

3.1 OVERVIEW

This section provides a countywide overview of employment and business trends in Mendocino County. It highlights the key industry clusters in the County—such as agriculture and tourism—and identifies what kinds of businesses have been growing and expanding in the County. The analysis generally addresses trends over the past ten years and reports on projections of employment and population out to 2020. This information can assist the General Plan update process in considering alternate growth scenarios for the County. Figures cited in this chapter are located in the back of the section, after the Bibliography.

3.2 PURPOSE AND METHODOLOGY

The purpose of this section is to provide an economic backdrop to the discussion of future growth and policy in Mendocino County. The information in this Background Report was developed from the sources in the Bibliography; via interviews with local residents, business owners, and government representatives; from written information provided by local organizations and individuals; and from site tours.

3.3 EXISTING SETTING

Economic development addresses a number of issues of importance to residents of Mendocino County. Of primary interest is the creation of well-paying jobs to support incomes for residents in the County. This not only supports the economic well-being of the County's residents, but also leads to additional sales and income for local retail businesses. The sales taxes paid by these businesses, as well as visitor-serving businesses, are a major source of revenue for County government. These revenues help pay for services to residents of the County. With the passage of Proposition 13, local government can no longer rely primarily on property taxes to fund necessary services. A well-balanced business mix is essential to providing both private income and public revenue. In subsequent phases of the General Plan Update process, a cost/revenue analysis of residential and non-residential land uses will be conducted. The current report focuses on the job creation aspect of economic development.

The Mendocino County Workforce Investment Board's Five Year Plan for labor force training provided the following characterization of recent economic conditions in the County:

"Mendocino County's economy and work force are changing."¹ In the past, Mendocino County has counted on seasonal crops, the timber and fishing industries, and tourism for the majority of its jobs. With the significant decline in natural resource extraction over the past 15 years, jobs dependent on these sectors can no longer be counted upon.

Filling the gap that has been left with the decline of the Resource dependent economy is a great challenge. Mendocino County's remote location and lack of infrastructure development make it difficult to attract large scale and high wage businesses. More than 80 percent of the jobs in the County are from companies with 10 or fewer employees. As well, most traditional employment opportunities are located in the three large towns, but only 30 percent of the population lives in them. The decline in high-wage natural resource based jobs has contributed greatly to the County's profile as a high unemployment, low-income area.

¹ Mendocino County Workforce Investment Board Five-Year Plan, July 27, 2001.

Upward economic trends that affect employment include increases in grape acreage, wine production, tourism, and organic farming, as well as increased demand for and limited supply of housing. Downward trends include reduced timber harvesting and product manufacturing and a declining fishing industry.

- Grape acreage has now passed pears and all other agricultural crops combined. Grape acreage has grown significantly over the last 20 years, from 9,800 to 15,800 acres in 2000. Although many of the grapes produced are turned into wine locally, 50 percent are exported to other counties for production, the equivalent of 17 small wineries at 50,000 cases each². About 900 people work in wineries, 20 percent of total manufacturing employment. There is a general perception that enough grapes are now planted within the County and throughout California to meet demand for the foreseeable future. The County could expect the rate of new plantings to decline over the next several years because supply is increasing both locally and statewide. Any future increase in wine production in the County would increase exports and agricultural value, as well as tourism that is linked to the industry.
- Tourism is a cyclical industry, highly dependent on worldwide economic conditions. Nevertheless, there has been a general upward trend in the County for at least the past 30 years. In 2001 the County had 3,099 hotel rooms in 191 establishments, plus about 375 homes used for vacation rentals³. Hundreds of new hotel/motel rooms have recently been developed on the coast and in Ukiah. Other visitor-serving businesses also serve locals such as restaurants, gas stations, and entertainment venues, and are also trending upward. Indian Casinos are another growing visitor-serving service. There are currently four casinos along State Route 101, in or near Hopland, Redwood Valley, Willits, and Laytonville.
- Housing in the County is generally more expensive than in other areas of the State. Rental vacancy rates are low in the cities (averaging 4.1 percent), and higher in the unincorporated areas (averaging 12.5 percent). There are too-few multi-family and rental units to meet the affordable housing demand, driving up rents. Conversion to vacation home rentals, especially on the coast, has reduced housing supply. Substandard housing is an issue in unincorporated areas. New housing construction in the 1990s lagged below household demand figures; this also affects construction employment. Most housing starts are single unit owner-builder. The largest housing construction project in the period 1995-2002 was 125 residential lots with 3-5 bedroom homes south of Lake Mendocino Drive near the area referred to as “The Forks.” New developments must address a range of constraints. As a predominately rural County, existing infrastructure in many areas is inadequate to accommodate even modest housing development; limited water supplies, lack of public sewers or capacity, circulation deficiencies, environmental constraints, and at times, neighborhood opposition are all factors. Existing developments (e.g. Brooktrails, coastal enclaves, etc.) are hampered by water, sewer and emergency response constraints. More information about housing issues can be found in Section 1.0 Population, Demographics, and Housing.
- The timber industry has been in decline for several decades. Of the three dozen former mills in the County, only a handful remain open⁴, some just barely. The rate of timber harvest declines has slowed recently, and could eventually reach a level of sustainability, perhaps around the current 250 million board feet per year ([Figure 3-15](#)). Many factors, including pressure from

² Mendocino County Wine Grower’s Alliance, Memo to Mendocino County Planning Department.

³ Ibid.

⁴ Mills still operate in Hopland, Ukiah, at The Forks, Calpella, Redwood Valley, Willits, Branscomb, Philo, etc. Several are remanufacturing mills that turn sawn logs into molding and other products.

environmental groups and regulatory agencies, will combine to determine the sustainable harvest level.

- Employees laid off from closed mills may often try to stay in the community, taking low-paying jobs, but many also must move away to find jobs. Ongoing retraining programs can be of only limited success, since they often are high cost, and new jobs to replace those lost are being created slowly or not at all.
- The commercial fishing industry (at Fort Bragg, Albion, Point Arena, and Gualala) is much smaller than in the past. Increased regulations and declining fish populations have contributed, as has competition from larger corporate operations and overseas. Future viability will in large part depend on levels established by regulators for maintaining a sustainable harvest. Party boats catering to tourists are becoming an increasing percentage of the local fishing fleet.
- Government employment, a significant component of total employment throughout the County, is generally stable. Staffs manage Federal lands and programs, and work for local governments and educational institutions.
- Organic farming, including crops and livestock, appears to have an expanding niche in the County, especially in Potter Valley, Covelo and Redwood Valley. This component of the economy is still small, though it typically produces a premium-priced product for consumers.⁵
- Home occupations and cottage industries, especially the advent of internet-based activities, contribute to the livelihood of some residents, but are probably not a significant economic contributor. This mode of operation provides an opportunity for employment and income that might not occur, as well as creating a demand for locally purchased supplies and other goods.
- Mendocino County has a mix of business sizes similar to the makeup of California as a whole ([Table 3-1](#)).

3.4 REGULATORY FRAMEWORK

LEGAL BASIS AND REQUIREMENTS

An Economic Development Element is not a required component of the general plan under California law. Therefore, the information in this section of the Background Report is intended to assist in the development of other General Plan elements such as Land Use and Circulation.

⁵ Value-added is the incremental enhancement of a product at each stage in the production process. High value-added products tend to support higher wage jobs.

TABLE 3-1 BUSINESS SIZES IN MENDOCINO COUNTY				
Number of Employees	Mendocino County		California	
	Number of Establishments	Percent	Number of Establishments	Percent
0-4	2,633	66%	663,510	64%
5-9	586	15%	147,624	14%
10-19	350	9%	101,293	10%
20-49	262	7%	79,284	8%
50-99	98	2%	31,425	3%
100-249	40	1%	16,815	2%
249+	0	0%	4,290	0%
Total	3,969	100%	1,044,241	100%

Source: County Business Patterns (does not include government establishments)

3.5 ECONOMIC TRENDS AND PROJECTIONS

ECONOMIC BASE ANALYSIS

Labor Force Trends

Mendocino County is located along the Northern California coast. Sonoma, Trinity, Tehama, Glenn, Humboldt and Lake Counties border on the inland side. An employment and wages trends discussion is presented below by comparing Mendocino County to Sonoma and Humboldt Counties and the State of California.

The 2000 Census places Mendocino County's population at 86,265, a 7 percent increase over 1990. Mendocino County's civilian labor force increased to 42,340 in 2000, an increase of 480 over 1999 ([Figure 3-1](#)). Mendocino County's economy is affected by seasonality, which can result in cyclical instability and slow growth. The fluctuating growth and decline in the County's civilian labor force reflect this key factor. Mendocino's growth in labor force during the period 1996 to 2000 averaged 0.6 percent; however, this average masks considerable fluctuations ranging from an increase of 1.8 percent in 1996 to a decline of 1.8 percent in 1999. The County's 2000 statistics reported a 1.1 percent annual increase in labor force ([Figure 3-2](#)). The unemployment rate of 7.6 percent in 1990 rose nearly 5 percentage points from 1990 to 1992, but then declined steadily to end at 6.6 percent in 2000 ([Figure 3-3](#)). While this is above the national average of about 4 percent, it is typical for regions like Mendocino County where there is substantial seasonal employment.

Mendocino County's 2000 annual average unemployment rate was higher than California's rate of 4.9 percent. However, the County's rate has been decreasing over the last five years from a high of 9.6 percent in 1995 to a low of 6.6 percent in 2000. Lower unemployment rates are indicative of increasing employment opportunities in the area. Sonoma County's annual average unemployment rate of 2.6 percent was lower than the State's rate. Humboldt County's rate was similar to Mendocino County at 6.3 percent ([Figure 3-4](#)). However, Sonoma County and the State civilian labor force posted more consistent growth. California and Sonoma County experienced a similar pattern of declining unemployment.

EMPLOYMENT TRENDS

Mendocino County's total employment reached 32,700 wage and salary jobs in 2000. Of this total, 52 percent or 17,080 jobs were service-producing jobs⁶, 21 percent or 6,730 jobs were goods producing, and 19 percent or 6,360 were government jobs ([Figure 3-5](#)). In 2000, total employment grew by two percent or 650 jobs from 1999 ([Figure 3-6](#)). This is far below Sonoma County, which saw 4.3 percent growth or 7,900 jobs, but higher than the growth in Humboldt County, which added 500 jobs during the same period. During the period 1995 to 2000, total employment in Mendocino County grew by 12 percent, adding 4,000 jobs.

Employment by Major Sectors

Mendocino County's economic base is becoming increasingly more diversified. [Figure 3-7](#) shows employment trends by major economic sector from 1990 to 2000. Service, retail trade, and government are the three largest industry employers in the County. [Figure 3-8](#) shows that trade and services accounted for the largest share—24 percent or 7,670 and 23 percent or 7,400 jobs, respectively. Government made up 19 percent, with the majority of jobs in the local government sector. Employment figures for California show an overall growth of 3.7 percent from 1999 to 2000. Most of this growth was in nonfarm industries, including significant increases in services, retail trade, and construction.

PROJECTIONS

Short-Term Projection: According to 1997 to 2004 nonfarm employment projections, the services, trade (wholesale and retail), and manufacturing industries will have the largest growth during the forecast period ([Table 3-2](#)). These three industries combined are expected to account for 71.9 percent (3,204) of the total projected growth in employment (3,860). By the year 2004, the service and trade sectors are projected to add 1,560 and 1,090 jobs, respectively. The manufacturing industry is also estimated to increase by 554 jobs over the seven-year period, despite projected losses in lumber and wood products manufacturing (3.2 percent). Growth is primarily expected in the manufacture of nondurable goods, specifically in the food and kindred products sector (490 jobs).

Long-Term Projection: Mendocino County's total employment is forecast to grow at an average annual rate of about 1.2 percent, or 9,140 new wage and salary jobs between 2000 and 2020 ([Figure 3-9](#))⁷. California is expected to grow at the same rate, adding 5,304,000 new jobs in the same period. The highest growth is forecasted in the services sector, representing a 1.8 percent annual growth rate, followed by the agriculture sector with 1.5 percent annual growth over the next two decades. Mining and manufacturing are expected to decline over the forecasted period ([Figure 3-9](#)). Total population is expected to grow only one percent per year over the next two decades ([Figure 3-10](#)).

EMPLOYMENT AND WAGES

As [Table 3-3](#) displays, Mendocino County businesses had a total payroll of more than \$585 million in 1999. Relatively high paying manufacturing employment payrolls constituted 27 percent of total wages, as opposed to only 16 percent of total jobs. Services employment generated 26 percent. Construction employment payroll contributed 7 percent of the total; nearly double its share of jobs, with very high earnings increases (33.7 percent) during the study period. Agriculture employment earnings grew by 101.6 percent during the same period; however, it constituted only 8 percent of the total payroll.

⁶ Services producing jobs include transportation and public utilities, trade, and finance, insurance, and real estate.

⁷ 2000 State Profile, State and County Projections to 2025; Woods & Poole Economics, Inc., Washington, DC.

The prosperity index ([Table 3-3](#)) measures the payroll growth rate of the region relative to the employment growth rate. A factor above 1.00 indicates that the County payroll growth outpaced the employment growth, while a factor below 1.00 indicates that employment growth outpaced the payroll growth. The County's payroll growth rate exceeded employment growth. Construction and agriculture led this trend, the latter driven by increasing vineyard development in the County.

The annual average earnings per employee reached \$21,507 in Mendocino County, compared with \$22,371 in Humboldt County in 1999 ([Table 3-4](#)). In Mendocino County, the transportation and public utilities industries, at \$33,000 per year, led earnings. Mining, construction, manufacturing, wholesale trade and finance, insurance and real estate employment payroll ranged from \$25,000 to \$30,000 per year. The lowest pay was in the agriculture and service industries at \$16,000 and \$18,000, respectively. Mendocino County's average wage relative to Humboldt County's wage was higher in construction, transportation and public utilities industries, but lower than Sonoma County's industry wages as a whole.

Specialized and Competitive Industries

The strength of a local economy lies in its ability to support and grow specialized and competitive industries. The analysis used in this section identifies the *local concentration*⁸ and *relative employment growth*⁹ of industry sectors, compared to the same industries statewide. The local concentration helps to define the *economic base* of the area, which creates most of the income that is recirculated in local-serving retail and service businesses. The relative employment growth is an indicator of the competitiveness of the industry locally, compared to the State. If an industry grows at a faster rate in the County than statewide, it signifies that the County is a good location for this industry.

The local concentration and employment growth of industry sectors in Mendocino County were calculated by 3-digit SIC (standard industrial classification) codes for 1991 and 1999. The discussion below identifies four categories of industry sectors within the local economy: the *growing*, *transforming*, *emerging*, and *small declining* industries. [Figure 3-11](#) provides a schematic explanation of the following conceptual discussion.

The *growing* economic base includes those industry sectors that have positive growth rates and a high local concentration (location quotient greater than one). These industries will be the major source of employment growth, at least in the near future. Assuming they are creating quality jobs, businesses in this category merit the attention of policy makers and planners in helping to maintain and improve the economic conditions that enable these industries to show their comparative economic advantage. Comparative economic advantages come from local conditions such as specialized marketing organizations, credit and transport facilities, a trained labor force, and the existence of complementary industries.

⁸ Local concentration is measured with a statistic called the location quotient (LQ). In this report, LQ shows whether an industry makes up the same proportion of total employment in the County as in the State as a whole. An LQ of 1.0 means that the industry is in exactly the same proportion to total employment in the County as it is statewide. Industries with LQ's greater than 1.0 (higher local concentration) typically export their goods and services outside the County.

⁹ Relative employment growth measures the rate of industry growth in the County compared to the growth rate for the same industry statewide. If the statistic is positive (greater than 0), the industry is growing faster or declining less rapidly locally than it is statewide.

TABLE 3-2				
MENDOCINO COUNTY EMPLOYMENT PROJECTIONS BY INDUSTRY				
1997 TO 2004				
Title	1997	2004	Increase	Percent Increase
Construction & Mining	1,160	1,290	130	11.2%
Manufacturing	5,340	5,894	554	10.4%
Transportation & Public Utilities	1,220	1,380	160	13.1%
Trade	7,710	8,800	1,090	14.1%
Finance, Insurance & Real Estate	920	950	30	3.3%
Services	7,460	9,020	1,560	20.9%
Government	5,310	5,660	350	6.6%
Total NonFarm	29,120	32,980	3,860	13.3%

Note: Employment is reported by place of work and excludes self-employed persons, unpaid family workers domestics, volunteers, and those involved in labor-management trade disputes.
 Source: EDD; Applied Development Economics, Inc.

TABLE 3-3						
MENDOCINO COUNTY WAGE GROWTH						
1991 TO 1999						
Industry	Employment		Earnings		1999 Percent of Total	Prosperity Index
	1991	1999	1991	1999		
Agriculture	1,671	2,820	\$22,567,301	\$45,496,798	8%	1.48
Mining	23	11	\$545,846	\$323,169	0%	0.78
Construction	1,210	1,329	\$29,000,379	\$38,766,273	7%	3.42
Manufacturing	4,655	5,182	\$136,976,218	\$156,684,603	27%	1.27
Transportation, Public Utilities	1,009	1,036	\$34,454,833	\$34,492,290	6%	0.04
Wholesale Trade	1,068	871	\$27,911,937	\$21,942,069	4%	1.16
Retail Trade	6,184	6,881	\$100,539,830	\$111,515,679	19%	0.97
Fire	979	918	\$23,337,428	\$24,454,782	4%	-0.77
Services	5,878	8,175	\$105,606,316	\$151,822,343	26%	1.12

Notes: Prosperity index: payroll growth rate of region relative to employment growth rate. +1.00: region payroll growth outpaced employment growth, -1.00: employment growth outpaced payroll growth. 1991 wage is adjusted to inflation.

Source: Minnesota IMPLAN Group, ES202 Employment and Wage Data Series, 1991-1999

Industry	Average Earnings Per Employee (\$)			Percent Average Earnings Relative To Neighboring Counties And State		
	Humboldt	Mendocino	Sonoma	Humboldt	Sonoma	California
Total	22,371	21,507	31,643	0.96	0.68	0.58
Agriculture	22,546	16,134	19,459	0.72	0.83	0.89
Mining	0	29,379	61,038	0.00	0.48	0.44
Construction	28,487	29,170	38,335	1.02	0.76	0.78
Manufacturing	31,196	30,236	44,719	0.97	0.68	0.61
Transportation, Public Utilities	33,024	33,294	39,539	1.01	0.84	0.72
Wholesale Trade	27,885	25,192	38,889	0.90	0.65	0.55
Retail Trade	15,176	16,206	19,555	1.07	1.21	0.8
Fire	29,895	26,639	42,063	0.89	0.63	0.49
Services	19,747	18,572	28,518	0.94	0.65	0.5

Notes: Index compares Mendocino County/neighborhood counties' share of payroll to share of jobs. Value less than 1 mean the region's jobs account for a disproportionately low share of regional earnings. Values greater than 1 mean the region's jobs are paid better as a whole.

Source: Minnesota IMPLAN Group, ES202 Employment and Wage Data Series, 1991-1999

The *transforming* economic base includes industry sectors that have a high local concentration but have a negative or lower growth rate in relation to statewide industry growth. Very often these businesses represent the past economic base of the region but are now declining, either because of industry-wide technological and market changes or because of the loss of some local competitive advantage. They are important industries because of the number of jobs they provide locally, and the reasons for the transformations could be investigated. If the decline is due to issues under local control, then business retention efforts may be fruitful. If the decline is due to structural changes industry-wide, it is less likely that local efforts will have substantial impact.

The *emerging* industry sectors are those that are growing in employment, but whose local concentration is small compared to the share of the same industry sector in the State economy. Firms in this category deserve some attention and help. The trend indicators suggest they will be larger employment generators in the future because of emerging local competitive advantages, meaning that local market conditions and locational factors are conducive to accelerated growth in these industries.

The fourth category, small declining industries, is made up from businesses that have a small share in the local economy (location quotient less than one) and are either declining in employment or are growing more slowly in Mendocino County than statewide. This category is not the subject of an in-depth analysis because the types of businesses that fall in this category lack some fundamentals for long-term viability and growth. Industry sectors in this category would normally be considered targets only (1) as part of a strategy to strengthen a local industry cluster by increasing the local creation of products or services now being imported, or (2) if they produce exceptionally-high-wage jobs.

Figure 3-12 displays industries in Mendocino County based on the quadrant categories just described. By ranking industries within the region on the basis of industry competitive status relative to the Central Coast Economic Region (Industry Shift-Share analysis) and employment concentration—the level of specialization—relative to the economic region (Location Quotient), the industry position in **Figure 3-12** indicates the role of particular industries within the regional economy:

- **Competitive Industries and High Employment Concentration:** The upper right quadrant, which portrays the economic drivers of the region, includes elements of the traditional economic base of Mendocino County in tourism. Industries within this quadrant are considered highly specialized and industry location in the region gives the industry a competitive advantage over the same industry located in most other regions of the State. Tourism industries such as lodging places, hotels and motels, camps and recreational vehicle parks, miscellaneous amusement, recreation services, and botanical and zoological gardens had high employment concentrations and were competitive industries. It also showed up as a major employment source in the County.
- **Less Competitive Industries and High Employment Concentration:** Industries in the upper left quadrant are large but declining industries, with high employment concentration but without competitive advantage. Several lumber and wood product industries such as sawmills and planing mills, wood containers, and miscellaneous wood products industries are included. Miscellaneous food and kindred products and beer, wine, and distilled beverages were heavily concentrated but also were not rapidly growing during this period.
- **Less Competitive Industries and Low Employment Concentration:** Industries within the lower left quadrant have low employment concentration, or are less specialized. They also do not have competitive advantage. Such industries include non-residential construction, office furniture manufacturing, and certain machinery industries.
- **Competitive Industries and Low Employment Concentration:** Industries within the lower right quadrant are less specialized, but they have competitive advantage. The “emerging industries” quadrant contains a number of various manufacturing and service industries. Manufacturing industries include commercial printing, concrete, gypsum and plaster products, miscellaneous fabricated textile products, and industrial machinery. Service industry includes farm labor and management services, commercial banks, accounting, auditing, and bookkeeping.

REGIONAL CLUSTER ANALYSIS

Industry clusters are networks of firms that benefit from business-to-business relationships and share common markets, labor pools, technologies, supplier industries, and institutional supports such as educational institutions or specialized government programs. Industry clusters are typically the source of much of the dynamic growth in the regional and national economy, fostering technological innovation and generating global marketing strength. Most often, clusters represent a competitive advantage for a region when they reach sufficient concentration such that most of their products or services are exported outside the County or economic region to other markets. At other times, clusters form to serve local businesses or the resident population. Clusters can also decline, however, as Mendocino County has experienced with the timber industry.

Whether growing or declining, industry clusters provide a convenient unit of analysis for examining issues pertaining to labor supply and economic diversification. By looking at a cluster rather than an individual sector, such as manufacturing, a picture of employment and job development opportunities can be seen in a variety of sectors with ongoing business relationships. Mendocino County has three

established industry clusters—lumber and wood products, agriculture, and tourism. The decline of the timber cluster and the transformation of agriculture toward a predominance of vineyards and wine production have shifted the economic development focus in Mendocino County toward the tourism cluster.

Lumber and wood products industry cluster accounts for 2,520 or 9.2 percent of all the wage and salary jobs in the County ([Table 3-5](#)). This reflects a loss of 354 jobs since 1991. During this period, the only segment of the cluster to show any employment growth was logging, which gained 149 jobs. The lumber and wood products industry cluster average annual wage was \$33,245 – higher than the County’s average at \$21,507 ([Table 3-6](#)).

Mendocino County’s economy has historically depended on the harvesting of timber, and the production of value-added wood products. For many years, logging and wood products manufacturing provided an excellent opportunity for high paying, blue collar jobs. In the past these jobs were relatively well paid and did not require extensive education or formal training.

The County’s economy is in a difficult state of transition caused by the decline of timber production and timber related jobs. The downturn of timber production has spread to a broad range of wood products occupations including foresters, timber fallers, choker setters, mechanics, truck drivers, millwrights, sawyers, planer operators, board handlers, log and lumber graders, and electricians, all of whom are forced to relocate, retire, or retrain in new career occupations.

SIC	Description	Employment		Change 1991 to 1999	Percent Change 1991 to 1999
		1991	1999		
08	Forestry	57	52	(5)	-8.8%
241	Logging	538	687	149	27.7%
242	Sawmills and planing mills	1,213	973	(240)	-19.8%
243	Millwork, plywood & structural members	99	292	193	194.9%
244	Wood containers	150	93	(57)	-38.0%
249	Miscellaneous wood products	535	294	(241)	-45.0%
3553	Woodworking machinery	226	82	(144)	-63.7%
5031	Wholesale Lumber	56	47	(9)	-16.1%
	Cluster Total	2,874	2,520	(354)	-12.3
	Total Jobs In County	22,677	27,223	4,546	20.0%
	Percent of County Total	13%	9.2%		

Source: Minnesota IMPLAN Group, ES202 Employment and Wage Data Series, 1991-1999.

SIC	Description	Earnings per Employee		Percent Change 1991 to 1999
		1991	1999	
08	Forestry	18,449	39,379	113.4%
241	Logging	31,711	31,166	-1.7%
242	Sawmills and planing mills	34,484	36,561	6.0%
243	Millwork, plywood & structural members	25,191	22,205	-11.9
244	Wood containers	29,659	25,454	-14.2%
249	Miscellaneous wood products	35,047	38,098	8.7%
3553	Woodworking machinery	38,823	37,569	-3.2%
5031	Wholesale Lumber	27,765	28,474	2.6%
	Cluster Total	33,672	33,245	-1.3%
	Total Jobs In County	21,208	21,507	1.4%

Source: Minnesota IMPAN Group, ES202 Employment and Wage Data, 1991-1999

An analysis of Mendocino County's economy showed that there was \$3.6 billion of economic activity in 1992. The timber and wood products industry produced \$419 million of output as shown in [Figure 3-13](#).¹⁰ Sawmills and reconstituted wood products were the most significant sources of industry output generated.¹¹ The industry continues to decline as described below.

- Wood products have declined as a component of Mendocino County's economy since the 1970's. In the early 1970's wood products comprised between 35 and 40 percent of all jobs. By 1999, wood products comprised less than 10 percent of all jobs ([Figure 3-14](#)).
- Timber sales retained their financial value between 1987 and 1996 despite the decline of board feet sold from nearly 430 million in 1987 to 275 million by 1996. However, more recent trends have shown declines in both production and their financial value ([Figure 3-15](#)).

The agriculture industry cluster consists of agricultural production—crops and livestock, specialized agriculture services, food processing, farm product storage and warehousing, and wholesale food distributors. Cluster employment accounted for 4,463 jobs in 1999, 16 percent of total employment. ([Table 3-7](#)). Agriculture production, specialized services, and food processing accounted for 90 percent or 4,023 of the total cluster employment. The cluster average annual wage for 1999 was \$24,266, slightly higher than the County's average at \$21,507 ([Table 3-8](#)).

Mendocino County's agriculture and food processing industry produces \$519 million of output, which now exceeds the timber industry's output. Wine production is the largest component of the agriculture sector with an estimated output of \$232 million. [Figure 3-16](#) demonstrates the dominance of wine grape production as the key component of Mendocino County's agriculture sector, as described below.

- Fifty-three percent of agricultural jobs are in either wine grape production or farm labor establishments working in the grape fields.

¹⁰ Industry output estimates were made by ADE using Implan's Mendocino County's input/output estimates. The tourism industry estimates utilized data presented by Dean Runyan Associates, 1999 for the State Office of Tourism.

¹¹ See [Appendix A, Table 1](#)

- Only 18 percent of Mendocino County’s agricultural jobs consist of tree fruit production, mostly pears and apples. The remaining agricultural sectors are limited such as livestock (4 percent), forestry (2 percent), commercial fishing (3 percent), landscaping (10 percent), and others.
- The traditional resource based industries of commercial fishing, forestry, and livestock account for less than 10 percent of agricultural production employment.

[Figure 3-17](#) provides additional indicators of the wine industry’s dominance of Mendocino County’s agriculture sector. The inflation-adjusted value of Mendocino’s wine grapes expanded from \$31 million in 1980 to \$83.1 million in 1999. In comparison, the value of pears and apples (the next largest crop categories) declined from \$24 million in 1980 to \$13.7 million in 1999, and the value of all other agricultural products (including tree fruits) declined from \$62.9 million in 1980 to \$44.5 million by 1999. Consequently, wine grapes have expanded their importance within the County’s economy so that the single crop is now more valuable than all other agricultural products combined (excluding timber).

[Figure 3-18](#) demonstrates that a single establishment dominates the wine industry. Mendocino wineries sold 4.5 million cases in 1996, and one establishment sold 3.5 million cases. The second and third largest establishments sold another half million cases. The remaining 30 small wineries sold less than 50 million cases. Moreover, a general industry “rule of thumb” indicates that economically healthy wineries sell more than 100,000 cases of wine per year.¹² With only three such wineries in Mendocino County, small wineries need to expand their market share by expanding marketing and production capacities.

Finally, value-added agriculture is a sizeable presence within Mendocino County’s manufacturing sector as shown in [Figure 3-19](#). Nearly one-fourth of all manufacturing jobs in Mendocino County consist of food processing and wine making. Mendocino County’s wineries create approximately 890 jobs, beer production facilities create 90 jobs, and specialty food processing creates 320 jobs.

Agriculture Industry Cluster Occupational Distribution

For the agricultural cluster, the occupational matrix for direct employment in the commodity production industries is not available, but relevant data exists for about two-thirds of jobs in the cluster. [Figure 3-20](#) indicates that 51 percent of the jobs are in agricultural occupations. It includes transportation and material moving (25 percent), production (13 percent), construction, extraction and maintenance (2 percent), and farming, fishing and forestry (11 percent). Service occupations accounted for 23 percent of the total cluster jobs. [Table 3-9](#) shows the cluster wage distribution by occupation. Some variation in wage levels by occupation type exists. For example, chief executive salaries in this cluster are much higher than those in management occupations, at \$92,734 and \$54,370, respectively. Business operations, human resources, and financial specialties earned on average \$41,136. Office administrative support occupations, production occupations, and transportation and material moving occupations earned an annual average wage of between \$26,000 and \$27,000. At \$39,165, construction, extraction, and maintenance occupation wages tended to be higher than professional and related occupations at \$35,839.

¹² Personal Communication, John Dickerson, Executive Director, Promotional Alliance of Mendocino County

TABLE 3-7
MENDOCINO CO. AGRICULTURE INDUSTRY CLUSTER EMPLOYMENT CHANGE 1991 TO 1999

SIC	Description	Employment		Change 1991 to 1999	Percent Change 1991 to 1999
		1991	1999		
	Agricultural production—crops	1,231	1,853	602	4.5%
0172	Grapes	n/a	1,222	1,222	n/a
0175	Deciduous tree fruits	n/a	364	n/a	n/a
0179	Fruits and tree nuts, nec	n/a	73	n/a	n/a
018	Horticultural specialties	n/a	18	n/a	n/a
019	General farms, primarily crop	n/a	75	n/a	n/a
02	Livestock, Animal specialties	n/a	101	n/a	n/a
	Agricultural Specialized Services	312	815	503	11.3%
072	Crop services	47	168	121	15.2%
074	Veterinary services	66	83	17	2.6%
075	Animal services, except veterinary	26	14	-12	-6.6%
076	Farm labor and management services	87	261	174	13.0%
078	Landscape and horticultural services unallocated	86	289	203	14.4%
	Fishing	72	76	4	0.6%
091	Commercial fishing	67	74	7	1.1%
092	Fish hatcheries and preserves	5	2	-3	-9.7%
	Food Processing	991	1,299	308	3.1%
201	Meat products	4	5	1	2.5%
203	Preserved fruits and vegetables	12	10	-2	-2.0%
204	Grain mill products	0	2	2	n/a
205	Bakery products	61	105	44	6.2%
2082	Malt beverages	79	90	11	1.5%
2084	Wines, brandy, and brandy spirits	572	890	318	5.0%
2086	Bottled and canned soft drinks	22	2	-20	-23.4%
2091	Canned and cured fish and seafoods	12	4	-8	-11.5%
2092	Fresh or frozen prepared fish	211	187	-24	-1.3%
2096	Potato chips and similar snacks	12	0	-12	-100.0%
2097	Manufactured ice	6	4	-2	-4.4%
	Farm Product and Wholesale Food	579	440	-139	-3.0%
4212	Local trucking without storage	306	219	-87	-3.6%
4226	Special warehousing and storage, nec	3	10	7	14.3%
5141	Groceries, general line	14	6	-8	-9.0%
5142	Packaged frozen foods	2	0	-2	-100.0%
5143	Dairy products, except dried or canned	13	19	6	4.3%
5148	Fresh fruits and vegetables	2	16	14	26.0%
5149	Groceries and related products, nec	89	91	2	0.2%
5181	Beer and ale	47	35	-12	-3.2%
5182	Wine and distilled beverages	72	25	-47	-11.1%
5191	Farm supplies	31	19	-12	-5.3%
	Cluster Total	3,185	4,463	1,278	3.8%
	Total Jobs in County	22,677	27,223	4,546	2.1%
	Percent County Total	14%	16%		

Source: Minnesota IMPAN Group, ES202 Employment and Wage Data, 1991-1999

TABLE 3-8				
MENDOCINO CO. AGRICULTURE INDUSTRY CLUSTER EARNINGS CHANGE 1991 TO 1999				
SIC	Description	Earnings per Employee		Percent Change 1991 to 1999
		1991	1999	
	Agricultural production—crops	n/a	\$25,756	n/a
017	Fruits and tree nuts	n/a	13,581	n/a
0172	Grapes	n/a	12,733	n/a
0175	Deciduous tree fruits	n/a	16,410	n/a
0179	Fruits and tree nuts, nec	n/a	11,952	n/a
018	Horticultural specialties	n/a	10,014	n/a
019	General farms, primarily crop	n/a	16,790	n/a
021	Livestock, except dairy and poultry	n/a	14,446	n/a
027	Animal specialties	n/a	15,710	n/a
	Agricultural Specialized Services	\$13,060	17,835	36.6%
072	Crop services	20,692	16,428	-20.6%
074	Veterinary services	13,540	13,425	-0.8%
075	Animal services, except veterinary	21,204	8,404	-60.4%
076	Farm labor and management services	4,509	13,827	206.6%
078	Landscape/horticultural services unallocated	14,710	23,996	63.1%
	Fishing	30,268	37,709	24.6%
091	Commercial fishing	31,677	38,249	20.7%
092	Fish hatcheries and preserves	11,392	17,741	55.7%
	Food Processing	21,305	24,182	-3.5%
201	Meat products	11,565	11,210	-3.1%
203	Preserved fruits and vegetables	14,532	9,262	-36.3%
204	Grain mill products	n/a	19,282	n/a
205	Bakery products	22,564	22,608	0.2%
2082	Malt beverages	16,928	24,597	45.3%
2084	Wines, brandy, and brandy spirits	26,250	27,039	3.0%
2086	Bottled and canned soft drinks	12,091	24,627	103.7%
2091	Canned and cured fish and seafoods	12,947	12,566	-2.9%
2092	Fresh or frozen prepared fish	11,835	12,935	9.3%
2096	Potato chips and similar snacks	14,390	n/a	n/a
2097	Manufactured ice	11,982	13,750	14.8%
	Farm Product and Wholesale Food	25,187	27,901	10.8%
4212	Local trucking without storage	27,167	31,347	15.4%
4226	Special warehousing and storage, nec	15,323	15,621	1.9%
5141	Groceries, general line	16,479	27,855	69.0%
5142	Packaged frozen foods	21,296	n/a	n/a
5143	Dairy products, except dried or canned	19,580	21,676	10.7%
5148	Fresh fruits and vegetables	18,200	20,569	13.0%
5149	Groceries and related products, nec	20,651	19,573	-5.2%
5181	Beer and ale	38,623	28,670	-25.8%
5182	Wine and distilled beverages	16,586	35,907	116.5%
5191	Farm supplies	26,202	34,995	33.6%
	Annual Average	\$13,171	\$24,266	84.2%
	Total Jobs In County	21,208	21,507	1.4%

Source: Minnesota IMPAN Group, ES202 Employment and Wage Data, 1991-1999

TABLE 3-9 AGRICULTURE AND NATURAL PRODUCTS WAGE DISTRIBUTION						
Occupational Title*	Employment		Change 1999 to 2006	Entry Level Hourly Wage	Mean Wage	
	1999	2006 (projected)			Hourly	Annual
Chief Executives	60	71	11	\$28.90	\$44.58	\$92,734
Management	199	233	34	\$15.00	\$26.14	\$54,370
Business Operations, Human Resources, Financial Specialist	37	42	5	\$13.30	\$19.78	\$41,136
Professional and related	65	79	14	\$12.36	\$17.23	\$35,839
Service	313	699	99	\$8.72	\$14.74	\$30,675
Office and Administrative Support	600	341	28	\$8.79	\$12.68	\$26,377
Farming, Fishing and Forestry	313	323	53	\$10.03	\$14.91	\$31,011
Construction, Extraction and Maintenance	270	61	4	\$12.88	\$18.83	\$39,165
Production	323	368	45	\$8.23	\$12.92	\$26,862
Transportation and Material Moving	641	710	69	\$8.23	\$13.01	\$27,060
Total**	2,565	2,927	362	\$12.64	\$19.48	\$40,523

Notes:

* The occupational title is based on the new classification, Standard Occupational Classification (SOC) Code

** Total employment does not include direct employment in the commodity production

Wage information is based on 2001 data

Source: <http://www.calmis.ca.gov>

The tourism industry cluster includes eating and drinking places, hotels and other lodging, and a variety of recreation, cultural, and amusement attractions ([Table 3-10](#)). The tourism industry cluster accounted for 6,660 jobs, or 24 percent of all the wage and salary jobs in the County. Considering the indirect jobs supported by tourism activity, the full economic impact of this cluster is likely much higher than the job figures in [Table 3-10](#) would indicate. The top growth occurred in lodging and recreation places, adding 765 jobs; this represents about 78 percent of employment growth between 1991 and 1999, or 6 percent per year. Eating and drinking places, supported in part by local residents as well as visitors, accounted for 2,387 jobs in 1999, followed by hotels and other lodging places with 1,238 jobs. In 1999, the tourism cluster average annual wage was \$14,780, lower than the County's average at \$21,507. The highest average pay within the cluster was for the transportation industry, at \$32,000 to \$34,000 ([Table 3-11](#)).

SIC	Description	Employment		Change 1991 to 1999	Percent Change 1991 to 1999
		1991	1999		
	Transportation	40	120	80	200.0%
451	Air transportation, scheduled	15	105	90	600.0%
472	Passenger transportation arrangement	25	15	-10	-40.0%
	Eating and Drinking Places	4,161	4,649	488	11.7%
533	Variety Stores	56	13	-43	-76.8%
539	Misc. general merchandise stores	134	126	-8	-6.0%
541	Grocery stores	1,107	1,180	73	6.6%
581	Eating and drinking places	2,072	2,387	315	15.2%
59	Miscellaneous retail	792	943	151	19.1%
	Lodging and Recreation Places	1,016	1,781	765	75.3%
701	Hotels and motels	944	1,238	294	31.1%
703	Camps and recreational vehicle parks	20	54	34	170.0%
7999	Amusement and recreation, (not elsewhere classified)	43	457	414	962.8%
842	Botanical and zoological gardens	9	32	23	255.6%
	Cluster Total	5,217	6,550	1,333	25.6%
	Total Jobs in County	22,677	27,223	4,546	20.0%
	Percent of County Total	23%	24%		

Source: Minnesota IMPAN Group, ES202 Employment and Wage Data, 1991-1999

It is estimated that in 1999 Mendocino County had a \$303 million tourism industry, dominated by coastal visitations. The inland communities along the State Route 101 corridor also serve an important niche in the County's tourism economy. A substantial amount of State Route 101 traffic utilizes commercial services in Hopland, Ukiah, and Willits. These communities have not historically been visitor destinations, and are challenged to attract the pass-through highway traffic.

A 1995 consultant report estimated that there were 650,000 visitors staying overnight along the Mendocino Coast.¹³ Visitors have a variety of coastal lodging options including upscale bed and breakfast establishments, moderate priced motels, vacation rentals, and campgrounds. Resort and lodging owners are trying to attract visitors during the weekdays and off-season periods in order to soften the boom and

¹³ See "A Market and Financial Analysis of a Proposed 18-hole Regulation Length Public Golf Facility in Mendocino County, California." Prepared by ERA, San Francisco.

bust cycle of visitor spending and to stabilize employment. During the peak summer periods it can be difficult to find available lodging along the coast. There is a limited supply of rooms and lodging owners find it difficult to obtain permits to expand or build new facilities within the Coastal Zone.

SIC	DESCRIPTION	Earnings per Employee 1991	Earnings per Employee 1999	Percent Change 1991 to 1999
	TRANSPORTATION	\$20,763	\$31,526	51.8%
451	Air Transportation, Scheduled	34,451	345,827	1.1%
472	Passenger Transportation Arrangement	12,550	8,414	-33.0%
	Eating And Drinking Places	14,851	14,759	-0.6%
533	Variety Stores	16,467	12,238	-25.7%
539	Misc. General Merchandise Stores	18,860	11,796	-37.5%
541	Grocery Stores	20,656	20,900	1.2%
581	Eating and Drinking Places	10,357	10,783	4.1%
59	Miscellaneous Retail	17,700	17,572	-0.7%
	Lodging And Recreation Places	11,865	13,704	15.5%
701	Hotels and Motels	11,847	11,828	-0.2%
703	Camps and Recreational Vehicle Parks	10,773	11,768	9.2%
7999	Amusement and Recreation (not elsewhere classified).	10,652	18,945	77.9%
842	Botanical and Zoological Gardens	21,936	14,683	-33.1%
	Cluster Average	\$14,315	\$14,780	3.2%
	Total Jobs In County	21,208	21,507	1.4%

Source: Minnesota IMPLAN Group, ES202 Employment and Wage Data Series, 1991-1999

Visitor spending by sector is displayed in [Figure 3-21](#) and can be summarized as follows.

- Visitors spend \$86.1 million at eating and drinking places. This type of spending ranges from fast food establishments to upscale restaurants along the coast.
- \$57.3 million is spent on recreational equipment rentals, services, golf, fishing, etc.
- \$60.3 million was spent on general retail sales, which includes all kinds of establishments, ranging from the large retailers in Ukiah to upscale art galleries in the village of Mendocino.
- Mendocino County visitors spend an additional \$15.9 million at food stores. Campers and vacation rental visitors purchase and prepare their own food locally, rather than eat out in restaurants.
- Visitors spend \$17.4 million on transportation services, primarily gas stations. The inland communities along State Route 101 capture a major share of this spending.

- \$66 million was spent by visitors on accommodations, which include campground fees, overnight lodging stays, and vacation rentals.

Key economic sector dependence on tourism spending in 1999 is displayed in [Figure 3-22](#) and described below.¹⁴

- Lodging establishments are highly dependent on visitor spending, as the area serves a minimal amount of business travel. Accommodations employ 1,292 people, of which 92 percent depend on visitor spending.
- It is estimated that 80 percent of Mendocino County's 2,387 eating and drinking establishment jobs are created by visitor spending.
- Other visitor serving retail such as art and gift shops account for 24 percent of other retail employment.
- Gasoline stations and auto repair services have a smaller number of tourism dependent jobs, with just one-third of the jobs in these businesses dedicated to serving tourists.

There are significant tourist segments other than overnight visitors to the Mendocino Coast ([Figure 3-23](#)).

- More than half (58 percent) of the \$303 million visitor spending came from overnight guests at bed and breakfast inns, motels, and vacation rentals. While the coastal area attracts the majority of overnight guests, there is also a supply of lodging establishments along the State Route 101 corridor.
- Day travelers comprise 21 percent of visitor spending. This includes all Mendocino County spending by visitors traveling the State Route 101 corridor, as well as any day visitors traveling along the coastal highways.
- Eleven percent of Mendocino County's visitor spending comes from campers. This visitor segment is more outdoor recreational oriented, spends less on lodging, and many prepare their own food. They spend more in local grocery stores, and less eating out.
- Ten percent of visitor spending in Mendocino County is from persons visiting friends and family who are permanent residents.

[Figure 3-24](#) also shows a \$94.8 million expansion of tourism spending in Mendocino County between 1992 and 2000. While this is a large increase in dollar terms, [Figure 3-25](#) indicates that the percentage growth of tourism in Mendocino County was below that for California as a whole. Between 1992 and 2000, tourism spending in Mendocino County expanded by 40 percent. In comparison, tourism spending in California expanded by 60 percent. Monterey, Napa, and Sonoma counties all matched or exceeded the State growth rate, while neighboring Humboldt County was lower at 33 percent.

¹⁴ See [Appendix A, Table 2](#) for more detailed data on visitor employment by industry.

ECONOMIC DEVELOPMENT TRENDS

Economic Opportunities, Constraints, and Observations

Persons interviewed for this Background Report generally thought that a healthy economy is essential to a high quality of life in Mendocino County. There is support for a strong County economic development function and support for a more diverse and balanced economy that weathers economic downturns.

Industrial Land

The *Ukiah Airport Industrial Feasibility Analysis* prepared for the City of Ukiah in 2001 concluded that, based on employment growth projections, industrial land would develop at a rate of about seven acres per year in Mendocino County as a whole.¹⁵ As of the end of 2002, it appears that about 280 acres would be available for reuse at the former Masonite mill facility (about 75 acres are in the Redevelopment Area). Section 2.0, Land Use includes an inventory of vacant industrially and commercially zoned lands throughout the County based on potential development reports based on Assessor's Parcels correlated with zoning. However, improved parcels such as the Masonite property are not counted.

Commercial Space

Development within unincorporated areas is typically not as dense or compact compared to areas within cities, resulting in significant opportunities for infill and use of underutilized land. Economic productivity and infill can be accomplished by ensuring an adequate supply of commercially zoned land exists within the core areas of each community, overcoming infrastructure deficiencies, and using the County's redevelopment powers. Policies to encourage infill or reuse, along with financing mechanisms, can be useful tools to more efficiently use available land. As above, Section 2.0, Land Use provides an indication of existing vacant commercial parcels.

Grape Production

The conversion of agricultural land from grazing, pears, and other crops into vineyards is slowing due to the statewide glut of grapes for wine production. Vineyards are expensive to develop (\$6,000 per acre and up) due to length of time to production and capital outlay for land and preparation, planting stock, water systems, trellises, etc. Water availability or production cost is a constraint to agriculture in many areas of the County. Residents may also have concerns over environmental issues, spraying, dust, conversion of native vegetation, wildlife habitat, and viewsheds, etc. Tourism is often not adversely affected by new vineyard conversions, and may actually be enhanced as a picturesque backdrop to local communities.

While wineries and related processing often locate on the same ownership as the vineyards, some facilities located within agricultural areas process grapes from a variety of growers, while others locate in industrial areas in the County. Grapes are also sent out of County for processing. A trend to tasting rooms accompanying onsite wineries has been seen in Anderson Valley and to a lesser degree along the State Route 101 corridor in southern Mendocino County as an attraction to tourists. Centralization or consolidation of processing in locations with existing facilities or on industrial land may present an opportunity to maintain this value-added function in the County, with the possibility of attracting imported grapes—especially as agricultural operations become more expensive or regulated in other urban areas. Wine production activities not directly associated with farm operations or tourism could be encouraged to locate on industrial land.

Public Sewer and Water Systems

Public water and sewer systems are basic components of commercial and industrial development. A full two-thirds of the County's residents live in unincorporated areas, many in or around the small

¹⁵ Applied Development Economics, *Ukiah Airport Industrial Feasibility Analysis*, 2001.

communities or adjacent to the cities. Even so, a number of the larger unincorporated towns, as well as most of the smaller communities, lack public water or sewer systems, or both. Section 7.0, Community Facilities and Services, and Section 4B, Water Supply and Wastewater, of this report provide more information. Lack of one or both services can translate into lower densities, higher land capital outlay, operation and maintenance costs, inefficient land use, supply and distribution issues, issues relating to environmental contamination or constraints, or inability to conduct certain activities. The Laytonville Area Municipal Advisory Council is investigating a community sewer system to remedy existing problems, and the 'Caspar Community' has identified a community water system as one of its priorities. Even in areas with public services, service providers and future customers may experience short or long term supply or distribution problems. Water rights (supplies) are an issue in the Ukiah-Redwood Valley areas. Since housing affordability depends in large part on density, public water and sewer systems could make housing costs more affordable and also encourage new growth in employment centers rather than outlying areas.

Other Service Districts

In addition to school districts, most communities in the County are served by a variety of independent service districts which may include community services district supplying a range of services, fire protection, cemetery, highway lighting, emergency service related and others.

Airports

The six general aviation public use airports in the County include Ukiah Municipal Airport in the City of Ukiah, Ells Field (owned and operated by the City of Willits), Round Valley and Little River (County), Boonville (Anderson Valley CSD), and Ocean Ridge (privately owned, near Gualala). Community airports often support aviation-related uses and light industry. These airports also support emergency service and public protection functions. Commercial freight carriers and rental car services operate at the Ukiah Airport. With the exception of the Ukiah Airport, economic development efforts at or near the Round Valley, Little River, and Ells Field airports are most likely due to available area, existing activities, and adjoining land use compatibility.

Rail

Current rail service in Mendocino County is limited to the tourist operation known as the Skunk Train. Existing rail is available through rights of way along US 101 connecting the Bay area with Humboldt County, with branches along the Noyo (Fort Bragg to Willits) and Eel Rivers (Longvale north to Humboldt County). Originally laid to support the logging industry, service is now curtailed pending renovation of the line. In addition to again bringing rail to much industrial land throughout the County, potential future uses for rail include tourism, passenger train, commerce, as well as ancillary uses of the right of way for the "rail trail." Tourism in the cities of Willits and Ft. Bragg benefits from the Skunk Train. The Mendocino County Museum in Willits complements this use with its railroad collection. The City of Ukiah is planning to renovate the train station and implement a rail trail.

Local Planning Assistance

When catalyzed by critical or local issues, citizens and organizations in the County have tackled planning and community betterment efforts, ranging from town plans and infrastructure projects to community design. The Gualala and Laytonville Area Municipal Advisory Councils appointed by the County are just two of many standing and ad hoc committees and organizations. The number of local community plans administered by the County appears to be increasing, as described in Section 2.0, Land Use.

Indian Gaming

Indian casinos are located near Laytonville, Willits, Redwood Valley, and Hopland. Because of the unique sovereignty of Indian tribes, these establishments do not provide local property or sales tax. While

these casinos currently lack full-service restaurants and lodging, they provide a form of indoor entertainment that attracts tourists that bring additional revenues to nearby communities. The potential to expand or augment facilities within the existing Reservation/Rancheria boundaries or on other acreage petitioned for Federal trust status exists. For example, the Coyote Valley Rancheria proposed in 2000 to bring 13 contiguous acres into Federal trust.

Other Activities

Other pro-economic development activities within the local communities, County and regionally include downtown and building renovations; beautification and revitalization; improved social services; work by chambers of commerce and others to promote businesses, festivals, and events, and the region generally; and the enhancement of recreational, cultural and natural resource assets for local appreciation and as an attraction to tourism. These and the many other activities can improve the quality of life for local residents and improve the community's attractiveness to tourists and business owners.

COMMUNITY FOCUS AREAS

The County can generally be divided into the coastal, southern, and northern economic regions, each with many issues in common, but also many differences. [Table 3-12](#) outlines key economic priorities for communities with more than 1,000 residents and two or more commercial establishments ([Figure 3-26](#)). [Appendix A](#) tabulates the number and type of businesses located in each community.

The heavy outline areas in [Table 3-12](#) represent regional concentrations. Promoting these priorities will enhance economic diversity, which is healthier than the County's former reliance on a single industry.

Round Valley/Covelo Area

Covelo, a remote community in Round Valley, is located an hour northeast of Willits at the end of State Route 162, 17 miles east of State Route 101. With a population of about 2,400, half of which live on the Round Valley Indian Reservation, this community has limited short-term economic potential. Covelo's residents continue to make their living grazing sheep and cattle, raising horses, growing crops such as alfalfa and pears, and/or working for the government. The Indian health clinic is the largest employer.

Round Valley is a picturesque location as a Western Gateway to the Mendocino National Forest. Hunters, fishermen and hikers are the primary visitors to the area. Covelo has the potential for limited additional tourism if the local parks add more campgrounds and other facilities. There also appears to be a chance to develop a ski resort in the mountains, which if developed would draw additional tourists.

Covelo has a fully developed industrial park, patterned on the European live-work model, with seven industrial lots and nine home sites, plus existing space for lease. The community's remoteness limits its attractiveness to new industry. Skilled labor would also have to be imported. The park owner operates a machine shop.

The small downtown has the potential for limited commercial expansion to support the local population. A community center/community theater project has been proposed by local residents.

Community	Agriculture Wine	Timber	Tourism	Retiree Pressure	Fishing	Agriculture Other	Government
<i>Coastal</i>			<i>1</i>	<i>2</i>	<i>3</i>		
Gualala			1	3	2		
Point Arena			1	2	3		
Mendocino			1	2			
Fort Bragg		2	1	3	4		
<i>Southern</i>	<i>1</i>	<i>3</i>	<i>2</i>				
Hopland	1		2				
Boonville— Navarro	1		2				
Ukiah	X	3	3	2		X	1
Redwood Valley/ Calpella	2	1*	X	3			
Willits		1*	2	3			X
Potter Valley	2					1	
<i>Northern</i>		<i>2</i>	<i>1</i>			<i>3</i>	
Laytonville/ Branscomb		1	2				
Leggett		2	1				
Covelo						1	2

Notes: Incorporated cities include the unincorporated surrounding areas.

1-3 = relative importance, X=significant component of economy

*Other manufacturing is an increasingly significant component of this community, increasing slowly as timber dependence declines.

Sewer capacity provided by the Covelo CSD is limited. The sewer plant can be upgraded if significant infiltration is controlled and pond leaks fixed. A CDBG Planning Grant is in preparation to study the sewer situation. Water supply is constrained by high iron and sulfur content, which is acceptable for agriculture and marginally acceptable for human and commercial use. A 900-foot well drilled by the US Army Corps of Engineers is available for service if needed.

Potter Valley Area

The community of Potter Valley is in a rural valley northeast of Ukiah. It is accessed via State Route 20 between Ukiah and Lakeport. The Valley suffered a lumber and pallet mill closure in the early 1990's. Since then, the community of about 2,000 is slowly recovering. Currently the economy is based on agriculture. A small number of organic farmers are gaining a reputation for their products.

The Valley is another gateway to the Mendocino National Forest and to Lake Pillsbury. While Lake Pillsbury has four campgrounds, its water level fluctuates dramatically and is not navigable year-round.

Laytonville Area

Laytonville is the northernmost community along State Route 101 with significant commercial activity in Mendocino County. Many of the community's residents work at the Branscomb mill. There is also a local Indian Casino and active Rancheria. A noted boot maker and lumberjack supplier is expanding in town,

and will be vacating its key building on State Route 101. Undeveloped land with industrial potential exists along State Route 101 both north and south of town.

Discussions with local business people point to demand for additional commerce in Laytonville. Retail services in Laytonville have been limited. However, when the Willits bypass is constructed, Laytonville will become a more convenient stopping point on State Route 101 on the way to Garberville or points south.

Laytonville, an active community interested in the social welfare of its residents, has worked through the Laytonville Municipal Advisory Committee to prepare a Community Action Plan and Downtown Development Plan, including efforts to build a new high school, among other community improvements. Policies to encourage business development along State Route 101 frontage coupled with rezoning where appropriate and coordination with Caltrans to improve traffic and pedestrian safety in downtown Laytonville could be effective. Most of the town is in the Laytonville County Water District and there is an active effort to create a sewer system to remedy water quality problems from use of septic systems. Houses must be built on alternating lots to accommodate septic systems, limiting development potential of the community.

Willits Area

Willits is a City whose expansion is constrained by wetlands to the east and north, and hilly terrain to the west and south. Most of the available commercial and industrial land in the area is within the City limits. Willits supplies public sewer and water services; its sewer treatment facility also serves the Brooktrails Township northwest of the City.

The City of Willits has three industrial areas. The industrial park on State Route 20 includes timber-related uses, recycling operations (including a solid waste transfer station), and multi-tenant development (incubator space). An elementary school and Indian Rancheria with casino are accessed through the industrial park. The second area located at the east edge of town (Shell Lane, *et. al.*) with expansion potential has attracted some specialty, high technology, and light industrial enterprises. This type of industry represents the future for manufacturing in the County. This attractive industrial cul-de-sac is built-out and over 53 acres are available for future development. A third industrial area to the northeast includes several businesses as well as the City's sewer plant. This area also has plenty of vacant land for future expansion.

The City of Willits has a large number of commercial establishments along State Route 101 including its share of national chains, a significant downtown, and overnight lodging. However, there is currently little commercial development outside the City limits. The Willits freeway bypass will include two interchanges outside the City limits. Both will be constrained by topography, but will probably have some commercial development potential.

Two notable industrial parcels located outside the City limits include an operating Mendocino Redwood stud mill about a mile to the north and a closed millsite west of the City south of State Route 20. Also located in the unincorporated area north of Willits is the Brooktrails Township, which was developed as a 6,000 lot rural residential subdivision. The Brooktrails Specific Plan calls for a reduction in number to around 4,000 lots. A small commercial center, golf course, and Ells Field airport provide amenities.

Redwood Valley and Calpella Areas

Redwood Valley and Calpella are two small communities just north of Ukiah on State Route 101, about 1.5 miles from each other. Both are communities with significant working-class residents and commuters to jobs in Ukiah. Their combined population, including surrounding areas, is 6,500 to 7,000. There has

been more than a decade long moratorium on new water hookups from the Redwood Valley County Water District, although wells are being utilized. There is no sewer system in Redwood Valley. Redwood Valley supports eight wineries, and much of the Valley's agricultural land is being converted into vineyards.

Both communities have active lumber mills. Each has a small downtown, which includes a market and other commercial activity. Redwood Valley's downtown has a small industrial site in need of rebuilding. Downtown commercial revitalization efforts would be useful in providing more attractive and vibrant communities especially for local residents. Calpella is in the proposed County Redevelopment Plan Project Area 1.

Though Redwood Valley and Calpella have freeway frontage, transportation to and from the communities is generally indirect; neither downtown is visible from State Route 101.

Ukiah Valley Area

North State Street and The Forks

Much of the productive industrial land in the Ukiah Valley area is located north of the City limits, including the former Masonite plant, a significant number of small service commercial establishments, manufacturers, and retailers of various sizes.

North State Street has developed with intermingled and mixed uses, including housing, large and small retail, service commercial, and heavy and light industrial activities. Several light industrial condominiums and developments exist in this area. Space is available for lease by startups such as at the Carousel Industrial Park in The Forks area. The Forks area has a number of secondhand stores intermingled with newer and more modern facilities. This area appears to have developed over time without the application of strict land use or design standards. Much of the land is underutilized with significant infill opportunities. The potential for reuse of the vacated Masonite industrial site adds 280 acres, with significant water rights, to the area's industrial land inventory (75 acres in the Redevelopment project area). A new housing tract (125 lots) south of Lake Mendocino Drive, within this area, is building out.

Masonite Plant

Historically, closed mills and military bases make large tracts of land available for reuse in a business climate that favors smaller developments. In these cases, a sole business enterprise can seldom be found, leading to the establishment of separate buildings, parcels and/or facilities ownerships or leases over time. Whether this occurs under a master plan, or strictly subject to market conditions, may be influenced by the County. A strategy for eventual reuse could include a master plan and environmental document for the site that responds to County and community goals and economic climate, including:

- Demolition of structures that pose a hazard.
- A site remediation plan and mitigations for areas of toxic contamination, floodplain, and other constraints.
- Design standards for attractive and functional development.
- Consider the potential for a mix of uses, parcel sizes, and ownership patterns including manufacturing, retail (the site is at an interchange and has good freeway visibility), and multi-family housing.
- Develop an ownership structure and financing strategy to speed redevelopment of the site.

Redevelopment

North State Street appears to be an excellent area for redevelopment and the North Ukiah Area is within proposed Redevelopment Plan Project Area 1. As the tax increment builds in the Redevelopment Area¹⁶ its borrowing power and accumulated cash can be used to make the area more economically productive.

Brush Street Triangle

The Brush Street Triangle is a large essentially level undeveloped area of 75 acres zoned light industrial, with excellent freeway visibility, near other retail shopping and the fairgrounds. Other uses in the area include light industry, undeveloped land within the City, and older housing. Annexation by the City of Ukiah has been discussed. The City of Ukiah's General Plan calls for a looped road from Orchard Avenue to Brush Street, which will enhance suitability for a variety of uses including commercial and residential. The area is proposed for commercial uses in the County's Draft Ukiah Valley Area Plan, which also proposes a Brush Street/State Route 101 interchange. Potential flooding, water availability, circulation, and other issues would need to be addressed.

South State Street

South State Street, south of the Ukiah City limits, also appears to be a favorable location for Redevelopment Plan projects. The area includes multi-family housing, light industrial, and commercial development. This area includes Norgard Lane south of the Ukiah Municipal Airport. South State Street is a former motel row, and portions may be considered blighted. Most of the former motels have been converted into transient and low-income units. However, the former Deep Valley Shopping Center is being transformed into a new elementary school and Valley community center.

Talmage

Talmage is a small agrarian community located about a mile east of central Ukiah, east of the Russian River. It encompasses rural housing and convenience services. Heavy commercial and industrial uses such as an aggregate supplier and truck repair are located to the west. The City of Ten Thousand Buddhas' university and religious center occupies the former State Hospital site and was approved in 2002 for expansion on adjacent lands to the north. Talmage currently has limited commercial or industrial development opportunities, and could remain a rural housing area. Employment growth at the university could be encouraged. The Draft Ukiah Valley Area Plan supports retention of the rural agrarian character of the community.

Hopland Area

Hopland, ten miles south of Ukiah on State Route 101 in the Sanel Valley, is an attractive gateway to Mendocino County. Its mix of establishments, largely wine industry related, cater to tourists. A solar "living center" is also located at the entrance to Hopland. The town has renovated many of its old buildings into retail establishments, and continues the process. The Indian casino located three miles east of town may have expansion potential. There is a small lumber mill in town, and additional industrial land along Feliz Creek that can be developed as long as flooding is mitigated. Old Hopland, a rural agricultural center with a mix of commercial and residential use types, is located to the east.

The State Route 101 Hopland bypass will affect Hopland's commercial downtown. The bypass could be designed to encourage travelers to stop, with easy on-off ramps and maximum visibility from the freeway.

Hopland is also a significant agricultural area. Fetzer, the largest wine producer in the County and a significant employer, is headquartered there, as are most of its operations. The University of California's agricultural research Hopland Field Station is also located nearby.

¹⁶ The project area generally includes North State Street between Ukiah and Calpella.

Anderson Valley/Boonville Corridor

The Anderson Valley corridor along State Route 128 provides the fastest route from the Bay Area to Fort Bragg on the coast. Public water and sewers do not exist. The valley has a burgeoning wine industry with eleven wineries and many vineyards. Boonville, the largest town in the valley, has a microbrewery, the County fairgrounds, several markets, offices, restaurants, and a hotel, all of which serve tourists as well as the local population of 2,000. Anderson Valley has room for more vineyards – albeit at the expense of grazing land and orchards, and the potential to expand its tourist serving and commercial services. Philo and Navarro are smaller communities also with potential for commercial development. Philo is the site of an operating lath mill. Navarro, a small enclave, marks the west end of the Anderson Valley and the beginning of the scenic coastal redwoods.

Town of Mendocino

Mendocino is an historic town on the bluffs above the Pacific Ocean. Mendocino includes a number of historic structures that have been renovated, and a number of new structures built with a similar historic theme. Reminiscent of Point Reyes and other quaint coastal towns, the town has no industry other than tourism. A plethora of hotels, motels, and bed and breakfasts served an upscale tourist clientele. Many businesses close during the off-season. Mendocino has often been used as a movie or television setting.

The community is within the Coastal Zone, subject to coastal regulations and the Mendocino Town Plan. Much of the town is within a Historic District, and its detailed planning will be a subject for a future Local Coastal Plan update. Maintaining the historic character, tourism promotion, business-friendly policies, while retaining residential occupancy, are strategies for this community.

Point Arena Air Force (Radar) Station

The Point Arena Air Force station, previous home of the 776th radar squadron, is 9 miles east of Point Arena at the end of Eureka Hill Road. This relatively isolated 82 acres has limited potential for commercial real estate development. It currently lacks a sewer treatment plant. Possible uses include a civilian satellite tracking station, minimum-security prison, park or recreational, or educational use. Congress has authorized the Secretary of the Air Force to convey the base to Mendocino County, assuming the base would be used for “municipal and other public purpose.”¹⁷ If sold or exchanged by the County, proceeds must likewise be used for municipal and other public purpose.

Fort Bragg Area (unincorporated parts)

Most of this area is in the Coastal Zone. Fort Bragg’s economy is largely based on tourism. The Georgia-Pacific sawmill established in 1885 recently closed, in November 2002, leaving the prime coastal acreage located in the City presumably available for reuse.

The State Route 1 corridor north of town towards Cleone is a significant light industrial area. The area includes a number of supplier industries, some of which may be affected by the mill closure, leaving additional vacancies.

The area south of Fort Bragg along State Route 1 is a classic commercial strip of the type commonly found in coastal tourist towns. This commercial area has opportunities for infill and for more efficient uses of the developed land. Infill and redevelopment would be enhanced if the area had public sewer, perhaps via an agreement with the City of Fort Bragg or by the creation of an independent sewer district.

Caspar is a primarily rural residential enclave. A local group, Caspar Community, is developing a town plan to preserve and enhance the quality of life in Caspar by identifying and protecting significant

¹⁷ Congressional military appropriations for fiscal year 2001.

resources, developing walking and bicycles paths, and creating a public water system based on the existing water system developed by the Caspar Lumber Company.¹⁸

Retirees and tourists find Fort Bragg and other communities on the Mendocino coast attractive as retirement and vacation homes. There is demand to build upscale housing, golf courses, and other amenities for retirees. These amenities are coincidentally attractive to tourists. Retirees also bring with them the assets earned during their working careers and in some cases a desire to make investments in the community.

The combination of conversions to vacation rentals and retirement homes has created a high demand for housing, and has contributed to a shortage of housing. In addition, service employment wages are far below housing costs. This housing shortage is critical in Fort Bragg and other coastal communities.

Although commercial fishing is limited, Noyo Harbor is the only commercial port between San Francisco and Eureka. This unincorporated nook surrounded by Fort Bragg is within the Noyo Harbor District. The harbor is a viable tourist destination in its own right, complete with party boats, restaurants, and a motel. The County's Coastal Plan provides that maintenance of the declining commercial fishing industry is the highest priority. Adequate infrastructure for both the fishing industry and for tourist attractions should be maintained with as few conflicts as possible. The harbor is supplied public sewer and water via an agreement with the City of Fort Bragg.

3.6 RELATIONSHIP TO THE GENERAL PLAN

- The General Plan update process is an opportunity to examine a comprehensive, systems approach to achieving economic development objectives.
- The decline of natural resource based industries, particularly timber and fishing, requires a continuing effort to diversify the County's economy. The General Plan process can assist in defining land use-related needs and policy to support diversification.
- Telecommunications-based industries can overcome some of the economic disadvantages of rural location. Local actions to attract and facilitate investment in telecommunications infrastructure by both the telecommunications industry and business could be examined.
- Sufficient land to accommodate the projected commercial, industrial, residential, and infrastructure needs of each community should be identified and designated based on the preferred development alternative.
- Planning for infrastructure development and financing to support business (and workforce) growth is crucial for successful economic development, as well as funding applications.
- The multiplicity of service and assessment districts may present confusing and potentially inefficient service delivery systems to new businesses looking to locate in the County. Land use, service delivery, and inter-jurisdiction coordination may also benefit permitting, cost and service efficiencies.
- The quality of commercial and industrial development is important to many businesses potentially locating in Mendocino County. Still, many commercial and industrial sites are unattractive or resemble blighted areas. Redevelopment plans, development standards, and community programs are some ways to promote attractive yet cost-efficient development patterns and designs.

¹⁸ Judy Tarbell, Caspar Community, Letter to Mendocino County, September 6, 2002.

- The wood processing sites that have closed present significant redevelopment, reuse, and infill opportunities.
- A diverse and economically balanced housing supply is essential to retain, expand and attract businesses and workforces.
- The expansion of value-added agricultural and tourism clusters will continue to generate significant job and local revenue growth. Ways to resolve conflicts (i.e., traffic, water availability, wastewater disposal, workforce housing, and community change) and facilitate sector growth could be examined.
- The evolution of the telecommunications industry will continue to generate home-based business and telecommuting opportunities. The implications of this trend on the economy, community, and infrastructure could be examined.

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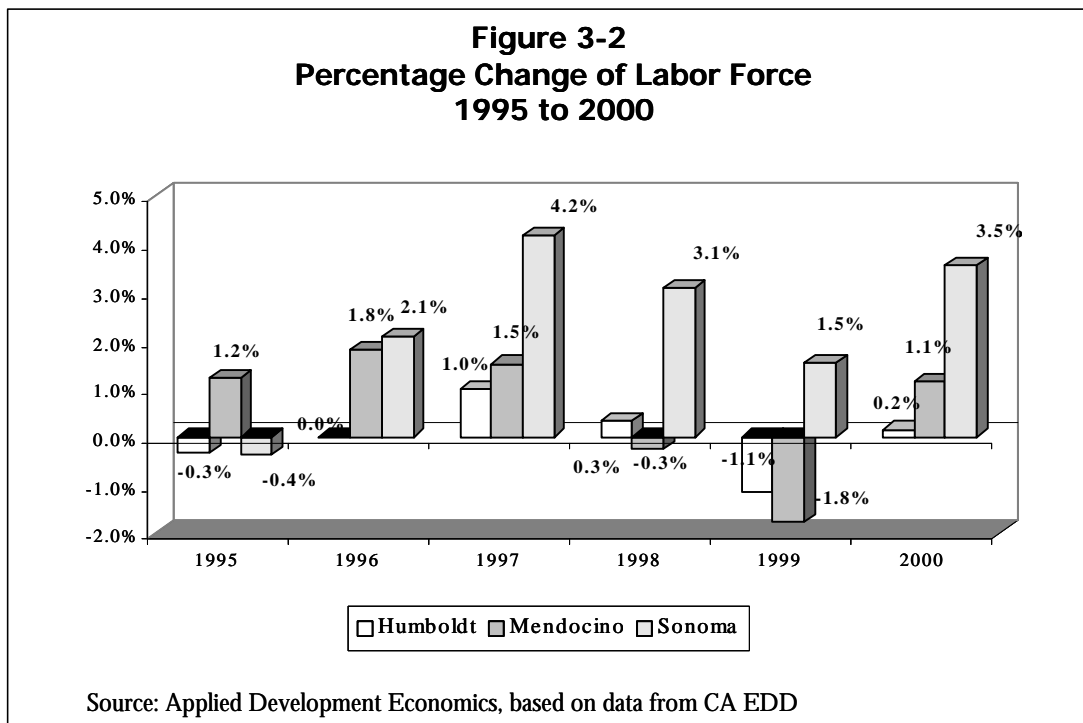
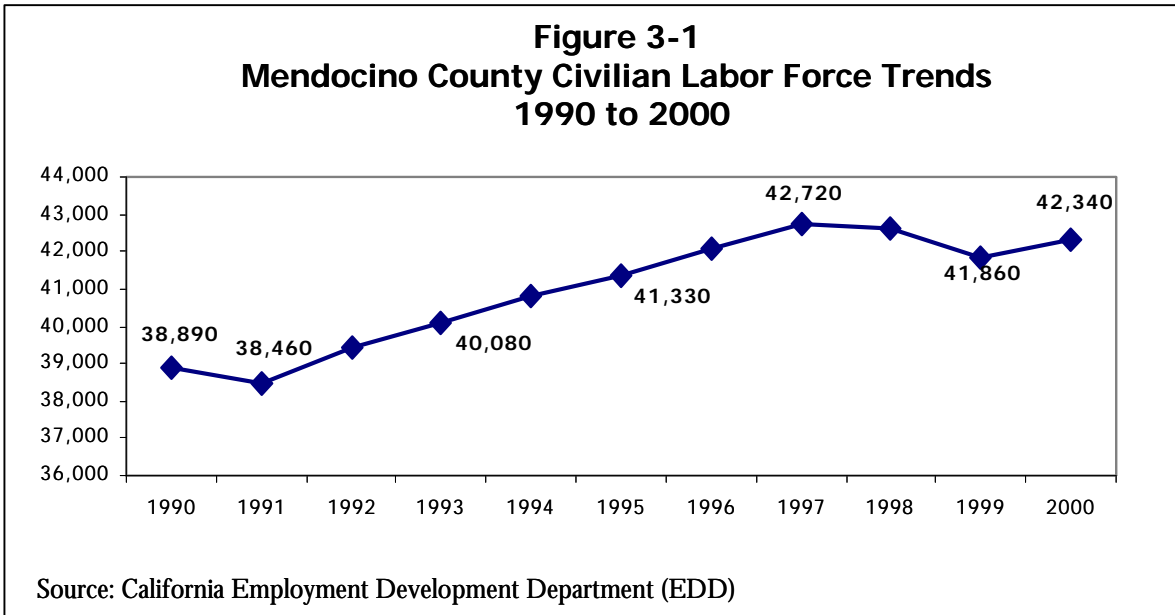
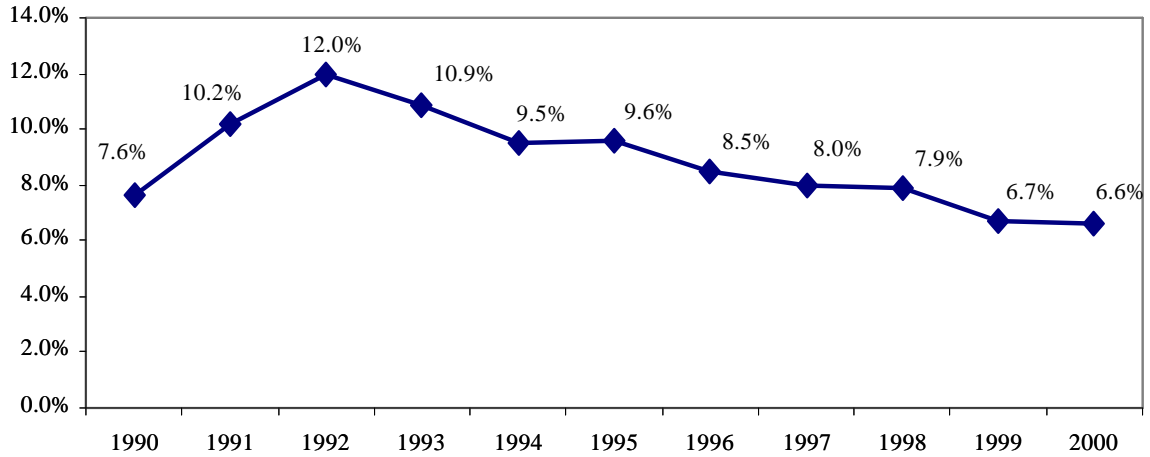
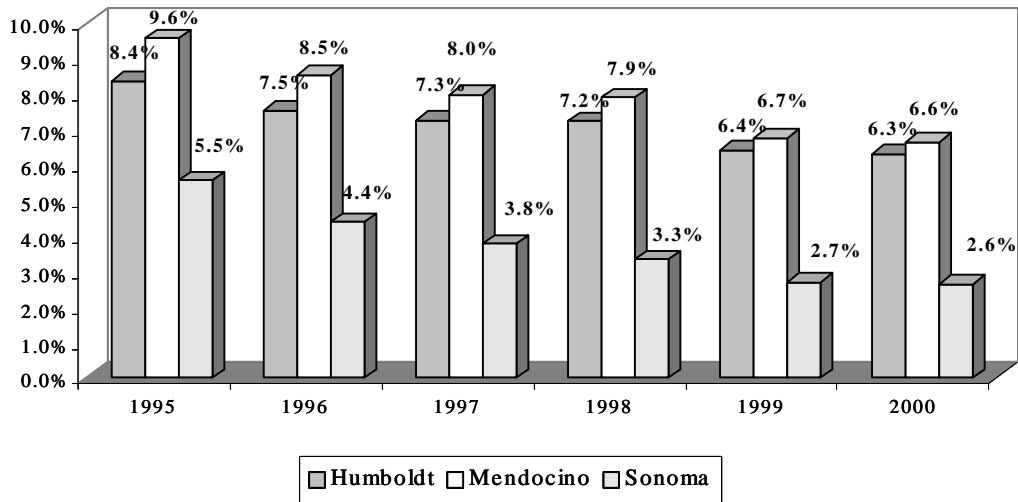


Figure 3-3
Mendocino County Unemployment Rate Trends
1990 to 2000



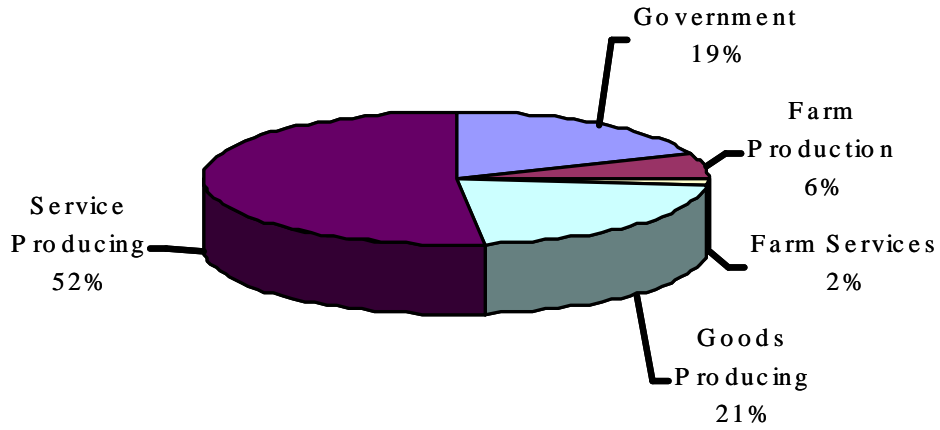
Source: California Employment Development Department

Figure 3-4
Regional Unemployment Rate
1995 to 2000



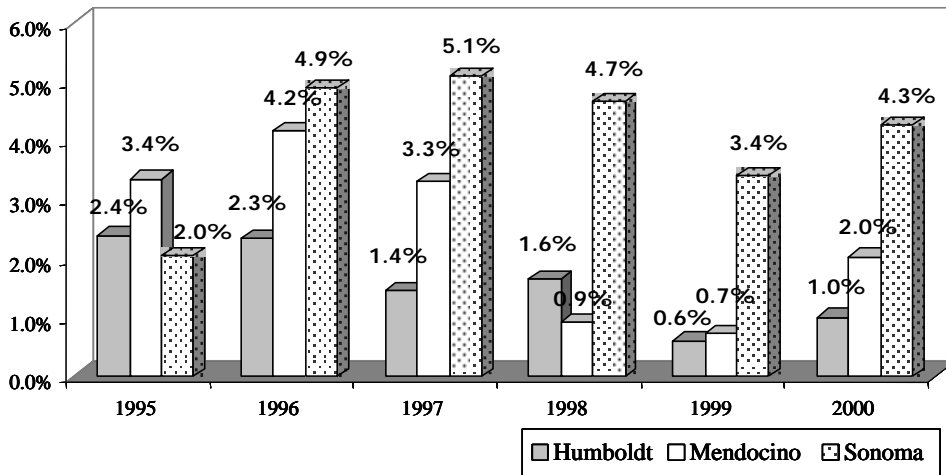
Source: California Employment Development Department

Figure 3-5
Mendocino County Employment by Major Production Sector
(2000 Annual Average: 32,700)



Source: EDD's Labor Market Information Division, March 2000 Benchmark

Figure 3-6
Regional Total Employment Percent Change
1995 - 2000



Source: EDD's Labor Market Information Division, March 2000 Benchmark

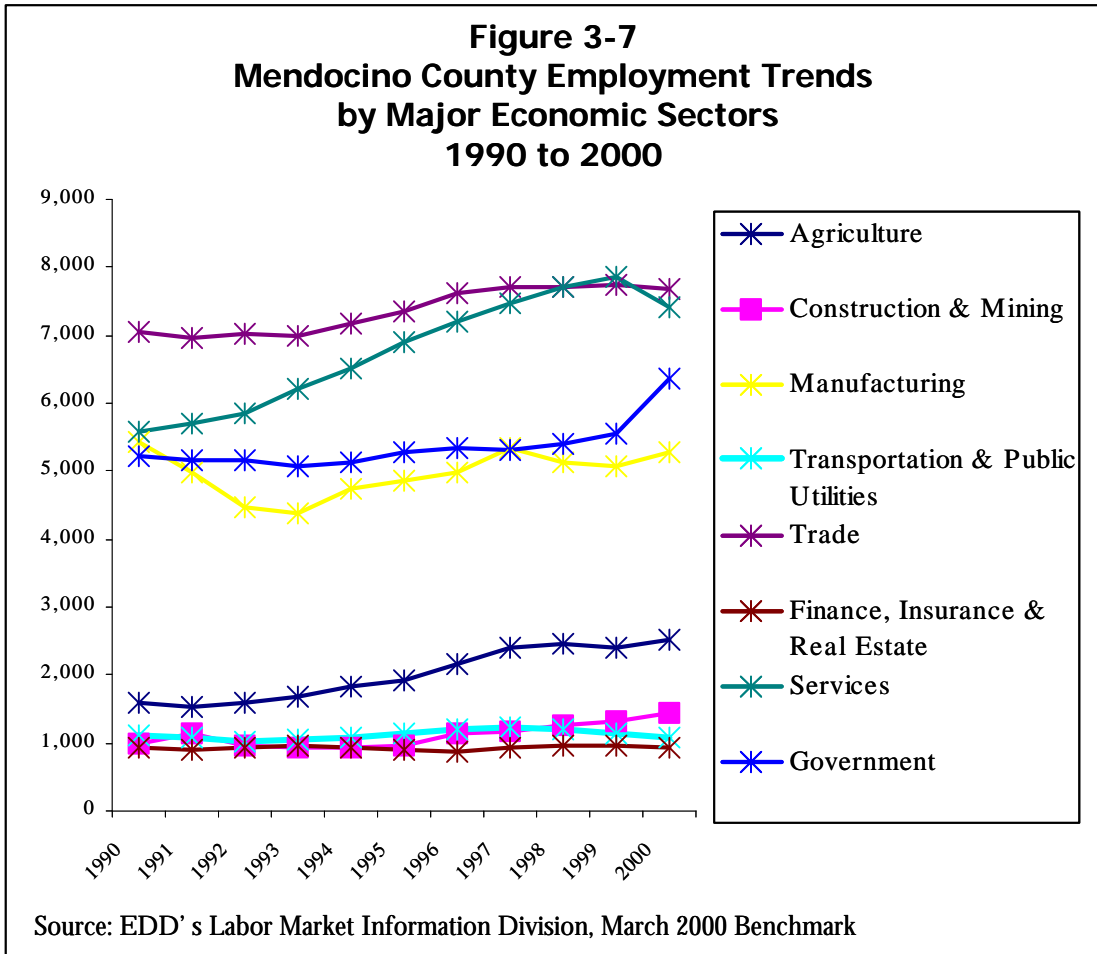
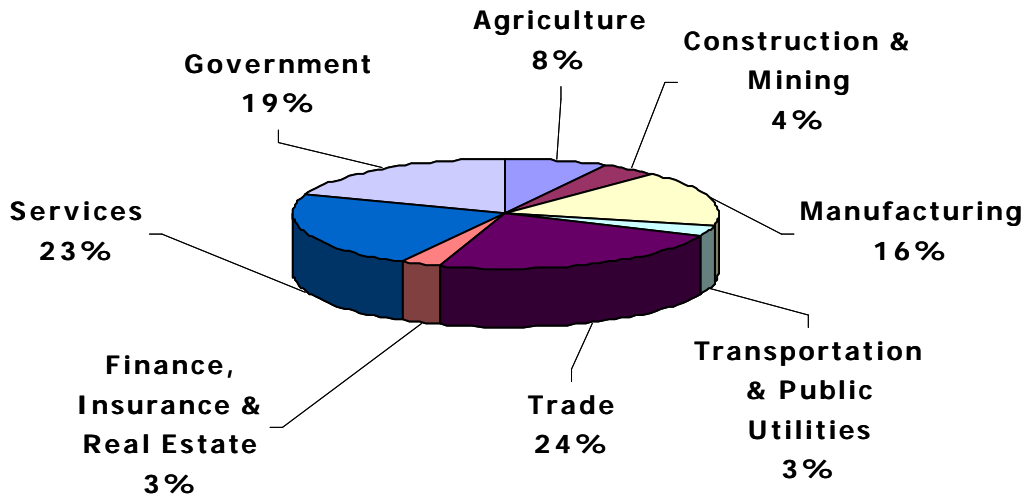
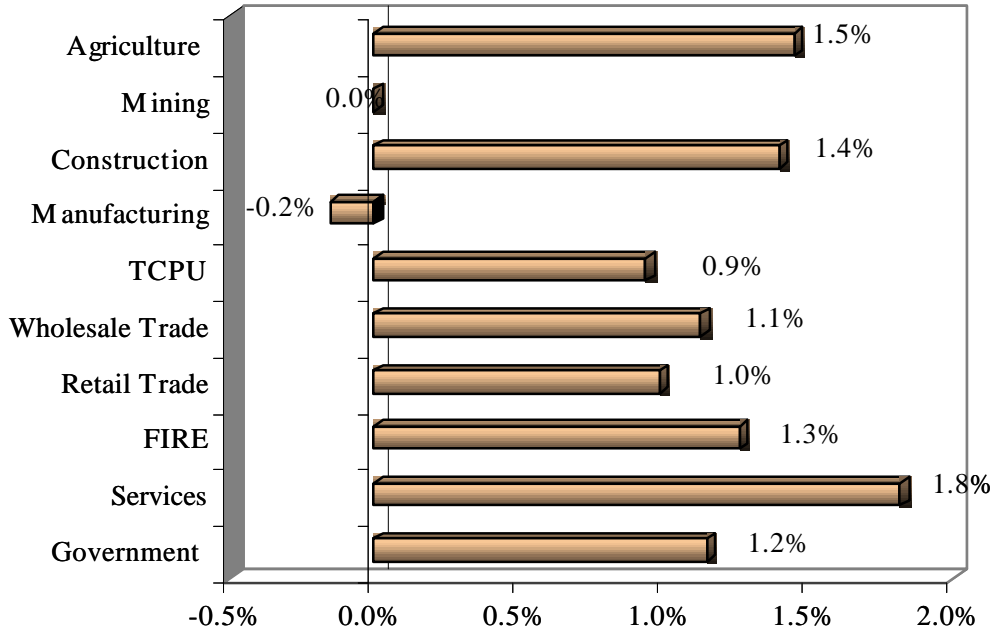


Figure 3-8
Mendocino County Employment by Industry
2000 Annual Average (Total: 32,700)



Source: EDD's Labor Market Information Division, March 2000 Benchmark

Figure 3-9
Mendocino County Projected Employment Growth Rate
2000 to 2020



TCPU denotes transportation, communication and public utilities.

FIRE denotes finance, insurance, and real estate.

2000 to 2020 projected based on 1998 data

Source: Woods & Poole Economics, Washington D.C.

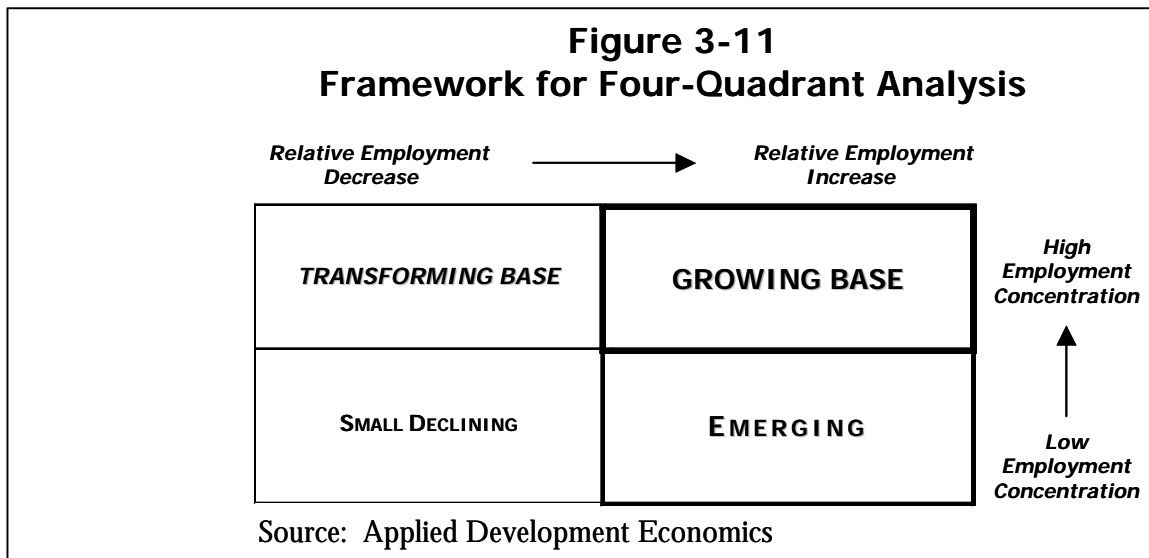
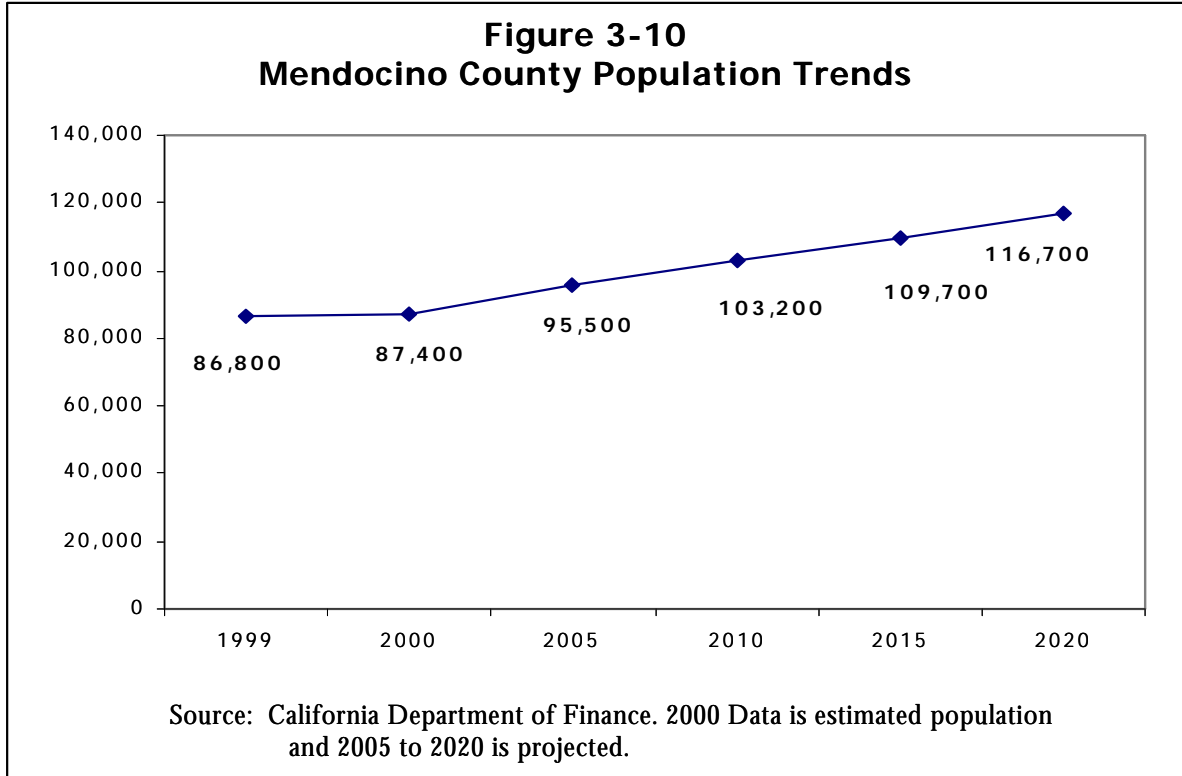


FIGURE 3-12
COMPARISON BY LEVEL OF INDUSTRY SPECIALIZATION AND COMPETITIVENESS
(Benchmark California, 3-digit level 1991-1997)

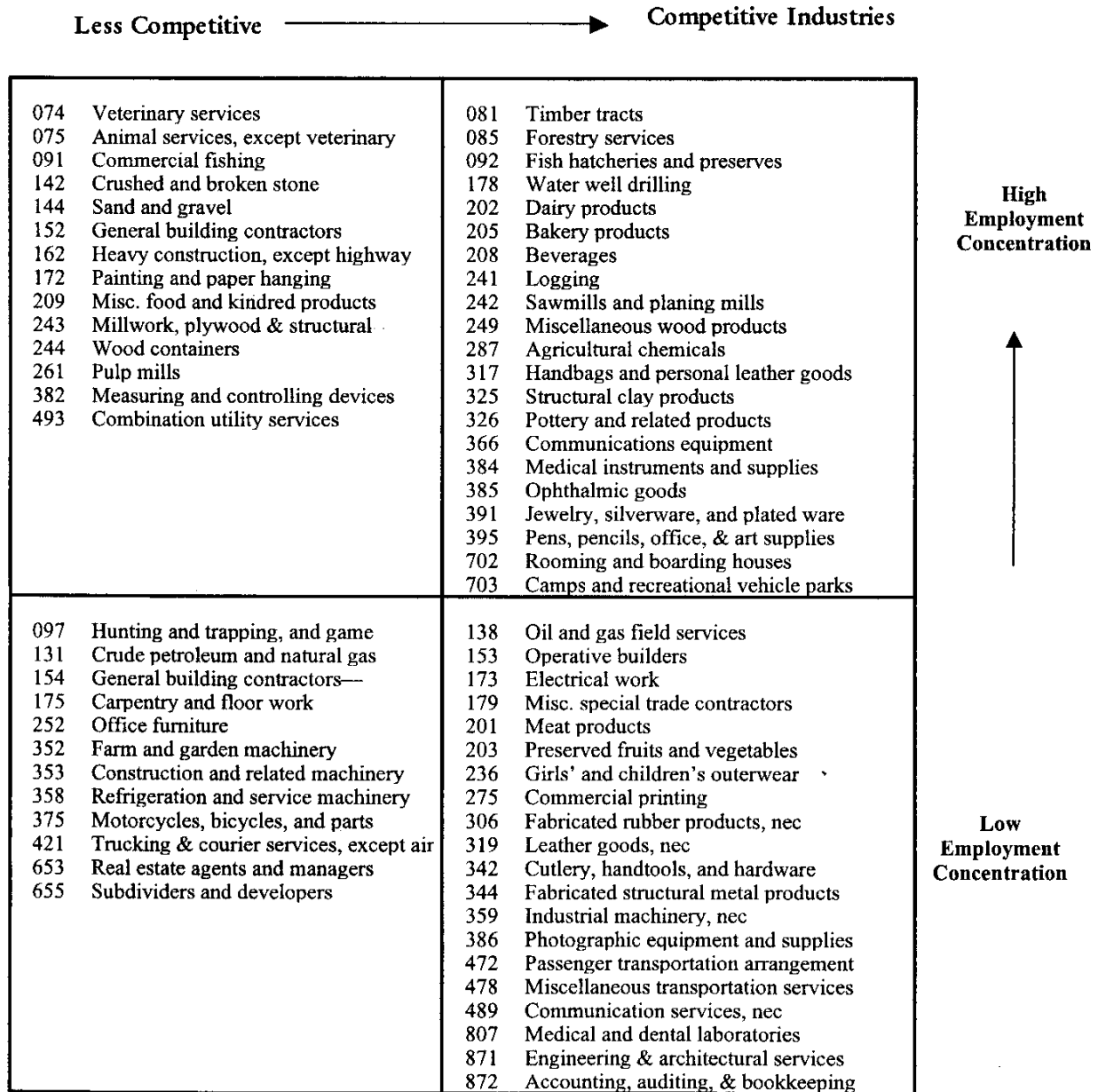
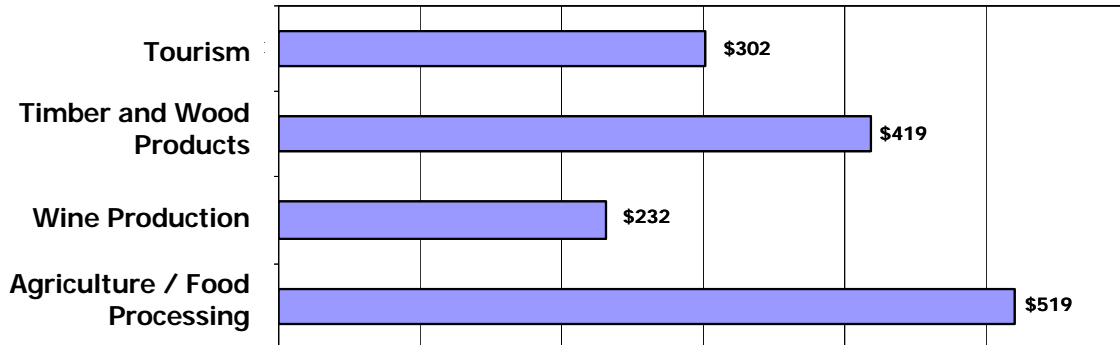
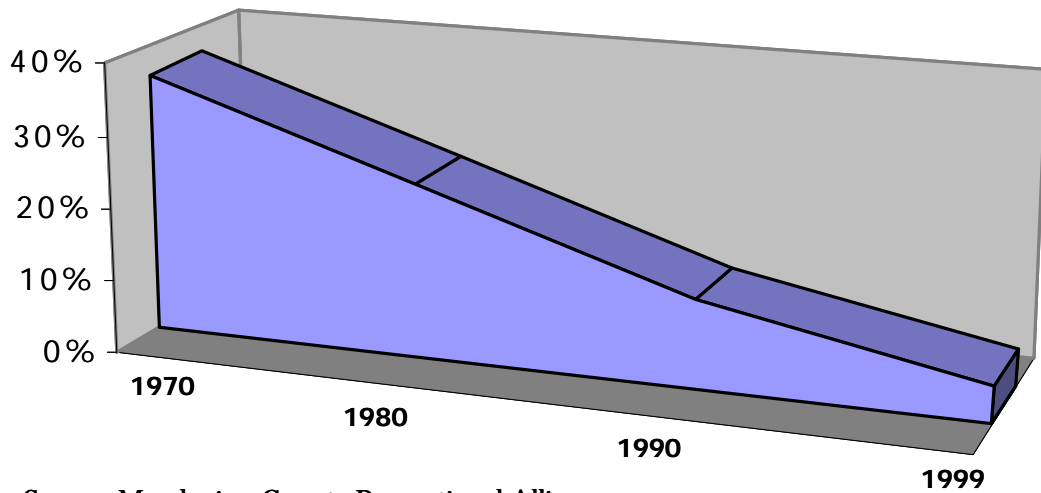


FIGURE 3-13
Industry Output
(\$ 1998 Millions)



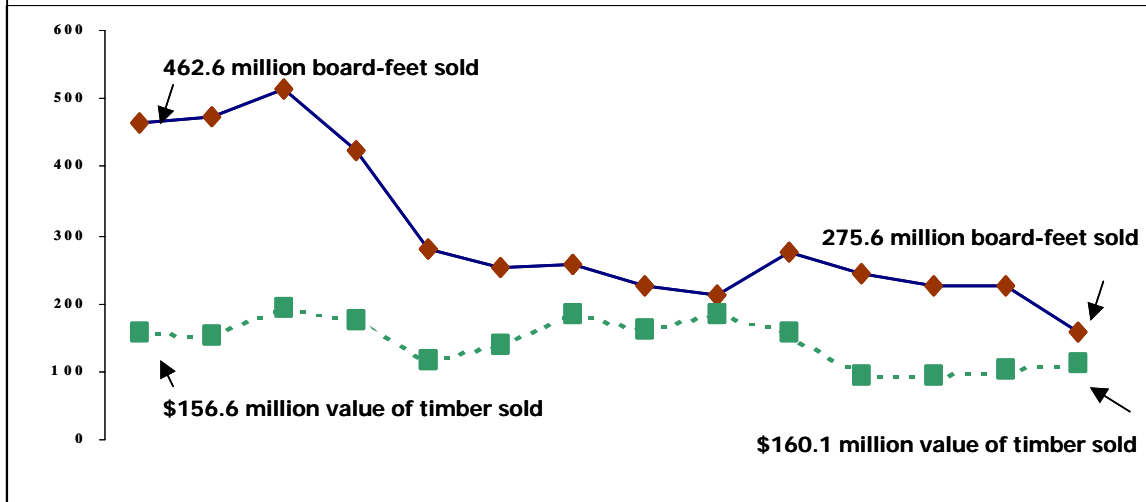
Sources: Ag/Timber data from IMPLAN Input/Output Model (1998), Tourism from Dean Runyan Associates, "California Travel Impacts By County, 1999"

FIGURE 3-14
Percent of Jobs in Mendocino County
Wood Products Industry



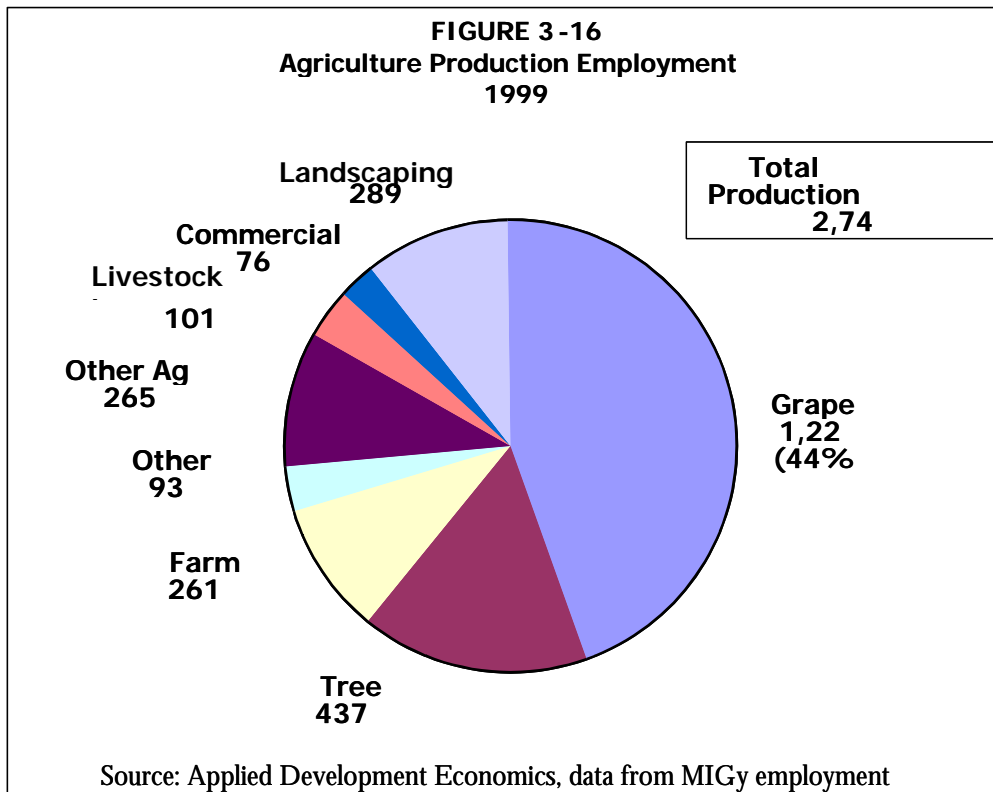
Source: Mendocino County Promotional Alliance

FIGURE 3-15
Timber Production and Sales
Mendocino County, 1987-1996



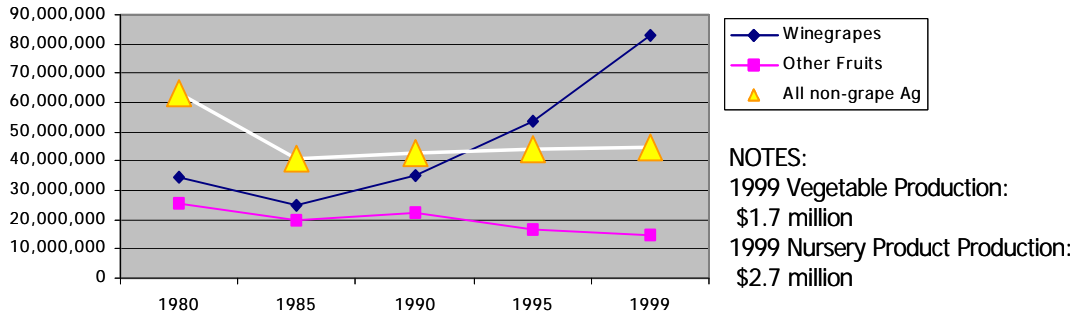
Source: Applied Development Economics, data from MIG ES202 county employment database

FIGURE 3-16
Agriculture Production Employment
1999



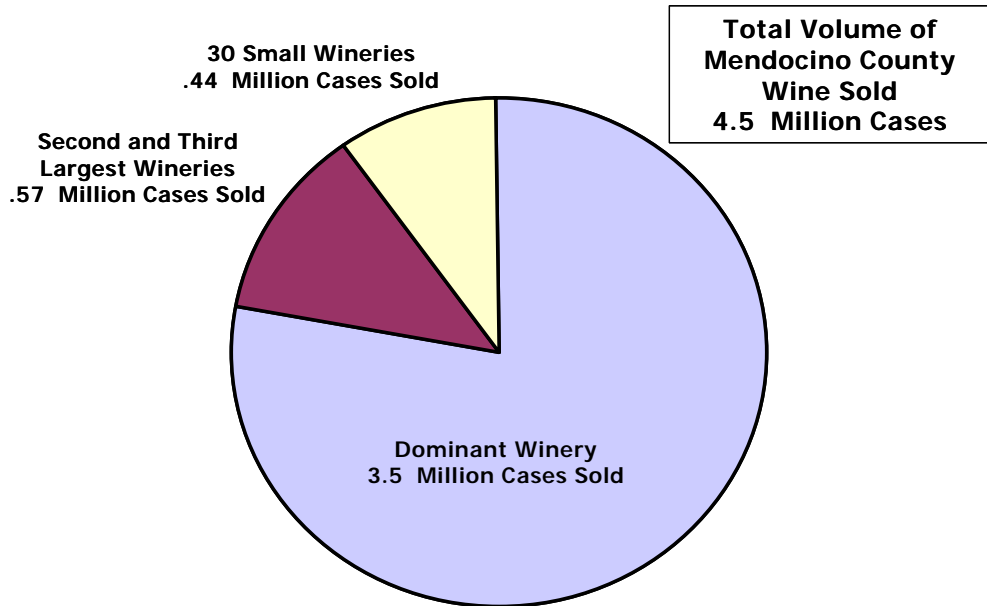
Source: Applied Development Economics, data from MIGy employment

FIGURE 3-17
Production of Winegrapes, Other Fruits, and All Other Agricultural Products 1980 to 1999

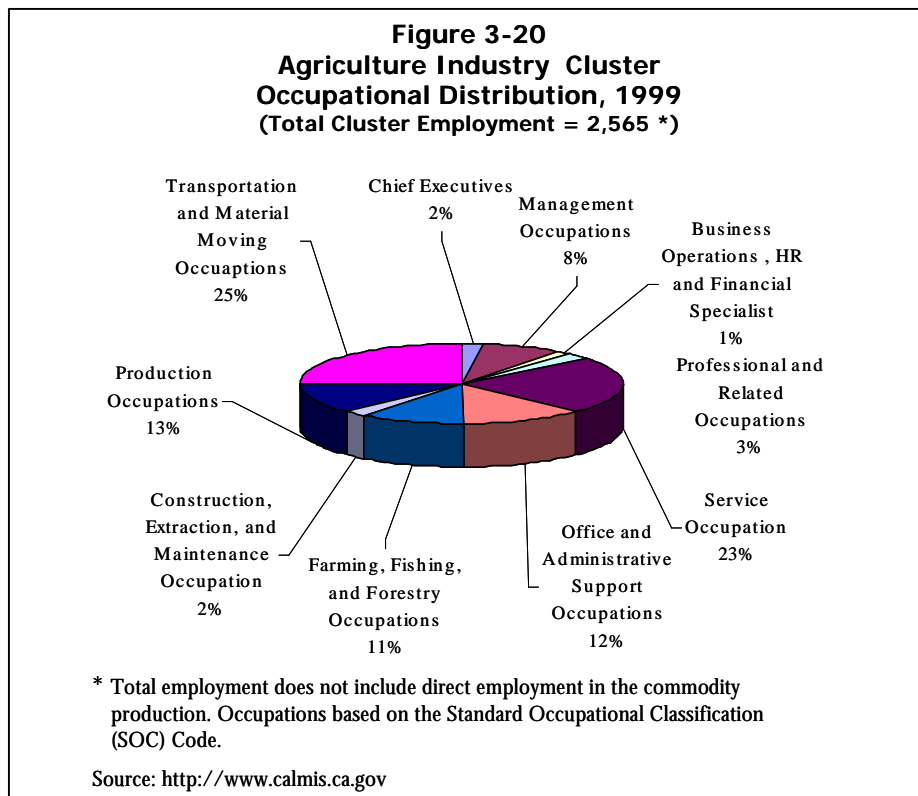
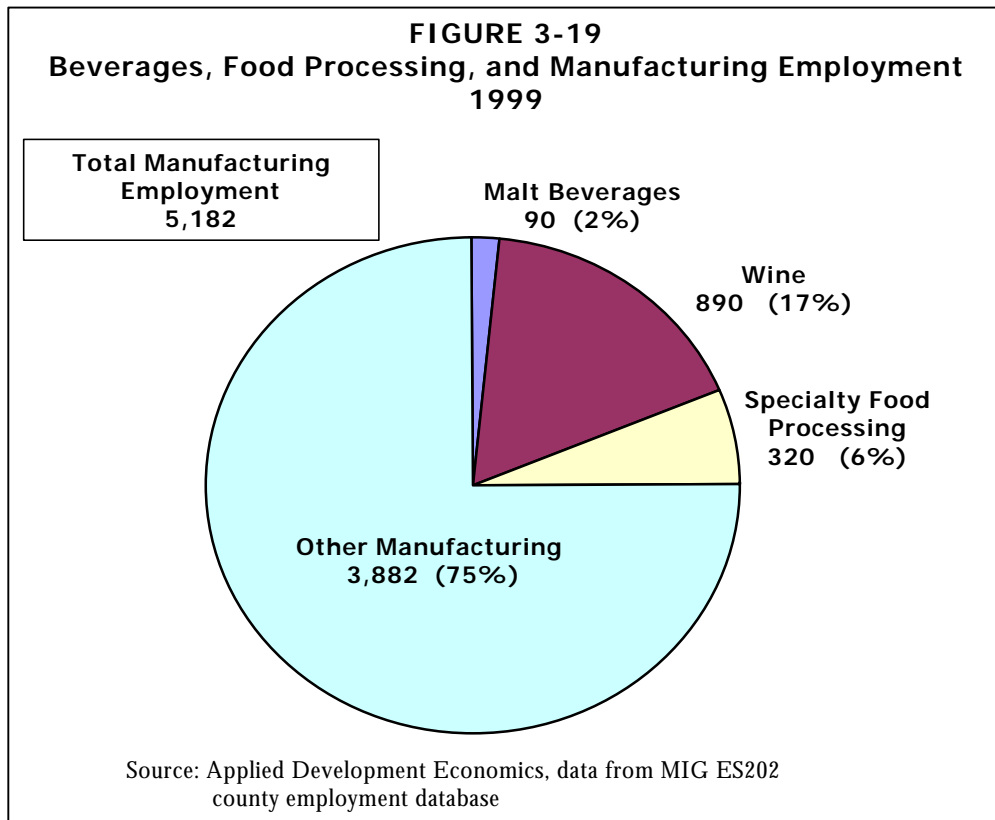


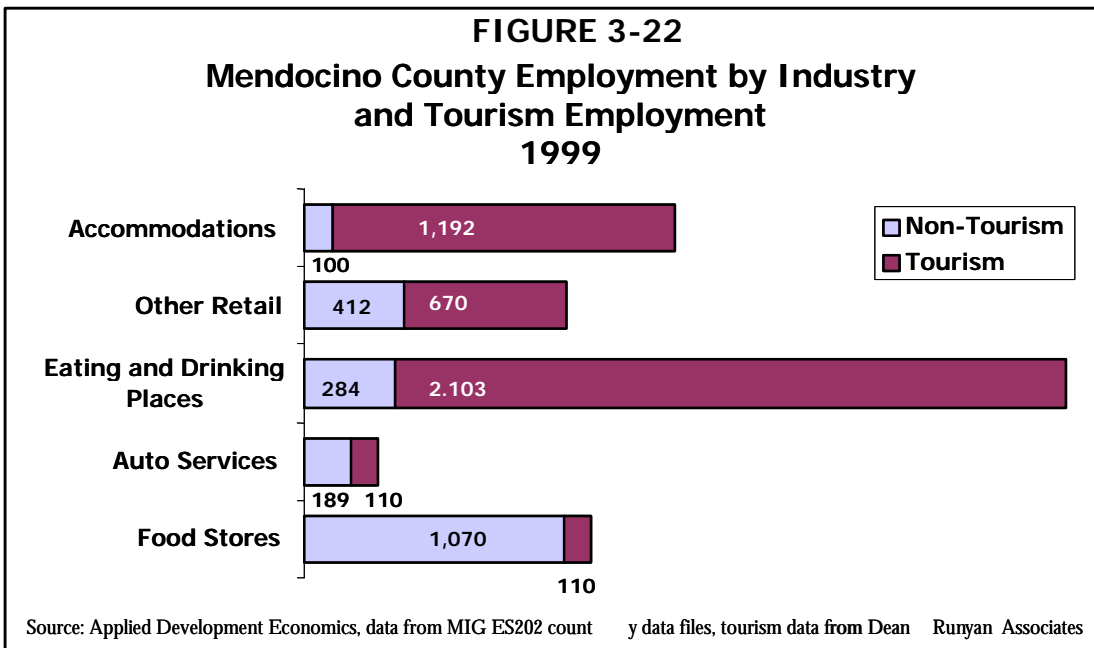
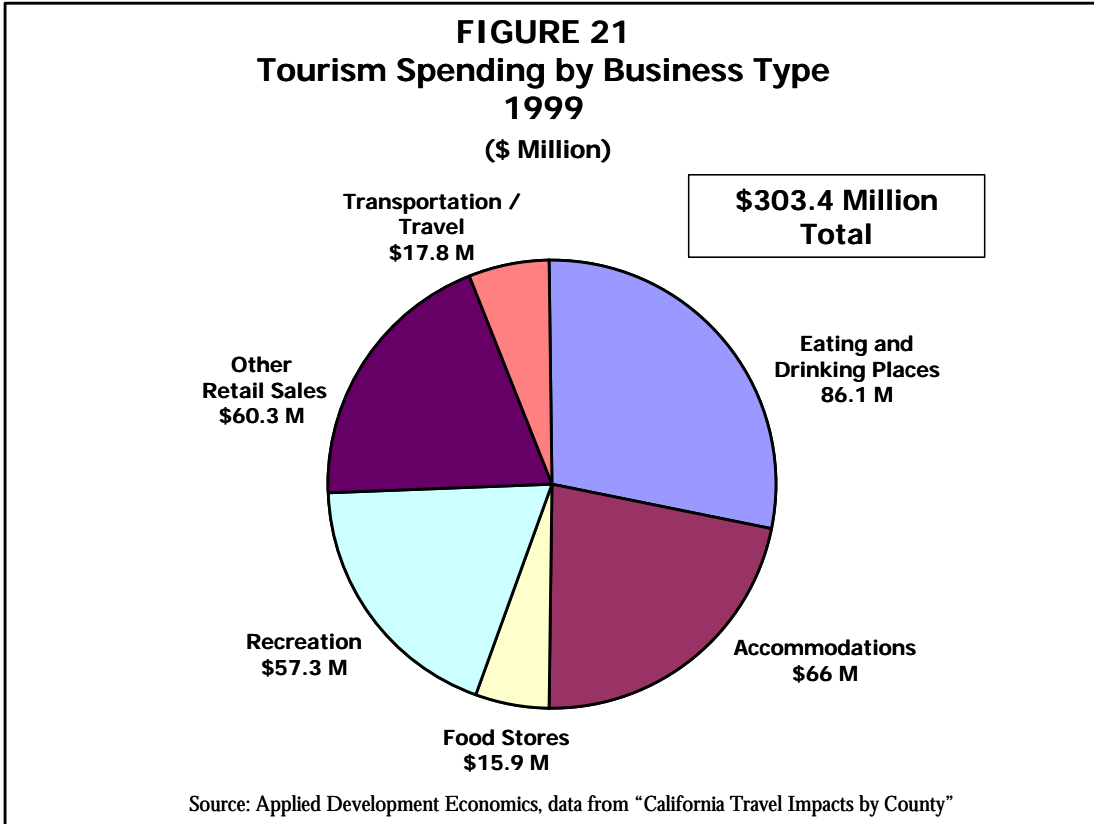
Source: Applied Development Economics, data from County Ag. Commissioner
 Note: Figures are inflation adjusted to 1999 dollars, and do not include timber production.

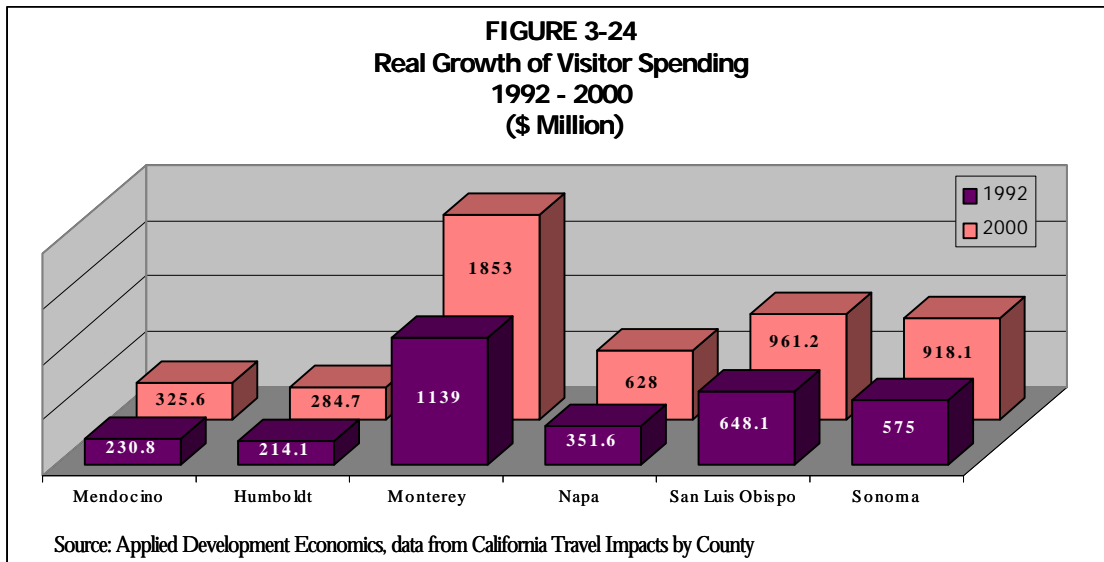
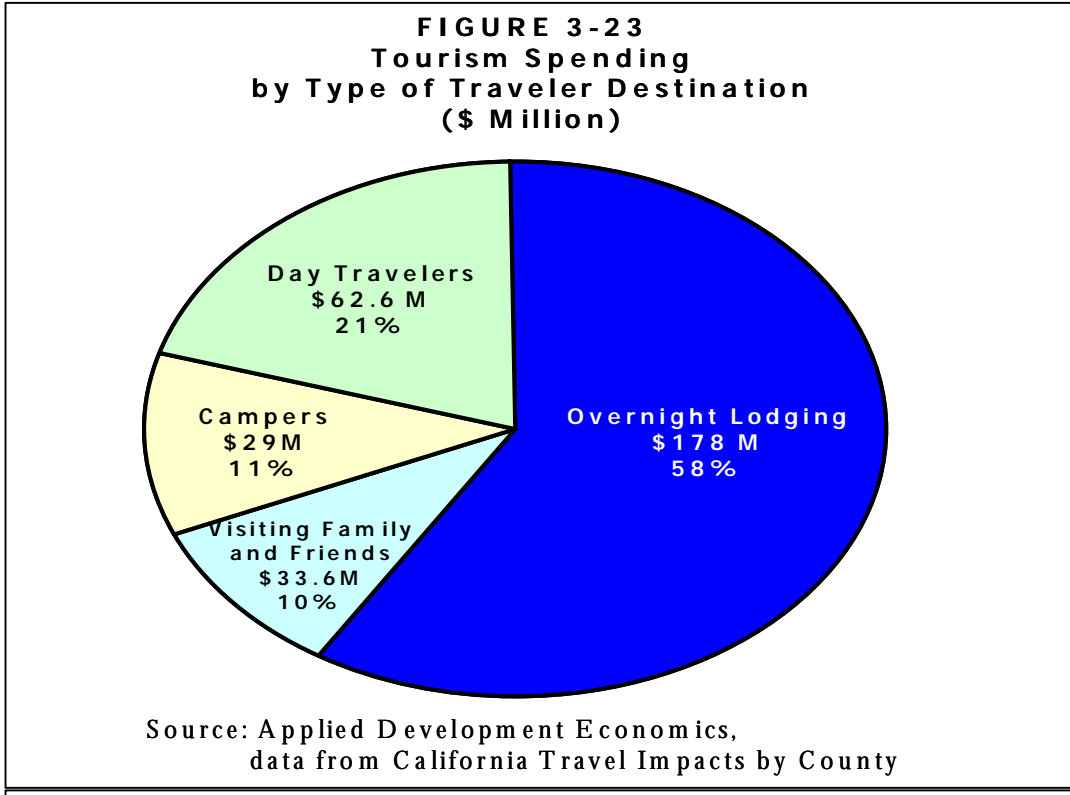
FIGURE 3-18
Single Winery Dominance



Source: Applied Development Economics, data provided by Mendocino County Winegrower's Alliance







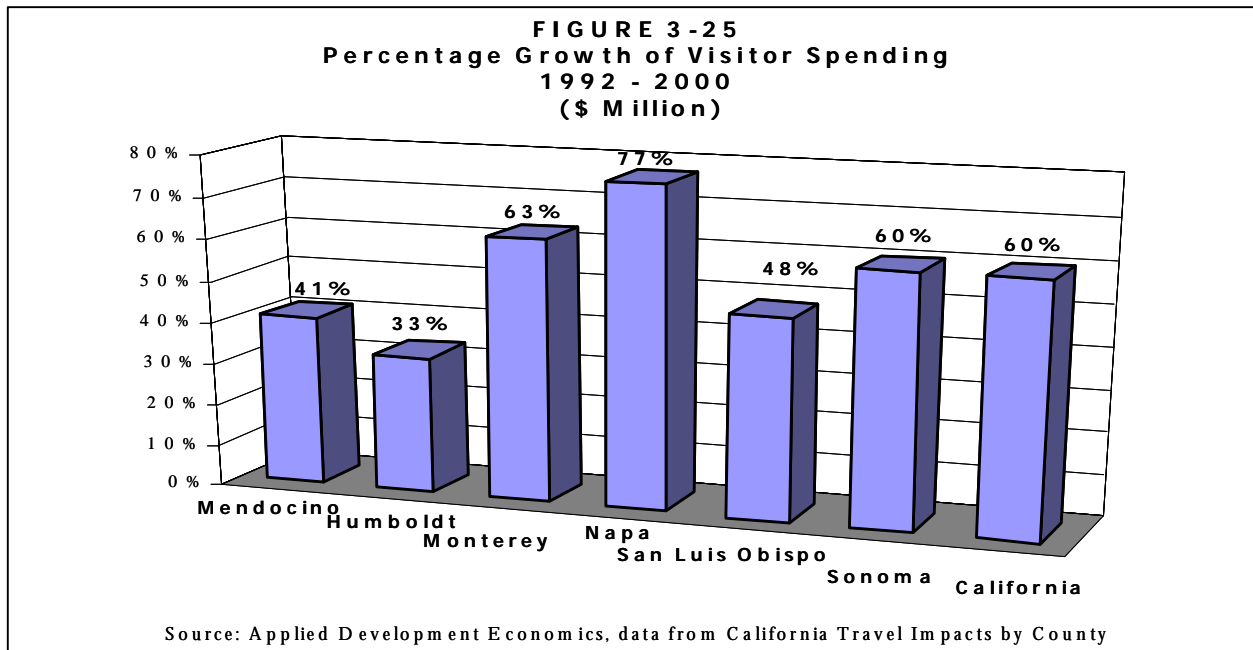


FIGURE 3-26
COMMUNITIES WITH MORE THAN 1,000 RESIDENTS /
AT LEAST TWO COMMERCIAL ESTABLISHMENTS

