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Executive Summary

Purpose of the Study

The purposes of this study are to assess Jefferson County's local economy by examining demographic, income and employment trends, and to recommend strategies for future economic development efforts in the County. In addition to the assessment of the overall economy, this study provides an in-depth examination of Jefferson County's small business community through the use of interviews and a survey instrument. The author of the study used three primary data sources: county level data from the US Census Bureau and the Washington State Office of Financial Management, interviews with local economic development leaders and a survey of local businesses.

Demographic Trends

This study explores three primary demographic trends that have significant influence on the local economy and the County's economic development planning efforts. These trends are overall population growth, population growth by age and education levels. Overall, the population growth rate in Jefferson County from 1990-1999 (30.4 percent) is more than double that of the United States (13.2 percent) and one-third more than that of the State (19.8 percent). According to US Census reports, most of this increase is due to in-migration, as opposed to births.

The percentages of Jefferson County residents between the ages of 50 and 64 and 65 and older are growing at the highest rates. In addition to the increase in percentages of older residents, there is quantitative evidence and significant concern about the decline in percentages of younger people in Jefferson County. Data illustrates a marked decrease of 20-29 year olds in Jefferson County-a decline of over 50 percent between 1980 and 2000, compared to a 30 percent decline in Washington State. One reasonable explanation to this phenomenon might be that the local economy is not providing enough work opportunities to keep these residents in the County, however, this explanation does not account for all of Jefferson County's decline in percentage of this cohort. Given that the Washington State has also experienced a significant decline, it is evident that this segment of the population comprises a smaller proportion overall.

Overall, Jefferson County residents have higher levels of education than the State. And, Jefferson County's education levels have improved dramatically since 1990. In 2000, 91.6 percent of Jefferson County residents (over 25 years of age) had four or more years of high school versus 87.1 percent in the State. And, between 1980 and 2000 the percentage of Jefferson County residents with high school diplomas increased by 14.7 percent, from 76.9 to 91.6 percent.

There are important disparities in education levels between age groups in Jefferson County. Residents between the ages of 18-34 (the young workforce) are the least well educated-19 percent have less than a high school education versus 8 percent of people over 25. And, approximately 14 percent of the 18-34 year olds have four or more years of college education compared to 28 percent of people over 25. In terms of the regional differences in the county, 33 percent or more of adults in Port Townsend, Marrowstone and Port Ludlow

have 4 or more years of college, whereas in Port Hadlock/Irondale, Brinnon and Quilcene, 15 percent or less have this same education level.

Income and Employment Trends

Jefferson County is more reliant on dividends, rents, interest and transfer payments than most areas. Over 13 percent fewer Jefferson County residents had earnings from employment than was the case statewide in 1999. And, almost 14 percent more JC residents had social security income and 12 percent more had retirement income. And, in Jefferson County, earnings are less than half of total personal income, whereas earnings account for 70 percent of personal income statewide. Wages and salaries account for 72 percent of earnings in JC, compared to 82 percent statewide.

Jefferson County has more income from sole proprietors than most places. Income from non-farm proprietors is greater than earnings from manufacturing or retail trade and almost 80 percent of the value contributed by the very large services sector. However, proprietors' incomes have grown less rapidly than earnings from employment, or dividends/interest/rent, or transfer payments

In Jefferson County, 1,118 establishments reported employment levels to the Washington State Employment Security Department in the 2nd quarter of 2001. These establishments employed a total of 7,922 employees. This data indicates that trade, services and government grew the most in the 1990s.

Data also indicates the importance of proprietorships/self employment. Proportionately there are many more very small businesses (<5 employees) than the state or the nation. This is consistent with data that indicates that seventeen percent of the workers living in Jefferson County in 2000 were self-employed; this compares to 8.5 percent statewide.

The final portion of this section is an analysis of concentrations of employment and significant industry clusters. Concentrations of employment are relatively strong in natural resources, manufacturing, retail, real estate, health & social services, arts & entertainment, and accommodation & food services. And, concentrations of employment are relatively weak in wholesale, finance & insurance, professional/scientific, management, administration, and education. Significant industry clusters that were identified from the analysis include: forestry/wood & paper products, fishing/aquaculture, maritime, arts, tourism, industrial, and health care/retirement.

Interview Findings

Twenty-seven interviews were conducted with representatives from government agencies, local community and economic development leaders, business owners/managers, and business community leaders. Interviews were primarily used to better understand the roles of the county's economic development entities, identify the major shared goals between these entities, identify the challenges and opportunities for economic development in general and for operating a business, and lastly, to inventory the resources available to small businesses.

Major shared goals between local economic development entities

Interviews from the County's economic development entities and reviews from various plans, indicate that the **major shared goals** are as follows:

- Promote education and training/workforce development opportunities
- Promote sustainability through diversity
- Create family wage jobs
- Maintain rural character and quality of life
- Promote economic opportunities for youth
- Coordinate economic development efforts with other local economic development
- Work towards coordination and consistency (streamlining) of the permitting and regulatory processes
- Provide adequate, quality infrastructure
- Act in compliance with the Washington State GMA

Opportunities and challenges for economic development

The following themes were identified from interviews with local economic development leaders and the business community.

Opportunities:

- Already existing strength of some industries
- Having an industry base that offers natural connections to other sectors
- Quality of life

Challenges:

- Lack of unified economic development efforts between the City of Port Townsend, Jefferson County Community Development, the Port of Port Townsend, the Economic Development Council and the Port
- Difficulty meeting the workforce needs for small businesses
- Lack of coordination between and within industries
- Lack of a cohesive effort to address the shortage of educational and vocational training opportunities

Opportunities and challenges of operating a business

These themes emerged from local business owners and community business leaders

Opportunities:

- Quality of life
- Significant community volunteerism
- Other people in the area doing similar type of work
- Abundance of creative spirit and appreciation for the arts and culture

Challenges:

- Lack of technical business expertise
- High cost of marketing
- Inadequate infrastructure
- Overly restrictive regulation

- Unskilled workforce
- Lack of high speed access to the Internet
- Lack of affordable retail and performance space in Port Townsend

Survey Results

A survey was used to ascertain information about Jefferson County’s business community. Survey questions were developed to gather information about the following four broad areas: Information about the business owners, characteristics of businesses, community assets and barriers to maintaining and/or expanding a business, and an assessment of the community’s business and entrepreneurial climate.

Information about the business owners

Business owners between the ages of 41 and 55 represented the largest portion (54.3 percent) of the sample. This group was followed by people over 55 years of age (33.8 percent). Only 7.5 percent of the sample are retired. Men comprised 55 percent of the sample. Most of the respondents had either a bachelor’s degree (34.9 percent), or some college (32.2 percent). People with a masters degree or more made up 15.8 percent.

Survey results show that 58.9 percent of respondents want to grow their business, yet only 45 percent have plans to expand. Results also that these business owners have lived in the County for an average of 18 years, and the average number of years that people have been operating their business in Jefferson County is 17 years. Even though in many high amenity rural communities there are large numbers of footloose baby boomers (many of whom start their own business), this is not the scenario indicated by the survey sample. Most of the business owners in the sample have been living in the County for nearly twenty years, which suggests that they are not the “footloose baby boomers”.

Characteristics of businesses

Almost fifty percent of the businesses have 1-3 full time employees, and 22.8 percent of the sample had 4-10 employees. Sole proprietors made up 23 percent of the sample. The average hourly wage for these businesses is \$12.75, and sixty percent of the businesses provide health insurance to their full-time employees, and only 9.7 percent provide health insurance to their part time workers.

Respondents reported that the largest percentage of their sales were in Port Townsend with the average being 44.3 percent of their sales. The second largest portion of sales were in Jefferson County (outside of PT) with an average of 32.6 percent. And, the average percentage of sales outside of Jefferson County was 28.8 percent. The breakdown of location of respondents is as follows: Port Townsend (73 percent), Port Hadlock (13 percent), Port Ludlow (9 percent), Chimacum (6 percent), Quilcene, Nordland, Brinnon and Coyle comprised the rest of the sample.

Personal services (i.e. accountants, financial consultants, lawyers) comprised the largest percentage (17.8 percent) of the sample, followed by construction (16.4 percent), maritime trades (9.2 percent), restaurant/cafes (7.2 percent), industrial arts (5.9 percent). The remainder of the sample was made-up of arts/crafts, home services, automotive and other.

Assets and barriers to operating a business in Jefferson County

Assets: When asked about various community assets, over half of the respondents chose quality of life. People were given the opportunity to describe what this meant to them and the most common descriptions included, “natural beauty”, “slower pace of life” and “progressive” values. Respondents also feel as though the intellectual atmosphere and the presence of arts and culture are also among the community’s greatest assets.

Barriers: Survey results indicate that the top three barriers to maintaining and/or operating a business in Jefferson County are as follows: Business costs (90 percent), and land-use regulation (69 percent) and workforce development (56 percent). The remaining four areas infrastructure, institutional barriers, access to markets and access to capital were all seen as barriers for approximately 35 percent of the sample.

Assessment of the community’s business and entrepreneurial climates

When asked about various components of the business climate, people responded in the following ways: Only 13.4 percent agree that the community has developed programs to encourage and support entrepreneurs. Under 30 percent of the respondents agreed with the statement, “My community celebrates people who create and grow local businesses. Under 40 percent of the sample feels as though the community offers business or entrepreneurial training and networking/mentoring opportunities. Another important finding from this section is that 12 percent did not know if the community offered business or entrepreneurial training, almost 17 percent did not know about networking possibilities and nearly 27 percent did not know about access to venture capital.

The top three interventions respondents identified as critical to business expansion included: increase in access to more markets, changes in zoning regulations, and increase in access to local financial capital. The second tier of interventions includes: increase in local education and training opportunities, increase in opportunities for business mentoring and assistance with business plans and financial statements.

Analysis of potential economic development strategies

Following the documentation of the research findings, this report analyzes four potential economic development strategies for the County (recruitment of a medium or large firm, small business development, entrepreneurialism and industry clustering) against selected criteria. This analysis enables the author to identify the strengths and weaknesses of each approach. The strengths identified by this analysis will guide the development recommendations. The five criteria are: efficiency, sustainability, consistency with other goals of local economic development agencies, and evaluating whether or not the approach capitalizes on industry and community strengths

Recommendations:

Strategies for future economic development in Jefferson County

This report indicates that all four of the economic development approaches discussed in the analysis section have significant strengths and complementary outcomes. Because of this, this report recommends that the county continue to use a combination all of the approaches to create a comprehensive economic development plan.

The following recommendations were developed from the results of this report's analysis, along with considering the county's political and institutional capacity. The strategies and corresponding implementation steps are listed under their respective approaches. The small business and entrepreneurial strategies are combined given that there is significant overlap between the two.

Industry Clustering Strategies

Strategy #1:

The county should play a leadership role in coordinating efforts within industries that have a comparative advantage in Jefferson County.

Implementation steps:

Organize industry networks to do the following:

- Arrange collective marketing strategies
- Collaborate for funding opportunities for community and economic development projects
- Support "Centers of Excellence", cluster skills centers or other projects that center around clusters
- Invest in cluster research and development and innovation
- Set-up electronic or telephone chat lines for people to trouble shoot problems
- Collectively join a national or global industry association

Strategy #2:

The county should facilitate collaboration between industries that have natural opportunities for economic development, such as arts and tourism.

Implementation steps:

- Support the connection between arts, tourism and recreation.

Strategy #3:

The county should facilitate the workforce development efforts of key industries.

Implementation steps:

- Integrate the employer needs of Jefferson County into regional workforce development plans
- Identify employer workforce needs

Entrepreneurial and Small Business Strategies

Strategy #1

Develop an entrepreneurial support organization (ESO) or a coordinated effort to support entrepreneurs. The following six bullets are the essential components of a comprehensive approach to supporting entrepreneurs:

- **Support the entrepreneurial environment**

Identify, engage and support local entrepreneurs. These entrepreneurs over time will enhance the larger community business climate and build community support for the next generation of entrepreneurs.

- **Build networking and mentoring opportunities**

Networking and mentoring are often cited by entrepreneurs as the most important support possible. Through these networks, entrepreneurs gain access to knowledge and role models that are critical to their future success. ESO's proactively recruit entrepreneurs into these networks and facilitate their operation.

- **Provide access to capital**

Access to capital is a component of any effort to support entrepreneurial and/or small business. Continue supporting alternative options to access capital. Revolving loan funds and micro enterprise are two examples of alternative ways to access funding. Cascadia is a microenterprise loan that currently works with many small businesses and start-ups in Jefferson County.

- **Increase access to markets**

Entrepreneurs are often very good at perceiving market opportunities, evaluating opportunity feasibility and acting to capture market share. Successful ESO's help entrepreneurs gain awareness and experience with a wider range of market environments. (See the example of GROW Nebraska)

- **Technical assistance**

Jefferson County currently provides technical assistance through the EDC's programs and the Small Business Development Center. In addition to the traditional business counseling, the county's efforts should include the following:

- Mentoring access
- Networking opportunities
- Capacity building experiences
- Entrepreneurial training, such as FastTrac (<http://www.fasttrac.org>), NextLevel (<http://nextlevel.com.my/partner.php>)

- **Enterprise facilitation**

Enterprise facilitation is a highly sophisticated and customized approach to helping entrepreneurs pursue their passion in creating ventures. Enterprise facilitation goes beyond point in time training and skill building programs to a longer-term partnership with entrepreneurs and their enterprises. See www.siroli.com for more details about enterprise facilitation.

Strategy #2:

The county should create special youth programs within its strategies to support entrepreneurship.

Implementation steps

- Work with youth workforce coordinator at the Olympic Workforce Development Council to find ways to get the youth involved.
- Create a business incubator

Recruitment

Because the recruitment approach did not perform as well as the other strategies under the selected criteria, this report recommends that the county not substantially increase its efforts, and instead continue with its current recruitment efforts. This study, however, is offering two suggestions. One, the county should coordinate its recruitment and infrastructure efforts with all of the local economic development entities (Port, City, County, PUD and the Economic Development Council). And, two, the county should focus its recruitment efforts on firms that in the industries that are identified (by this report), as the strongest industries.

Chapter 1: Context

Changes in Economic Development Policy: From federal to local

Since the end of World War II, funding and planning for local economic development has moved steadily out of the hands of the federal government and into those of local public officials and community leaders (Eisinger, 1988). This trend is reflected in the increase in funding to programs that operate in local communities. Between 1955 and 1978 the total federal grants-in-aid to states and local governments increased from .8 percent to 3.7 percent of the gross national product and the number of separate programs rose from 132 in 1960 to 492 in 1978. Examples of these federal programs include Economic Development Assistance (1965), Community Development Corporations (1966), Community Development Block Grants (1974), and Urban Development Action Grants (1977).

These programs provide an array of resources to stimulate local developments. Federal monies were being used to finance major capital projects such as highways, housing and wastewater treatment facilities, along with the more traditional functions of local government such as fire protection, education, and parks (Eisinger).

The trend in expansion of intergovernmental aid ended in 1978. Eisinger (1988) attributes this to post war deficits, growing concern over the state of America's defense resources, an anti-tax sentiment and rising inflation. By 1983, during the Reagan administration, the real value of intergovernmental dollars had fallen by 25 percent and the number of aid programs had declined to 405. Reagan's administration brought with it a new concern for state and local tax-base enhancement. A new era of state and local self-reliance was sworn in with the recession of 1981 and the articulation of Reagan's "new federalism" (Eisinger).

Congress, during the Clinton administration, expanded the urban local economic development efforts through the Empowerment Zone/Enterprise Community Program of 1988 (Department of Housing and Urban Development). This program gives certain distressed urban areas federal funds to design and implement their own individualized economic development plan. Many cities found that the dollar amount was not adequate to turn their area around (Harrigan and Vogel, 2000).

While the federal government's 2003 budget allocates for approximately \$3 billion to local communities (via Community Development Block Grants), it is clear from the past fifty years that the trend is for local governments to become increasingly more responsible for the design, implementation and funding of their local economic development efforts.

Impacts of decentralization on local governments

Blakely (1989) contends that this contraction of federal aid has made it increasingly difficult for local and state governments to meet the social service needs of the unemployed and the need to stimulate development. The end result is that the federal government is giving local officials more responsibility and fewer resources.

In addition to the eroding financial support, the decline in federal assistance with policy and program development and implementation has left local and state policymakers to their own to design and implement economic development strategies for both the short and long term. Blakely states, “Communities faced with plant closures, high unemployment, rising crime, family disintegration, and increasing public assistance burdens must face the long run by taking steps to deal with their economic destiny sooner rather than later (p. 49). As resources dwindle and policy direction falls more and more into the hands of local economic development officials, communities must use their current human, social, institutional, and physical resources to build a self-sustaining economic system.

State’s role in local economic development

Given the decentralization in federal policies, states have become the funding conduit for local economic development efforts. In other words, states are given monies often in the form of block grants, which they then distribute to local communities. For example, the Personal Work and Responsibility Act of 1996 and the Workforce Investment Act of 1998 permits states to give categorical block grants to design, run and evaluate programs and policies to assist the poor and develop a workforce. While there is some flexibility in how local officials design and use these funds, they are required by the federal government to meet certain performance mandates.

The Washington State Department of Community, Trade and Economic Development (CTED) is the primary state economic development agency. CTED is comprised of the Office of Community Development and the Office of Trade and Economic Development, and is charged with enhancing and promoting sustainable economic vitality throughout Washington. Agency staff work closely with local governments, non-profits, economic development professionals, ports, tribes, housing providers, business leaders, other state agencies and many others, to address the important issues facing the communities and the citizens of our state. CTED provides technical and financial assistance directly to local partners who deliver much needed community and economic development services within their communities.

Definition, Goals and Key Elements of Local Economic Development

Definition of local economic development

Blakely (1989) defines local economic development as “a process by which local government and/or community based groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone” (p. 54). The Center for Rural Entrepreneurship states, “Economic development is a choice. It is willed within an economy. Economic development occurs when local leaders choose to identify, invest in, and develop their comparative advantages to enable workers, firms, farms, and industries to better compete.”

Goals of local economic development

Blakely states that the fundamental goals of local economic development are to:

- Create quality jobs for the current population
- Achieve local economic stability-a successful approach needs to meet all the needs of business (i.e. finance, land, infrastructure, workforce development, institutional capacity)
- Build a diverse economic and employment base-a broad employment base will help protect small communities from potentially detrimental external or internal economic forces

The goals listed above are general goals of economic development. It is important to note each community (and segments within a community) will have slightly different objectives, and often dramatically different approaches to achieving the goals.

Key elements of local economic development

Forman and Mooney's (1999), *Learning to Lead: A Primer on Economic Development Strategies*, from the Washington State Community, Trade and Economic Development Department outlines key elements (domains) for effective economic development. This outline provides a framework to help local and state entities conceptualize economic development activities. Within this framework there are various strategies that can be adapted to meet the unique needs and desires of each community. The following section lays out the five domains that comprise the framework:

- **Organizational development**
This domain involves creating and maintaining a stable forum for exchanging ideas and addressing the changing needs of the community. It will also aid in the development of comprehensive planning, raising necessary funds and maximizing the community's limited resources.
- **Product development**
Investments in infrastructure, downtown areas, business parks and speculative buildings, fall into this domain. These investments include new structures and maintenance and the overriding goal is to improve the community.
- **Market development**
This domain includes any activities that expand markets. It may mean recruiting certain individuals such as venture capitalists or "lone eagles" or it may include the cultivation of partnerships with surrounding groups and communities to create the scale necessary for a given activity.
- **Workforce development**
Workforce development strategies focus on creating policies and programs that build the skills of the local workforce while meeting employer labor demands. A key component of this domain is coordination efforts. Best practice workforce development efforts bring together business, education, and local/regional government.
- **Business development**
Programs that nurture business growth and investment fall under this domain. Examples of these programs include business retention and expansion programs, developing start-ups and emerging enterprises and efforts at recruiting large firms.

This chapter provides a foundation of theory for local economic development. Generally, local economic development has been moving steadily into the hand of local community

leaders and government. Therefore, these individuals are needing to be more informed about the goals and components of economic development. This information is key to understanding what it takes to vitalize a local economy.

Chapter 2: Purpose of the Study and Research Methods

Purpose of the Study

The purposes of this study are to assess the local economy of Jefferson County and recommend strategies and actionable steps for future economic development efforts. The assessment of the economy is done through an examination of demographic, income and employment trends. In addition to the assessment of the overall economy, this study provides an in-depth examination of Jefferson County's small business community through the use of interviews and a survey instrument.

Research Methodology

This study uses both quantitative and qualitative research methods to answer the question: what are the most effective economic development strategies for Jefferson County? The author uses quantitative data to examine the County's economic and demographic trends. These sources include a number of federal, state and county level databases. And, the author uses qualitative data to obtain an in-depth understanding of perspectives and opinions held by the community. These data sources include a survey of local business owners and interviews conducted with government officials, local economic and community development leaders, business owners, and community business officials. The findings from these data sources are critical to the analysis and subsequent recommendations. The following describes each data source more thoroughly.

Quantitative data and Interviews

The author retrieved county level demographic data from the US Census Bureau and the Washington State Office of Financial Management. The author also utilized data on industry, occupation and wages from various sources including the Washington State Employment Security Department and the US Bureau of Economic Analysis. This data illustrates the County's demographic and economic trends.

The author conducted 27 interviews for this report. Interviewees represent four categories of people: government officials, local community and economic development leaders, business owners/managers and business community officials. These groups are described more thoroughly below.

Government agencies

This group of interviewees includes elected officials and staff from the various governmental agencies in Jefferson County, including the Port of Port Townsend, Public Utility District #1, the City of Port Townsend, and the Community Development Department of Jefferson County. The purpose of these interviews is to better understand the roles and economic development goals of each agency and obtain perspectives and opinions about the opportunities and barriers to economic development in the County.

Local community and economic development officials

In addition to interviewing government officials, the author interviewed other local community and economic development leaders. This group included representatives from higher education, the health care industry, and the maritime trades industry as well as faculty from Washington State University and staff of the Olympic Workforce Development Council.

Business owners/managers.

The author interviewed eight business owners/managers to gather perspectives about the current opportunities and challenges of operating their businesses in Jefferson County, and about economic development in general. Interviewees were also asked about the availability of small business resources. Findings from these interviews supplemented results from the survey.

Business community officials

This category consists of people who have a grasp on the overall business climate and who are in a position to implement programs or policies that aim to strengthen business. These interviewees include people from the Small Business Development Association, and the local SCORE chapter. The purposes of these interviews are: to gather perspectives on opportunities and challenges of operating a business and to gauge the institutional capacity for implementing various components of economic development.

Survey

Surveys were mailed to a total of 1000 establishments in Jefferson County. Seven hundred of these were businesses that reported wages and the remaining three hundred were sole proprietors. The non-sole proprietor businesses were randomly selected from the Jefferson County 2002 Employment and Wages database obtained from the Washington State Employment Security Department. This database includes all businesses in the county that reported wages for the second quarter of 2002. A total of 4,503 establishments were listed on this database.

The database used for the three hundred sole proprietors came from the Washington State's Department of Revenue. This database includes all of the sole proprietors in the County who have either collected sales tax or made over \$12,000/year from their business. This database contained 1,118 entries. A random sampling technique was used to select our sample.

The purpose of the survey instrument was to gather information about the following four broad areas:

- Attributes of business owners (demographics, connection to Jefferson County, goals)
- Characteristics of businesses surveyed (size, home businesses, wage levels, health benefits, markets, retail, industry, location of business)
- Assets and barriers to maintaining and/or expanding a business
- Assessment of the County's community and entrepreneurial climates

Policy Options

After the findings of the above-mentioned sources are examined, this study presents four potential approaches to economic development for the County. The four approaches are: recruitment of a manufacturing firm, small business formation and expansion, supporting entrepreneurs and industry clustering. The description of each approach includes a definition, the theory behind the approach and then a discussion of its advantages and disadvantages. And, the last part of this section articulates how and why these approaches are not mutually exclusive.

Analysis and Recommendations for Economic Development Strategies and Steps

The final chapter of this report analyzes the four approaches to economic development under selected criteria in order to develop recommendations for the County. The purpose of the analysis is not to select one approach, but rather to identify the strengths of each approach. The reason for choosing this method is that both academics and practitioners generally advise utilizing a variety of different approaches (rather than relying on one approach) in order to meet a comprehensive set of economic development goals. The strengths of each approach will guide the development of the recommendations.

In addition to the analysis of the economic development approaches, this section identifies and discusses implementation issues that emerged from the survey and interview findings. While this discussion is not the primary focus of the study, addressing these implementation issues is critical to the success of any economic development effort.

Chapter 3: Demographic Trends

Primary Demographic Trends

This chapter describes three demographic trends in Jefferson County: overall population growth rate, population trends by age group, and education level. All of these trends have significant bearing on the local economy, and are important factors in choosing appropriate economic development strategies. The second part of this chapter draws comparisons between the demographic trends of Jefferson County and those of other rural areas that have similar types of amenities. And, the last part of this chapter discusses some of the ways that these trends can impact the local economy.

Overall population growth rate

As shown in Table 2, the population growth rate in Jefferson County from 1990 to 1999 is more than double that of the United States and one-third more than that of the State. According to US Census reports, most of this increase is due to in-migration. Thirty percent of Jefferson County residents in both the 1990 and the 2000 census had moved into the county in the previous five years-most of them from within WA State. Port Ludlow had the largest amount of in-migration (36 percent) and Brinnon the least (15 percent). This large influx of people was also evidenced by Washington State. During the 1990's, more than half a million people moved into the state than moved out, a flow that was one and a half times the State's natural increase (Nothdurft).

Table 2

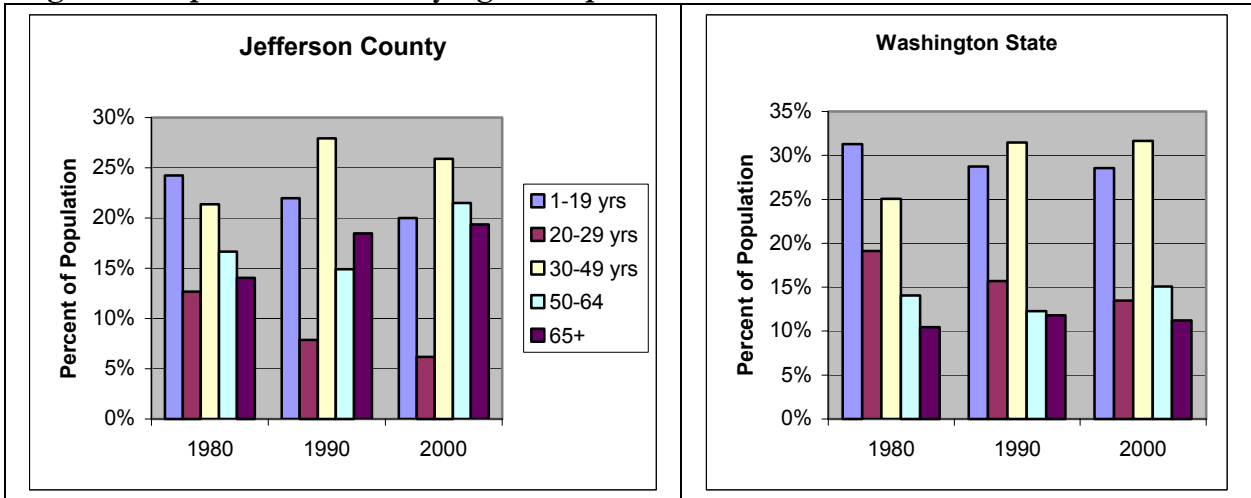
	Growth rate from 1990-1999
US	13.2 percent
Washington	19.8 percent
Jefferson County	30.4 percent

Source: US Census Bureau

Population trends by age groups

Figure 1 compares the population trends by age group of Jefferson County with those of Washington State. The most striking trend difference between these two areas is the high and growing percent of older residents in Jefferson County-both the 50-64 year olds and the 65 and older groups. For example, in 1980, people 65 and older comprised 15.8 percent of the County's population, and by 2000, the percentage increased to 20.6 percent. Washington State has experienced significant increases in its older population, but this population comprises significantly smaller proportions of the population (6.8 percent in 1980 and 11.4 percent in 2000) than in Jefferson County.

Figure 1: Population Trends by Age Groups: 1980-2000

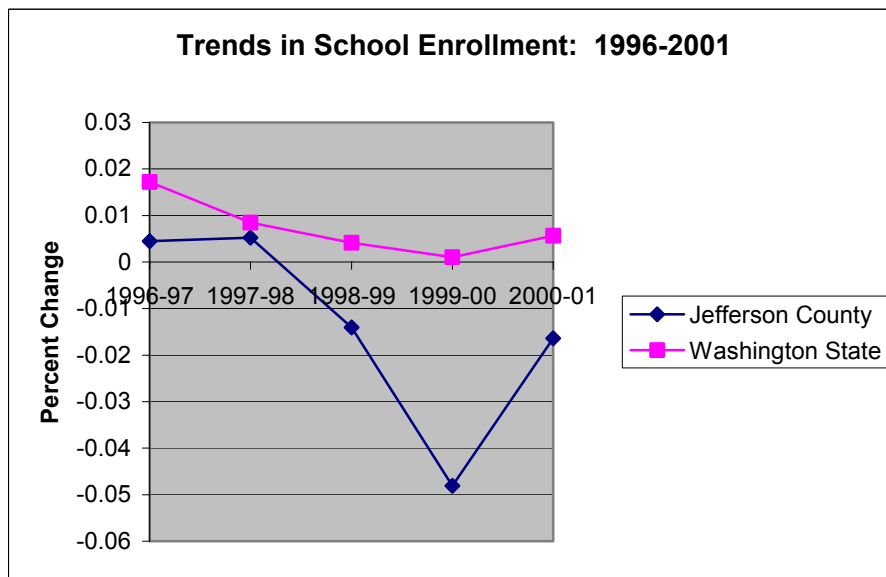


Source: WA State Office of Financial Management

In addition to the increase in percentages of older residents, there is quantitative evidence and significant concern about the decline in percentages of younger people in Jefferson County. Figure 1 displays the marked decrease of 20-29 year olds in Jefferson County—a decline of over 50 percent between 1980 and 2000, compared to a 30 percent decline in Washington State. One reasonable explanation of this phenomenon is that the local economy is not providing enough work opportunities to keep these residents in the County, however, this explanation does not account for the entire decline in the percentage of this cohort. Because Washington State has also experienced a significant decline, it is evident that this cohort represents a smaller proportion of the overall population.

The decline in the younger population is of particular concern to the local school districts. The following graph shows the trends in school enrollment within the past five years.

Figure 2:



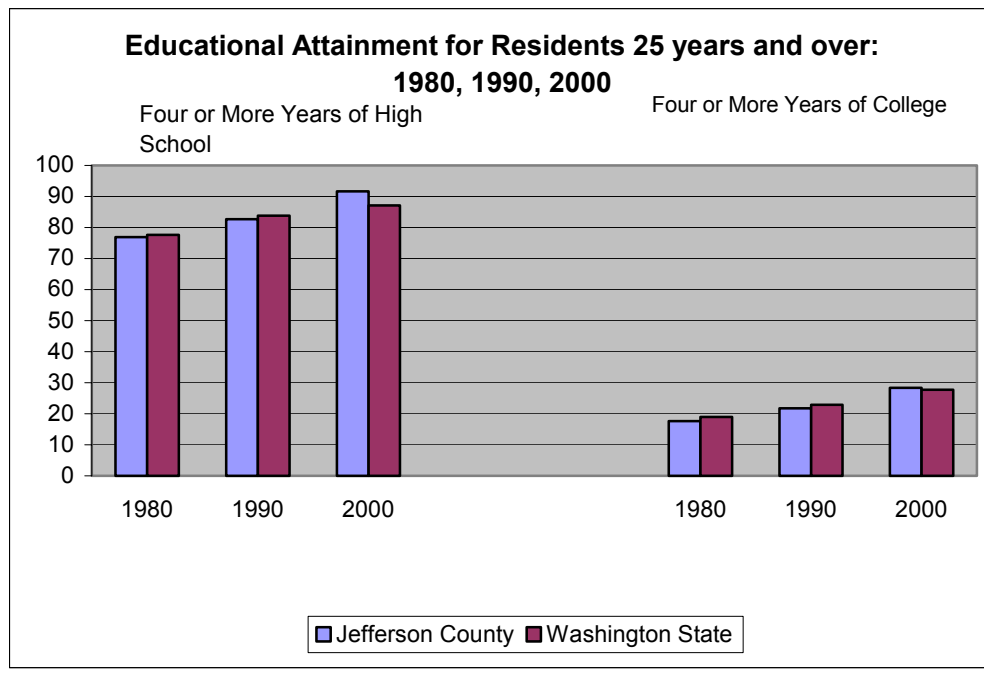
Education levels of residents in Jefferson County

The third demographic trend discussed in this report is that of the County's education levels. The following section examines the overall levels of education and education levels by age and areas within the County.

Overall levels of education

As shown in figure 3, overall, Jefferson County residents have higher levels of education than the State. And, Jefferson County's education levels have improved markedly since 1990. In 2000, 91.6 percent of Jefferson County residents (over 25 years of age) had four or more years of high school education versus 87.1 percent in the State. And, between 1980 and 2000 the percentage of Jefferson County residents with high school diplomas increased by 14.7 percent, from 76.9 to 91.6 percent. High school dropout rates are lower in Jefferson County than in the State and other rural regions. There are however some important disparities in educational levels between certain demographic groups in the County-most notably age and region of the County.

Figure 3



Age and regional disparities in County residents

There are important disparities in education levels between age groups in Jefferson County. Residents between the ages of 18-34 (the young workforce) are the least well educated: 19 percent have less than a high school education versus 8 percent of people over 25. And, approximately 14 percent of the 18-34 year olds have four or more years of college education compared to 28 percent of people over 25.

These disparities in age correlate with disparities between areas of the County. For instance, 33 percent or more of adults in Port Townsend, Marrowstone and Port Ludlow have 4 or more years of college, whereas in Port Hadlock/Irondale, Brinnon and Quilcene, 15 percent or less have this same education level. And, the average age of the latter group is lower than that of the former.

Comparing the Trends in Jefferson County to Other High Amenity Rural Areas

Recent research from rural demographers and sociologists documents the vastly different demographic and economic trends of our country's rural lands. According to Nothdurft (2002), the dramatic increase in older populations (as illustrated in Jefferson County) is part of a larger trend witnessed in many high amenity areas, particularly in the rural West. This particular trend does not adhere to the traditional theories of labor market analysis that predicts that people will migrate to places with higher wages. Nothdurft argues that although many of these fast growing counties are near an urban area, this factor does not explain all of the growth.

There are several hypothesis that attempt to explain why these high amenity rural areas are experiencing intense growth rates. First, a Harvard University demographer believes that the growth is primarily due to baby boomers reaching retirement age and using their home equity and investment income to move to lower cost, higher amenity communities in the inland West and the Northwest (Nothdurft). The second hypothesis put forth in Nothdurft's report is that the growth in these counties reflects the accelerating in-migration of retirees and self employed people-individuals for whom remoteness is no longer a handicap. Thirdly, Larry Swanson an economist from the University of Montana contends that, "It is not the retirees in the traditional sense, it's the footloose and aging baby boomers who are making lifestyle changes (Nothdurft, p.14)." And, finally, William Beyers (2000), a geographer at the University of Washington who studied the economic and demographic trends of four high-amenity communities in the rural West found that that many middle-aged people were willing to forego high wages of the metropolitan areas for the environmental "quality of life" amenities of these rural counties.

Rural demographers have also categorized our countries rural areas into certain types, each type having its own set of characteristics. Thomas Johnson, in "The Rural Economy in a New Century," categorizes rural communities into "the isolated rural community" and "the connected rural community". Nothdurft (2000) in "Across the Great Divide" categorizes rural communities into those with high natural amenities and those without. Johnson describes the connected rural community as having higher levels of natural and man-made amenities and higher levels of income, education and population growth than the more isolated communities. Johnson also contends that one of the impacts of these trends is the "serious land use issues" as these communities become less and less rural and more and more suburban.

Implications of the county's demographic trends

The reason for exploring the demographic trends in this chapter (high overall population growth rate, increase in percentage of older residents, and the disparities in education levels)

is because they all have significant bearing on the county's economy and the county's choice of economic development strategies. The impacts discussed below are from studies of other high amenity areas. These studies (Beyers, 2000) show that the types of demographic trends mentioned above present opportunities and challenges for the local economy. The following section discusses some of the positive and negative impacts of the demographic trends outlined above.

Positive implications of the county's demographic trends

The following lists positive implications that may provide opportunities for economic development.

- **Increased human/intellectual capital.**
The demographic shifts described above can contribute to local development efforts through increases in human capital. Human capital is a term used to quantify a person or community's productivity level, and it is measured by one's level of skill, education and work experience. As illustrated above, overall, residents of Jefferson County have high education levels and significant work experience (given that many are older), therefore it is reasonable to assume that the county has a high and growing amount of human capital. Another indication of the county's human capital is the high number of small businesses and sole proprietors. Human capital is important when discussing economic development because it can lead to increased entrepreneurial activity, and therefore, jobs.
- **High levels of capital investment to support the growth**
Examples might include expansion of the housing stock, commercial building stock and public infrastructure and services.
- **Increase in financial capital.**
The research is mixed as to whether or not migrants invest in the local community. Therefore it is hard to tell if they are increasing the community's financial capital.
- **Increase in demand for certain kinds of services**
The county is experiencing an increasing need for many services and industries that rely on growth, including health care, personal services (financial, legal, medical) and construction. This need for services can act as an economic driver and offer employment opportunities for local residents and businesses.

Negative implications of the county's demographic trends

The demographic trends may negatively impact the county in the following ways.

- **Low education levels amongst the young (18-34 years) workforce**
Lower education levels of the younger workforce may present workforce problems, such as not having enough educated young people to attract and retain firms that require a high skilled workforce. Another issue with an undereducated young population is a high percentage of young people without adequate education and training can place an added burden on local social services.
- **Conflict over land use policies**
Studies of other high amenity areas show that the dramatic increase in population has created significant controversy about land use policy within local communities.

As more people move in, there is greater demand on the land for housing and employment purposes; this tends to heighten intensity around land use policy.

- **Increase in housing and property costs**

Bill Beyers (2000) reported that one of the primary impacts of rural areas experiencing high population growth rates is the increase in housing and property values. This is largely due to the increase in demand. This increase in costs could also apply to the purchasing or rental prices for office space or business space.

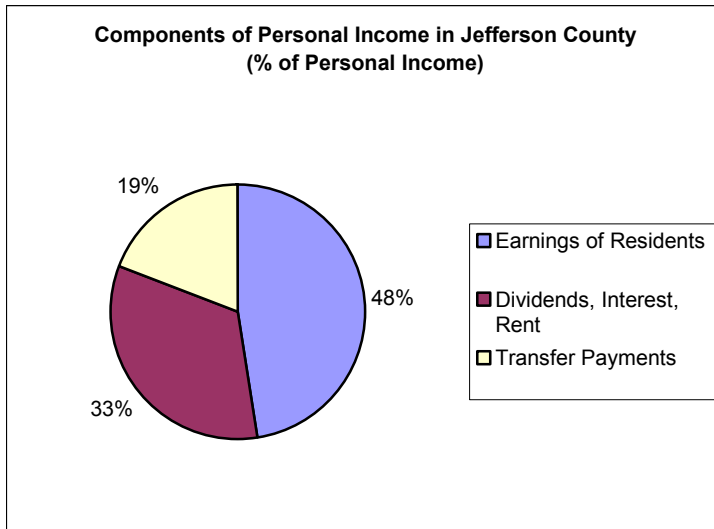
The following data is a superficial look at housing and property taxes. It is important to note that more analysis is required to fully understand the housing and property markets of the County. The median value of a home in Jefferson County in 1989 was \$117,480 (in 2000 dollars) as compared to \$171,900 in 2000. This is a 46 percent increase. As for renting, in 1989, the median gross rent as a percentage of household income in Jefferson County was 25.1 percent. In 1999, this rose to 29.7 percent, an increase of nearly 5 percent.

Chapter 4: Income and Employment Trends¹

This chapter closely examines income and employment trends in Jefferson County. The first section explores the composition of personal income and earnings; the second part discusses trends in employment, and the third part compares Jefferson County to other areas with similar amenities.

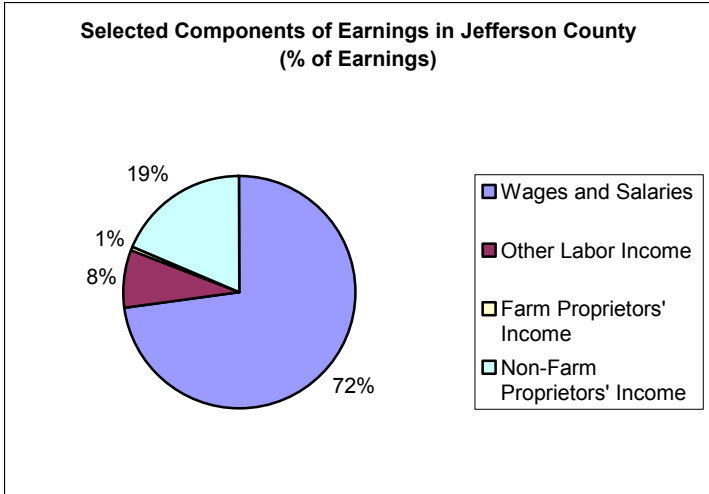
Personal Income

Personal income is composed of earnings of residents, dividends/interest/rent accruing to individuals in a place, and transfer payments received by residents. In Jefferson County, earnings are less than half of total personal income, whereas earnings account for 70 percent of personal income statewide. Dividends account for a third of personal income in Jefferson County, compared to 18 percent statewide. Finally, transfer payments account for 19 percent of personal income in Jefferson County, compared to 12 percent statewide. These comparisons suggest that the county has a large percentage of retired people.

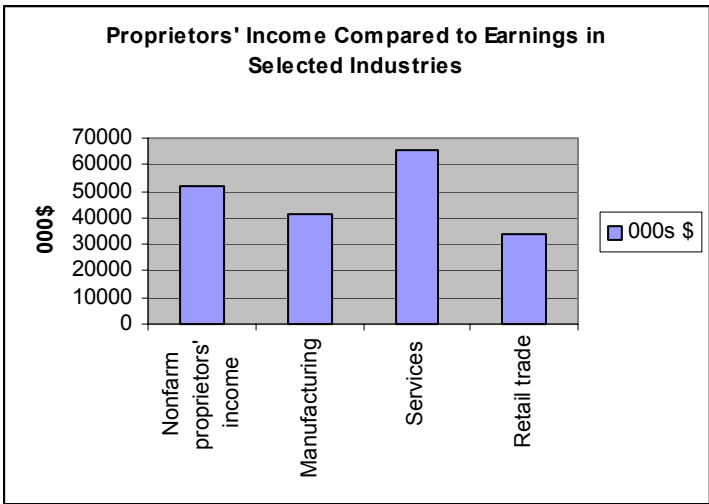


Decomposing the residents earnings provides further insights. Wages and salaries account for 72 percent of earnings in Jefferson County, compared to a 82 percent statewide. Other labor income provides 8 percent of earnings in Jefferson County, compared to 6 percent statewide. Farm proprietors provide about 1 percent of earnings in Jefferson County, compared to 0.2 percent statewide. Nonfarm proprietors provide 19 percent of earnings in Jefferson County, compared to just 10 percent statewide. Wages and salaries provide a smaller proportion of total earnings in Jefferson County as compared to the state, while non-farm proprietors provide a larger proportion. Keep in mind, however, that earnings are a smaller proportion of total personal income in the county than in the state. Given the smaller role of earnings in total personal income, non-farm proprietors income' provides about the same percentage of total personal income in the county and the state (about 7.4 percent).

¹ This chapter is collaboratively written by Dr. Paul Sommers and Kursten Holabird.

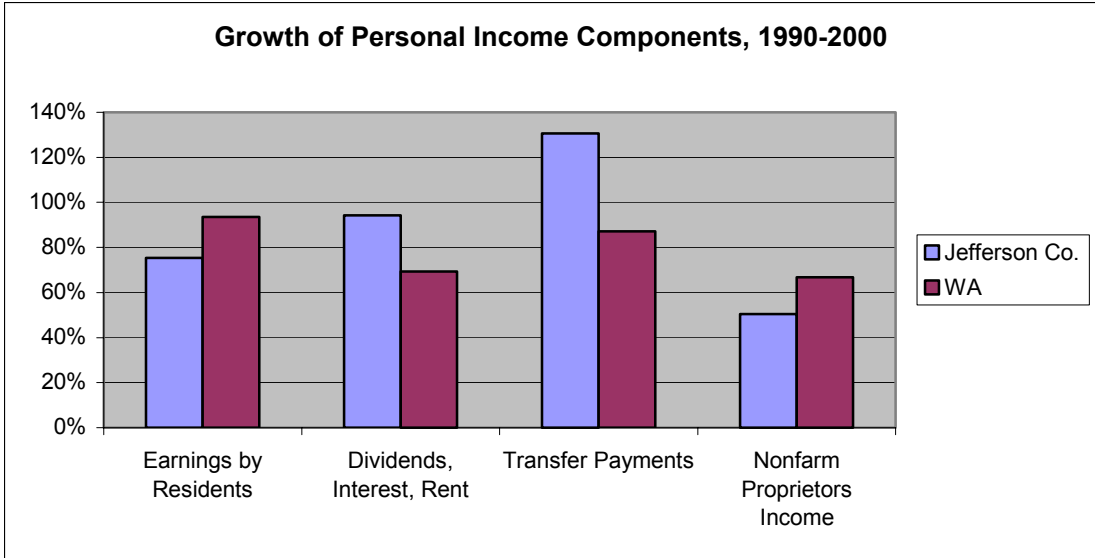


Proprietors play a quite strong role in Jefferson County, given the somewhat diminished role of residents' earnings and the very strong role of transfer payments and dividends, interest and rent. Consider the contribution of non-farm proprietor's earnings compared to the earnings in several major industry categories:

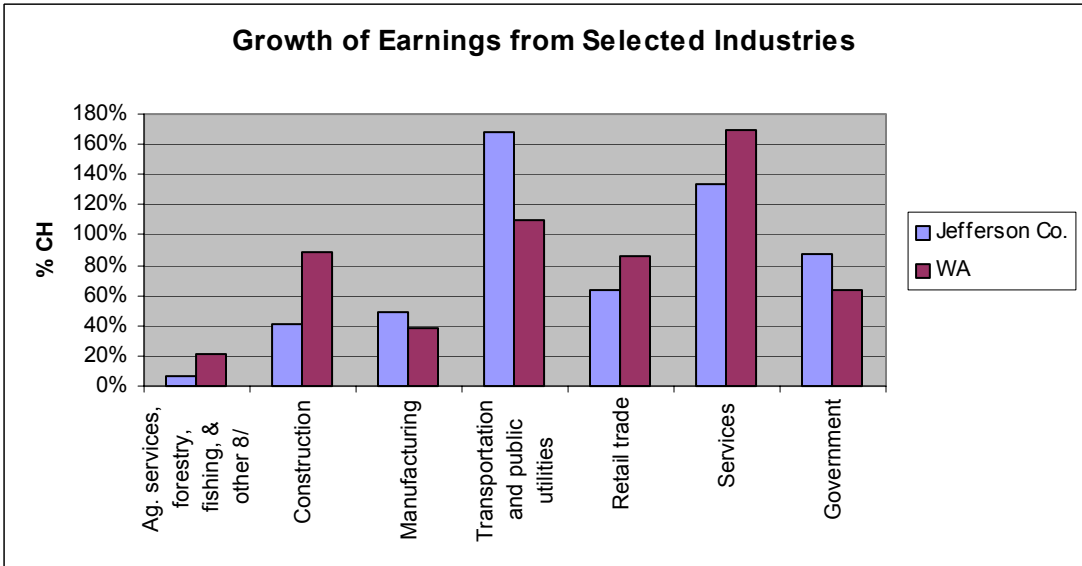


Non-farm proprietors bring in more in total than manufacturers or retail trade, and nearly 80 percent of the value contributed by the very large services sector.

Looking at the growth of personal income from 1990 to 2000, earnings grew less than they did statewide. Dividends, interest and rent grew more rapidly in the county than statewide, as did transfer payments. Growth of nonfarm proprietors income was at a slower pace than statewide.



Considering growth of earnings in various industry sectors, more rapid growth was seen in Jefferson County in only two sectors: transportation/utilities and government. In all other parts of the economy, growth of earnings in the county lagged the statewide pace.



Employment Trends

Overall employment growth in Jefferson County

Jefferson County's total employment growth since 1970 is significantly higher than the State's. From 1970-2000, Jefferson County's average annual percent change in employment is 4.11, versus Washington State's 2.77. Jefferson County's has the fourth highest rate in the State². The US Census also reports that from 1990 to 2000, there has been a 56.4 percent increase in non-farm private employment, compared to the state's 25.4 percent increase.

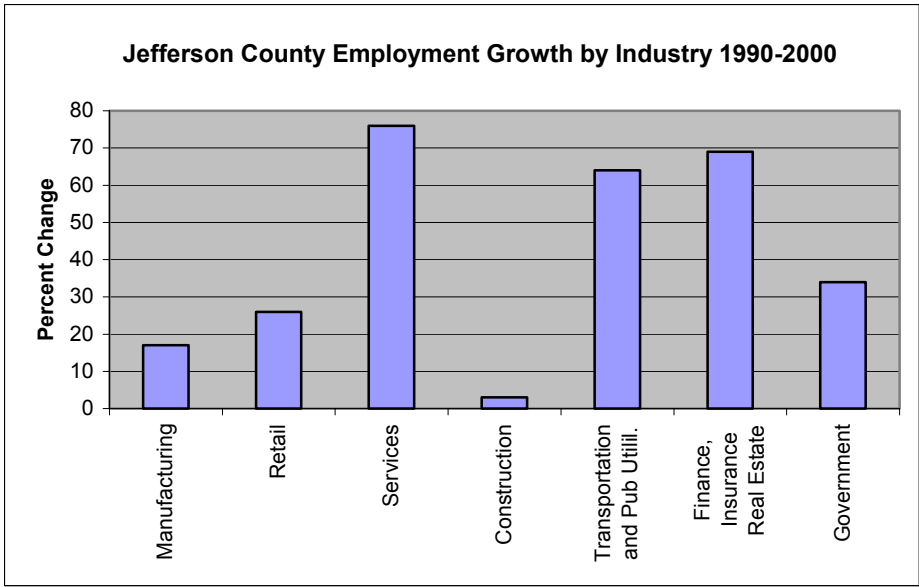
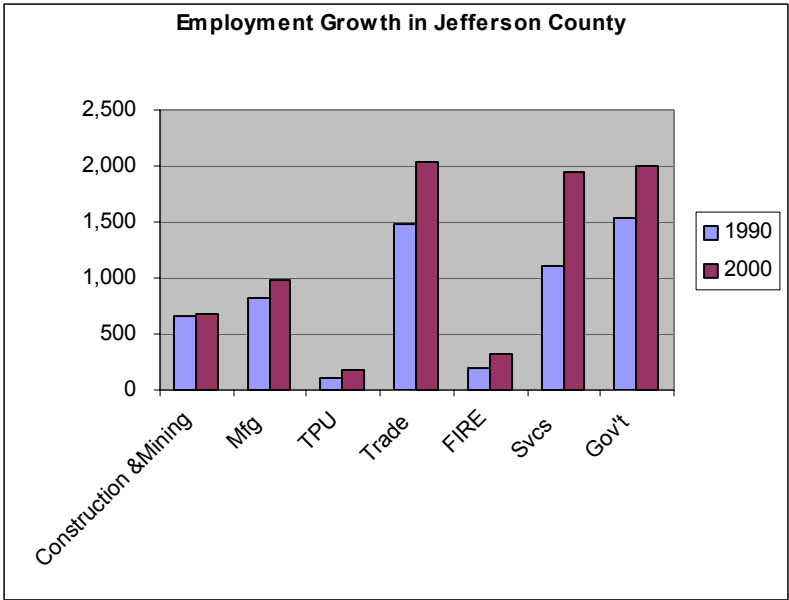
Why is Jefferson County's average annual change in total employment much higher than state's? Nothdurft (2002) contends that the large increase in population (in migration) in certain regions helps to explain the high overall increase in employment and more specifically, the increase in the service sectors. Nothdurft states, "With people comes a need for services of all types." More specifically retired people have a disproportionate need for special services such as health care. In Jefferson County, this increased need shows up in the data in both the government sector (because the hospital in the county is public and therefore, most hospital employees are government employees), and others will show up in the service sector where specialized private health care practitioners, such as chiropractors and physical therapists.

Employment in Jefferson County is concentrated in the eastern region of the county in or near Port Townsend. A check of establishment records at the state Employment Security Department revealed only a relative handful of firms in the West End portion of the county. Consequently, countywide trends in employment and other economic indicators are likely to be dominated and accurately reflect trends in the eastern end of the county that is the focus of this study.

Employment trends by industry

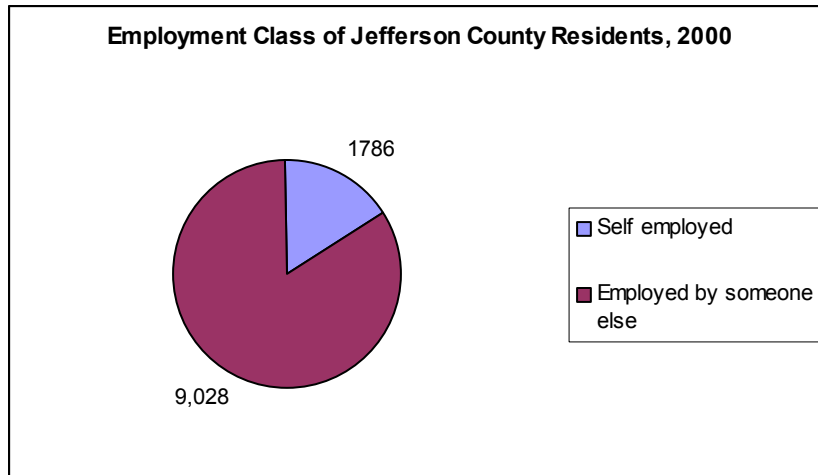
Of 1118 establishments reporting employment levels to the Employment Security Department in the 2nd quarter of 2001. These establishments employed a total of 7922 workers in this quarter. As shown below, wholesale and retail trade, services, and government are the largest sectors, employing about 2000 workers each. Construction and mining together employ nearly 700 workers; manufacturing about 1000, transportation and utilities under 200, and finance, insurance, and real estate combined about 330. The three largest sectors (trade, services, and government) added the most employees between 1990 and 2000. About 500 employees were added in the trade sectors and in government in this decade, and 840 in services.

² <http://niip.wsu.edu/washington/comwapdf/pectotwa.pdf>



Self-employment in Jefferson County

A somewhat startling characteristic of the county is that nearly 17 percent of the workers living in the county in 2000 were self-employed. Statewide, only 8.5 percent of workers are self-employed, and in neighboring Clallam county the percentage is just under 12 percent. Jefferson County stands out as having proportionately more self-employed workers than these other jurisdictions.



Source: U.S. Census, 2000

Shift in the structure of the national economy: From goods production to service production

Up until the 1970's, the backbone of America's economy was the manufacturing sector. In 1960, the manufacturing sector employed 31 percent of the workforce and output from this sector made up 28.7 percent of the gross national product (GNP) (Eisinger, 1988). Up until the 1970's there were relatively low levels of international trade as reflected by the fact that the value of imports and exports was only 12.6 percent of the GNP. In the 1970's, international trade skyrocketed which created a dramatic increase in world competition for American produced goods, and an increase in domestic markets for international products.

Shifts in employment mirror the changes in industry, as the national economy became more global our domestic market became more reliant on imported goods. Job growth in the manufacturing industry declined while service industry jobs increased dramatically. Eisinger (1988) states that the underselling of American goods, changes in technology and increase in demand for services are the primary reasons for this shift from a goods producing to a services producing employment base. As for rural areas, a report from the Southern Rural Development Center reports that more than 93 percent of the full and part time jobs generated in non-metro areas between 1990 and 1999 were created by industries in the service-producing sector. Nothdurft (2000) supports this trend as well.

Manufacturing in Jefferson County

According to the US Bureau of Economic Analysis, since 1980, manufacturing employment in the United States has decreased by 8 percent. In the state of WA, however, employment in this sector has grown by 20 percent. Similarly, in Jefferson County, manufacturing employment over the past few decades has increased by 17 percent. How is this increase explained? Upon examining the industries within the broad manufacturing category, it is apparent that industry composition within manufacturing has changed considerably during this time period- some industries have experienced a marked decline in employment while other industries have experienced significant growth.

Lumber and wood products has experienced the most dramatic decline in employment over the past thirty years. In the late 1970's and early 1980's, lumber and paper manufacturing industries began to restructure causing some plants to close. For example, in the early 1980's, Pope and Talbot, the timber giant, was bought out and then restructured out of existence.

Despite this severe drop in employment for the lumber and wood products industry, manufacturing employment in Jefferson County overall has continued to grow by 17 percent. Clearly, employment levels in other manufacturing industries expanded to offset this loss. These include printing and publishing (increased 169 percent from 1987), transportation equipment (increased by 91 percent since 1987) , and industrial machinery and equipment(increased by 187 percent since 1991).³

Niche manufacturing

Another sector of manufacturing that is contributing to the 17% increase is niche manufacturing. Geographers and demographers (Beyers, 2000) who have studied high amenity rural areas define niche manufacturing as the production of goods that are often very specialized and often do not rely on local suppliers to help produce their product. Producers usually sell their product in distant national or international markets, and they typically do not have other local competitors. Other characteristics of this sector include the location flexibility due to the fact that the cost of transportation input factors and products represents a relatively small portion of the value of the product.

Recent data shows that manufacturing employment grew at a higher rate in non-metropolitan compared with metropolitan areas in the West in the 1990's. Beyers (2000) contends that this increase is a mixture of niche manufacturing and locally oriented manufacturing activity.

Based on interviews in Jefferson County, this type of manufacturing is prevalent and growing in Jefferson County. For instance, companies that produce customized metal shops, silk weaving, fine cabinet making, world renowned violin bows, fly fishing rods, have most of the characteristics of niche manufacturing described above. It is likely that niche manufacturing contributes to the overall growth in manufacturing companies.

Impacts of the shift in economic structure:

The shifts in the manufacturing sector have caused many impacts in the economy. They include:

- **Decline in average wage**

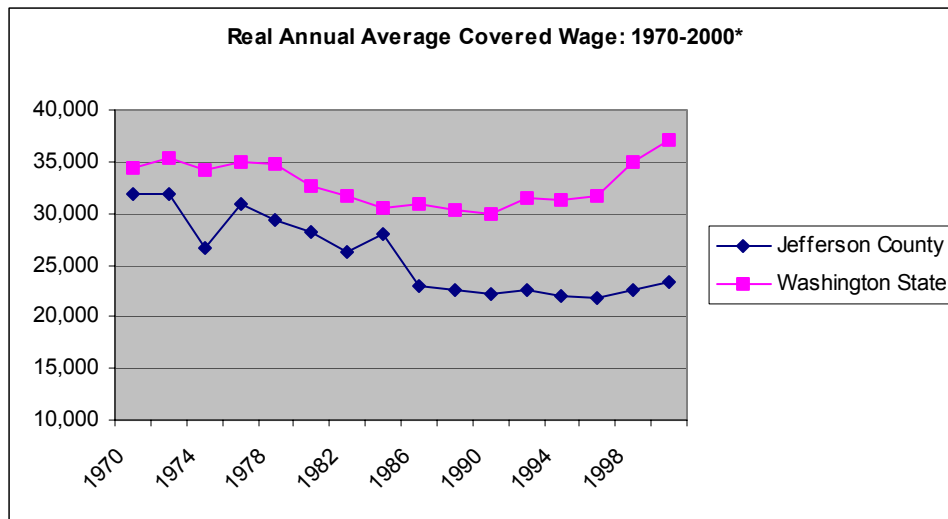
One of the most significant implications of the shift from manufacturing to services is the decline of average wages paid. Even though the service sector does include some high wage jobs such as those in the computer industry, the average manufacturing wage is higher than that of the average service sector wage. Therefore, as service sector jobs take on a greater percentage of the employment, wages will fall.

³ Also note, there may be other industries that have grown significantly, however, it is difficult to get this data on a county level because of the risk of exposing individual firms.

According to a report by the Southern Rural Development Center report that, “Rural service sector industries (in the United States) that have expanded most rapidly are not providing the same level of earnings that the slower growing or declining goods-producing sector has been able to offer.”

The 2000 average wage in JC was \$23,329, which was 62 percent of the \$37,038 statewide average annual wage. Real average wages have dropped 27 percent from 1970-2000. The following chart shows the declining value of wages paid for Jefferson County and Washington State.

Figure 4:



*in 2000 dollars. Source: Washington State Employment Security Department

- **Decrease in public revenues.**

The second implication for the shift from goods producing to services is the decrease in public revenues. Luke et al. (1989) contends that in many communities tax revenues from the manufacturing sector do not offset those of the service sector. The result of this factor is that the county and the state are not able to provide the same kind of services that it used to.

In addition to the erosion of the business tax base, the decline in real wages may result in people in the county who do not have other sources of income, such as dividends and interest becoming reliant on social services. This puts an additional strain on the local revenues.

Location and Amenities

The third section of this chapter looks at the location and amenities of Jefferson County. The Port Townsend area is located at the Northwest corner of the Puget Sound, west and north of the major urban area stretching down the east side of Puget Sound from Everett through Seattle and Tacoma. Port Townsend is also north of the smaller Bremerton/Poulsbo/Silverdale metropolitan area. Despite the degree of adjacency to urban

concentrations, the area around Port Townsend has many rural characteristics. Consequently, it has been a bit of a puzzle to analysts who have attempted to classify it. The USDA Economic Research Service has developed a typology of rurality that considers both the size of cities or towns in a county, and the nature of the counties adjacent to a county of interest. ERS classifies Jefferson County as a Type 6 “Nonmetro/ Adjacent to small metro with a city of at least 10,000.” This classification is based on the shared border of Kitsap and Jefferson counties, but does not recognize that the Seattle area is just 2 hours and a ferry ride away. A Type 6 classification puts Jefferson into the company of Adams, Lincoln, Pend Oreille, and Stevens counties, places that have few of the “urban” amenities of Port Townsend such as art galleries, high end restaurants, and a vibrant performing arts culture. These characteristics of the Port Townsend area may stem in part from the accessibility of the city for Seattle area residents. In addition, Port Townsend has significant environmental amenities that are not present in the eastern counties in the Type 6 group.

Washington Counties by Degree of Rurality

Code	Description	No. Counties	County Names
1	Large metro	3	Clark, Island, King, Snohomish
2	Small metro	8	Benton, Franklin, Kitsap, Pierce, Spokane, Thurston, Whatcom, Yakima
3	Nonmetro/Adjacent to large metro with city of >10,000	3	Cowlitz, Kittitas, Skagit
4	Nonmetro/Adjacent to large metro no city of 10,000 or more	1	San Juan
5	Nonmetro/Adjacent to small metro with city of 10,000 or more	4	Grays Harbor, Lewis, Skamania, Walla Walla
6	Nonmetro/Adjacent to small metro no city >10,000	7	Adams, Jefferson, Lincoln, Mason, Pend Oreille, Stevens
7	Nonmetro/Not adjacent to metro with a city of at least 10,000	5	Chelan, Clallam, Douglas, Grant, Whitman
8	Nonmetro/Not adjacent to metro area with a town of 2,500-9,999	4	Asotin, Klickitat, Okanogan, Pacific
9	Nonmetro/Not adjacent to metro area and no part of a city with >2,500	4	Columbia, Ferry, Garfield, Wahkiakum

The natural amenities of Jefferson County are measured in another classification scheme from ERS, a Natural Amenity Index, that includes climate, topography, water area, urban influences, and degree of rurality. Composite index ratings considering all of these factors run from 1 (low amenity value) to 9 (high amenity value). No county in Washington State has the highest rating; this accolade is reserved for several counties in Arizona, California, and Colorado. However, 8 Washington counties achieve a 6, the next highest rating, Jefferson among them. (The others are Clallam, Mason, Pacific, Pierce, Skagit, Snohomish, and Whatcom.)

Washington Counties by Natural Amenity Index

Natural Amenity Index (1=low amenity/7=highest amenity)	No. of Counties
1	0
2	0
3	3
4	15
5	13
6	8
7	0

Source: USDA Economic Research Service, Natural Amenities Scale,
<http://www.ers.usda.gov/Briefing/Rural/Data/>

Only 20 counties nationwide are rated the same as Jefferson on both the rurality and amenity classifications.

Jefferson County's Peer Group:

20 Counties with the Same Rurality and Amenity Classifications as Jefferson County

OKEECHOBEE	FL
KENDALL	TX
SANTA CRUZ	AZ
FREMONT	CO
HUERFANO	CO
TELLER	CO
CHURCHILL	NV
LYON	NV
RIO ARRIBA	NM
SIERRA	NM
SUMMIT	UT
WASATCH	UT
LAKE	CA
LASSEN	CA
PLUMAS	CA
SAN BENITO	CA
CLATSOP	OR
TILLAMOOK	OR
JEFFERSON	WA
MASON	WA

Chapter 5: Interview and Survey Findings

Interview Findings⁴

As noted in the research methodology portion of this report, interviews were conducted with four major categories of people: government officials, local community and economic development leaders, business owners/managers, and business community leaders. The interview format consisted of open-ended questions. The purpose of the interviews was to gather information about the following five areas.

- **Roles of the county's economic development entities**
- **Major shared goals of the county's economic development entities**
- **Challenges and opportunities pertaining to the county's economic development efforts**
- **Challenges and opportunities of operating a business in Jefferson County**
- **Inventory of resources for small businesses**

Roles of the various local economic development entities

The following section outlines the roles of the eight entities involved in the county's economic development efforts. Understanding the roles will provide us with a comprehensive picture of the economic development players and their respective niches. The first four entities are governmental agencies under the leadership of elected officials. They include Port of Port Townsend, City of Port Townsend, Public Utility District #1, Jefferson County Department of Community Development. The second group is comprised of affiliates of quasi-governmental agencies and networking organizations. It includes the Economic Development Council of Jefferson County, the Chamber of Commerce and the Olympic Workforce Development Council. And, the third group is an informal regional partnership (Olympic Peninsula Economic Partnership).

Port of Port Townsend

The Port District of Port Townsend is one of Washington's 37 Port and Port Districts. The role of the Port of Port Townsend is to responsibly develop property and facilities that encourage private investments, job creation and local economic development in areas owned by the Port and surrounding areas. The Port Commission is the district's policy-making and regulatory body responsible for developing policies and making decisions about the Port's internal and external courses of action.

The Port participates in an intergovernmental group in Jefferson County that meets once a quarter. Members of these groups include representatives from the City of Port Townsend, the Port of Port Townsend, the Jefferson County Board of Commissioners and the Public Utility District #1. Issues of all types that involve multiple governmental bodies (including economic development) are discussed. This group has been in existence for two years and has a rotating leadership. Port Commissioners and Port staff are also members of the Jefferson County Economic Development Council.

⁴ See Appendix A for a complete list of interviewees.

City of Port Townsend

The City of Port Townsend has a Building and Community Development Department. Staff in this department are technical city planners, building inspectors, code enforcers and permitting technicians. In addition to the City's staff, citizen advisory groups have been established by the City Council to capitalize on the expertise and commitment of community members and promote citizen involvement with city government. The Planning Commission provides recommendations to the City Council on land use cases, growth management and other short and long term planning issues. The Commission conducts public hearings on various development and legislative proposals and forwards findings to the City Council for final action.

Interviewees reported that the City of Port Townsend often initiates projects, but then non-profits move forward with the plan. An example of this is the Main Street Program. City officials also believe that there is ample room for County and City economic development efforts to be more integrated.

Public Utility District of Jefferson County

The primary role of the Public Utility District #1 of Jefferson County is to provide water and sewer services for the eastern portion of Jefferson County. Currently, with the relatively new addition of the Tri-Area Water System acquired from the City of Port Townsend, the PUD serves over 2,500 water customers and maintains several drain fields for small unincorporated communities. There are three elected Commissioners for the PUD.

The PUD plays other community roles in addition to providing sewer and water. The PUD is a member of the Jefferson County Water Utility Coordination Council (WUCC). This council has developed a coordinated water system plan to ensure water service to Jefferson County residents, resolve service area disputes, as well as provide flow to areas that need it. The plan is revisited every six years and is due for revision in 2003. The PUD has authority to establish a fiber optic telecommunications network, but currently does not offer any telecommunications service.

Given that water, sewer and information technology are all components of economic development, the PUD can and does influence economic development activities. Commissioners work with City and County officials to determine where to provide certain services which influence the location of economic activity.

Jefferson County Department of Community Development

The Jefferson County Department of Community Development (DCD) is composed of three divisions: Building / Inspections, Development Review, and Long-Range Planning. Long-Range Planning (LRP) is responsible for the maintenance of the Jefferson County Comprehensive Plan and the formulation and amendment of County land use regulations to implement the Comprehensive Plan. LRP provides staff support to the volunteer citizen Planning Commission and oversees the amendment process for the Comprehensive Plan of Washington State's Growth Management Act (GMA). LRP also collaborates with other county, local, state, and federal agencies, organizations, and programs working together to guide the region toward a balanced and sustainable future.

Economic Development Council of Jefferson County

The Economic Development Council of Jefferson County is a private non-profit corporation. The EDC is recognized as the lead economic development agency for Jefferson County. The EDC has a contractual relationship with the County, and therefore performs a number of tasks and studies for the County. The EDC receives approximately one-third of its funding from the County. The remainder is covered by the City of Port Townsend, the Washington State Department of Community, Trade and Economic Development, and the U.S. Economic Development Administration, as well as through membership dues.

The EDC's Board of Directors (comprised of local business people and public sector representatives) formulates its policies and programs and the Executive Director then implements them. The EDC currently has a membership of over 80 businesses and individuals that works collaboratively with the EDC Executive Director.

The EDC plays a variety of roles in the County's economic development efforts. Most importantly, it provides a menu of assistance services to existing businesses, businesses that are interested in relocating to Jefferson County and to people who are interested in starting a business. (See the inventory of small business resources at the end of this chapter for more details about these services.) The EDC also plays a key role in collaborating with education and training institutions to address workforce issues. Some of the current collaborations include Peninsula College (CAD course), Washington State University (outreach programs and promoting higher education) and the local WorkSource office (marine trades initiative). WorkSource is a joint venture of organizations that provides employment services to businesses and job seekers

Chambers of Commerce

There are four chambers in the Jefferson County-Port Townsend, Port Hadlock/Tri-Area, Port Ludlow and Quilcene/Brinnon. All four Chambers play slightly different roles in their own communities, however a focus for all of the Chambers is on visitor related activities, events coordination, civic activities and assisting businesses with outreach efforts and marketing. The Port Townsend Chamber also co-sponsors events and workshops with the EDC. For example, currently, the Port Townsend Chamber is involved in the planning for potential impacts of the closure of the Hood Canal Bridge.

The Olympic Workforce Development Council (WDC) ⁵

The Olympic WDC plays the lead role in developing and implementing workforce development policies and programs in Jefferson County. This Council also serves Kitsap and Clallam Counties. The primary role of the Olympic Workforce Development Council (WDC) is to create and maintain a workforce development system designed to close skills

⁵In 1998, US Congress passed the Workforce Investment Act (WIA). In 1999, Governor Locke signed an executive order on workforce Workforce Policy that implements WIA in Washington. There are three overall goals of the order: to close the gap between the need of employers for skilled workers and the supply of Washington residents prepared to meet that need; to develop a strategy for training incumbent workers, and if workers are laid off, to provide training to help them make a smooth transition to other careers; to develop a strategy for wage progression which helps low-income workers to move up the job ladder

gaps, enable workers to make smooth employment transitions to realize increased earnings, and help youth connect academic learning with occupational learning. The Council has a business membership majority, along with various community and state agencies and organizations, such as Employment Security Department, Department of Social and Health Services, Division of Vocational Rehabilitation, Kitsap Community Resources, and the Community Colleges.

The vision is that “...within the next ten years, Clallam, Jefferson and Kitsap Counties will have a high-quality, customer driven workforce development system and a skilled labor force that meets the challenges of a changing economy. Our system attracts businesses and industries that offer high wages and contribute to the well-being of our community.”⁶

Olympic Peninsula Economic Partnership

The Olympic Peninsula Economic Partnership is not a formal group at this time. Over one year ago, the seven counties on the Olympic Peninsula came together as a way to realize economies of scale for various economic development activities. Planning with this large of a group became difficult, and Jefferson, Clallam and Kitsap decided to create their own subgroup to collaborate on certain projects.

According to one member, consensus from the group is that they would rather leave the organization less structured and flexible. There is also consensus from this group that the networking opportunities within the partnership are valuable, and there is agreement that meeting periodically is productive. One of the barriers mentioned to keeping this group together is the geographical distance between the members.

Major shared goals between the City, County and Ports economic development plans

The following is a summary of the major shared economic development goals between the County’s governmental agencies.⁷ These entities include the City of Port Townsend, the Public Utility District, the Port of Port Townsend and Jefferson County Department of Community Development. These findings are based on interviews with staff from the respective government agencies and the review of various plans. The summary allows us to identify the shared goals of these entities that will be an important part of this report’s analysis.

The major shared goals are as follows:

- Promote education and training/workforce development opportunities
- Promote sustainability (i.e. diversity in economy)
- Create family wage jobs
- Maintain rural character and quality of life
- Promote economic opportunities for youth
- Coordinate economic development efforts with other local economic development
- Work towards coordination and consistency (streamlining) of the permitting and regulatory processes

⁶ www.wa.gov/esd/1stop/olympic/planning/strategic_plan.section1.htm

⁷ See Appendix D for a summary of each entity’s goals.

- Provide infrastructure that is adequate to attract and support appropriate growth
- Act in compliance with the Washington State GMA

Opportunities and challenges to economic development in Jefferson County

The following section highlights perspectives regarding the opportunities and challenges to economic development in the County. These themes were derived from interviewees representing all four of the groups (government agencies, local community and economic development leaders, business owners/managers, and business community leaders).

Opportunities

Many of the interviewees believe strongly that Jefferson County has some unique strengths and opportunities to capitalize on for economic development purposes. Below are themes that emerged.

- **Current strengths of some sectors (groups of related companies)**

When asked about the opportunities or strengths of the local economy, nearly all of the interviewees feel as though the already existing and emerging industries provide key opportunities. One interviewee stated, “Play to our positives-grow more of what we have.” The long history of certain sectors in the area provides a foundation from which to build other economic activity.

- **Having an industry base that offers natural opportunities to join sectors**

Many interviewees identified this as an opportunity for industries to come together and strengthen each separate industry-the sum is greater than its parts. Some interviewees talked about combining arts and tourism to create a focus on cultural tourism. Others mentioned combining education and the arts creating high-end arts and crafts center of excellence, and others mentioned bringing together outdoor recreation and tourism.

Interviewees also mentioned that the community is already bringing industries together. They mentioned the Northwest Maritime Center as an example this (tourism, education and the marine trades). And, in addition to bringing the private sector together, the NMC combines economic development government entities, education and training institutions, tourism industry, non-profits, and the private sector.

- **Quality of life**

Many of the interviewees also believe that the recreational, lifestyle and natural beauty amenities of Jefferson County are also opportunities for economic development. They see it as a strength that keeps businesses in the County and attracts people to both visit and live in the County.

People enjoy coming to visit Port Townsend because of its natural setting. Interviewees see this as an opportunity for two reasons. One, it is an opportunity to

bring in sales revenues from outside markets, and two, residents take great pride in the amenities of Jefferson County.

- **Entrepreneurial spirit**
According to a loan officer of a non-profit (Cascadia) that helps entrepreneurs and small business owners gain access capital, Jefferson County has the most activity throughout the Olympic Peninsula.
- **Accessibility to urban areas**
The opportunities here lie in the fact that Jefferson County is relatively close to urban markets and educational opportunities.

Challenges

- **Lack of unified economic development efforts between the City of Port Townsend, the County, the Economic Development Council and the Port.**
This was the most predominant challenge stressed throughout the interviews. Interviewees from all four groups (business owners, government officials, community and economic development leaders and business officials) referred to it as a key challenge. Most of the interviewees mentioned that the differing value systems of the leadership of these entities represent major hurdles to coordination. Three people mentioned that typically the meetings between these entities are not productive. One interviewee reported, “We meet, but nothing gets accomplished because people are afraid to step on other peoples toes”.
- **Difficulty meeting the workforce needs for small businesses.**
Both employers and economic development officials noted the difficulty in meeting the needs of small businesses. Part of the issue is that there are not enough people who need the skills to make classes and programs financially viable. For instance, the community college system needs approximately 12-15 students to sponsor a class, which can be difficult to achieve in a small community like Jefferson County. Also, small businesses do not typically have the time or financial resources to proactively address workforce needs.
- **Lack of coordination within industries.**
While there have been various groups and events such as the Jefferson County Arts Center, Art Port Townsend, Gallery Walk that have tried to bring the arts community together, there is still considerable lack of coordination. Interviewees believe that this hurts the community because it limits resource sharing, such as grant writing skills and co-marketing opportunities.
- **Lack of coordination between industries.**
In addition to lack of coordination within industries, many interviewees mentioned that there is room for improvement between industries as well. This coordination would be helpful in ways mentioned above. Some examples include arts and tourism and arts and recreation.

- **Lack of a cohesive effort to address the shortage of education and vocational training opportunities, particularly for youth and vocational training.**
Many of the interviewees mentioned that while there is a coordinated effort amongst the higher education institutions (led by the Higher Education Consortium), there is not a collaborative effort between the private sector, government, and local education institutions to address workforce and education and training opportunities. Many felt that this was particularly true for young adults, and for vocational training. However, interviewees also noted that there are models in the community such as The Center for Wooden Boats and a collaborative effort between the Homebuilders Association and Peninsula College that has focused on residential carpentry/framing.
- **Other challenges raised, but not as frequently:**
 - State regulation, especially around the waterways
 - Low skilled workforce among the younger population
 - Inconsistency in the interpretation and implementation of the Growth Management Act
 - Infrastructure issues (particularly water in the southern part of the county) and land-use problems within the City of Port Townsend such as non-buildable parcels of land

Opportunities and challenges of operating a business in Jefferson County

Eight business owners/managers were interviewed. The following themes emerged from personal interviews with business owners and directors of non-profits. Many of the same questions were asked on the survey. One purpose of these interviews was to complement the survey responses and gain a more in-depth understanding of the opportunities and challenges of owning a business in the county.

Opportunities

When interviewees were asked to talk about why they have chosen to live and work in Jefferson County, responses included:

- **Abundance of creative spirit and an appreciation for arts and culture**
- **Other people doing the same kind of work they are**
- **Significant community volunteerism**
- **Quality of life in Jefferson County**

Challenges

- **Lack of technical business expertise.**
Many of the small business owners mentioned that they wish they had a better understanding of the technical components of running a business, such as developing pricing structures, creating business plans and effective marketing. Small business owners also lack the time for administrative duties. Interviews with Kathleen Purdy, from the Small Business Development Center, and Ann Avary, from the EDC also mentioned the lack of technical business expertise as a challenge.

- **High cost of marketing.**
Many interviewees noted that they did not have the time or money to do as much marketing and advertising as they wish they could. And, many of them felt as though increased marketing would greatly benefit their businesses.
- **Inadequate Infrastructure.**
Many interviewees mentioned problems with infrastructure (particularly water and sewer) issues when talking about development in the more rural parts of the county, such as Brinnon and Quilcene.
- **Overly restrictive regulation.**
Business owners commented on the restrictive nature of certain regulatory/permitting laws including land-use, noise ordinances and anti-demolition. Another barrier regarding land-use regulation is fragmentation of available land parcels.
- **Workforce.**
There were a mix of feelings regarding the availability of qualified workers-some report that it is not a problem, such as Port Townsend Paper, yet others see it as a major problem. Those that see it as a problem were predominantly from the higher technology companies.
- **Lack of high speed access to the Internet**
A few interviewees mentioned that not having high-speed access is a hindrance to their business. However, an Internet service provider who was interviewed stated that everyone in Jefferson County is able to access highspeed connection.
- **Lack of affordable retail/gallery/performance space in Port Townsend.**
Several interviewees from the arts community mentioned that this is a significant issue.
- **Other challenges raised, but more infrequently:**
 - Access to financial capital, one person mentioned that he has had problems getting financial assistance
 - Lack of adequate transportation. Some business owners expressed concern about the upcoming temporary closure of the Hood Canal Bridge. Another interviewee wished the airport had more frequent trips for commuting purposes-some of his workers wanted to be able to fly in and out of the county on a regular basis.
 - High costs of health care insurance

Inventory of Small Business Technical Assistance

There are two small business resource centers in Jefferson County: the Small Business Development Center of Washington State University and the Small Business Resource Center of the Economic Development Council. This section describes the services that each of these entities offer.

Jefferson County Economic Development Council Small Business Resource Center

Port Townsend Main Street Program

This program provides assistance to businesses located in the historic commercial district of Port Townsend. Services provided include building facade loan pools, design review assistance and general information on all aspects of business in the district.

Business Counseling & Entrepreneurial Training

The Service Corps of Retired Executives (SCORE) provides one-on-one counseling to small business owners as well as entrepreneurs interested in starting their own businesses. EDC staff and counselors are available to assist clients to develop business plans and financial projections. These services are available at no charge to the client. The EDC also conducts management and training seminars on topics such as entrepreneurial development, taxation, marketing, business planning, computerization, and financial management.

In addition to providing the educational services listed above, the EDC offers a type of “one stop shopping” for businesses that might need the following assistance:

- Referrals to other local business assistance program, federal, state and private financial sources, and employee training opportunities
- Providing data (demographics, permitting and licensing information, wages and tax rates, site locations and costs) to local businesses that want to expand or to companies interested in relocating to Jefferson County
- Assistance with identifying local sources of supply, potential customers, and new market opportunities

Washington State University Small Business Development Center

The Small Business Development Center (SBDC) is part of a network of small business centers throughout Washington. It is a cooperative effort between the United States Small Business Administration and the Washington State University's Small Business Development Center. There are two offices on the Olympic Peninsula, both of which are managed by one business development specialist. The role of the SBDC is to provide assistance to small businesses. The services offered are one on one, on-going counseling on management issues including starting a small business, marketing, developing business plans and export-import assistance. SBDC also offers research assistance to clients to help them determine the commercial viability of a potential business.

In closing, the interview findings discussed above provided the author with an expanded understanding of the five main areas local economic development players and their respective roles and shared goals. And, perspectives and opinions from local community and economic development leaders about the challenges and opportunities for both economic development were explored. Findings from interviews with business owners provided the author with an understanding of perspectives from business owners about the challenges and opportunities of operating a business in Jefferson County. And, interviews

with business community officials provided the author with an inventory of small business resources. These findings are incorporated into the analysis and recommendations.

Survey Results⁸

As part of this study's research strategy, a survey was used to ascertain information about Jefferson County's business community. The survey was mailed to 1,000 randomly selected business owners throughout the county. One hundred and five of the surveys were non deliverable for various reasons. Of the eight hundred and ninety five that reached businesses, 151 (17 percent) responded.

Of the 1,000 surveys sent out, 300 were sent to sole proprietors and 700 were sent to businesses with employees. The database for the three hundred sole proprietors was the Washington State's Department of Revenue database for Jefferson County. This database includes all of the sole proprietors in the County who have either collected sales tax or whose gross income was over \$12,000. This database contained 1,118 entries. A random sampling technique was used to select the sample.

The non-sole proprietor businesses were randomly selected from the Jefferson County 2002 Employment and Wages database obtained from the Washington State Employment Security Department. This database includes all businesses in the county that reported wages for the second quarter of 2002. A total of 4,503 establishments were on this database.

Limitations of the survey data

While the authors used a random sample, and obtained a respectable response rate, it is important to mention that there is still potential for a self-selection bias in the sample. This is because respondents chose whether or not to fill out the survey.

Survey questions were developed to gather information about the following four broad areas:

1) Attributes of business owners

- Demographics of business owners
- Connection of business owners to Jefferson County
- Level of business experience
- Goals of business owners
- Why business owners own a business

2) Characteristics of businesses

- Size
- Percentage that are sole proprietors and home businesses
- Wage levels
- Health benefits
- Markets
- Industry
- Location of business

3) Community assets and barriers to maintaining and/or expanding a business

4) Assessment of the community's business and entrepreneurial climate

- Assessment of why people choose to run a business and how invested owners are in their business
- Community resource assessment for small businesses and entrepreneurs

⁸ See Appendix C for complete survey results

- An assessment of the most critical components to expanding your business

Findings from the survey serve two purposes. First, these findings are incorporated into the analysis and recommendations portion of this report. And, secondly, these findings will provide the County with vital information about significant aspects of the local business community. This information can be utilized for the basis of other research and projects that go beyond the scope of this report.

Attributes of business owners

This section examines demographics, levels of business experience, goals of the business owners, owners' connections to the County and reasons for owning a business.

Demographics of business owners

Age: Business owners between the ages of 41 and 55 represented the largest portion (54.3 percent) of the sample. This group was followed by people over 55 years of age (33.8 percent), and 26-40 year olds comprised 11.3 percent of the sample. The survey also asked about retirement and only 7.5 percent of the sample are retired.

Sex, ethnicity and education levels: Men comprised 55 percent of the sample, and woman (34.9 percent) and couples (9.9 percent) made up the remainder. The sample was predominantly Caucasian (96.6 percent). Most of the respondents had a bachelor's degree (34.9 percent), the next largest group was made up of people with some college (32.2 percent), followed by people with a masters degree or more (15.8 percent), a high school degree (7.97 percent), and 2 percent of the sample had less than a high school degree.

Business owners' connections to Jefferson County

Several questions were asked about the connection of the business owners to the county. Survey results found that these business owners have lived in the county for an average of 18 years, and the average number of years that people have been operating their business in Jefferson County is 17 years. Most (79.6 percent) of the sample started their business in the County as opposed to bringing it with them. And, most (74.3 percent) of the owners started their businesses as opposed to purchasing it.

Even though in many high amenity rural communities there are large numbers of footloose baby boomers (many of whom start their own business), this is not the scenario indicated by the survey sample. Most of the business owners in the sample have been living in the County for nearly twenty years, which suggests that they are not the "footloose baby boomers".

Goals of business owners

How many businesses want and/or plan to grow? Two questions explored respondents' feelings about expanding their business within the next five years. The first one was if they want to expand and the second one was whether they have plans to expand. Survey results show that 58.9 percent of respondents want to grow their business, and 45 percent have plans to expand.

Why respondents own a business

A series of questions were asked to help gather information about why business owners in Jefferson County have decided to own a business as opposed to work for someone else. About sixty-five percent of the respondents indicate that they run their business to: have more flexibility in their personal and family life, to live in a desirable location and because there are few other work opportunities in the area that interest them. Just over 50 percent of the sample also indicated that they run their business to earn a living while practicing a craft.

Characteristics of businesses

This section examines size, percentage of the sample that are sole proprietors and home businesses, wage levels, health benefits, markets, industry, and location of business.

Size

Almost 50 percent of the businesses had 1-3 full time employees, and 22.8 percent of the sample had 4-10 employees. Sole proprietors made up 23 percent of the sample. In terms of part time workers, 55.4 percent of the businesses have 1-3 part-time workers and 14.6 percent have 4-10 part time employees.

Almost 35 percent of the respondents operated their business out of their home. Only 1.4 percent of the businesses have branches/offices outside of Jefferson County.

Wages and health care benefits (Note: These figures only apply to businesses that have employees)

The average hourly wage for these businesses is \$12.75. The range is from \$7.01 (minimum) to \$43.00. Sixty percent of the businesses provide health insurance to their full-time employees, and only 9.7 percent provide health insurance to their part time workers.

Location of business

As the following chart illustrates, the bulk of the respondents are from Port Townsend (73 percent), followed by Port Hadlock (9 percent), Port Ludow (6 percent) and Chimacum (4 percent).

Town	Number	Percent
Port Townsend	104	73
Port Hadlock	13	9
Port Ludlow	9	6.2
Chimacum	6	4.2
Quilcene	5	3.5
Nordland	3	2.1
Brinnon	2	1.4
Coyle	1	1.7

Markets

Respondents reported that the largest percentage of their sales were in Port Townsend with the average being 44.3 percent of their sales. The second largest portion of sales were in Jefferson County (outside of PT) with an average of 32.6 percent. And, the average percentage of sales outside of Jefferson County was 28.8 percent.

Industry

Respondents were asked to describe their business activity by putting themselves into a category. The nine industries that had the most respondents were as follows:

Industry	Number	Percent
Personal Services	27	17.8
Construction	15	16.4
Maritime Trades	14	9.2
Restaurant/Cafes	10	7.2
Industrial arts	9	5.9
Arts/Crafts	8	5.3
Home services	7	4.6
Other	6	3.9
Automotive	5	3.3

Almost 70 percent of the businesses also described themselves as retail, and 30 percent described themselves as being wholesale.

Assets and Barriers to operating a business in Jefferson County

Assets

When asked about various community assets, over half of the respondents chose quality of life. People were given the opportunity to describe what this meant to them and the most common descriptions included, “natural beauty”, “slower pace of life” and “progressive” values. Respondents also feel as though the intellectual atmosphere and the presence of arts and culture are among the community’s greatest assets.

Barriers

Respondents were asked to indicate what they believe to be barriers to maintaining and/or expanding their business. They were asked about the seven major categories that represent the primary elements of economic development. These include: workforce development, business costs, land use regulation, infrastructure, access to markets, institutional barriers and access to capital.

Survey results indicate that the top three barriers to maintaining and/or operating a business in Jefferson County are as follows: **business costs (90 percent), land-use regulation (69 percent) and workforce development (56 percent)**. The remaining four areas infrastructure, institutional barriers, access to markets and access to capital were all seen as barriers for approximately 35 percent of the sample.

The primary issue within workforce development was the lack of training and education opportunities for workers. The data on the low levels of education for the young workforce fit very well into these survey findings where respondents feel as though one of the main

barriers to running a business in Jefferson County is "Lack of qualified workers". Many respondents also wrote in comments about how the young are "lazy" and have a poor work ethic.

According to survey respondents, the main barrier regarding business costs is the high cost of healthcare-almost half of the respondents who felt as though business costs were an impediment indicated that the cost of health benefits is a major issue. This was followed by high overhead/administration costs. And, regarding land use, about 23 percent of the respondents believe that all three of the subcategories within this barrier (difficulty accessing permits, lack of affordable land or space, and lack of land zoned for light industrial) were problematic.

Other barriers:

- Lack of coordination between government economic development entities (29 percent)
- High cost of marketing (19.5 percent)
- Difficulty securing money to begin or expand business (18.9 percent)
- Access to high speed connections (16 percent)

Assessment of the community's business and entrepreneurial climate

This section includes an assessment of why people choose to run a business, a community resource assessment for small businesses and entrepreneurs, and an assessment of the most critical interventions needed to expand a business. The purpose of these results are to ascertain whether or not business owners feel as though the community supports them as a small business and/or as an entrepreneur.

Attitudes about the business climate

A few questions were asked about the overall business climate of the county. Only 13.4 percent agree with the statement, "My community has developed programs to encourage and support entrepreneurs." And, just under 30 percent of the respondents agree with the statement, "My community celebrates people who create and grow local businesses. And lastly, when asked about whether or not the community supports development efforts, 54.9 percent responded "Yes", 25.2 percent responded "No" and the remainder "Did not know".

Small business resource assessment

Respondents were asked two questions about the availability of small business resources, including entrepreneurial training, networking opportunities, and access to venture capital. Survey results indicate that under 40 percent of the sample feels as though the community offers business or entrepreneurial training and networking/mentoring opportunities. Seventeen percent felt as though they have access to venture capital and/or angel investors. Another important finding from this section is that 12 percent did not know if the community offered business or entrepreneurial training, almost 17 percent did not know about networking possibilities and nearly 27 percent did not know about access to venture capital.

Critical interventions needed to expand business

Respondents were asked to rate eleven interventions on a scale of 1 to 3 with one being not important at all and three being critical. The top three interventions that were identified as being critical to most respondents included: increase in access to more markets, changes in zoning regulations, and increase in access to local financial capital. The second tier of interventions that were considered critical includes: increase in local education and training opportunities, increase in opportunities for business mentoring and assistance with business plans and financial statements.

Perspectives from interview and survey findings are critical components to understanding the local economy. These findings will be used to both evaluate different economic development options and to create recommendations.

Chapter 6: Potential Approaches for Economic Development in Jefferson County

This section describes the four approaches to economic development that will be analyzed as potential policies for Jefferson County in the next chapter. They include: recruitment of a medium or large firm, small business formation and expansion, entrepreneurship and industry clusters. These four were chosen because they are the most highly regarded by both academics and practitioners. These four strategies aim to address the typical challenges that many rural communities like Jefferson County face (infrastructure deficiencies, poor links with metropolitan and global markets, poverty and weak institutional capacity for business development and growth) and capitalize on the assets of smaller communities (social capital/network from longstanding institutions such as cooperatives, pride in place, and high quality of life).

While these approaches are evaluated individually, it is important to note that they are not mutually exclusive. Given that there are multiple goals to local economic development, researchers feel as though a comprehensive economic development plan should include a combination of these strategies, as opposed to relying solely on one strategy. The analysis portion of this report will identify the respective strengths of the approaches which will then guide the recommendations.

The description of each approach includes goals and theory of the strategy, components of implementation, and some of the tradeoffs (advantages and disadvantages). While these approaches are described individually, there is significant overlap between some of them making them easy to integrate. These points of overlap are discussed at the end of the chapter.

1) Recruitment and Retention

Recruitment (or industrial attraction) of a medium or large firm has been the most common economic development strategy in both rural and urban settings since the 1930's. Federal legislation such as the Public Works and Economic Development Act of 1965, and the Appalachian Regional Development Act of 1965 articulated this approach to address both urban and rural poverty (Summers, et al., 1976).

Once a firm has been recruited, many communities employ economic development efforts to retain that business. The theory behind the retaining strategy is that helping businesses survive will keep jobs that the community might otherwise lose. Also, people who work for a firm may be the best sources of new business start-ups, thus offering the potential for spin-off benefits.

Luke et al. (1980) reports that successful state and local retention efforts emphasize three primary objectives. The first one is reducing the cost of operation so that business profits can be increased. Examples of these costs include utilities, rent on land and facilities, and debt costs. Second, increasing the demand for a firm's products and services. And lastly, spreading information about the product so that external markets can be created or enlarges.

Goals and theory

The goal of this strategy, as with many economic development strategies, is to create jobs, increase local revenues, attract other industries, and in general, stimulate economic vitality of the area. Interest in attracting large firms has remained because they provide goods that are largely exported, and therefore often have a dramatic impact on employment and income levels (Luke et al).

Practical elements of implementation

The key components of this approach include: providing information on available sites, labor, and community characteristics, marketing sites to companies that would complement existing industries or enhance the economic base, offer tax breaks, low-cost land, and streamlining permit processes to reduce the risk associated with development proposals in the community. (Farr, 1984)

Industrial recruitment on a national level has been criticized for the following reasons: sub-national recruitment does little to create new jobs, but rather moves them from one location to another, competition between communities to attract firms can have detrimental effects on the local tax structure and shift business costs from the government to existing businesses. From a more local perspective, critics argue that industrial recruitment is dangerous in that it offers very little long term stability, especially in rural areas where the local economy can become overly dependent on one firm. This is especially true in rural areas where many large firms are branch plants, and therefore are most vulnerable to closing down during a company's downsizing.

2) Small Business Development

In the mid 1980's rural areas were realizing that because of the increase in global competition they could no longer rely on recruitment of large firms as their sole economic development strategy. This realization spurred new thinking about how to vitalize rural communities using strategies that relied principally on growing a region's assets rather than attracting outside investment.

Goals and theory

In the mid 1980's rural areas were realizing that because of the increase in global competition they could no longer rely on recruitment of large firms as their sole economic development strategy. This realization spurred new thinking about how to vitalize rural communities using strategies that relied principally on growing a region's assets rather than attracting outside investment.

In 1979, a study by David Birch drew new attention to the significant potential of small businesses to generate jobs in the postindustrial economy. This study of 5.6 million businesses between 1969 and 1979 found that two-thirds of all new jobs were created by firms with 20 or fewer employees and 80 percent were created by firms with 100 or fewer employees. Other policy and economic changes of the 1970's contributed to the large increases in small business employment. These include major deregulation of major American industries (trucking and airlines), new entrepreneurial workforce, large

corporations squeezing out middle-management, expanded service sector and the trend for large manufacturers and government agencies to contract with smaller firms.

Practical elements of implementation

Essential elements of a small business strategy include small business centers that offer help with writing business plans, preparing financial statements and developing marketing strategies, along with facilitating access to capital.

In addition to job generation, strengths of the small business formation and expansion approach include technological innovations, economic diversity, cooperation between public and private entities, enhanced pro-business attitude, local spending and stability (Luke et al). The primary disadvantages of this approach lie in the fact that small businesses have a very difficult time achieving the scale that will allow them to compete with other firms, particularly in a global economy.

3) Entrepreneurship

The Ewing Marion Kaufman Foundation's Center for Entrepreneurial Leadership defines entrepreneurship as: "The ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them with regard for resources under their control. They build something from very little and usually reinvest earnings to expand their enterprise or to create new enterprises.

What makes an entrepreneur different from a small business owner? The distinction between entrepreneurs and small business owners is oftentimes not clear. Some research states that the primary difference between entrepreneurship and small business lies in purpose. Small business owners create companies to generate wealth and a level of income for themselves as owners while entrepreneurs aim to develop new innovative products or services that may lead to further investment and growth. Other literature, however, does not make a clear distinction between small business owners and entrepreneurs.

For the purposes of this report, the author has placed small business owners on a continuum of entrepreneurship. This continuum places innovative, high growth entrepreneurs (often referred to as "gazelles") who focus on creating startups and growing their businesses companies on end and individuals who have little interest or desire to grow on the other end. Most small business owners fall into the middle of this continuum.

Goals and theory

Emerging literature including the Global Entrepreneurship Monitor 2000 Report and a study (Five Myths about Entrepreneurs: Understanding How Businesses Start and Grow) by the National Commission on Entrepreneurship has encouraged many economic development official to include support for entrepreneurs as a part of their overall strategy. Both of these studies have documented a powerful link between economic performance and entrepreneurship. The GEM 2000 report found that "countries with active and dynamic entrepreneurial communities, generally are achieving stronger economic performance."

And, the NCOE study found that a small number of companies-referred to as entrepreneurial growth companies (EGC's). EGC's are the engines that drive economic growth. They found that these EGC's make up about 4 percent of all companies, but generate nearly 60 percent of the new jobs.

The Center for Entrepreneurship contends that a rural entrepreneurship approach relies on “developing assets that are unique to the community, are flexible with specific conditions of rural regions, can be scaled to size and needs of the community, and can be implemented through local intermediaries.

Practical elements of implementation⁹

Focusing on communities is the overarching principle of best practice strategies that aim to support entrepreneurs. A community approach responds to some of the issues that are commonly faced around lack of leadership, local self-determination issues, limited public understanding of entrepreneurship, lack of organizational and institutional capacity in the community. (www.newamericancommunities.com). The Center for Rural Entrepreneurship supports community-based strategies because local areas actually have some control of their community, whereas they have very little control of macro economic issues such as trade, fiscal and monetary policies (www.rupri.org).

- Identify and support intermediaries that will support entrepreneurs such as networking groups, industry councils. These groups play a key role in stimulating and supporting entrepreneurial development by providing technical assistance, access to capital and peer support.
- Provide access to capital
- Promote public and private entrepreneurial development. Private entrepreneurship can grow if there is a strong foundation of public entrepreneurship in the form of policies and programs within the community to build entrepreneurial capacity and social capital.
- Bring learning institutions and the business community together

4) Industry Clustering and Networking

Over the past ten years, industry clustering as an approach to economic development has gained widespread attention from countries, states and local areas. One of the reasons for this is that as the economy has become more and more global, competition has increased significantly. The publication of Michael Porter's book, *The Competitive Advantage of Nations*, in 1990 also drew attention to this strategy.

Porter (1990) defines industry clusters as “geographical concentrations of competitive firms in related industries that do business with each other and that share needs for common talent, technology, and infrastructure. Clusters are often layered with the first layer being the core businesses, the second layer then consists of businesses that provide supplies, specialized services, investment capital, and research to the core companies. And, the third

⁹ (www.newamericancommunities.org)

layer is made up of businesses that provide essential economic foundations, such as specialized workforce training and advanced infrastructure.

The wine cluster in California is an example of industry clustering. In 2000, the core layer of this cluster included 680 commercial wineries and several thousand independent wine grape growers. The second tier of the cluster was comprised of supporting industries to both wine making and grape growing, such as suppliers of grapestock, irrigation and harvesting equipment; specialized advertising firms; and numerous wine publications for trade audiences. And, the third layer of this cluster includes a host of local institutions focused around wine—the Wine Institute and the world-renowned viticulture and enology program at the University of California, Davis (Porter, 2000).

Goals and theory

Porter (2000) contends that industry clustering increases the competitive advantage of firms. It does this in three ways: increasing the current productivity of participating firms or industries, increasing the capacity of cluster constituents for innovation and productivity growth, and stimulating new business formation that supports innovation and expands the cluster.

A significant component of the industry cluster approach is networking. Porter (2000) argues that given the interfirm collaboration inherent in this strategy, personal relationships, face-to-face communication, and networks of individuals and institutions networking is critical. The theory behind networking (as described by Micheal Piore and Charles Sabel in, *The Second Industrial Divide*, is that small companies are able to focus on a specific stage of production or specialty area and form alliances with other small companies to meet greater market demand. Some of the network activities include joint marketing, production, problem solving, research and development, and purchasing. The second component of the practice is that networks address the isolation among firms, from the outside world and diseconomies of scale that limit local services such as education and training programs, technical assistance, and capital.

The roots of many clusters lie in the myriad projects that have encouraged and supported business networks during the past decade. The Berkshire Plastics Network of western Massachusetts and the Technology Coast Manufacturing and Engineering Network of Florida are examples of successful networks. The Pacific Northwest is not new to the strategy of networking. In the early 1990's, the economic crises that resulted from the loss of timberland to save the spotted owl launched communities into forming networks to increase value added manufacturing from timber. Rosenfeld contends that “networks are formed to reduce a community's susceptibility to changing demand and stagnation and to plan and prepare for change and fight threats collectively (p.108).

Practical elements of implementation of an industry cluster/networking approach

- 1) Organize and deliver government supported services to clusters
 - Aggregate, collect, and sort information by cluster
 - Form cross-agency quick response teams

- Build incentives for multiform applications to funding programs
- 2) Strengthen networking and associative behavior
 - Reestablish or recognize cluster associations and alliances
 - Facilitate external connections
 - Encourage intercluster communication channels
- 3) Target investments to clusters
 - Invest in cluster research and development and innovation
 - Establish cluster-specific technology centers or parks
 - Support cluster-based entrepreneurial activity
 - Market clusters and build cluster markets
- 4) Develop human resources for clusters
 - Develop a more skilled and specialized workforce
 - Establish cluster skills centers
 - Qualify people for employment

Advantages of industry clustering:¹⁰

- **Clustering strengthens localization economies.**
The concentration of an industry at a particular location may result in cost savings to firms in the cluster. Sources of potential savings include a greater availability of specialized input suppliers and business services; a larger pool of trained specialized workers; and public infrastructure investments geared toward the needs of a particular industry.
- **Clustering facilitates industrial reorganization.**
Clustering addresses the shift (usually attributed to increased global markets and the emergence of advanced production technologies) in industrial organization from large firms engaged in mass production to small firms focused on specialty production. Clusters are attractive locations to these small, specialized computer aided manufacturers for three reasons. One, proximity between the specialized firm and their input suppliers and product markets promotes the flow of goods through the production system. Two, product specialization and the adoption of new production technologies are more prominent among firms in industry clusters. And, a special concentration of firms offers a pool of skilled labor required for the technology being used.
- **Clustering encourages networking among firms.**
Surveys of manufacturing networks find that firms in networks see significant advantage from cooperation with their counterparts. These firms also report that their competitiveness and profitability are increased by interfirm collaboration. Clustering permits greater focusing of public resources: Targeting industry clusters allows regions to use their limited economic development resources more efficiently. This happens for the two reasons: one, clustering enables an area to focus their recruitment, retention and expansion, and small business development programs. This tailoring of development goals to certain industries permits clearer identification of specific industry needs. And, secondly, because of the linkages among firms in a

¹⁰ Advantages and Disadvantages of targeting industry clusters-Clemson University

cluster, the total employment and income gains from recruiting (or retaining) cluster members will likely exceed those associated with non-cluster firms of comparable size.

Disadvantages of industry clustering

- **Difficulty in picking industries to focus on.**

The selection of specific targets for industry clusters is problematic because projections of industry-wide growth prospects are notoriously unreliable, growth-industry prospects change overtime in response to market forces, and individual firms within an industry may exhibit employment and sales trends different to that of the industry as a whole.

- **Difficult for new or smaller clusters to join and be competitive.**

The advantages available to members of a cluster provide early clusters with distinct competitive over late arrivals. New or smaller clusters may need to contend with lack of specialized infrastructure, institutional support, and sophisticated networks that the old clusters possess.

- **Supportive institutions are not easily established and a reluctance of firms to share infrastructure.**

Changes in political, social and economic conditions are often encouraged as part of a cluster strategy. This may include the transition from firms being competitors to the new expectation that firms now need to work together collaboratively and share such services as labor training programs, marketing information, technology development and new product development. This changing of ways is not always an easy task.

Although each of the four approaches above are discussed as individual strategies, they are not mutually exclusive. The implementation activities often overlap and the approaches have complementary outcomes. Because of this, practitioners and academics recommend that these approaches be used in various combinations in order to achieve the multiple goals of economic development. One example of this overlap is between industry clustering and entrepreneurship. Industry clustering may facilitate better capital access to entrepreneurs because the geographical concentration is attractive to angel and venture capitalists.¹¹

¹¹ <http://www.nga.org/cda/files/ENTREPRENEUR.PDF>

Chapter 7: Analysis and Recommendations for Strategies

This chapter uses findings from the interviews, surveys and economic base analysis, along with the literature review of economic development theory to help identify a set of strategies and steps for economic development in Jefferson County. This analysis evaluates the four approaches to economic development that were outlined in chapter 6 (recruitment of a medium or large firm, small business development, supporting entrepreneurs and industry clustering) against selected criteria. This analysis will enable the author to identify the strengths and weaknesses of each approach. The strengths identified by this analysis will guide the development of her recommendations.

This chapter is divided into three parts. The first part describes the five criteria that will be used to evaluate the different approaches. The second part analyzes the four different approaches and discusses implementation issues that need to be addressed in order to implement the recommended strategies. And, the final portion identifies and discusses implementation issues that need to be addressed in order to implement the recommended strategies.

Criteria:

Criteria are based on best practices in rural economic development and on attributes that are specific to Jefferson County. They are primarily derived from this study's findings from the economic base analysis, interview and surveys.

1) Does the approach capitalize on Jefferson County's industry strengths and build upon already existing economic development efforts?

The two key industry strengths include:

- **Current industry clusters** As indicated from the economic base analysis and interview findings, one of the greatest strengths and opportunities of Jefferson County's local economy is its already existing industry clusters. These clusters play a critical role in providing jobs and public revenue, and provide a solid foundation for other related industries to develop. Some of these industries have been in the community for a long time (maritime, tourism, arts) and others are emerging industries (construction, printing and publishing).
- **High number of small businesses.** The second industry strength of the County is the unusually high number of small businesses. It has over twice the state's average. This is considered to be another strength of the local economy for a few different reasons. One, recent studies have shown that over the past few decades, small businesses have created the bulk of new jobs. And, secondly, small, local businesses are viewed as a strength because they are typically more committed to the local

community, and therefore, are less likely to relocate to a place with cheaper labor or land.

In addition to the strengths, it is important to analyze whether or not the approach will build upon existing successful efforts and accomplishments. These accomplishments include the small business resources in the community, and the current collaboration efforts of industries, such as maritime trades, arts, and niche manufacturing.

2) Does the approach capitalize on other community strengths?

In addition to the industry strengths mentioned above, Jefferson County has a number of community assets. Interview and survey results, indicate that the following are key community assets:

- **Quality of life** is an opportunity for the county because it attracts people to the county to either live or visit. In addition to the economic benefit of this asset, maintaining the rural quality of life and small town character are listed as goals of various local economic development plans. Quality of life was defined by survey respondents and interviewees as “natural beauty”, “slower pace of life”, “low density” and a “small town feel.”
- **The high education and skill levels (human capital) of many of the residents**, along with the significant years of work experience (high median age) is another community strength.
- **An engaged and active community.** While human capital focuses on the knowledge and skills of people individually and collectively, social capital centers on the health and vigor of societies and communities. Places with strong social capital generally have high civic capacity.¹² Jefferson County’s strong social capital is reflected in the high level of volunteerism, an abundance of community gatherings and festivals, presence of arts and culture and entrepreneurial spirit.

3) Efficiency: Does the approach utilize the community’s limited human and financial resources most efficiently?

There are many ways to increase the efficiency of community resources in the economic development process. For this analysis, we will be measuring efficiency by the degree of collaboration that the approach requires. The rationale behind this is that collaborative approaches maximize the community’s human, financial and social capital resources.

As discussed in Chapter 1 of this report, as federal resources dwindle, economic development policy direction and implementation has fallen more and more into the hands of local officials and leaders. Therefore, it is becoming increasingly important that communities to utilize economic development policies that encourage collaboration and cohesion within the community. Collaboration involves public, private and non-profit entities working together. A policy will rate highly under this criteria if it requires/facilitates the community to do this.

¹² Center for Rural Entrepreneurship, www.ruraleship.org, Monograph 12

4) Sustainability. Is the approach able to respond to changing economic and demographic trends?

Given that economic and demographic trends are dynamic, a key component in any economic development approach is the ability to adapt and respond to these changes. One of the ways to address the dynamic nature of these trends is to foster a diverse economy by having a broad base of industries represented. This ability to adapt is particularly important in rural communities, like Jefferson County, where a single company (Port Townsend Paper) makes up a significant portion of the local economy. There are examples, particularly in rural areas, where a community is overly reliant on one firm or industry and that firm or industry downsizes. Communities on the Peninsula experienced this during the timber crisis of the late 1980's and early 1990's.

5) Consistency: Is the approach consistent with the shared economic development goals of various government and local economic development entities?

While each of the eight government and economic development entities in Jefferson County play a slightly different role in planning and implementing policies and programs, there are a number of shared goals in the plans of these entities. It is important that the approach be consistent with these goals as to not stray from the existing efforts and priorities set forth by the community. The overlapping goals were identified from interviews with staff and elected officials from each entity and from economic development plans of the Port, City of Port Townsend, and Jefferson County, the Public Utility District.

The shared goals that comprise this criteria are:

- Fostering education and training-workforce development
- Creating high paying jobs
- Promoting economic opportunities for youth

A approach under this criteria is attractive if it promotes workforce development, creates family wage jobs and emphasizes increasing economic opportunities for youth.

Analysis of the Four Approaches

The following section evaluates each of the four economic development approaches against the criteria outlined above. The purpose of this analysis is to identify the strengths of each policy. The strengths will be used to guide the recommendations.

Recruitment

Recruitment of a large or medium sized manufacturing firm(s) rates moderately with regards to its ability to capitalize on the community's industry strengths. This is primarily because this approach does not involve the strong base of small businesses in the community, but rather focuses its interventions on a very limited number of firms. And, when analyzing whether or not this approach capitalizes on the existing industry clusters, it would depend on what type of firm is being recruited. This approach would be most attractive if the county's recruitment strategy focused on firms within the existing local or regional industry clusters, such as a firm that is part of the maritime industry.

While this approach requires intergovernmental entities to work together to plan for infrastructure and land use issues, it does not encourage or rely on a network of interdependent connections between the public, private and non-profit sectors like some other approaches do. Therefore, because the author is using the level of collaboration as a measure of efficiency, this approach is less efficient.

Another significant downside of this approach is the likelihood that bringing a manufacturing firm may threaten the small town character/rural quality of life. This is because this approach might require that some of the county's open space be converted into industrial or light industrial space. This is particularly concerning given the community's interest in maintaining the rural quality of life.

Academics and practitioners feel that one of the main critiques of this approach is that it offers very little long-term stability, especially in rural areas where the local economy can become overly dependent on one firm. Rural areas are particularly vulnerable to becoming over reliant of one firm because many large firms in rural areas are branch plants, and therefore are most likely to closing down during a company's downsizing.

One of the greatest potential strengths of recruiting a manufacturing firm is its ability to be integrated into workforce development efforts. In general, larger firms are more likely to participate in workforce development activities because they have the necessary size to make it fiscally viable to develop classes and programs specific to the industry, and they are more likely to have resources to fund various training efforts.

As for the evaluation of this approach under the next three criteria, all of these depend upon what type of firm, and therefore, what type of jobs will be created. When evaluating whether or nor this approach would promote education and training opportunities, it would depend upon what type of skill level the jobs require. If it is a firm that requires relatively low skilled labor, then workforce development would probably not be a big component of this strategy. However, if it is a firm that requires either highly skilled or highly educated workers, it is possible that education and training would be a key part of this strategy.

Whether or not this approach creates family wage jobs is also dependent upon the type of firm that is recruited. If it is one that is unionized and requires medium to high skill level, it is likely to create a significant number of high paying jobs. Conversely, if it is a low skill, non-unionized company, it is likely that the pay will be less. This same analysis stands when trying to assess whether or not this approach will create economic opportunities for young residents of the county. If the jobs pay well, it follows that these jobs would provide opportunities for young people.

Small Business Development and Entrepreneurship

Because this report places small business owners on a continuum of entrepreneurship, these two approaches will be evaluated together. Because a small business/entrepreneurial approach focuses on supporting small businesses, it is obvious that this strategy would capitalize on the county's unusually high number of small businesses. The key components of this strategy aim to improve the competitiveness of small businesses. This strategy could

also be tailored to focus its efforts on the predominant businesses within industries that have comparative advantage. Another strength of this approach is that it would build on the county's current efforts to support small businesses, such as the Small Business Development Association, the SCORE chapter and the EDC's Small Business Resource Center.

Supporting small businesses/entrepreneurs is also attractive because it is not threatening to Jefferson County's "quality of life" and small town character. Generally speaking, small businesses do not require as many significant changes to the current land use policies, as compared to recruiting large business(es). And, because the county's design/aesthetics is already characterized by small businesses (as opposed to large scale retail and manufacturing), this strategy is less threatening.

One of the primary strengths of the two strategies is the ability to capitalize on the county's strong human and social capital. The overall work experience, knowledge and skills of the county's residents, particularly the older ones, are a tremendous asset to the small business/entrepreneurial community. This is because, with high amounts of human/intellectual capital, there is greater potential for innovation, and there is potential for mentoring opportunities. The ease of networking that is associated with communities with high social capital is also beneficial to both small business owners and entrepreneurs. This is because the networking infrastructure such as associations and memberships are already formed.

Small business development ranks moderately with regards to maximizing the county's resources via collaboration. This approach relies on the collaboration of business owners, government entities, along with financial institutions and non-profit programs that specialize in improving access to capital. Examples of ways that these groups need to work together include business owners receiving technical business skills training from local public institutions and/or business owners working with local banks and nonprofits that offer micro-enterprise or revolving loan funds. However, while this approach taps into these different groups, it does not require the same degree of collaborative planning and does not necessarily bring the private sector together in the same way that industry clustering does.

Traditionally, small business formation and expansion strategies focus on improving access to capital and providing business owners with technical business skills, rather than on promoting education and training opportunities for employees. In fact, promoting small business development brings new challenges to large scale/state workforce development efforts because with so many small businesses requiring different skills and knowledge, it is often difficult to meet the scale necessary to make courses and programs financially viable for community colleges or other higher education institutions.

As far as creating family wage jobs, the interventions of a small business approach aim to increase the competitiveness of the firm which should in turn allow the firms to pay their workers more. The ability for this strategy to create family wage jobs will also depend upon what types of industries the small businesses belong to. For instance, are they low paying retail or higher paying specialized crafts jobs?

Traditional interventions of a small business approach do not emphasize economic opportunities for youth. This strategy is primarily focused on increasing the competitiveness of small businesses and offering support to small business owners, very few of which are youth. Most of the business owners in the survey are over forty years of age. However, while this strategy does not directly focus on youth, it will provide opportunities for them by way of creating more jobs for them. It is also important to note that while youth have not been a focus of traditional workforce development efforts, recently, more communities have been trying to find ways promote employment opportunities for young adults.

Industry Clusters

An industry clustering approach capitalizes on both of the industry strengths. It targets the County's economic development efforts at the community's predominant industry clusters. And, small businesses can certainly be supported through this strategy because this approach includes businesses of all sizes. This approach will support firms of a particular industry by increasing their competitiveness via sharing resources and creating economies of scale.

Industry clustering has the potential to capitalize on the quality of life/small town character by supporting those industries that have historically been a part of the community's identity (art, maritime trades, tourism). Human capital is a key ingredient of this approach because it requires people in both the public and private sectors to be innovative, and therefore, is likely to capture the county's human capital resources.

In terms of efficiency, one of the greatest strengths of organizing around industry clustering is that it requires a significant amount of coordination and cooperation amongst the public, private and non-profit sectors. Clusters thrive in regions where industry, higher education, and government work together to build human capital, a highly skilled workforce and supportive infrastructure.

The networking component of industry clustering also contributes to the high efficiency rating of this approach. Cooperation among firms to take advantage of new markets, integrate business operations, increase specialized knowledge and share product development information encourages organization and efficiency of public resources.

In terms of responding to shifts in demographics and the economy, industry clustering falls somewhere between recruitment and the other two strategies. It is more flexible than recruitment because it is not just focused on one or two firms, yet it is focused on a few targeted industries, so if there are certain economic or demographic shifts that hinder one of the targeted industries, the community is likely to suffer, but probably not be devastated.

One of the key strengths of the industry clustering approach is its ability to be integrated into workforce development efforts. Developing clusters of industries helps to build economies of scales for certain types of skills demanded by employees, and organizing around industry clusters makes it much easier to focus your workforce development. This strategy offers opportunity for youth by having them start in one part of a cluster and then gain more skills and move up to another, hopefully higher paying jobs within the cluster-a job ladder of sorts.

And lastly, regarding family wage jobs, part of the case for industry clustering clustering is that it makes businesses more productive, and with higher productivity levels, firms should be able to pay their workers better wages.

Synthesis of the analysis of approaches

This section highlights the strengths of each approach based on the above analysis. The two primary strengths of the **recruitment strategy** are creating family wage jobs, and integration with larger workforce education and training efforts. Additionally, this approach could help generate economic opportunities for youth by providing jobs that pay well and offer room for advancement. The **small business and entrepreneurship** strategies were strong in nearly all the categories. The two areas where these strategies are not as strong as the other approaches are in providing economic opportunities for youth and in facilitating workforce development. The primary reason for this is that it is difficult to achieve the scale that is necessary for these efforts.

Industry clustering strategy is attractive under nearly all of the criteria. This strategy is able to capitalize on the industry and community strengths, it is consistent with many of the shared economic development goals, and it is more likely than small business development/entrepreneurship to achieve the necessary scale for workforce development efforts. The primary downside of this strategy in Jefferson County is that it requires significant resources for coordination. This will be discussed under the implementation issues in the next section.

Implementation Issues

The final section of this paper examines various implementation issues identified from findings from the interviews and surveys. It highlights three areas of concern regarding the implementation of any economic development strategy in the county. It must be emphasized that there was overwhelming concern from both interviews and surveys that successful implementation of any unified economic development strategy in Jefferson County is contingent upon addressing the following:

1) Lack of a unified intergovernmental effort for economic development.

Survey responses and interviews with community leaders, business owners and residents of the County indicate that while there are plenty of economic development plans and meetings, there is insufficient coordination around economic development efforts in the County. Many people feel as though government entities are not working together to achieve a common goal. Some people feel “frustrated”, “angry”, and “hopeless” about the coordination both between and within government entities.

Implications of insufficient coordination:

- **Inefficient use of public revenues.** Lack of coordination is very costly to a community. Unproductive meetings, redundancy in services, redundancy in information gathering and time spent writing plans that are not utilized all result from poor collaboration efforts and are costly to the community.
- **Loss of balanced community representation.** The first is that people will disengage from the process because they feel frustrated that plans do not come to fruition. The danger of this disengagement is that the community loses its representation in the process.
- **Uneven and unplanned growth** From interviews, it appears that different groups in the County are moving forward with disparate economic development projects. The danger in this is that all of these individual agendas are not necessarily tied together or coordinated under a larger plan leaving the County at great risk of growing in a way that does not honor the goals set forth by the larger community.

2) Land use struggles

As mentioned in the portion of the report that examined the implications of certain demographic shifts in the county, high amenity counties that are close to urban areas are contending with many of the same land-use struggles as suburban places. These often get played out in disagreements regarding zoning regulations and permitting regulations.

3) Institutional capacity

Does the County have the capacity to carry out these various strategies?

Three out of the four approaches (industry clustering, small business development and entrepreneurship) all require significant collaboration efforts which can be time, and therefore, resource intensive. Of the three of these, industry clustering and entrepreneurship, will most likely require the most additional resources. This is because there are already considerable efforts regarding small business development (SBDC and the EDC).

Building upon these will be less resource intensive than initiating efforts to support entrepreneurs. As for industry clustering, for some industries, there is already a strong foundation and momentum for future efforts. However, for other industries that do not have this foundation, it will require the county to engage in significant coordination efforts.

In closing, it is important to stress the importance of responding to these implementation issues. Jefferson County has tremendous assets in its residents, industry base, and natural surroundings. And, without making some improvement in the collaboration efforts, the county will likely not be able to achieve its maximum potential.

Recommendations: Strategies and Steps to Economic Development in Jefferson County

The analysis of the previous section highlighted the strengths of each of the different approaches. This section uses these strengths to develop a set of strategies and steps for implementation. These recommendations focus on the three approaches (industry clustering, entrepreneurship, and small business development) that have significant strengths under the selected criteria used in the analysis.. The last portion of this chapter discusses future recommendations for recruitment efforts in Jefferson County.

Industry Clustering

Porter (1990) believes that the public's role in supporting an industry cluster approach is to improve the circumstances that affect competitiveness, such as labor pools, knowledge, financing, physical infrastructure and quality of life. The following strategies aim to do this in the context of Jefferson County.

Strategy #1:

The county should target its economic development efforts at key industries. The county has already been doing this in a few areas (the maritime industry) and the authors encourage the county to expand these efforts to other dominant industries. The significant groups of businesses in the county are forestry/wood products, fishing/aquaculture, maritime, arts, tourism, industrial arts, and healthcare.

Steps to implement the strategy

- **Organize Industry Networks.**

One of the ways to coordinate the efforts for these groups of related businesses is to organize industry networks or councils. These networks could include public, private and non-profit groups. It may even be possible to use the membership of the EDC and the Chamber of Commerce to start these kinds of networks. It is obvious that some clusters are more developed than the others which means that they will each need different types of assistance in the formative stages. For some industries you may need to start a network, and for others you can collaborate with the already existing groups, such as the Glen Cove Association and the maritime trades.

Bringing people within the clusters together will centralize the resources, and strengths of that industry, and begin planting the seeds for this clusters plan to move forward. There have been numerous examples, where these types of networks and collaborative efforts have spun off into their own non-profit.

Some of the main activities for these networks could include:

- **Organize collective marketing strategies**

The high cost of marketing was identified (from surveys and interviews) as one of the main barriers to businesses in Jefferson County.

- **Collaborate for funding opportunities for community and economic development projects**

This can be helpful in many ways. The first of which is that funders usually like to support collaborative efforts; it will combine human resources so that one person or organization is not responsible for all of the grant research and writing. This is often prohibitive for small agencies.

- **Support “Centers of Excellence”, cluster skills centers or other projects that center around clusters**

The idea is that project ideas will come from the various industry network groups such as the Glen Cove Association and then the county supports them. The support can come in a variety of ways including research assistance and coordination efforts. A great model for this type of collaboration is the Northwest Maritime Center.

- **Invest in cluster research and development and innovation**

Provide human resources to these networks so that they are more able to carry out their plans. These resources might come in the form of researching best practices.

- **Set-up electronic chat lines for people to trouble shoot problems**

This is a quick and easy way (assuming people are connected to the Internet) to capitalize on the collective wealth of skills and knowledge within a cluster.

- **Collectively join a national or global industry association**

The purpose of this is to be connected to new innovations in the industry. This could be important for both hard, technical skill development and also for new managerial approaches or creative ways to market.

Strategy #2:

The county should facilitate the workforce development efforts of key industries.

Steps to implement the strategy:

- **Integrate the employer needs of Jefferson County into regional workforce development plans.**

This will involve partnering with the local Olympic Workforce Development Council, Peninsula College, and the Jefferson Education Consortium to find creative ways to meet the needs of local employers. The authors are suggesting this for a couple of reasons. One, Jefferson County is a small community, and it will continue to struggle with the fact that it does not have a critical mass to engage traditional community college workforce development efforts. Therefore, it is essential to partner with surrounding communities to achieve scale.

Secondly, Workforce Investment Act funds and programs are allocated and designed based on regions. Therefore, in order for Jefferson County to tap into these funds, the county is going to need to be a more active player in the Olympic Workforce Development Council.

- **Identify employer workforce needs.**

According to survey and interview findings, one of the greatest barriers to economic development in Jefferson County is the lack of qualified workers and lack of educational and training opportunities. Neither of these data sources, however, did a thorough assessment of workforce needs. I am recommending that a more in-depth assessment of

specific workforce needs, with a particular focus on the predominant industries. Creating clusters can help organize and support workforce development issues.

Strategy #3:

The county should facilitate collaboration of certain industries to add value to what they do. For many of the same reasons that the authors recommended that the county facilitate coordination within industries, we are recommending that the county identify encourage collaborations between industries that naturally connect. For example, tourism is an industry that could work together with others such as the arts and outdoor recreation to enhance the vitality of both industries. The sum is greater than its two parts.

Steps to implement the strategy:

- **Support the connection between arts, tourism and recreation.** There are many examples of states and local communities that have used arts/crafts as an economic development strategy. Jefferson County is ripe for growing this connection. Example: GROW Nebraska is a nonprofit that has developed a new marketing tool for Nebraska artisans. The "Treasures of Nebraska" map is a folded, glossy, four-color map that features galleries, gift shops, and artists across Nebraska. The Treasures of Nebraska map project is supported in part by an award from the National Endowment for the Arts. The map is the premier project, with the long-term vision to be an extensive paperback "tour guide" to art-related Nebraska partners and businesses. <http://www.growneb.com/>

“We have seen again and again how a small investment in an arts organization can pay big dividends for communities,” said Bill Ivey, National Endowment for the Arts Chairman. “They not only reap financial awards, but communities can also use the arts to create tourism, revitalize their downtown districts, and to celebrate aspects of cultural heritage unique to the region¹³.”

Small Business Development and Entrepreneurship

The recommendations for these two strategies are combined because of the significant overlap in implementation efforts. As illustrated in the analysis, these two strategies have significant strengths. They allow Jefferson County to capitalize on its unusually high number of small businesses and the high percentage of residents that have significant education, skills and work experience. These strategies also help to achieve a diverse local economy, while supporting the predominant industries of the area. These efforts will broaden the existing assistance to small businesses in the community.

Strategy #1:

Develop an entrepreneurial support organization (ESO)

Research from the Center for Rural Entrepreneurship (CRE) indicates that motivation (the drive to create enterprises) and capacity (the ability to actually grow a venture) are the two key factors for success in entrepreneurial efforts. The following six factors have been

¹³ http://www.nasaa-arts.org/nasaanews/nga_release_1.pdf

identified as best practice activities of successful entrepreneurial support organizations. Jefferson County is already engaged in some of these activities, and some they are not.

Steps to implement the strategy:

- **Support the entrepreneurial environment**

Identify, engage and support local entrepreneurs. These entrepreneurs over time will enhance the larger community business climate and build community support for the next generation of entrepreneurs.

- **Build networking and mentoring opportunities**

Networking and mentoring are often cited by entrepreneurs as the most important support possible. Through these networks, entrepreneurs gain access to knowledge and role models that are critical to their future success. ESO's proactively recruit entrepreneurs into these networks and facilitate their operation.

- **Provide access to capital**

Access to capital is a component of any effort to support entrepreneurial and/or small business. Economic development agencies should continue supporting alternative options to access capital. Revolving loan funds and micro enterprise are two examples of alternative ways to access funding. Cascadia is a local microenterprise lender that currently works with many small businesses and start-ups in Jefferson County.

- **Increase access to markets**

Entrepreneurs are often very good at perceiving market opportunities, evaluating opportunity feasibility and acting to capture market share. Successful ESO's help entrepreneurs gain awareness and experience with a wider range of market environments. (See the example in next strategy of GROW Nebraska.)

- **Technical assistance**

Jefferson County currently provides technical assistance through the EDC's programs and the Small Business Development Center. In addition to the traditional business counseling, the authors are recommending that the county's efforts add the following components:

- Mentoring access
- Networking opportunities
- Capacity building experiences
- Entrepreneurial training, such as FastTrac (<http://www.fasttrac.org>), NextLevel (<http://nextlevel.com.my/partner.php>)

- **Enterprise facilitation**

Enterprise facilitation is a highly sophisticated and customized approach to helping entrepreneurs pursue their passion in creating ventures. Enterprise facilitation goes beyond point in time training and skill building programs to a longer-term partnership with entrepreneurs and their enterprises. See www.sirolli.com for more details about enterprise facilitation.

Strategy #2:

The county should work with youth workforce coordinator at the Olympic Workforce Development Council to find ways to include youth in entrepreneurial efforts

Steps to implement the strategy:

The following are two examples of ways to include youth in the county's efforts to involve youth.

- **Partnering with K-12 school system:**
Youth Tech Entrepreneurs (YTE) develops student leaders, who use their academic, information technology and business skills to build stronger communities. YTE partners with schools and teachers committed to integrating community service and business concepts into information technology courses. Through curriculum, training and school support, YTE prepares students of diverse backgrounds for success in further education and beyond. <http://www.yte.org/html>
- **Create a business incubator** The Community Foundation of Western Massachusetts Student Business Incubator, administered by the STCC Entrepreneurial Institute and located in the Springfield Enterprise Center, is the 'hatchery' where new entrepreneurial start-ups, created by high school and college students, are nurtured. The student business incubator helps bridge the gap between academics and a real world entrepreneurial experience with a supportive environment including individual advisors and mentors. Students receive ongoing coaching, information resources, technical assistance, and access to capital. Student businesses receive other support including a computer with Internet access as well as use of phone, fax, copier, and invitations to participate in workshops and seminars sponsored and cosponsored by the STCC Entrepreneurial Institute. <http://ei.stcc.edu/studentincubator.html>

Recruitment Strategies

Because the recruitment approach did not perform as well as the other strategies under the selected criteria, I am recommending that the county not substantially increase its efforts, and instead continue with its current recruitment efforts. I would however like to make two suggestions. One, the county should coordinate its recruitment and infrastructure efforts with all of the local economic development entities (Port, City, County, PUD and the Economic Development Council). And, two, the county should focus its recruitment efforts of firms that are in the county's key industry clusters.

In closing, the above strategies offer a framework to guide Jefferson County's economic development in the coming years. The county should combine this analysis with its own assessment of its capacity and needs to create a long term, comprehensive economic development strategy.

Appendix A: Complete List of Interviewees

Government Officials

Bob Sokol: Port Commissioner, Port of Port Townsend
Dan Titterness: Jefferson County Commissioner
James Parker: Manager, Public Utility District #1 of Jefferson County
Larry Crockett: Executive Director, Port of Port Townsend
David Timmons: City Manger, City of Port Townsend

Business Owners and Managers

John Begley: President and CEO, Port Townsend Paper Corporation
Marilyn Staples: Business owner, Green Eyeshade
Ned Schumann: Business owner, OlympusNet
Sebastian Eggert: Business owner, The Maizefield Company
Jim Garrett: Business owner, Garrett Metals
Carol Hasse: Business owner, Port Townsend Sails
Carol Shiffman: Executive Director, Centrum Arts and Creative Education
Kevin Elliff: Director of Marketing, Centrum Arts and Creative Education
Randy Kline: Associate Planner, Jefferson County Department of Community Development

Community Development Leaders

Katherine Baril: Community Development Faculty, Washington State University
Dave Robison: Executive Director of Northwest Maritime Center
Vic Dirksen: CEO, Jefferson County Hospital
Peter Cavanaugh: Career Development Center Coordinator, WorkSource Kitsap County
Steve Frazier: Assistant Director, Olympic Workforce Development Council
Sylvia White: Representative from Arts Community

Business Community Officials

Pat Rogers, Member, Quilcene-Brinnon Chamber of Commerce
Kathleen Purdy: Business Development Specialist, Washington State University Small Business Development Center
Ann Avary: Executive Director, Jefferson County Economic Development Council
Nancy Borino: Marketing Co-coordinator, City of Port Townsend
Sandy Hershelman: Executive Officer, Jefferson County Home Builders Association
Ruth Ann Halford: Cascadia Loan Program

Appendix B: Jefferson County Economic Development Survey Results

1. How many years of personal business experience do you have?

High: 60 years	Median: 20 years
Low: 1 year	Mean: 21.3 years

2. How long has your business been in existence?

# of years	%
0-5 years	17.3
6-10 years	21.3
11-15 years	17.3
16-20	15.3
Over 20 years	28.7

3. Did you start your business in Jefferson County or did you bring it with you?

Start: 79.6 % **Brought:** 15.8 %

4. Which best describes how you came to own this business?

Start: 74.3 % **Purchased:** 23.0 % **Inherited:** .7 %

5. Does your business have offices/branches outside of Jefferson County?

% With branches outside of the County: 1.4 %

6. Do you run your business out of your home?

% Yes: 34.7 % **%No:** 65.3 %

7. In an average week, how many hours do you devote to your business?

High: 100 hours	Median: 50 hours
Low: 1 hour	Mean: 49 hours

8. How many family members are employed at your business?

<i>Full-Time</i>	<i>Part-Time</i>
% w/ 0 family members: 67.1	% w/ 0 family members: 73.2
%1: 24.2	%1: 21.1
%2+: 8.1	%2+: 5.7

9. How many employees (other than yourself but including other family members) work at your business full-time (over 35 hours/week)?:

1-3 employees: 44.8 %	11-20: 3.3 %	Over 40: .8 %
4-10: 22.8 %	20-40: .8 %	

***Note: 23.6 % of the sample were sole proprietors

10. How many employees (other than yourself but including other family members) work at your business part-time (35 hours/week or less)?:

1-3 employees: 55.4 %	11-20: 4.1 %	Over 40: .8 %
4-10: 14.6 %	20-40: 2.5 %	

11. What is the average hourly wage for you employees?

High: \$43.00/hr.	Median: \$12.75
Low: \$7.00	Mean: \$14.34

12. Do you supply health insurance to your full-time employees? Part-time employees?

<i>Full-Time</i>	<i>Part-Time</i>
% Yes: 60.4 %	% Yes: 9.7 %
% No: 39.6 %	% No: 90.3 %

13. What were your estimated gross business sales in 2002?

High: 5,000,000.	Mean: 383,148
Low: 1,800	

14. In 2002, approximately what % of your sales were (*responses are mean of survey respondents*):

<i>In Port Townsend?</i>	<i>In Jefferson County (not PT)?</i>	<i>Outside Jefferson County?</i>
44.3 % of sales	32.6 % of sales	28.8 % of sales

15. Do you want or plan to expand your business in the next five years?

<i>Want</i>	<i>Plan</i>
% Yes: 58.9 %	% Yes: 45.3 %
% No: 41.1 %	% No: 54.7 %

By what %age?

High: 400 %	Median: 25 %
Low: 5 %	Mean: 48.9 %

16. In the next five years, do you expect that your business will be:?

Smaller: 9.5 %	smaller by what % (mean): 44 %
Larger: 46.6 %	larger by what % (mean): 50 %
The same size: 42.9 %	
Needing to relocate: 17.7 %	

17. How likely is your business to do each of the following in the next two years:

	Very unlikely (1) and Unlikely (2)	Possibly (3)	Likely (4) and Very Likely (5)	Mean
Hire new employees?	36.7	16.7	46.7	3.11
Add anew product	29.5	13.7	43.1	3.07
Sell to a new market?	44.1	24.1	31.8	2.77
Research new markets?	44.0	19.1	36.9	2.86
Expand distribution channels?	52.2	18.1	19.7	2.56
Expand advertising and promotion?	37.9	26.2	35.8	2.92
Invest in new equipment?	28.9	22.1	49.0	3.36
Expand current facilities?	40.4	20.1	19.4	2.35
Seek additional financial capital?	55.8	22.4	21.7	2.36
Computerize current operations?	53.2	21.8	25.0	2.48
Upgrade computer systems?	33.6	18.9	27.6	3.20
Invest in training for employees?	41.4	17.9	40.7	2.92

18. Which of the following best describes your business activity?

Maritime trades: 9.2 %	Automotive: 2.6 %	Food/ Agriculture: .7 %
Industrial Arts 5.9 %	Construction: 2.6 %	Healthcare: 3.3 %
Restaurants/Cafes: 4.6 %	Information Technology: 3.9 %	Forestry/Lumber And wood products: 2.0 %
Lodging: 3.3 %	Printing/ Publishing: 1.3 %	Other: 17.8 %
Outdoor Recreation: .7 %	Home Services: 3.3 %	
Arts/Crafts: 5.3 %	Personal Services: 15.1 %	

19. and 20. Are you a retail or wholesale business?

<i>Retail</i>	<i>Wholesale</i>
% Yes: 66.9	% Yes: 30.2
% No: 33.1	%No: 69.8

21. Do you use the web/email for conducting your business? %Yes: 62.3 %No: 37.1

22. What is the square footage occupied by your business?

High: 174,240 square feet	Median: 1,200
Low: 80	Mean: 4,383

21. Are you a non-profit organization?: Yes: 1.5 %

22. What do you see as the community's greatest assets?

<i>Asset</i>	<i>% Responding Affirmatively</i>
Qualified workers	19.9
Intellectual atmosphere	24.8
Presence of arts and culture	31.2
High quality of life	54.0
Affordable wages for employees	19.9
Other people in field to collaborate with	17.7

23. Barriers to maintaining and/or expanding business:

<i>Barrier</i>	<i>% Responding Affirmatively</i>
Business Costs:	90%
High cost of labor	17.6
High cost of healthcare	43.7
High overhead/administrative costs	29.1
Zoning/Land-use regulation:	69
Difficulty accessing permits	25.0
Lack of affordable land or space	25.4
Lack of land zoned for light industrial	20.3
Workforce:	55.6
Lack of qualified workers	42.1
Lack of training opportunities for workers	13.5
Inadequate Infrastructure:	36
Transportation	8.1
Water	12.1
Information technology (hi-speed access)	16.0
Difficulty accessing non-local markets:	36
High cost of marketing	19.5
Poor transportation infrastructure	6.5
High costs of shipping	16.9
Institutional barriers:	37
Lack of coordination between government economic development agencies	29.1
Lack of technical business assistance resources	7.9
Access to financial capital:	30
Difficulty securing money to begin or expand business	18.9
High interest rates for loans	12.6

25. What motivates you to be a business owner?

	Disagree	Neither agree or disagree (3)	Agree	Mean
My business is the most important activity in my life.	27.2%	22.4%	50.4%	3.29
I plan to eventually sell my business	31.9	19.6	48.5	3.26
I would rather own my own business than have another career.	11.7	21.4	66.9	3.97
I would mortgage my house to provide capital for my business.	48.6	13.4	38.0	2.80
I run my business to continue a family tradition.	80.7	11.7	7.6	1.55
I run my own business in order to live in a desirable location.	20.8	13.9	65.3	3.60
I run my business to have more flexibility in my personal and family life.	20.1	14.6	65.2	3.66
I run my business because there are few other work opportunities in the area that interest me.?	18.4	22.4	59.2	3.64
I run my business because I want to be able to earn a living while practicing my craft.	29.4	18.9	51.7	3.32
My community celebrates people who create and grow local businesses.	39.5	31.3	29.2	2.75
My community has developed programs to encourage and support entrepreneurs develop and grow.	55.6	31.0	13.4	2.25

26. My community offers business or entrepreneurial training.

% Yes: 36.7 **%No:** 51.1 **Don't Know:** 12.2

27. My community creates networking and mentoring opportunities for local business people.

% Yes: 36.6 **%No:** 46.6 **Don't Know:** 16.8

28. My community has access to venture capital and/or angel investors.

% Yes: 17.7 %No: 55.6 Don't Know: 26.6

29. There are many people in our community who support development efforts.

% Yes: 25.2 %No: 54.9 Don't Know: 19.9

30. What would it take to assist you in expanding your business?

	Not important at all (1)	Somewhat important (2)	Critical (3)	Mean
<i>Increase in access to local financial capital.</i>	45.8	32.1	22.1	1.76
<i>Additional office space</i>	62.3	23.8	13.8	1.52
<i>Additional manufacturing space.</i>	72.3	13.8	13.8	1.42
<i>Increase in local education and training opportunities.</i>	45.4	35.4	19.2	1.74
<i>Increase in research and development funding.</i>	70.3	21.9	7.8	1.38
<i>Improved transportation.</i>	57.0	28.1	14.8	1.58
<i>Increase in access to more markets.</i>	38.1	26.9	35.1	1.97
<i>Increase in opportunities for business mentoring.</i>	48.5	38.5	13.1	1.65
<i>Increase in opportunities for business networking.</i>	42.4	39.4	18.2	1.76
<i>Assistance with business plans and financial statements.</i>	48.5	33.8	17.7	1.69
<i>Changes in zoning regulations.</i>	52.0	16.0	32.0	1.80

Demographics of business owners:

31. Age:

Under 18	19-25	26-40	41-55	Over 55
0 %	.7 %	11.3 %	54.3 %	33.8 %

32. Sex:

% Male: 55.3 %Female: 34.9

33. Ethnic origin:

Caucasian	African-American	Native American	Hispanic origin	Other
96.6 %	0 %	2.1 %	.7 %	.7 %

34. Highest level of education completed:

< High school diploma	HS diploma	Some college	Bachelors degree	Technical or Apprenticeship	Masters degree of more
2.0 %	7.97 %	32.2 %	34.9 %	5.9 %	15.8 %

35. Are you retired?

% Yes: 7.5 %No: 92.5

36. How long have you lived in Jefferson County?

High: 65 years	Median: 16 years
Low: less than 1 year	Mean: 18.45

37. Where is your business located?

	%	Number
Port Townsend	73.2 %	104 businesses
Port Hadlock	9	13
Port Ludlow	6.2	9
Chimacum	4.2	6
Quilcene	3.5	5
Nordland	2.1	3
Brinnon	1.4	2
Coyle	1.7	1
Total	100 %	143 businesses

Appendix C: Summary of goals of each local economic development agency

Appendix D outlines the goals of the four entities that have formal economic development plans in Jefferson County that have formal economic development plans. These entities include the Port of Port Townsend, City of Port Townsend, Community Development of Jefferson County and the Public Utility District #1, and the Jefferson County Economic Development Council.

Port of Port Townsend

The Port is in the process of developing two plans: the 2003 Comprehensive Scheme and the FAA airport development plan. The 2002 outlines plans for various projects including marine expansion and work at the Port Hudson Marina. And, the Airport report is a master plan to rezone and develop areas around the airport as light industrial. Land now around airport is zoned residential. Crockett contends that JC Companies have expressed their interest in expanding their companies and feel as though the airport would be a good location that want to expand (many from Glen Cove. All of these projects will require cooperation from other local economic development groups including the City, County and PUD. In addition to these projects, the Port is designing a study in collaboration with the JC Economic Development Council to assess the impact of the Marine Trades on the local economy.

City of Port Townsend

Although an economic development element is not a required part of the GMA comprehensive plan, the Port of Port Townsend developed an economic element in 1996 to help guide the City's efforts. This plan has not been updated and interviewees indicate that in reality Port Townsend does not have a coordinated, comprehensive economic development plan, but is active as a partner in several situations.. The City's plan outlines the overall economic development goal to foster a balanced, diversified and sustainable local economy that contributes to Port Townsend's high quality of life through the protection and enhancement of the community's natural, historical, can cultural amenities, and the improvement of the financial well being of its residents." The plan then outlines other key goals including

- coordinating with other local economic development groups to ensure that economic development strategies are carried out consistently,
- train the workforce to develop skills for new technologies and family wage jobs
- ensure responsive and efficient permit processing
- to provide adequate public facilities
- commercial and manufacturing zoning.
- commercial historic district revitalization
- The remainder of the plan focuses on strategies for specific industries (marine trades, diversified manufacturing, community retail, tourism, and telecommunications)

Jefferson County Community Development Department

There are currently two policy documents that the County's Community Development Department uses to guide its work: Economic Development Element Plan of the GMA

Comprehensive Plan¹⁴ and the Strategic Plan of Jefferson County. The Economic Development Element plan is primarily used to advise land use decision, where as the strategic plan is used to advise County budget decisions.

Key Goals of the County’s Comprehensive Plan include:

The comp plan is predicated on the idea that small businesses are the future of Jefferson County. This marked a shift in land use policy which prior to this focused more on recruitment strategies.

- Promote economic opportunity for all citizens of the County, especially youth, unemployed and disadvantaged within the capacities of the County’s natural resources, public services and public facilities
- Encourage programs aimed at education, job training and retraining, and skills enhancement that are responsive to the changing needs of local businesses and residents
- Establish a targeted industry program that promotes Jefferson County’s strengths and advantages
- Coordinate efforts with federal, state and local economic development groups
- Provide regulatory incentives
- Support the full range of human and social services
- Promote the development of tourism and tourist related industries
- Encourage Economic Development that conserves natural resources and open spaces, protects environmental quality and enhances quality of life
- Provide, maintain and encourage phased infrastructure development that is adequate to attract and accommodate desired economic growth and is consistent with the Growth Management Act

Key Goals of the Strategic Plan of Jefferson County¹⁵

- Creating a sustainable and economic base focused on family wage jobs and geographic distribution
- Promote educational opportunities to support post secondary schooling, lifelong learning, and workforce training
- Improve the balance between the cost of housing and earned income
- Sustainable utilization of natural resources the preserve our County’s physical beauty and delicate ecosystems.
- A healthy and safe citizenry
- Adequate public facilities for work and play
- Affordable government

Jefferson County Economic Development Council

According to the Executive Director of the EDC, the EDC has a “balanced approach” toward economic development. The approach includes:

¹⁴ See County website for entire document

¹⁵ See County website for entire document

- Supporting the creation of new businesses
- Assisting existing businesses to expand
- Promoting Jefferson County for investors and entrepreneurs interested in relocating their businesses
- Creating a healthy environment for business
- The EDC also utilizes a strategy of “Play to the Positives-grow more of what we have”. This strategy means building on the existing industry strengths in the County including (arts, niche manufacturing and tourism).

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