

## 3.0 ECONOMIC DEVELOPMENT

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### 3.1 OVERVIEW

The Economic Development section is intended to review key factors concerning economic development in Tehama County, and to help correlate consideration of economic issues with other issues that are being considered in the General Plan revision, including land use.

### 3.2 PURPOSE AND METHODOLOGY

In June 2002, the Tehama County Board of Supervisors adopted an Economic Development Element to the Tehama County General Plan. The Element was prepared by the Tri-County Economic Development Corporation. Much of the information in this section of the background report is drawn from that Economic Development Element.

Some of the other documents and sources that were reviewed in preparation of this section include but are not limited to:

- Tehama County General Plan, 1983.
- California Employment Development Department, Labor Market Information Division, *County Snapshots, Tehama County*, website, 2004.
- Sonoran Institute, *Economic Profile System* (profile of Tehama County), <http://www.sonoran.org>, 2004.
- Tri-County Economic Development Corporation, *Comprehensive Economic Development Strategy, Annual Report, 2003-2004*.
- Center for Economic Development, *Tehama County Economic & Demographic Profile, 2005*.

### 3.3 EXISTING SETTING

#### BASIC ECONOMIC OBSERVATIONS

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The Sonoran Institute has developed an Economic Profile System (<http://www.sonoran.org>), which contains tables and figures that illustrate trends in population, employment and personal income by industry, average earnings, business development, and a number of other economic factors. Sources for the profile include the Bureau of Census (U.S. Department of Commerce), the Bureau of Labor Statistics (U.S. Department of Labor), and the Bureau of Economic Analysis (U.S. Department of Commerce).

The following observations were made in the Sonoran Institute's economic profile for Tehama County:

- Tehama County's population grew by 26,561 from 1970 to 2000, an increase of 90 percent. Since 1970, the county's population growth rate has been faster than both the state and the nation.
- Per capita income, in real terms, increased by 10 percent from 1990 to 2000. ("Real terms" indicates that income data was adjusted by the Sonoran Institute to real, or constant, 2000 dollars using the Consumer Price Index.)
- From 1970 to 2000, Tehama County added \$595 million in personal income, in real terms.

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- Average earnings per job, in real terms, dropped from \$29,119 in 1970 to \$25,399 in 2000. In 1999, average earnings per job in Tehama County (\$25,399) was significantly lower than the nation (\$36,316) and the state (\$41,986).
- In 2000, labor income comprised 58 percent of total personal income and non-labor income comprised 42 percent. From 1990 to 2000, non-labor income sources grew by 17 percent. Over the last 30 years, non-labor income sources have had a stabilizing effect relative to the frequent fluctuations of labor income sources in most areas.
- In 2000, dividends, interest and rent (i.e., money earned from past investments) represented 19 percent of total personal income and was the largest component of non-labor income. Transfer payments comprised 23 percent. (Transfer payments are payments to persons for which no current services were rendered. As a component of personal income, they are payments by government and business to individuals and nonprofit institutions. Transfer payments include: retirement and disability payments; medical payments including Medicare; income maintenance including welfare, Supplemental Security Income, unemployment insurance, veteran's benefits, pensions; and other sources.)
- In 2000, 58 percent of transfer payments were from age-related sources (retirement, disability, insurance payments and Medicare). 15 percent was from welfare.
- In 1970, non-labor income sources represented 29 percent of total personal income. By 2000 they comprised 42 percent.
- From 1990 to 2000, the majority of new businesses in Tehama County were small businesses with fewer than 20 employees.
- In 2001, the unemployment rate in Tehama County was 6.4 percent compared to 5.3 percent in the state and 4.8 percent for the nation.
- From 1970 to 2000, a total of 11,177 jobs were created in the county. (Charts in the Sonoran Institute economic profile indicate a loss of 343 jobs in manufacturing, including forest products.)
- Over the last 30 years, the rate of job growth in the county has been slower than the state but generally equal to the job growth rate in the nation.
- In 2000, proprietor's income accounted for 10 percent of total personal income, compared to 8 percent in 1990. From 1990 to 2000, proprietor's income grew by 45 percent in real terms. General wage and salary income during those years grew by 40 percent. (Proprietors is income of sole proprietorships, partnerships and tax-exempt cooperatives.)
- Gross agricultural income in 2000 is reported to have been \$121,405,000.
- Net farm income from farming and ranching dropped from \$26 million in 1970 to -\$1 million in 2000.
- Total net income from farming and ranching in Tehama County, in real terms, dropped from \$25.7 million in 1970 to \$13.5 million in 1985, and then dropped to -\$0.9 million in 2000. In 1970, gross farm income exceeded production expenses by \$25 million. By 2000, gross farm income minus production expenses (realized net income) equaled -\$1.7 million. (Net farm income can be counted as positive by the Department of Commerce, even with slim margins, because the value of inventories may rise.)

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- In 1970, 49 percent of gross farm income was from livestock while 41 percent was from crops. By 2000, 45 percent of gross income was from livestock and 39 percent was from crops.
- Agricultural income from government payments has risen from 2 percent of gross in 1970 to 4 percent in 2000 (\$4,775,000).

#### LABOR FORCE

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In 2003, 27,390 residents, or 47.3 percent of Tehama County's population, were members of the labor force, compared to 49 percent in California as a whole. According to the Center for Economic Development's Economic Profile, the labor force has increased steadily over the last twenty years, with a 1 percent increase in 2003. By 2015, the labor force is projected to increase 38.7 percent, growing to 38,000 people. This steady increase indicates a thriving economy and a perpetual increase in available employment and business growth.

The City of Red Bluff boasted the strongest labor force in Tehama County, with 6,800 members in 2003 and a 37.1 percent growth since 1990. The city of Corning saw a 35.0 percent increase in the labor force during the same time period. Comparatively, the state of California has seen a 20.5 percent increase in the labor force between 1990 and 2003.

#### EMPLOYMENT

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As of 2003, 25,420 members, or 92.8 percent of Tehama County's labor force, were employed, a 0.9 percent increase since the preceding year. In comparison, 93.33 percent of California's total labor force was employed in the same year. According to the CED's Economic Profile, employment in the county is expected to continue to rise throughout upcoming years, with projected totals of 30,900 by 2010 and 36,500 by 2015. This steady growth in employment indicates an increase in spending power for the average worker in Tehama County and ultimately means greater economic strength for the county in the years to come. **Table 3-1** illustrates "Employment by Industry" within Tehama County between 2001-2003. In addition, **Table 3-2** shows Tehama County's largest employers in 2004.

In the City of Red Bluff, 6,330 members of the labor force were employed as of 2003, the highest number of any Tehama County city. The total is followed by 2,700 employed residents in the City of Corning.

The largest industry employers in 2003 were government, trade, transportation and utilities, and manufacturing. Government accounted for the largest share of employment (4,080); more than 23 percent of all employment. The majority of these jobs were in local government (3,450), consisting of local education, county government, city government, and Native American tribal government. Trade, transportation and utilities contributed 22 percent (3,910) of all employment. Retail trade accounted for 2,010 jobs and wholesale trade 190 jobs. Transportation, warehousing and utilities, which employed 1,720 in 2002, has had a growth trend which has added 300 jobs since 1998.

The agricultural industry experienced growth of 4.1 percent over the years 1998 to 2002. Despite a recorded loss of jobs in 2002, the industry made up 7.2 percent of industry employment. Tehama County depends on English walnut production as one of its staple agricultural commodities, as well as almonds, alfalfa, and plums, among others. The once thriving timber industry has been steadily decreasing in the county and throughout Northern California for the last two decades.

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The construction industry added 300 jobs between 1998 and 2002; a growth rate of almost 94 percent. EDD attributed this high growth rate to the affordability of land and easy access to Interstate 5 and state highways and noted that Tehama County is becoming a distribution hub for Northern California. It also noted that several national corporations have built industrial complexes in the county.

**TABLE 3-1**  
**EMPLOYMENT BY INDUSTRY, TEHAMA COUNTY**

<b>INDUSTRY</b>	<b>2000</b>	<b>2001</b>	<b>2003</b>
Agriculture	1,480	1,430	1,260
Natural Resources and Mining	160	150	130
Construction	500	540	620
Manufacturing	2,380	2,350	2,340
Trade, Transportation and Utilities	3,980	3,840	3,910
Information	100	110	100
Financial Activities	630	630	650
Professional and Business Services	730	850	780
Education and Health Services	1,570	1,750	1,960
Leisure and Hospitality	1,040	1,200	1,250
Other Services	450	480	470
Government	3,560	3,930	4,080
<b>Industry Employment Total</b>	<b>16,560</b>	<b>17,250</b>	<b>17,540</b>

Source: California Employment Development Department, 2004.

The 2000 Census reported that there were 2,582 people in Tehama County who were classified as "self-employed workers in own non-incorporated business." The Census also reported that there were 1,235 workers who worked at home.

According to the Tehama Local Development Corporation, there was one establishment, Wal-Mart (distribution center and stores), with between 1,000 and 4,999 employees in Tehama County in 2004. Advanced Commercial Services and Sierra Pacific Industries each had between 500 and 999 employees in the same year. There were also seven establishments with between 250 and 499 employees, including the Bell-Carter Olive Company and the Saint Elizabeth Community Hospital. The services sector accounted for the largest percent of employees in the county, while government and public administration employees were also a significant portion of employment. The following table is ranked by the number of employees, and then alphabetized in that order.

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**TABLE 3-2**  
**TEHAMA COUNTY LARGEST EMPLOYERS, 2004**

<b>EMPLOYER</b>	<b>NUMBER OF EMPLOYEES</b>
Wal-Mart	1,000 to 4,999
Advanced Commercial Services	500 to 999
Sierra Pacific Industries	500 to 999
Bell-Carter Olive Co.	250 to 499
Rolling Hills Casino	250 to 499
Sierra Pacific Windows	250 to 499
St. Elizabeth Community Hospital	250 to 499

Source: California Employment Development Department

### BUSINESSES

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According to CED's Economic Profile, businesses with two to four employees were the most common in Tehama County in 2004, making up 38 percent of all establishments. Compared to the rest of California, this figure is slightly lower than the statewide average of 39 percent of businesses consisting of the same number of employees. Another 32 percent of the businesses in Tehama County consisted of only one member, suggesting a strong trend of local businesses within the county.

In 2004, 35 percent of businesses in Tehama County offered some type of service to their customers, making the service sector the most prominent industry in Tehama County. Another 18 percent of businesses in the county were retail trade companies, and 12 percent were agriculture, forestry, and fishing companies.

### UNEMPLOYMENT

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According to the Center for Economic Development's Economic Profile, the average unemployment rate in Tehama County from 1990 to 2003 was 9.4 percent. Tracking monthly employment trends during that time revealed seasonal changes in the level of employment. In Tehama County, there have been, on average, significant declines in unemployment between the months of March and October.

This increase in employment may be attributed to the seasonal agricultural production of crops such as olives, walnut and almonds. Seasonal tourism and recreation-related jobs, such as those related to fishing, hiking and the annual Red Bluff Round Up, which is one of the largest rodeos in the country, might also be contributing factors. According to the CED's Economic Profile, an average of 1,600 travel-generated jobs (6.5 percent of total employment) were created between March and October in 2002.

### PERSONAL INCOME

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Total personal income for Tehama County rose by an annual average of 4.9 percent (2.2 percent when adjusted for inflation) between 1990 and 2002. Between 1989 and 1999, the median household income rose a total of 39.1 percent (3.5 percent when adjusted for inflation). During the same time, the poverty rate in Tehama County increased from 15.3 percent to 17.3

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percent. While incomes have improved for many, a growing percentage of the population did not experience income gains sufficient to escape poverty.

According to the U.S. Department of Commerce, the per capita income in Tehama County was \$20,536 in 2002, which was 4.2 percent higher than the previous year. This ranked 51<sup>st</sup> in the state (of 58) and was 60 percent of the state average and 76 percent of the federal average. From 1990, when the per capita personal income was \$13,352 (57<sup>th</sup> in the state), the average annual growth rate has been 3.8 percent. By 2010, per capita income is expected to increase to \$27,716.

According to the 2000 U.S. Census, the median household income in Tehama County in the year 1999 was \$31,206, compared to \$47,493 in California during the same year. Between 1989 and 1999, the City of Tehama saw a 5.5 percent decrease in the median household income, while the rest of the county saw an increase.

The percent of population in 1999 for whom poverty status was determined was 17.3 percent. It was also determined that 1,939 families (13 percent of all families) had family incomes below the poverty level.

### POVERTY RATE

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According to the Federal Office of Management and Budget's Statistical Policy Directive 14, if a family's total income is less than their threshold, that family is considered to be impoverished. According to the CED's Economic Profile, the average poverty rate in Tehama County was 17.3 percent in 1999, which was above the statewide average of 14.2 percent. In addition, Tehama County was approximately 2 percentage points higher than the Northern California regional average in 1999. The City of Tehama saw an increase in poverty of almost 60 percent between 1989 and 1999, while the rest of the county saw more modest changes.

### ECONOMIC DEVELOPMENT ORGANIZATIONS

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The two primary economic development organizations serving Tehama County are the Tehama Local Development Corporation and the Tri-County Economic Development Corporation.

#### **Tehama Local Development Corporation**

The Tehama Local Development Corporation (TLDC) is a private, non-profit corporation responsible for the retention and recruitment of business and industry to Tehama County. TLDC recruits and assists prospective developers by providing site information and building requirements. The TLDC executive director acts as a countywide team leader bringing local business representatives together with city and county staffs to respond to development inquiries and opportunities.

#### **Tri-County Economic Development Corporation**

The Tri-County Economic Development Corporation (EDC) was established in 1985 as a private, non-profit agency to provide economic and development planning and coordination in a Tri-County region that includes Tehama, Butte and Glenn Counties. Tri-County EDC is recognized by the state and federal governments as the agency having "overall economic development program responsibility" for the three-county district and for eight member cities located within those three counties. In Tehama County, the cities of Corning and Red Bluff are member cities in the Tri-County EDC.

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Initial goals identified by the EDC were to encourage new employment opportunities, foster a stable and diversified local economy, and alleviate the persistent unemployment in the Tri-County area. The EDC has also added small business development as a significant component of its overall program. The EDC manages nine separate federal, state, and locally capitalized private loan programs on behalf of member cities and counties.

The Tri-County EDC also provides planning services to identify and prioritize public works and other economic development projects. The primary instrument for economic development planning is the Comprehensive Economic Development Strategy (CEDS). A discussion of the Tri-County CEDS is included below, followed by a discussion of Tehama County's Economic Development Element.

### 3.4 REGULATORY FRAMEWORK

#### COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

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The Comprehensive Economic Development Strategy (CEDS) prepared by the Tri-County Economic Development Corporation (EDC) and last updated in 1999, should be acknowledged here, although this plan has less direct relevance to the Tehama County General Plan update than the Economic Development Element discussed below. The reason it is less relevant is because the CEDS is primarily concerned with economic development services and marketing programs than with land use and resource management. However, the CEDS includes a good summary of economic circumstances and trends in the three-county district (which includes Tehama, Butte and Glenn Counties), and includes proposals that are concerned with the availability of improved land for economic development.

A Comprehensive Economic Development Strategy is a five-year plan that summarizes and assesses recent economic development activity and proposes goals and program strategies to address economic needs. A CEDS is required by the federal Economic Development Administration (EDA) for economic development districts that utilize EDA funding. The EDA also requires that projects that seek funding assistance from that agency be recognized as priorities in a CEDS.

The Tri-County EDC prepared a CEDS Annual Report for 2003-2004, which is the primary reference for this review. The 2003-2004 CEDS Annual Report provides information on the organizational background and capacity of the organization, details on projects worked on or completed in the previous year, and a discussion of changes in the district's economy. It then offers a vision statement and goals and objectives that were adopted as part of the five-year planning document and revised priorities for projects in each of the member jurisdictions for the program year.

The visions statement that was adopted for the CEDS is:

*In the year 2009, the Tri-County District will be a balanced, healthy and vibrant region, which values its quality of life and its heritage.*

In evaluating obstacles to realizing this community vision, five major obstacles were identified as the top five.

- Lack of awareness and coordinated training efforts and needs.
- No regional marketing plan.

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- Existence of limited financial resources for economic development services.
- Lack of available, improved land.
- Existence of special interests/self interests with a lack of commitment to a shared vision.

With regard to the general plan update, the obstacle of the "lack of available, improved land" is the most relevant issue, as is the corresponding goal in the plan, "To increase the availability of improved land for economic development."

For Tehama County, the objectives that were formulated for this goal were: 1) To inventory available land by 2002; 2) To develop specific plans for areas by 2002 and; 3) To develop a comprehensive community assessment plan by 2002.

The CEDS recognizes the need for countywide infrastructure development in Tehama County as the primary long-term project.