionally, articles about ReTech and Microphor ending their manufacturing operations in the county were cause for concern.²

This is part of a long term trend in the county which can be seen by industry data later in the report. That said, there was positive news from Willits, MetalFx recently sold to new owners who plan to grow and improve their community engagement.

While there were challenges, there were several positive events in the county. The Fort Bragg Advocate reported that The Skunk Train and Spring Pond Properties (aka Harvest Market) announced their investment in property on the Georgia Pacific Mill Site with plans to develop.³ This is extremely positive, as both are locally based enterprises with deep roots and an understanding of the local community.

A change to the retail landscape in Ukiah occurred in July of 2019 when Costco opened its doors. There have been mixed feelings about Costco in the community. Some local business owners are concerned about the impacts on their businesses, others are happy to stop the leakage of dollars leaving the county, as many people were driving to Costco in Santa Rosa to shop.



The housing crisis has significantly impacted the local economy, and we were happy to read stories about plans in different areas of the county for new housing. These included a plan for a new housing development on Cypress Street in Fort Bragg by The Danco Group and several new housing developments in Ukiah that will provide both market-rate housing and low-income housing.

¹ Fredricksen, Justine. "Smoke taint affects grape crop growers request federal disaster aid." Ukiah Daily Journal, November 16, 2018 Pg. A1

² Fredricksen, Justine. "Retech jobs moving to Poland: Sales and engineering employees to be retained." Ukiah Daily Journal, November 23, 2018. Pg. A1

³ Calder, Chris, "Harvest owners buy 15 acres on millsite." Fort Bragg Advocate News, December 27, 2018

On the Ground: Local Perception



EDFC conducted over 15 targeted surveys of key economic stakeholders from around the county. They included directors of the local chambers of commerce, the Farm Bureau, Visit Mendocino, West Business Development Center, more than eight business owners, several realtors, and a local banker. We also spoke with business owners and industry leaders at the Mendocino County Economic Summit on January 31, 2019. Perspectives on the state of the economy vary based on location and industry. Overall, more than half of those interviewed felt the economy was improving but almost all were very cautious in saying so. Of those who felt the economy was worsening, many attributed it to the wildfires in July. Other causes noted were:

- Winter storms
- Closure of the abalone sport fishery on the coast
- Not enough marketing of the area
- Regulations and policies (local, state, and national)

The following issues were identified by multiple stakeholders and are key issues that need to be addressed in planning efforts:

- Lack of available housing for moderate and low income individuals
- Need for both skilled and unskilled labor force
- Need for improved access/relationship/interaction between businesses and local governments
- The challenges of areas that are still without high speed internet.
- Increased marketing of Mendocino County (tourism, available land, etc.) to outside the county
- Impact of wildfires and other natural disasters
- Improved water policy
- The seasonal nature of tourism and its reliance on “disposable income”
- Supporting economic growth without sacrificing public health and safety or the environment
- Pervasiveness of poverty and homelessness in Mendocino County



While there were some major issues that need to be resolved, there was a general positive feeling about Mendocino County. People who live and work here feel that the beauty of the county and the rural lifestyle provide a high quality of life and that the issues we face are common in many places.



Mendocino County CEO Carmel Angelo hears from business owners at the Mendocino County Economic Summit on January 31, 2019.



Mendocino County's Economic Status

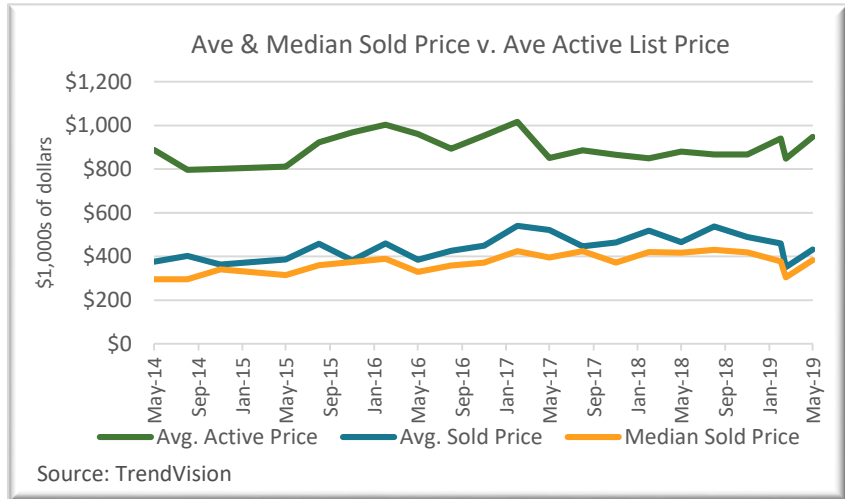
This section contains 11 metrics that provide a deeper understanding of the economic conditions in Mendocino County.

Housing & Real Estate Trends

Real Estate Inventory and Sales

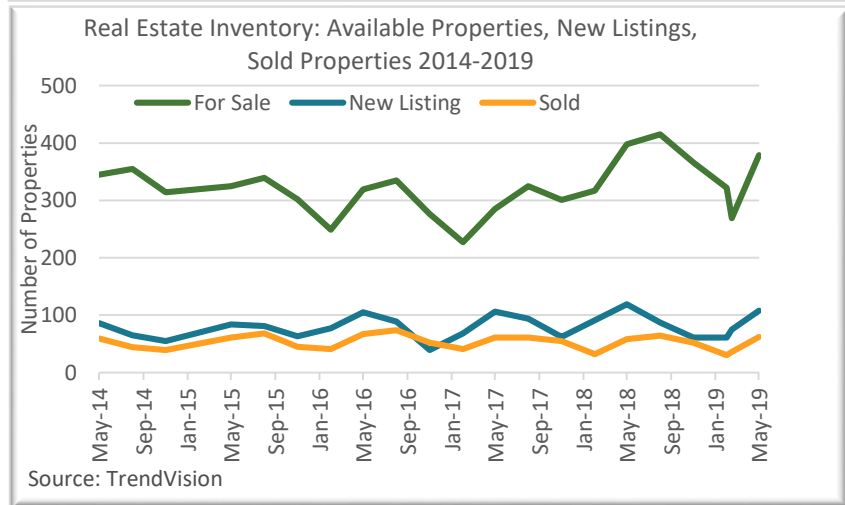
Trend: Stable/Positive

Analysis: The Real Estate Market has had a slow and steady growth over the last 5 years. Prices have risen and fallen, but overall there is a slight and steady upward trend.



Housing is one of the most critical factors impacting Mendocino County's economy. The lack of affordable workforce housing has made it difficult for employers to recruit and retain employees, which inhibits their ability to grow and has economic impacts.

According to data from a TrendVision report prepared by A.B. Priceman of Garden Ranch Real Estate, there has been an overall increase in the sold price of real estate (14%) over the last 5 years.⁴ There are normal seasonal fluctuations in real estate, but the trend is stable with marginal increase.



It is important to note that the active price is for all properties for sale, whereas, the sold price is the actual sales price for properties sold. According to data from TrendVision, sold prices are upwards of 90% of the asking price. This can be interpreted to mean that more expensive properties are not selling

⁴ TrendVision, prepared by A.B. Priceman, Mendocino County Real Estate Trends May 2014-May 2019. Garden Ranch Real Estate, June 28, 2019



Mendocino County 2018-2019 Economic Assessment

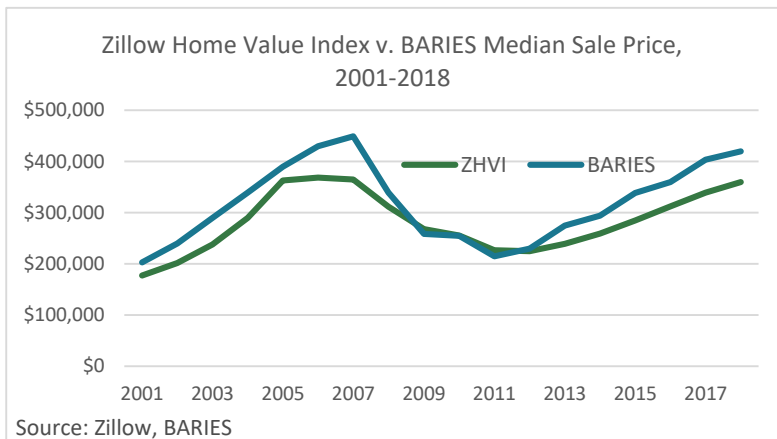
as quickly as less expensive properties, which is something that EDFC has heard from brokers over the course of the last year.

Additionally, through the interview process, EDFC spoke with several stakeholders who speculated that the market may be at a peak or plateau. Generally, the reason given for this is that the price of real estate is pushing up against what the local workforce can afford to purchase, and that there have been reports of larger rural properties being put on the market but not selling, which could be supported by the available data.

Zillow Home Value Index

Trend: Increasing

Analysis: While Mendocino County ZHVI is on an upward trend and has shown an overall increase and recovery from the recession, it is possible that based on the income constraints of the local workforce, this may be nearing the peak or a plateau.



TrendVision data provides insight into the pricing of real estate. The Zillow Home Value Index (ZHVI) is a metric that estimates the value of properties.⁵ A 20-year data-set on the estimated ZHVI of single-family homes in Mendocino County,

looks at property values through a different lens. There are varied opinions on the methodology of ZHVI, however, in a side by side comparison with BAREIS MLS data on sales between 2001 and 2018, it shows a similar trend, though ZHVI never goes up as high as BAREIS data and the trend is smoother than BAREIS Median Sales Price for Residential Properties.⁶

The ZHVI for single family residences in 2004 was \$289,992. In 2005, ZHVI skyrocketed to \$362,733, peaked in 2006 at \$368,675 and crashed in 2009 when the ZHVI dropped to an average of \$267,850. It hit a relative low of \$225,175 in 2012. The ZHVI in 2018 was \$360,042, which is only slightly below the peak of the market in 2006.⁷ It is worth noting that, based on the ZHVI data, Zillow is projecting that the value of real estate will drop over the coming year.⁸

⁵ Zillow Research. Zillow Home Value: Methodology. <https://www.zillow.com/research/zhvi-methodology-6032/>

⁶ Bay Area Real Estate Information Services, Inc. "Number of closed sales reported from BAREIS MLS® March 11, 2019"

⁷ Zillow Research. Single Family Home Zillow Home Value Index Historical Data. <https://www.zillow.com/research/data/>, July 19, 2019

⁸ Zillow, Mendocino County Market Overview. <https://www.zillow.com/mendocino-county-ca/home-values/>, July 26, 2019.



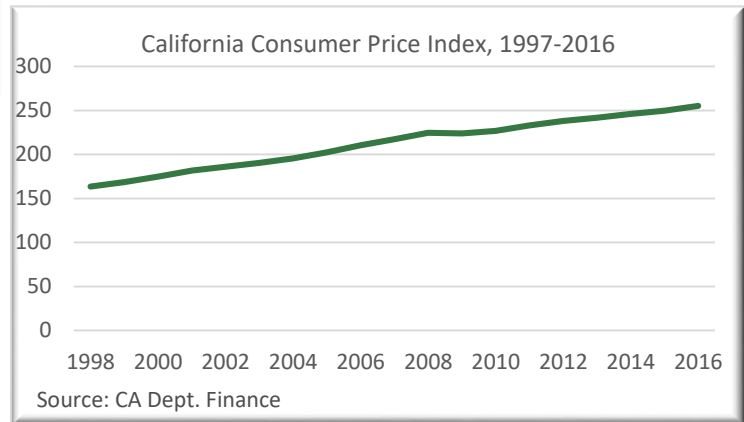
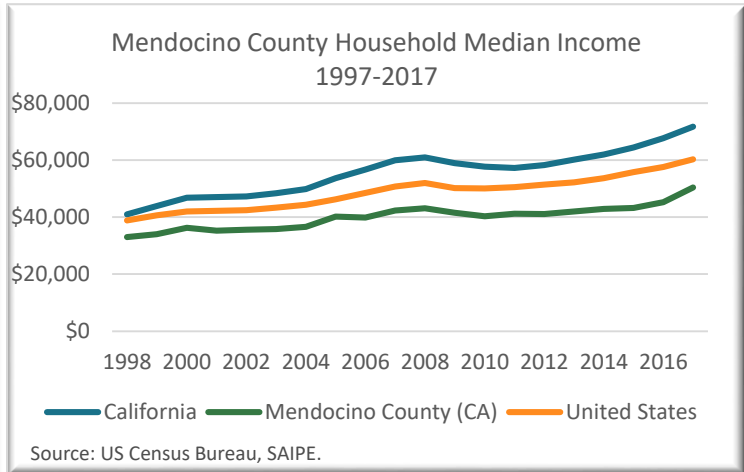
Income and Poverty Trends

Median Household Income

Trend: Mixed

Analysis: While Median Household Income has steadily increased over the last 20 years, it has not kept pace with increases in the cost of living. The MHI increases have not kept pace with the growth rate for the state and continues to stay well below state and national MHI.

The Median Household Income (MHI) in Mendocino County in 2017 was \$50,453. This was an increase of 37% since 1998, at an average annual growth rate of 2.3% per year.⁹ It follows the same trend as the state. However, it did not keep pace until 2016-2017, when the growth rate was 12%. It is also well below the state and national MHI.



Comparing this data with the Consumer Price Index (CPI) provides an important layer of data. “The CPI measures price changes in goods and services purchased by urban consumers.”¹⁰ Between 1998 and 2016, the CPI increased by 56% in the state. This shows that income levels are not keeping pace with the cost of living and/or inflation, which leads to concerns about affordability. While the MHI is going up, the higher incomes do not cover as much as it did when the MHI was lower.

Additionally, the average of annual ZHVI for a single-family home in Mendocino in 1998 was \$194,300 whereas the average ZHVI for 2016 was \$312,518.¹¹ This increase of 61% is also significantly higher than the increase in median income. All these metrics together show that income levels do not appear to have kept pace with the state or national median incomes nor the cost of living.

⁹ US Census Bureau, Small Area Income and Poverty Estimates (SAIPE). <https://www.census.gov/>. July 10, 2019

¹⁰ State of California Department of Finance website. <http://www.dof.ca.gov/Forecasting/Economics/Indicators/Inflation/>, July 12, 2019.

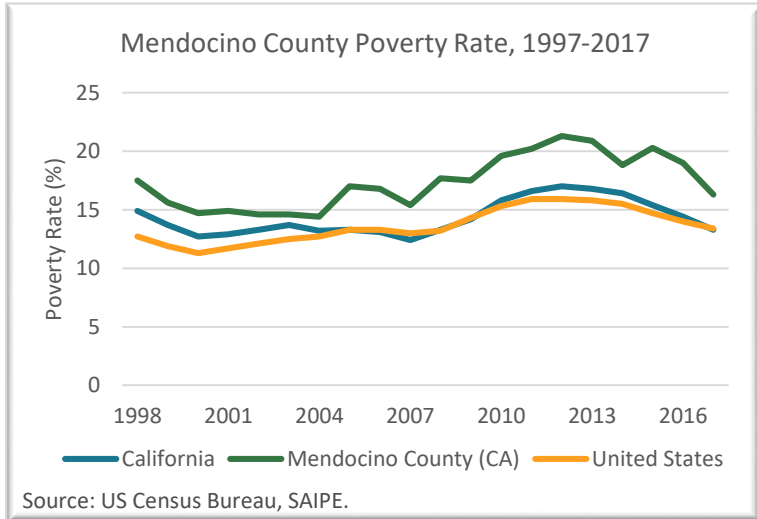
¹¹ Zillow Research. Single Family Home Zillow Home Value Index Historical Data. <https://www.zillow.com/research/data/>, July 12, 2019 (BARIES shows the Median Sale Price in 2016 as \$360,000)



Poverty Rates In Mendocino County

Trend: Improving

Analysis: The poverty rate in Mendocino County is significantly higher than state and national rates. Additionally, the drastic shifts in the poverty rate indicate that Mendocino County's economy is vulnerable to shifts in economic conditions.



The Poverty Rate is an important measure of the stability of the economy as it looks at the percent of the population that is below the “poverty line.” In 2019, the poverty line for a family of four is \$25,750.¹² In simpler terms, this is anyone whose take-home pay is less than \$12.37 per hour if they are working 40 hours per week.

The most current data for this metric is from 2017. The analysis looks at poverty between 1998-2017 in Mendocino County compared with the State of California and the United States. There was an overall increase in poverty between 2004 and 2015 in Mendocino County. Since 2015, the poverty rate has dropped, but the rate in 2017 (16.3%) is only slightly lower than the rate in 1998 (17.5%). In the years between, the poverty rate in Mendocino County has ranged as low as 14.4% in 2007 and as high as 21.3% in 2012, and is consistently higher and more erratic than both the state and national poverty rates.¹³

The fluctuations in the poverty rate are likely impacted by economic conditions and may be considered an important metric of economic resiliency as it may indicate a significant population making low wages whose income is very near the poverty line. Randall Weaver, of the California Employment Development Department says that it is important to take into account not just those below the poverty rate, but those who are below living wage. Weaver recommends using the Economic Policy Institute’s (EPI) Basic Family Budget Calculator. Randall says, “Based on the EPI, a household with 2 adults and 2 children needs to have an annual combined income of \$84,230 to meet basic needs... When you compare this to Mendocino County’s median family income of \$59,127 or even the mean family income of \$75,803, you can see the disparity between the current level of income and that which is needed.”

¹² Health and Human Services, 2019 Poverty Guidelines. <https://aspe.hhs.gov/2019-poverty-guidelines>. July 23, 2019.

¹³ US Census Bureau, Small Area Income and Poverty Estimates (SAIPE). <https://www.census.gov/>. July 10, 2019

Business Demographics

Number of Businesses in Mendocino County

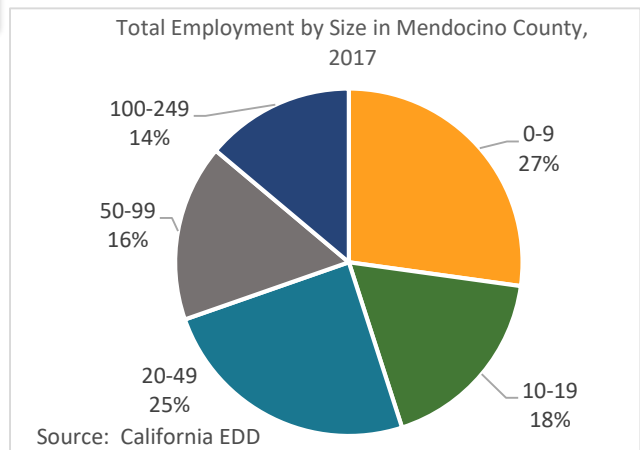
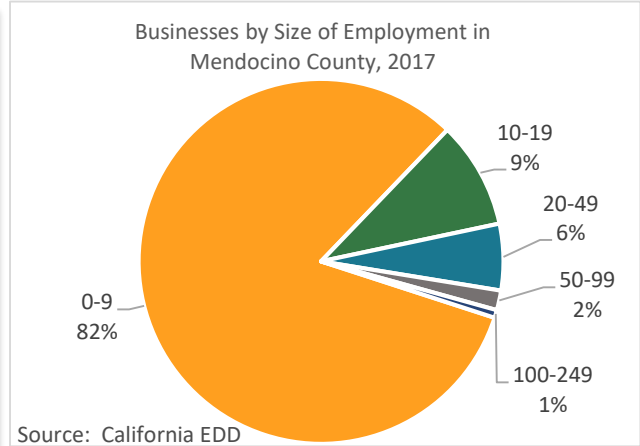
Trend: Neutral

Analysis: The majority of businesses in Mendocino County are microbusinesses (82%) which have less than 10 employees. Overall, the number of businesses has grown over the last ten years but the number of employers with more than 20 employees has significantly decreased.

Mendocino County's economy is made up mostly of microbusinesses, or businesses with less than 10 employees.¹⁴ These include downtown merchants, restaurants, cosmetologists, and other "Main Street" businesses. They also include everything from fine wood workers to small wineries, to internet service providers, and small manufacturers.

The table showing business by size and change between 2007-2017 shows a shift from larger to smaller employers. This is critical information for future economic strategy development. Heidi Pickman of the California Association for Microenterprise Opportunity is writing a whitepaper on local entrepreneurial ecosystems. She says:

"A shift is needed from old economic development strategies to support strategies that focus on small, such as strengthening the Local Entrepreneurial Ecosystem, which creates a strong infrastructure and culture to support and grow small, locally-owned businesses."



Firm Size	Number of Firms	Change in # of Firms 2007-2017
0-9 Emp	3,445	2.5%
10-19 Employees	398	5.5%
20-49 Employees	247	-9.3%
50-99 Employees	73	-5.5%
100-249 Employees	29	-10.3%
Over 250	Data N/A	Data N/A

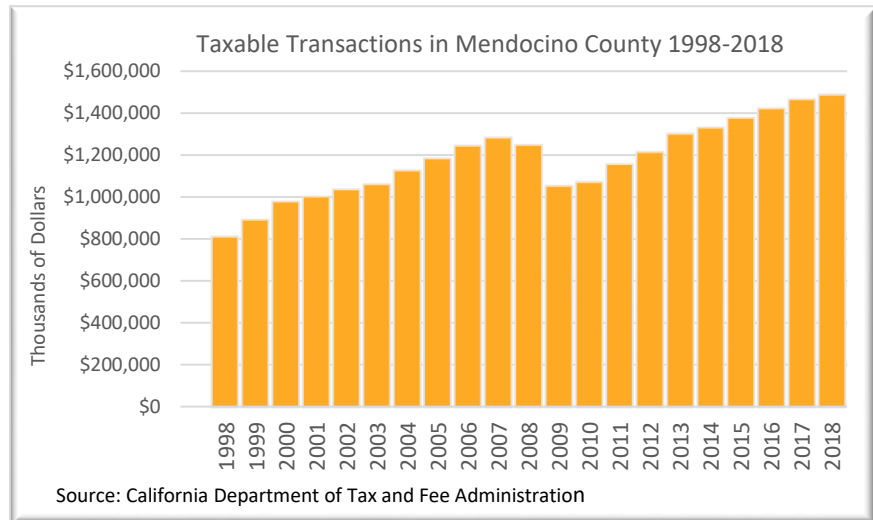
Source: California EDD

¹⁴ State of California Employment Development Department, https://www.labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data.html. July 9, 2019.

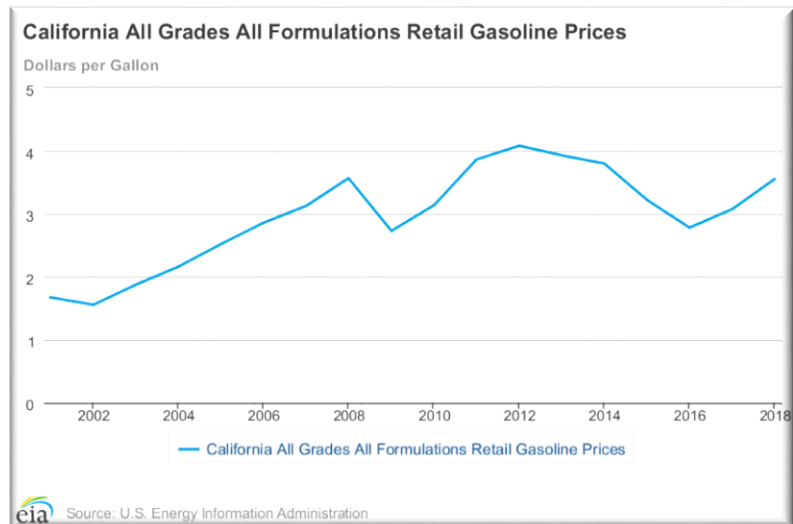
Taxable Transactions in Mendocino County

Trend: Positive

Analysis: The dollar amount of taxable sales in Mendocino steadily increases between 2011 and 2018. This indicates that the economy has not only recovered from the economic downturn but grown since.



The long term data on taxable transactions in Mendocino County showed an overall upward trend between 1998 and 2007. The economic downturn was apparent in 2009 but sales began to recover in 2011 and reached pre-recession levels in 2013. They continued to grow fairly steady through 2018, which is the most recent year with available data.



The increase in taxable transactions is positive as long as it is not driven solely by increasing gas prices or inflation.

The following graph from the California Energy Information Administration¹⁵ shows the fluctuations in gas prices in California between 2000 and 2019. In comparing the trends on both graphs, there are some definite parallels until the drop in gas prices in 2016, when taxable sales continue to rise while gas prices are dropping, which may be a sign of growth.

The breakdown by industry provides further insight along with an analysis of change over time as can be seen in the table below. In 2018, the top three industries by taxable transactions were gasoline stations (\$209 Million), Motor Vehicle and Parts Dealers (\$179 Million), and Building Materials & Garden Equipment Supplies and Dealers (\$167 Million). Between 2015 and 2018 only one specific industry

¹⁵ US Energy Information Administration. California All Grades All Formulations Retail Gasoline Prices, July 23, 2019. https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_sca_dpg&f=a



Mendocino County 2018-2019 Economic Assessment

showed a decline in taxable transactions; Home Furnishings and Appliance Stores (7%). There was a minor decline in “all other outlets” (1%).

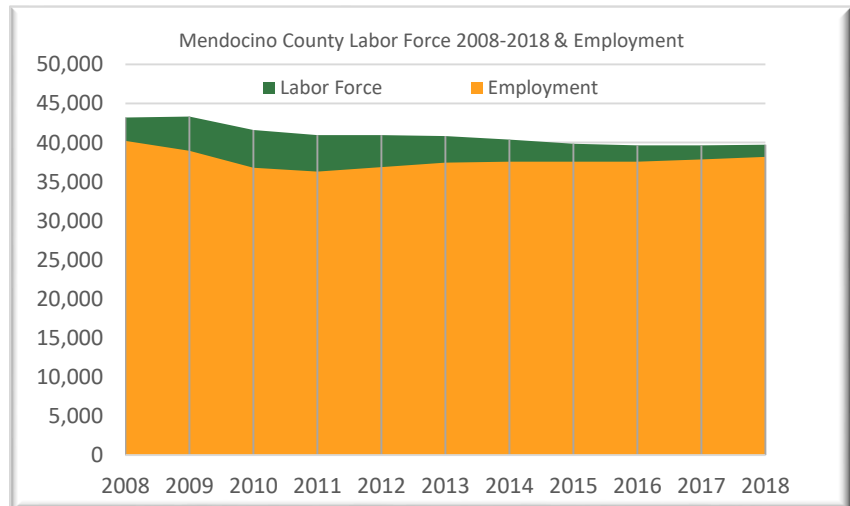
Industry	2018	% Change 2015-2018
Building Material and Garden Equipment	\$167,005,834	4%
Clothing and Clothing Accessories Stores	\$39,793,311	6%
Food and Beverage Stores	\$116,360,848	3%
Food Services and Drinking Places	\$143,285,186	7%
Gasoline Stations	\$208,895,763	15%
General Merchandise Stores	\$114,422,120	33%
Home Furnishings and Appliance Stores	\$27,352,376	-7%
Motor Vehicle and Parts Dealers	\$179,092,892	12%
Other Retail Group	\$153,486,330	14%
All Other Outlets	\$339,157,816	-1%
Total All Outlets	\$1,488,852,476	8%

Source: California Department of Tax and Fee Administration, www.cdtfa.ca.gov, July 8, 2019

Labor Force & Employment

Trend: Mixed

Analysis: The overall size of the labor force is declining but unemployment or the percentage of the employed labor force has also decreased, hence, this is both positive and negative.



Source: California Employment Development Department

There are several aspects to employment. The size and capacity of the labor force and the actual employment trends by industry. The labor force in Mendocino County is shrinking, but there is an increase in labor force participation, or the percentage of the labor force working. Normally, an unemployment rate is used as a measure of the economy. However, because the size of the labor force is decreasing, it is more telling to look at labor force v. employment as the unemployment rate doesn't show shrinkage in the labor force.

EDFC heard from several business owners who said that due to lack of housing, they were not able to recruit or retain the employees and talent they need, and that this is restricting their business



operations and growth. It is possible that part of the workforce is leaving due to lack of affordable housing. However, Mendocino County has an aging population, which likely accounts for some of the shrinkage as well.

Industry Employment

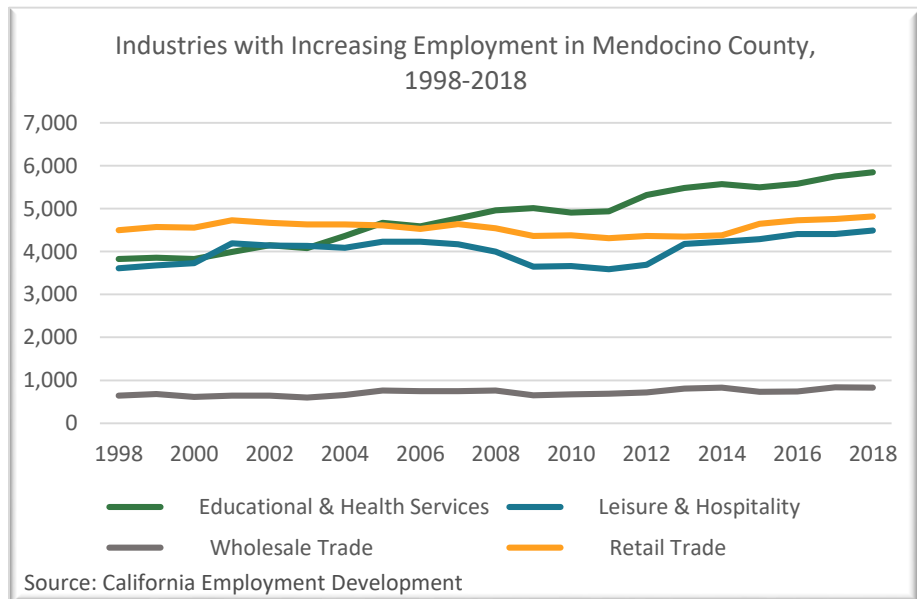
Trend: Mixed

Analysis: It is concerning that there are major losses in some of Mendocino County's traditionally higher wage paying industries such as manufacturing and natural resource extraction, but, there is significant employment growth in Education & Health Services, Retail, and Leisure & Hospitality.

Industry	% Change 1998-2018
Total, All Industries	3.3%
Total Farm	-44.1%
Goods Producing	-40.6%
Mining and Logging	-58.7%
Construction	0.0%
Manufacturing	-49.2%
Service Providing	21.8%
Wholesale Trade	29.7%
Retail Trade	7.1%
Transportation, Warehousing & Utilities	5.9%
Information	-50.0%
Financial Activities	1.9%
Professional & Business Services	-1.7%
Educational & Health Services	52.7%
Leisure & Hospitality	24.4%
Federal Government	-6.9%
State Government	31.8%
Local Government	35.8%

Source: California Employment Development

Industry employment data looks at employment in a different context. Labor force employment is based on the location of the workers' residence and includes self-employed workers and those commuting to outside the county. Industry employment is based on the address of the employing business which includes only employed workers and may include workers commuting from out of county.

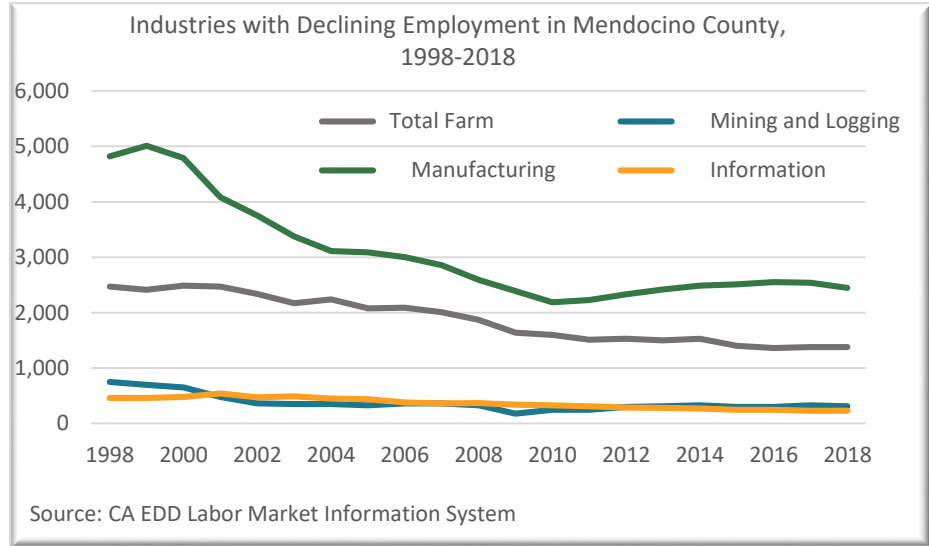


Employment in some industry sectors are doing very well. These include:

- Education and Healthcare Services
- Leisure & Hospitality
- Wholesale Trade
- Local & State Governments

There are several industries with declining employment¹⁶. These include:

- Manufacturing
- Farming,
- Mining & Logging
- Information



The Declining Employment by Industry table above provides limited information, as there is an important story in looking at the actual trend over time. For example, mining and logging had a major decrease, but the most significant decrease took place in the early 2000s when the Georgia Pacific Mill closed. There was another dip during the recession, but outside of those two events, employment has remained somewhat stable between 2001 and 2018.

Farming also had a steady decline, which is not an indicator of the industry, as agricultural sales and volume has steadily increased (see Agriculture and Natural Resources Section). Also, in the table above, the percentage decline of employment by the Information Industry shows a major decline, but the total employment is so low, the impact of that decline is minimal.

Declining employment in the Manufacturing Industry is the most significant concern presented here. Employment has decreased from a workforce of nearly 5,000 to less than 2,500. Some of this may be the result of automation, but based on news reports and discussions with employers, this is an industry with significant shrinkage due to loss of business and could mean declining resiliency.

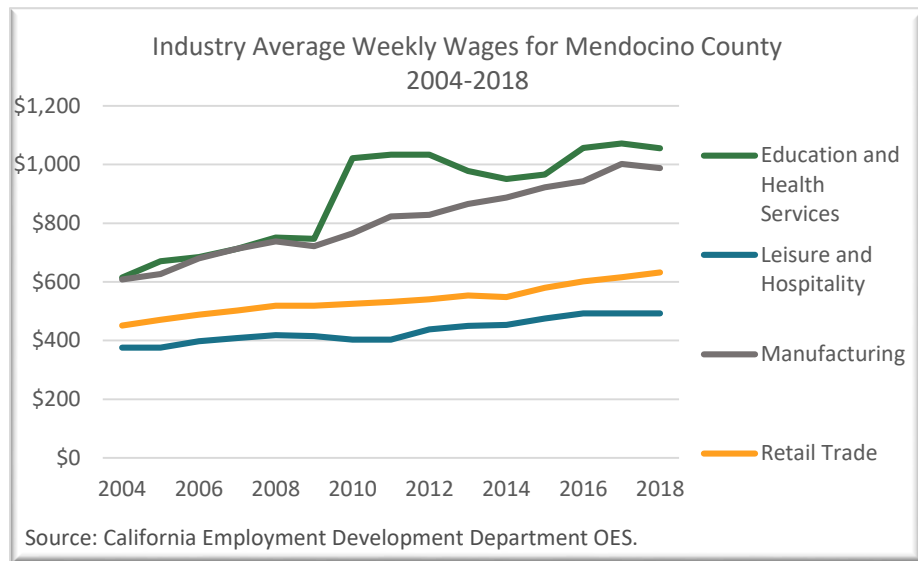


Bruce Wilson of WANB facilitates a workforce discussion at the Mendocino County Economic Summit.

¹⁶ State of California Employment Development Department, Labor Market Information Division. <https://www.labormarketinfo.edd.ca.gov/>, July 9, 2019.



It is worth noting that the declining industries involve production, extraction, or cultivation of products whereas the growing industries are all service based. This could be positive or negative depending on the types of jobs that are being lost and those being gained, especially in relation to the wages of those jobs. The graph below shows industry weekly wage comparisons for Manufacturing as compared to the growing industries in Mendocino County. It is apparent that both Leisure and Hospitality and Retail wages are significantly below the wages of Education and Health Services and Manufacturing.¹⁷



¹⁷ California EDD, Occupational Employment Statistics, <https://www.labormarketinfo.edd.ca.gov/data/oes-employment-and-wages.html>

Key Industry Conditions: Agriculture and Natural Resources, Tourism, and Cannabis

Agriculture & Natural Resources, Tourism, and Cannabis are all strong contributors to Mendocino County’s economy. This section takes a deeper look at the information available on these industries.

To give a scope of the comparative value and dollars generated for 2017:

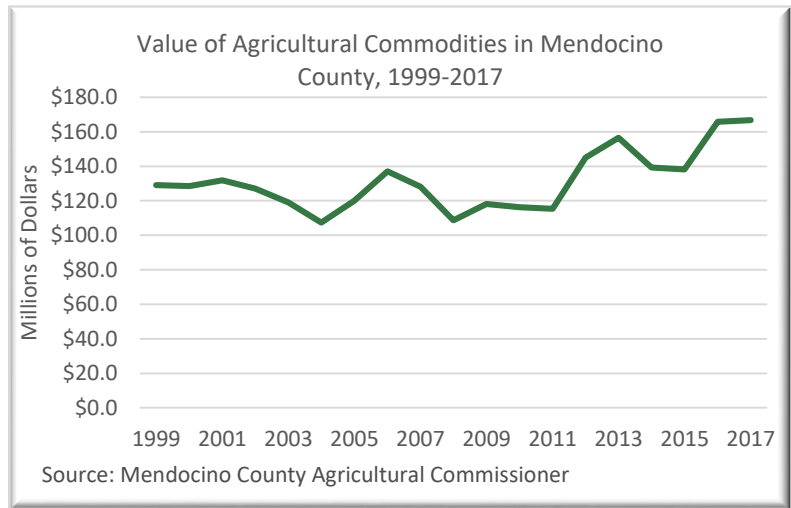
- Agricultural production accounted for \$166.7 Million in value
- Timber’s gross “at mill” value was \$102 Million
- Tourism spending in Mendocino County was \$456 Million

It also includes preliminary data on licenses issued by the State of California to cannabis related businesses including cultivation, manufacturing, and sales/distribution.

Agriculture & Natural Resources

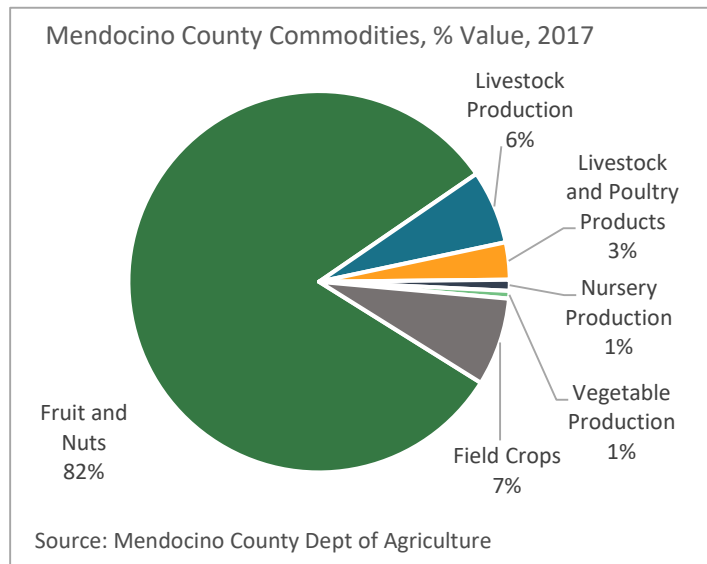
Trend: Currently Stable

Analysis: After major losses in the past the timber industry has some stability. Agriculture has been growing but prices are expected to level off as there is a glut of grapes on the market.



According to the Agricultural Commissioner’s 2017 Report:

“The total gross agricultural value for all commodities produced in 2017 was \$268,692,700, which represents a 10.8% increase compared to the 2016 value of \$242,533,700. The leading agricultural commodity continues to be wine grapes, at \$120,080,200. Agricultural production, excluding timber, totaled \$166,692,700. Timber represents the second highest value commodity, with a gross “at mill” value of \$102,000,000. Mendocino County ranked 4th in the state in timber volumes and produced roughly 7.6% of the state’s total timber harvest in 2017.”¹⁸



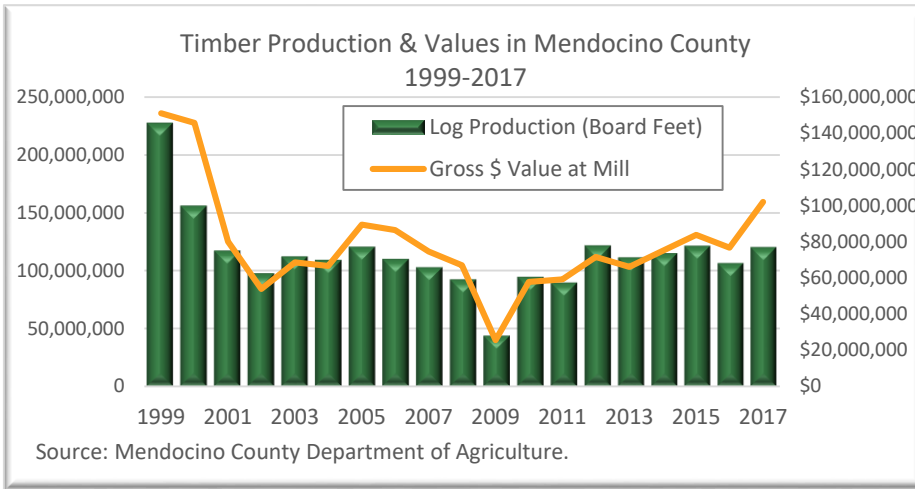
¹⁸ Grewal, Harrinder PhD. “Mendocino County 2017 Crop Report” Mendocino County, Department of Agriculture, November 30, 2018.



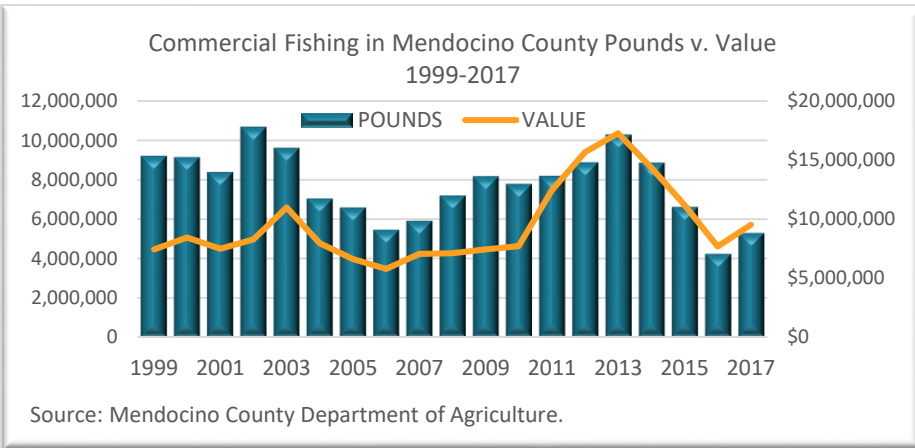
Mendocino County 2018-2019 Economic Assessment

The decrease of employment in the Agricultural (Total Farm Employment) and Logging and Mining industries is not cause for concern according to the Agricultural Commissioner’s Reports. Instead, they show that it is likely that the decrease in employment is more likely due to automation, as the sales in both industries are currently stable or positive.

While the loss of jobs due to automation is something that needs to be addressed, as we try to build economic resiliency, this data tells us that the employment rate alone cannot be used to assess the status of the industry.



Apart from the impacts of the 2008 recession, there has been mostly steady growth in the dollar value of agricultural commodities in Mendocino County over the last 20 years. Wine grapes make up the bulk of agricultural commodities which has continued to increase.



Natural Resource Extraction in Mendocino County has a long history. Timber continues to have significant economic impacts but it is not the same for the fishing industry, which was once a major industry on the coast. This industry has not recovered to its historical prominence

and is unlikely to do so as the industry continues to lack stability, as it has been impacted by droughts, regulations, ocean conditions, and changing markets.

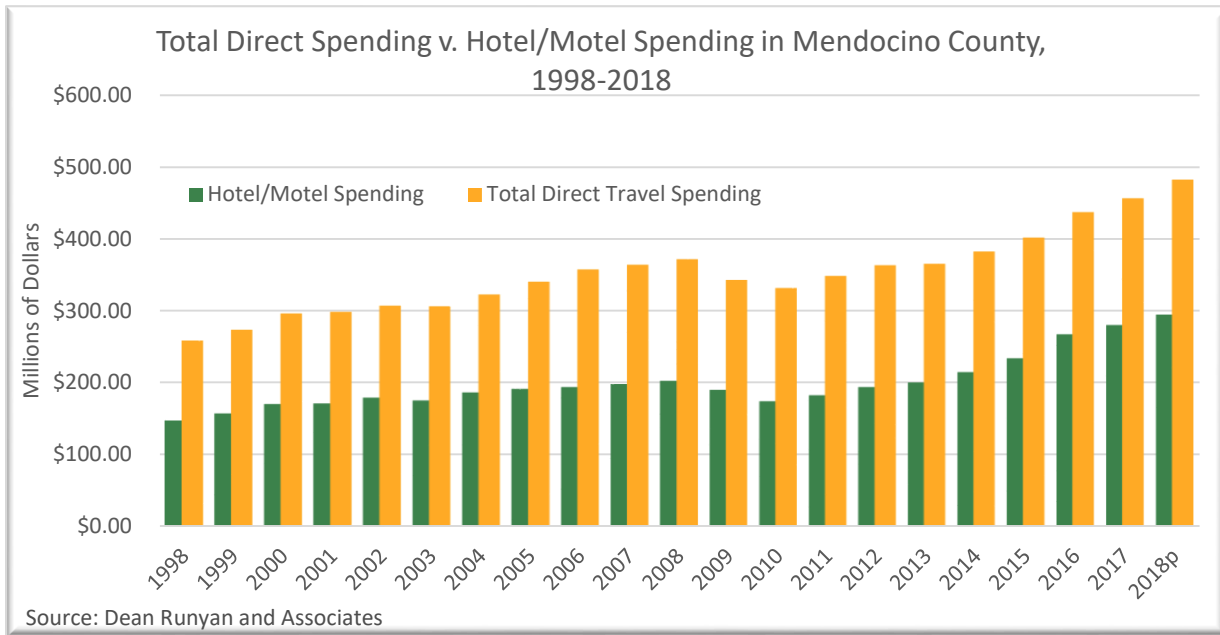
Overall, Agriculture & Natural Resource Industries continue to be economic drivers for Mendocino County. While wine grapes are a very high value commodity and have been an important cornerstone, it is important to reduce dependence on a single commodity and diversify agricultural growth to build economic resiliency in the county.

Tourism

Trend: Improving

Analysis: Tourism spending has increased significantly since 2014. There was a decline during the economic downturn and stagnation through 2013, but the industry has since recovered and expanded.

Tourism has become very prominent in Mendocino County over the last 20 years. In 1998, direct visitor spending in Mendocino County was \$257.9 Million. It grew to \$342.7 Million in 2008. Due to the recession, tourism spending bottomed out at \$331.1 Million in 2010. Growth was minor through 2013. The market began to pick up again in 2014, with significant growth through 2017, which had total direct visitor spending of \$456 Million. This is an overall increase of 77% between 1998-2017.¹⁹ Preliminary numbers from Dean Runyan & Associates provided by Visit Mendocino show tourism spending increased to \$482 Million in 2018, a year-over-year increase of nearly 6%.²⁰



A significant portion of direct visitor spending is lodging, which follows the same trends as Direct Visitor Spending, but has more extreme growth with major jumps in 2016, 2017, and 2018.

In the interviews, there was some speculation that some of the Hotel/Motel spending in those years may have been related to the fires in Lake and Mendocino County as the Ukiah area lodging is heavily used during these events by both displaced persons and emergency personnel.

Overall, trends in the tourism industry appear positive, but issues with low wages, seasonality, and vulnerability to economic downturns need to be addressed for future sustainability.

¹⁹ Dean Runyan and Associates, California Travel Impacts, Mendocino County. <http://www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html>, July 25, 2019

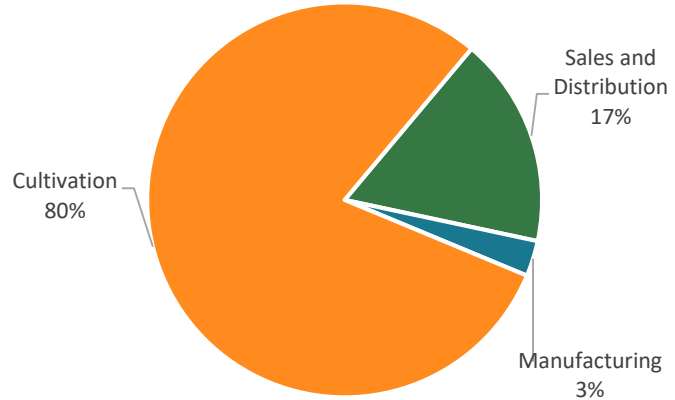
²⁰ Dean Runyan Associates, Economic Impact of Travel in California 2010-2018p in May 2019, Information provided by Visit Mendocino.

Cannabis Cultivation, Processing, Distribution, and Sales

Trend: Emerging

Analysis: Cannabis is an old industry with a new legal framework that is not 100% settled. As the industry's landscape has changed so drastically, the future of Cannabis in Mendocino County is uncertain.

Active CA State Issued Cannabis Licenses in Mendocino County as of 6/30/2019

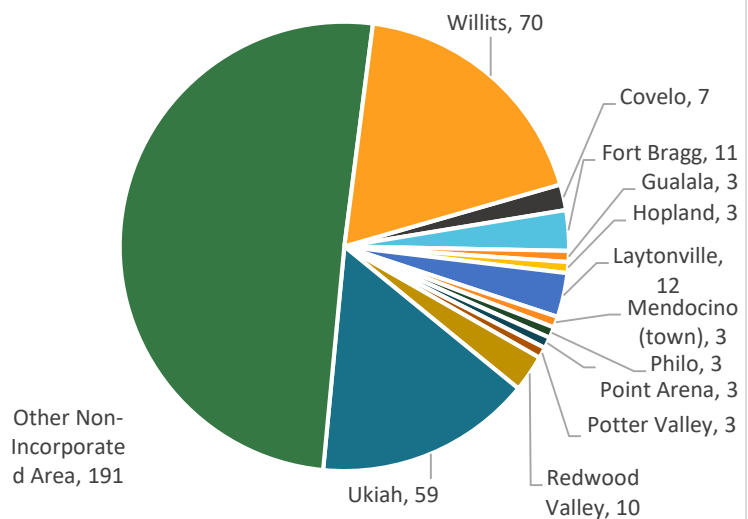


The legalized Cannabis Industry has had many changes over the last year. With regulations that are so nascent, it is impossible to predict how significantly this newly legalized industry will impact the local economy.

As of June 30, 2019, there were:

- 301 Active Cultivation Licenses
- 11 Active Manufacturing Licenses
- 65 Active Sales and Distribution Licenses

of CA State Issued Licenses for Cultivation, Manufacturing, or Distribution



Nearly all the 301 state issued cultivation licenses remain provisional (99%), and 75% of the 65

state issued sales and distribution licenses in the county are temporary.²¹ It is important to note in the pie chart above that shows licenses by location is based on the address and does not distinguish between locations within the incorporated city limits and outside. For example, the state shows 70 licenses in Willits, whereas the City of Willits has only issued 24 permits to cannabis businesses within the city limits.

²¹ California Department of Food and Agriculture, Cannabis Division. <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>, July 9, 2019



Conversations with processors in the cannabis industry revealed the same challenges as other employers, such as lack of skilled labor and inability to recruit employees due to housing issues in addition to the new regulatory challenges. Like other industries, there may be a need for policy support in order to foster growth in this industry.

While the industry is still emerging, there are some early economic impacts. For example, Stephanie Garrabrant-Sierra, City Manager of Willits says “Build out of cannabis industry has resulted in about \$18 million in construction activity in the City of Willits... and a significant number of jobs are being created. We expect a jump in much needed tax revenue through our excise tax.”



Economic Development in Mendocino County

The purpose of this section is to highlight the work of partners working to improve the economic capacity of Mendocino County. This is not a comprehensive list, but rather, gives an overview of key partners. Though we don't have metrics for these organizations in here, we want to recognize the important work being done by partners like the Family Resource Centers, North Coast Opportunities, Healthy Mendocino, the Mendocino County Resource Conservation District, and the UC Agriculture and Natural Resource Extension that also support the economy. In the future we hope to include more good work being done in our communities.

Economic Development and Financing Corporation



Since its founding in 1995, EDFC has had a twofold mission; to coordinate economic development in Mendocino County and to provide financing to support business development in Mendocino and Lake Counties. EDFC's board is made up of both public and private partners, which provides a collaborative format for jurisdictions, the business community, and stakeholders to engage in strategies to improve our economy.

In the 2018-2019 fiscal year, EDFC:

- Secured over \$1.4 Million in grants to support economic development in Mendocino County (includes funding to develop and implement an Economic Recovery and Resiliency Plan for the county and over \$1 Million dollars to provide micro and small business loans to start-up and existing businesses in Mendocino and Lake Counties)
- Loaned over \$250,000 to four businesses in Mendocino County
- Completed the "Mendocino County Digital Infrastructure Strategic Plan: 2019-2025"
- Hosted the "Mendocino County Economic Summit: Charting a Path Forward" on January 31, 2019
- Provided quarterly reports on the state of Mendocino County's economy.

For the first three quarters of the fiscal year, EDFC accomplished the above work with only 2 staff members. In the third quarter EDFC added one new part-time position and will add a Lending Relations Manager in the first quarter of 2019-2020. This position will help local business owners and start-ups access and navigate our plentiful loan funds. Our increased capacity also means more economic development projects in our communities! For more information, visit www.edfc.org.



Ribbon Cutting at EDFC's new office on South Oak St in Ukiah.

Workforce Alliance of the North Bay



In November of 2016, the Mendocino County Board of Supervisors approved a Joint Powers Agreement to work with Napa, Marin, and Lake County to “ensure a skilled workforce today and in the future.” The Workforce Alliance of the North Bay (WANB) implements their mission through CareerPoint, a network of workforce development experts. Their mission is to provide the highest quality employment and training solutions for the North Bay’s businesses and career seekers. WANB contracts with The Mendocino Private Industry Council (MPIC) to run the

CareerPoint in Mendocino County.

CareerPoint recently opened their new offices at 2550 N. State St., Ste.3 in Ukiah. The facility houses the Workforce Innovation Opportunity Act Program (WIOA), Employment Development Department Workforce Services staff, CalWORKs staff, California Human Development, and California Indian Manpower Consortium (CIMC). Between July 1, 2018 and July 30, 2019, the CareerPoint Mendocino Office had 3,134 individuals seek services with a total 9,811 visits to the CareerPoint Office.

The WIOA Program worked with 109 individuals including adults, dislocated workers, youth, and individuals impacted by the Redwood Valley Fire of October of 2017. They provided:

- Individualized career services to 89 adults and dislocated workers
- Career training through a certificate or credential program for 28 participants (27 completed)
- Work experiences services and occupational skills training to 18 youth

As of June 30, 2019, 48 program participants had exited the program to employment.

You can find out more about the Workforce Alliance of the North Bay at

<http://www.workforcealliancencorthbay.org/>.



West Business Development Center



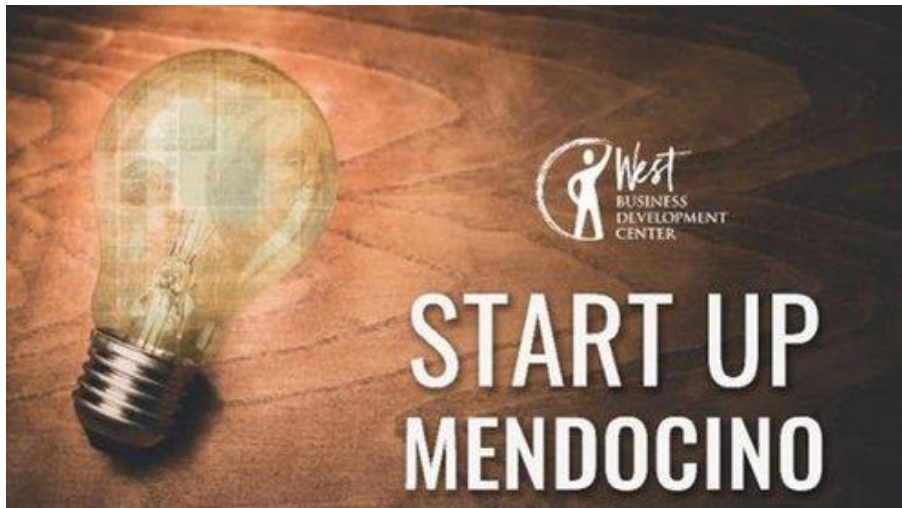
West Business Development Center provides training and coaching to micro and small businesses in Mendocino County. Their services include trainings on everything from how to start a business, to contracting, to e-commerce. Additionally, they provide one-on-one coaching to help business owners through each business' unique process. West Business Development Center is the host of the

Mendocino County Small Business Development Center and the Women's Business Center funded by the US Small Business Administration.

In the 2018-2019 fiscal year, West BDC:

- Served 480 clients
- Helped entrepreneurs launch 40 new businesses
- Helped business owners and start-ups to create 129 jobs
- Delivered 85 workshops to a total of 585 workshop attendees
- Helped secure \$5.3 Million in loans/equity
- Produced: "The Important stuff: Emergency Preparation for business" curriculum and workbook and training module
- Presented at the California Economic Development Conference in Anaheim
- Hired a building and planning specialist advisor to counsel entrepreneurs
- Piloted a new training program that launched 16 new Latino businesses in Ukiah
- Produced "StartUp Mendocino," a pitch competition to ignite entrepreneurship and innovation, which received over 80 applications

You can find out more about West Business Development Center at <https://www.westcenter.org/>.



Arts' Council



The Arts Council of Mendocino County (ACMC) is a valued partner in county-wide economic development efforts. As an economy of small and micro businesses, many of which are artists and artisans, ACMC provides important support for a number of self-employed individuals across the county that rely on art for their income. ACMC has a single staff member who provides marketing, mentorship, and administrative support to a variety of entrepreneurial efforts in the arts community.

In the FY2018-19, the ACMC:

- Made \$30,500 in direct grants to Redwood Complex Fire Survivors to artists to replace physical losses and losses of income sustained as a result of the 2017 fire.
- Made \$29,871 in grants to artists to deliver arts enrichment in K-12 classrooms throughout Mendocino County in the 2018-19 school year.
- Worked with a group of galleries and Visit Mendocino, Inc. to create a logo for “First Friday Art Walk Ukiah,”
- Facilitated monthly meetings of stakeholders engaged in creating an industrial arts space for emerging artists in the inland region.
- Publishing an online and printed calendar of art events and a printed guide to the arts in Mendocino County (galleries, music venues, annual events)

You can find out more about the Arts Council of Mendocino County at <https://www.artsmendocino.org/>.



Visit Mendocino



Visit Mendocino, also known as the Mendocino Tourism Commission, supports their stakeholders, generates economic activity for County residents through tourism, and inspires visitors to the county.

Visit Mendocino:

- Markets the entire County and its assets
- Creates, develops, and manages brand awareness for the County
- Connects people and organizations to opportunities
- Provides information to in-county partners and tourism resources to the industry
- Delivers a robust and sustainable return on investment

In the 2018-2019 fiscal year, Visit Mendocino:

- Hired a new executive director
- Rebranded and launched a new major marketing campaign targeting the San Francisco Bay Area
- Developed new branding and messaging concepts for VMC's two annual festivals
- Launched a Hotel Adoption Program (HAP) whereby Visit Mendocino staff undertake to personally meet with lodging owners throughout the county to explain Visit Mendocino's role and resources, and to gather pertinent information about each property.
- The Sales arm of the organization made progress in bringing new hotels into group sales contracts.
- In collaboration with the West Business Development Center, VMC presented a series of workshops for stakeholders and partners.

Visit Mendocino's staff continued to reap great rewards from its media outreach. The New York Times, SF Chronicle, Wall Street Journal, Sunset, Los Angeles Times, Forbes and Boston Globe, among others, all had recent stories about Mendocino County. Mendocino County had over 900 placements worth over \$86.63 Million.

You can find out more about Visit Mendocino at <http://mendocinotourism.org/>.



Rural Community Housing Development Corporation



RCH

Developing new housing is critical to supporting the local economy. Rural Community Housing Development Corporation is one of two organizations that focuses on housing in Mendocino County. RCHDC's mission is "to provide decent and affordable housing to low- and moderate-income persons."

RCHDC implements the Mutual Self Help Housing Program which supports low income individuals and families in their efforts to build and own their own homes. RCHDC serves as the technical assistance providers for the families who utilize USDA RD funding for construction to close financing, develop Permanent Supportive housing for the chronically mentally ill and homeless, and build low-income housing. During the 2018-2019 fiscal year:

- 19 homes were under construction at the Lakewood subdivision in greater Ukiah Valley, and six families completed homes in July of 2019.
- In May of 2019 RCHDC in partnership with Mendocino County HHSA completed Willow Terrace, which provides permanent supportive housing for 37 chronically mentally ill and/or homeless individuals.
- Throughout 2018-2019, RCHDC has worked to secure funding in support of the first 40 of 80 units of housing for low income persons and persons with developmental disabilities. As of July 2019, all funding necessary to support a strong 9% low income tax credit application has been secured. Construction on Phase I (40 units) will begin in March 2020 pending a 9% tax credit award.

Find out more about RCHDC at <https://www.rchdc.org/>.

A Final Note

Mendocino County's economy will continue to change, that is the only guarantee. Through more strategic partnerships and collaboration, economic development partners in Mendocino County can amplify their impact. EDFC is committed to working with the business community, our partner organizations, local jurisdictions, and community stakeholders as we continue to develop a plan for economic recovery and resiliency and begin to **implement** strategies that will create sustainable prosperity in Mendocino County.

