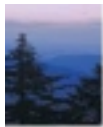


Northwest North Carolina Comprehensive Economic Development Strategy



Looking toward the future

Northwest North Carolina CEDS

Economic and Demographic Assessment

Ashe County

May 2003

Ashe County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Ashe County *Economic & Demographic Assessment* as part of the Northwest North Carolina Comprehensive Economic Development Strategy (CEDS). This report is one of several analytical documents that will examine the 8-county region during a 10-month process to identify the area's assets and prepare the region for future growth. All analysis and strategies will be done on a county-by-county basis in order to consider the unique challenges and opportunities present in each individual county. Following the completion of the county plans, a region wide plan will be formed from each county's goals to support the existing regional economic development efforts already underway.

All reports will be available online at www.northwestnc.com as they are completed. We encourage you to review them thoroughly and provide us with your comments and insight. Thank you for your input.

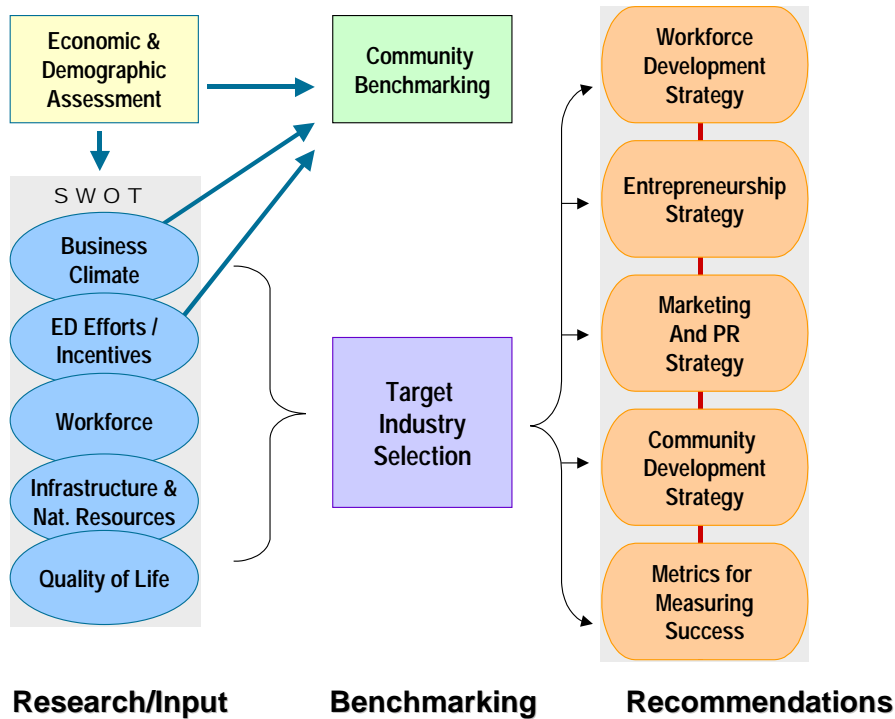
Angelos Angelou, Principal
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Travis Warziniack, Research Manager

AngelouEconomics

The CEDS Process

The following chart illustrates how the *Economic & Demographic Assessment* will lead to further stages in the analytical planning process:

Project Process Diagram



Report Overview

The *Economic & Demographic Assessment* looks at several key areas that provide a scan of Ashe County's current economic condition. The data presented in this report will describe trends that are either well established in the county or just underway. We seek to show in numbers many conditions that are likely to be already observed by most of the county's citizens, as well as provide new information that will impact the county's future. As with all data, we seek to evaluate their significance in the eyes of expanding or relocating businesses – the county's current and future "customer" base.

Data presented in this report includes:

Population: Population growth is often used as a top line observation on a community's vitality and competitive success. Companies typically desire to be in growing communities, or communities that have the lifestyle amenities that will allow them to relocate their best employees. Corporate site selectors, particularly those in technology industries, desire a population that is both ethnically diverse and receptive to newcomers (including younger workers).

Worker Education: Site selectors usually look for a great educational system that includes high graduation rates, good performance by local K-12 system, and an established college or university. A high-quality and responsive community college system is often viewed as a critical partner in the training of a company's workforce (particularly with manufacturers). How the education system is funded can be a sensitive issue for some, as few companies desire to be perceived as straining an under funded system by bringing new workers (and their children) to an area without adequate tax revenue.

Income/Wages: Income and wage growth shows a strong and successful economy, but low to average wages are desired so that employers can afford workers in their skill set. Parity between wage levels and skill sets is examined to determine worker productivity and competitiveness.

Industries: Corporations are usually sensitive to the industrial makeup of a region, and often avoid communities where they might be perceived as a conflicting use (such as heavy industry avoiding high end housing areas). Today, companies want to be part of a diverse and functional "family" of industries. Companies also look for similar industries or a supplier base that will both serve its business model and provide a source of trained and experienced workers.

Retail trade: A strong retail presence is needed but should not be the largest employer in the region. Companies typically view retail as an amenity for its workers, but prefer some level of buffer from high retail density due to traffic and housing encroachment concerns.

Tax revenue: Low, competitive tax rates are essential to attracting business, particularly the property tax rate. Communities with lagging tax revenue growth may be perceived as risk for future tax rate increases. A diversity of employers to support tax revenues is desired so that large tax increases will not be forthcoming when one business is removed from the picture.

Much of the data presented in this report will be revisited and built on in future reports such as the *SWOT Analysis*. A benchmarking report will be done later in the project to evaluate Ashe County's competitive strengths relative to its peers.

INTRODUCTION

Ashe County experienced a modest population growth from 22,200 in 1990 to 24,800 in 2000. The State Demographer expects this growth rate to continue, with a projected population of 28,000 by 2020.

The predominantly white population has seen a growing number of retirees. The median age is predicted to reach 45 by 2010. The only increases in population share between 1990 and 2000 have been among those people over the age of 45.

With most of the county's jobs in traditional manufacturing, a college education was seldom needed to find high paying jobs. As a result, educational attainment was not as important as it is in today's economy. Ashe residents improved their educational attainment in the 1990s, but the percent of individuals with a 4-year college degree still significantly lags behind the U.S.

Ashe County is less dependent on the regional economy, as only 25 percent of residents commute out of the county jobs. This factor increases the impact of layoffs in the county. Although layoffs in the textile industry have had a major impact on the economy, today manufacturing in Ashe County is dominated by the electronics and automotive industries. Electronics manufacturing seems to be not only a stable industry in Ashe, but also a growing industry.

The second-home market and tourism has spurred many changes in the economy of Ashe County including a rise in high paying jobs such as FIRE, a boom in construction and retail, and gains in business and professional service industries. Farm incomes in Ashe County have outperformed the national average for the past two decades, mostly due to the rise of the Christmas tree industry. Ashe County is the largest producer of Christmas trees in the state, cultivating 10 million trees on 650 acres.

Ashe County's transition is already underway, and county leadership must continue to explore new opportunities for balanced growth long-term.

Ashe County at a Glance

| | |
|--|-----------|
| Population, 2002 | 24,809 |
| Net New Population, 90-00 | 2,175 |
| % Change, 90-00 | 9.8% |
| % of Adults with a Bachelor's Degree or higher | 8.2% |
| % of Private Sector Workforce in Manufacturing | 41.0% |
| Median Household Income | \$28,824 |
| Median Home Value | \$91,600 |
| Private Sector Jobs | 7,004 |
| Total Private Sector Payroll | \$151 mil |
| Avg. Private Sector Salary | \$21,612 |
| Avg. Manufacturing Salary | \$23,746 |
| Avg. Professional Industry Salary | \$26,123 |

Sources: 2000 Census (Demographics), 2001 County Business Patterns (Jobs/Salaries), Employment Security Commission of NC

DEMOGRAPHICS

Population Growth

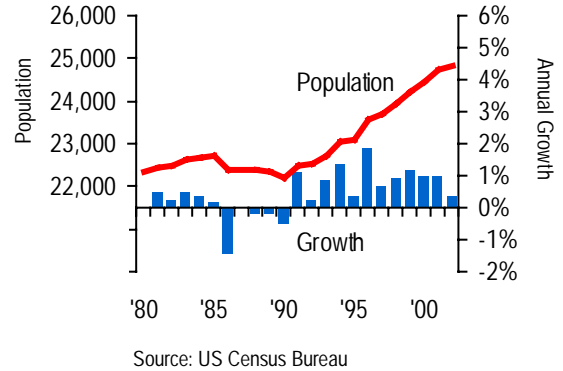
Ashe County experienced renewed population growth in the 1990s.

- The county's population increased just less than 10 percent during the 90s, adding a net 2,200 people. Much of this growth occurred in unincorporated areas of the county.
- Jefferson was the fastest growing municipality, growing just below the countywide average.
- By comparison, the Greensboro-Winston-Salem-High Point MSA grew 33 percent during the 1990s.
- The State Demographics Office estimates 2002 population to be 24,800. Modest growth is expected to continue. Projections for 2010 and 2020 place the population at 26,300 and 28,000 people, respectively.

Migration in and out of Ashe County has fluctuated during the past 20 years, but remained positive in the 1990s.

- After years of net loss in migration during the 1980s, people moving into the county in the 1990s spurred a renewal.
- Current numbers of in-migration remain high, unlike most parts of northwest North Carolina.
- With deaths outpacing births in some years, in-migration is an important part of growth in Ashe County.

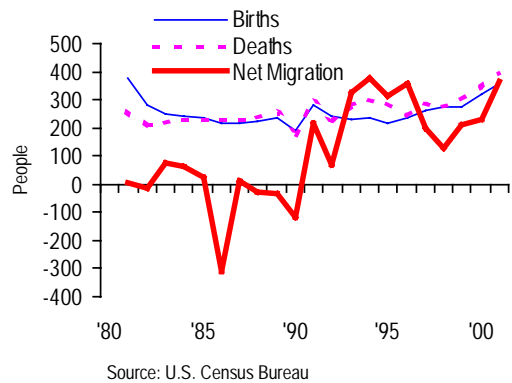
Population Growth, 1980-2002



Population Breakdown

| | Population, 2000 | % Growth 1990-2000 |
|----------------|---------------------|-----------------------|
| Ashe County | 24,384 | 9.8% |
| Jefferson | 1,422 | 9.4% |
| West Jefferson | 1,081 | 7.9% |
| Lansing | 151 | -11.2% |

Components of Population Change



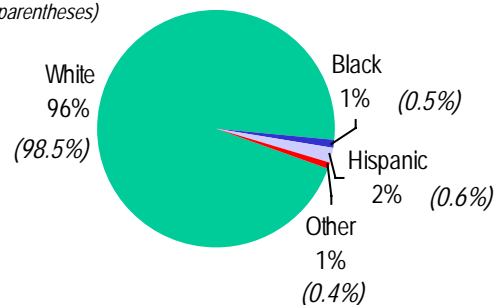
Ethnic Composition

The residents of Ashe County are predominately White, but a small growing Hispanic population is present.

- In 2000, Whites comprised approximately 96 percent of the population.
- While still a small part of the overall population, the number of Hispanics increased three-fold during the 1990s.
- Many of these Hispanics came into the county for migrant work and settled with their families in Ashe County. 70 percent of all Hispanics living in the county are foreign born.
- There are also a large number of uncounted migrant workers in Ashe County. The U.S. Department of Health and Human Services estimates that 2,100 migrant workers and family members work on Ashe County farms.
- As a group, migrant workers, assuming they all live within the county, represent 8 percent of Ashe County's population.

Racial Composition, 2000

(1990 values in parentheses)



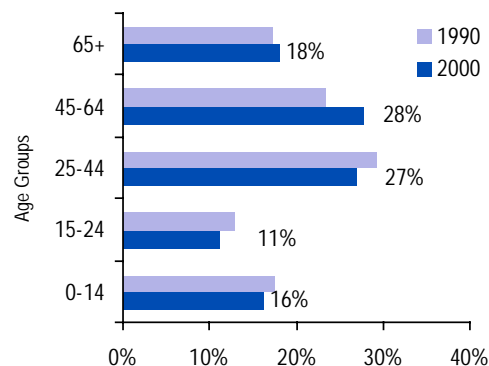
Source: U.S. Census Bureau

Age Breakdown

Ashe County is growing older and losing its younger population.

- Those moving into the county are generally of retired age, while the county has lost many of its younger families.
- Ashe County's median age of 42 is among the oldest in North Carolina, which has a median age of 35. The State Demographics Office predicts the median age to rise above 45 by 2010.
- The age group making the strongest gains, the 45-64 year olds, is generally made up of stable wealthier individuals.

Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

- The retirement of people in this age group will also affect the future services demanded throughout county.

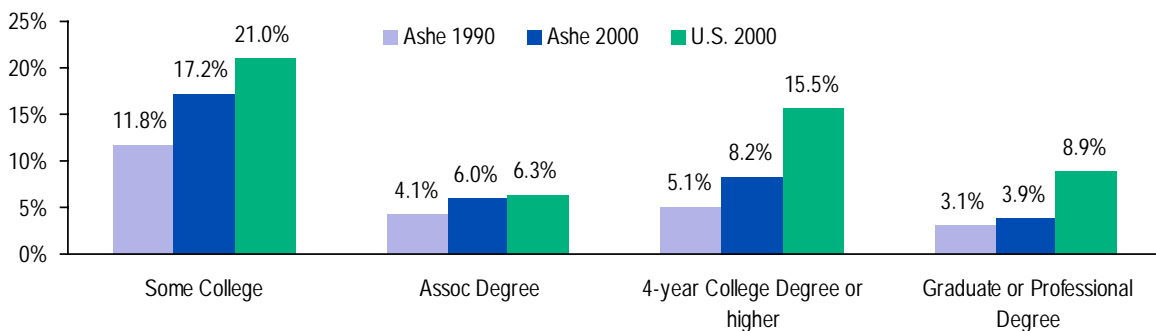
Education

The percentage of Ashe County residents with college experience rose dramatically during the 1990s.

- With most of the county's jobs in traditional manufacturing, a college education was seldom needed to find high paying jobs.
- However, newer industries are beginning to demand at least some college experience; the education level of Ashe residents must be improved if the county is to regain its competitiveness.
- The largest gains in educational attainment were in the category of some college, with large gains in the number of people with Associate's and Bachelor's degrees.
- As the importance of education is emphasized, these levels will continue to improve.

Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

Commuting Patterns

Ashe County residents hold most of the jobs within Ashe County.

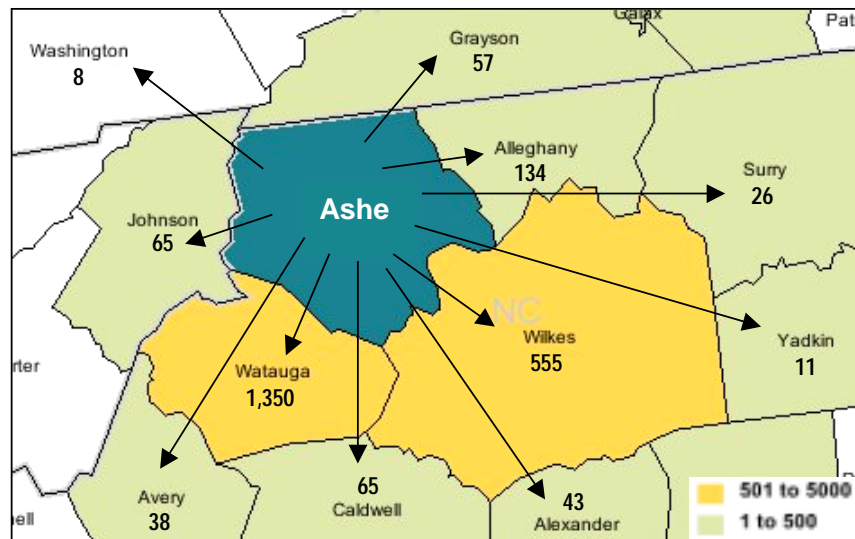
- A mere 12 percent of the workforce comes from another county, the lowest of any county in the northwest North Carolina region.
- Meanwhile, a growing number of people are commuting out of the county to work.
- A quarter of residence workers leave the county for their jobs; 1,350 of which travel into Watauga County for work.
- With so many of the local jobs held by Ashe County residents, the effects of plant closings are largely felt by families within the county.

Commuting Patterns, 1990 vs. 2000

| People | 1990 | 2000 |
|--|--------------|--------------|
| Working in Ashe | 8,863 | 9,423 |
| Live & work in Ashe | 8,257 | 8,288 |
| Live elsewhere & work in Ashe | 606 | 1,135 |
| % workforce commuting in | 7% | 12% |
| Live in Ashe & work elsewhere | 1,917 | 2,794 |
| % resident workers commuting out | 19% | 25% |

Source: US Census Bureau

Persons Commuting out of Ashe County for Work, 2000



Source: U.S. Census

ECONOMIC TRENDS

Employment

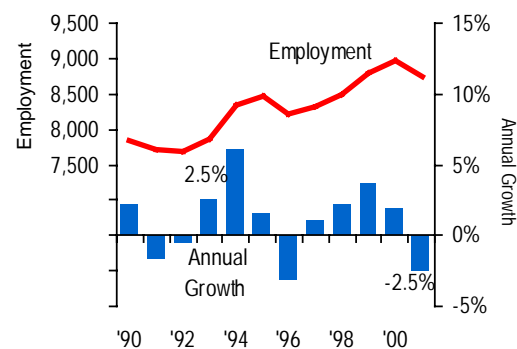
Employment in Ashe County has been highly cyclical over the past decade.

- Much of the fluctuation comes as a result of the role of large manufacturers in the county.
- Expansions in the mid-1990s were driven by growth of electronic manufacturing within the county.
- Growth in this sector alone was 19 percent between 1993 and 1995; the sector's employment at the end of this period stood above 1,000 jobs.
- Eight years of growth were only interrupted in 1996 when Sara Lee closed, eliminating 580 jobs.
- Growth began to slow at the end of the 1990s, leading to net losses in 2001 and predicted net losses in 2002.

With most county jobs held by county residents, layoffs and closings have an especially hard impact on county unemployment rates.

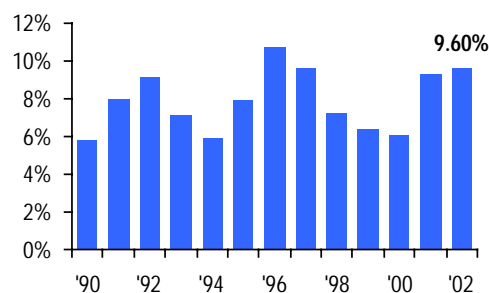
- Unemployment in the mountain counties is historically higher than rates of large urban areas, since the effects of downturns of these larger economies are often spread throughout communities of commuters.
- Thus, rises in unemployment correspond roughly to decreases in employment opportunities. Likewise, employment expansions can lead to reductions of 2 percent or more.
- From 1997 to 1998 the average unemployment rate fell from 9.6 percent to 7.2 percent.

Wage & Salary Employment, 1990 - 2001



Source: Employment Security Commission of NC

Unemployment Rate, 1990-2002

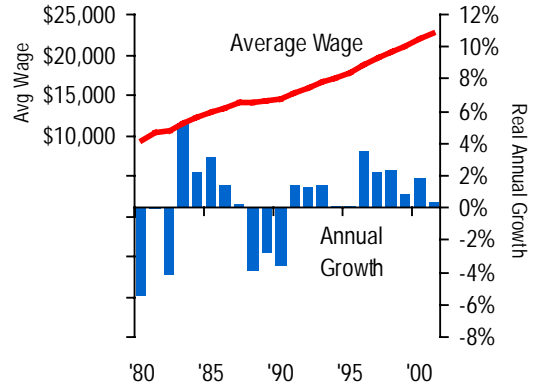


Source: Employment Security Commission of NC

Wage growth in Ashe County has been slowing in recent years.

- Real wages in Ashe County actually declined in the late 1980s.
- These losses were recovered in the following years.
- Wages were pretty stagnant between 1988 and 1990 while inflation hovered around 5 percent.
- In the late 1990s, real wages remained positive, but slowed slightly.

Average Wage, 1980 - 2001

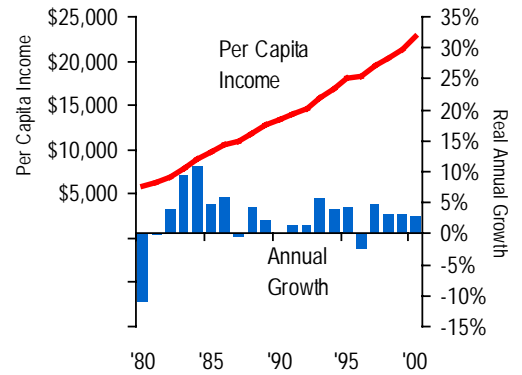


Source: Bureau of Economic Analysis; AngelouEconomics

During the same period, real per capita income remained strong.

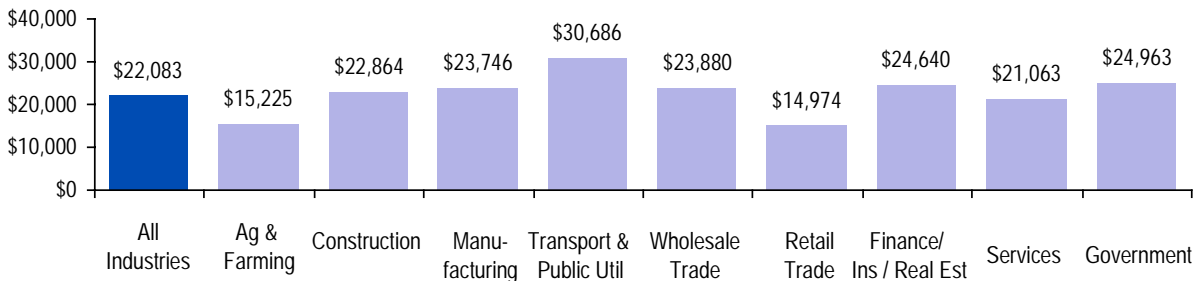
- During the 1990s, real growth in per capita income was around 2.5 percent.

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000

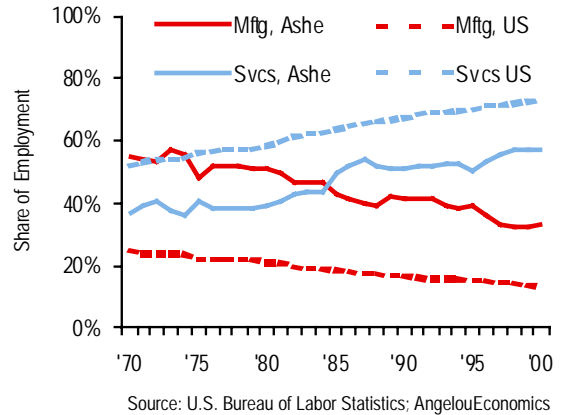


Source: Employment Security Commission of North Carolina

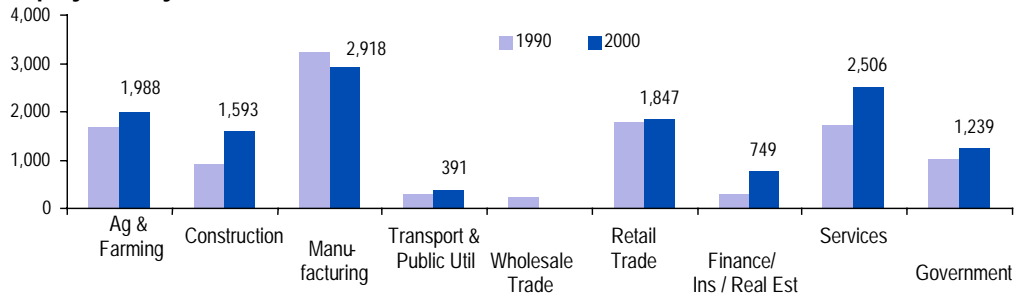
The industrial make-up in Ashe County is rapidly changing.

- Up until 1980, over half of all employment in Ashe County was in manufacturing.
- Since then, manufacturing has waxed and waned in size while service industries (retail and wholesale trade, FIRE, services) have constantly increased.
- These industries added 1,100 jobs in the 1990s.
- Much of the gains were made in the relatively high-paying FIRE and business and professional service industries, though restaurants and health services employ the most people.
- Also, employment in real estate services is 5 times that of 1995, reflecting the growth in the second home market in the county.
- The spread of second homes has led to a boom in construction as well.

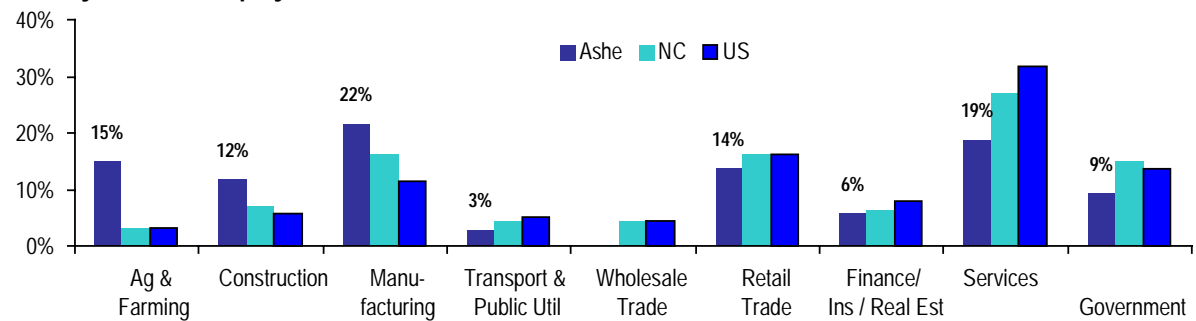
Industry Shift, 1970 - 2000



Employment by



Industry Share of Employment, 2000



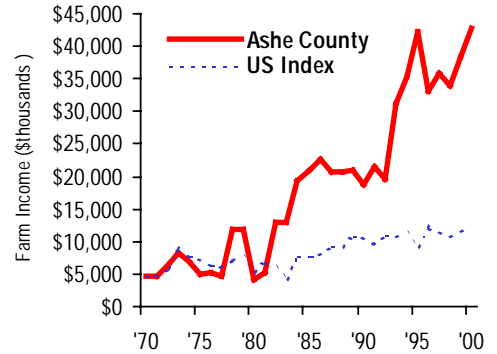
INDUSTRY SPOTLIGHTS

Agriculture

Farming in Ashe County has enjoyed strong growth for the past two decades.

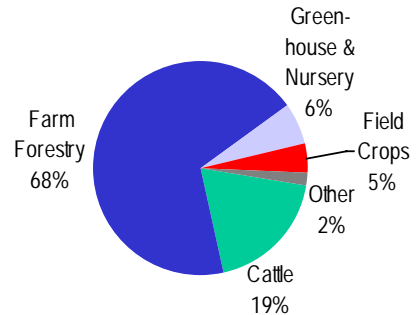
- Farm incomes in Ashe County have outperformed the national average for the past two decades.
- Most of these increases are due to successes in the Christmas tree industry.
- Ashe County is the largest producer of trees in the state, cultivating 9.8 million trees on 650 acres.
- In 2000 alone, Christmas tree and greenery cultivation accounted for \$25 million in gross revenues.
- All forestry commodities account for 68 percent of farm income within the county.
- The second largest farm commodity in the county is cattle, with annual incomes near \$10 million.

Farm Incomes, 1970 - 2001



Source: U.S. Bureau of Economic Analysis; AngelouEconomics

Farm Income by Commodity, 2000



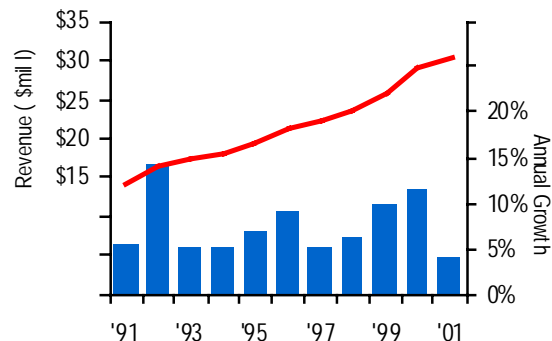
Source: NC Cooperative Extension

Tourism

Tourism has nearly doubled in Ashe County in the past decade.

- With the Blue Ridge parkway and New River as major tourist draws, most people visit the county during the warmer months.
- The North Carolina Department of Commerce estimates about 380 jobs, mostly in restaurants, were a direct result of tourism in 2001.
- This is roughly the same amount of people employed in the transportation & public utilities industry, though the average tourist-related wage is much lower.
- Total 2001 revenues brought into Ashe County from tourism were \$30 million.

Revenue from Tourism, 1991 - 2001



Source: NC Dept of Commerce

Blue Ridge Parkway

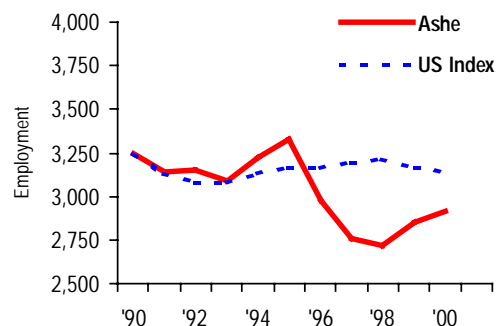
The Blue Ridge Parkway had an estimated 23.481 million visitors in 2002. Of all sections of the Parkway, the miles through North Carolina saw the largest increase over 2001. According to the the National Park Service, the average visitor spends \$149/day.

General manufacturing

The manufacturing base in Ashe County is slowly changing.

- Traditional manufacturing has always been a staple of the Ashe County economy. In years past, textiles, sawmills, and timberwork employed a majority of the people in the county.
- Cheap labor overseas has caused most of the textile plants to leave the county. In 1995, over 1,000 people worked in the apparel sector of textiles; by 2000 this number had fallen to 290.
- While manufacturing nationwide has declined, Ashe County's emphasis on textiles has caused it to be disproportionately hurt by this trend.
- Today, manufacturing in Ashe County is dominated by the electronics and automotive industries.
- These plants have remained competitive by using modern production techniques, demanding a different skill set from the workforce than the mills.
- The technology automation of the production process at Gates Rubber Co. had the effect of reducing the size of their labor force considerably. It also required those staying on to be retrained in the use of robotics and modern manufacturing techniques.
- Manufacturing in Ashe County depends largely on the ability of workers to meet these new labor demands.

Manufacturing Employment, 1990-2000



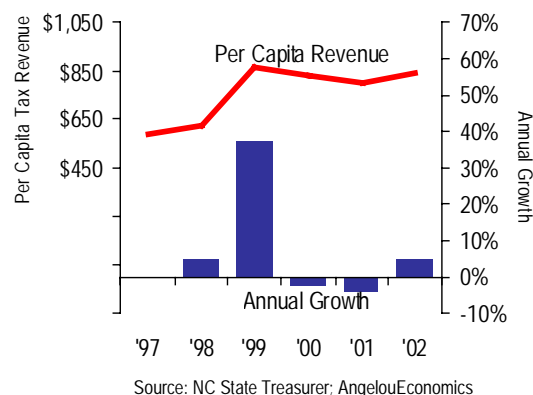
Source: US Bureau of Labor Statistics

FISCAL TRENDS

The economic downturn has hit the entire state of North Carolina hard. The State and County governments are struggling to balance budgets often at the expense of providing services. During the past two fiscal years, the State has either reduced or denied reimbursements from the inventory and intangibles taxes. For Ashe County, this amounted to a revenue reduction of \$181,000 in 2002.

In response to this reduction in State funds, counties have been permitted a half-cent local-option sales tax, which every county in North Carolina adopted.

Ashe County Per Capita Tax Revenue

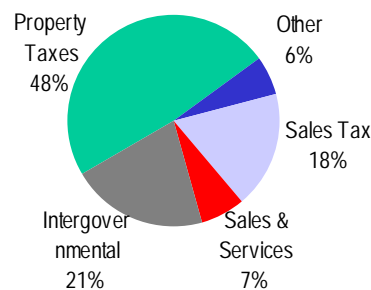


Tax Revenue

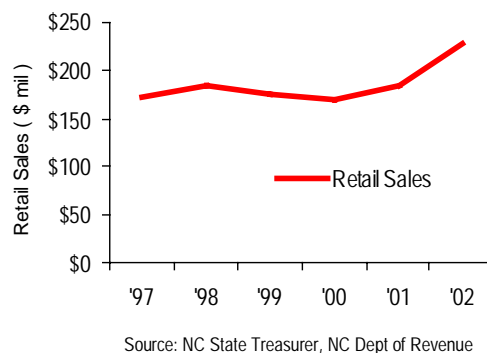
Sales taxes are generally a small and volatile source of government revenue.

- In 2002, sales tax accounted for 18 percent of total revenue to Ashe County.
- Furthermore, retail sales in the county are dependent on both the wealth of households living in the county and the amount of tourists visiting the area.
- Unlike most counties in North Carolina, retail sales in Ashe County are still growing.

Tax Revenue by Source, 2002



Retail Sales, 1997 - 2002

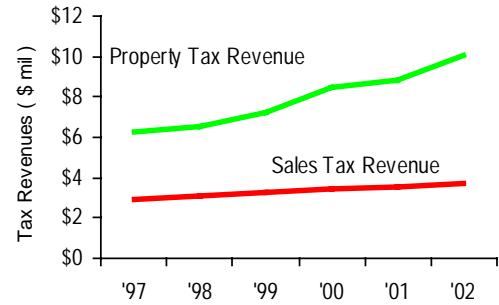


ASHE COUNTY

Property taxes are a large source of revenue for North Carolina counties.

- Property taxes make up 48 percent of total Ashe County revenues.
- A revaluation in 1998 enabled property taxes to be lowered; however, financial troubles have led to rate increases that have brought the level back up to those seen before the valuation.
- With the building of new homes throughout the county, property taxes will only grow in importance as a source of county revenue.

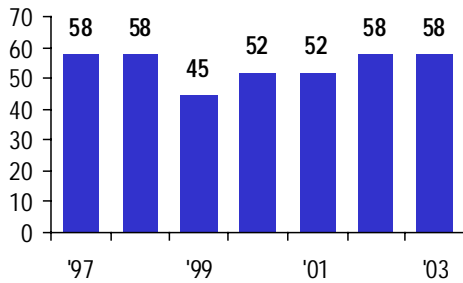
Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

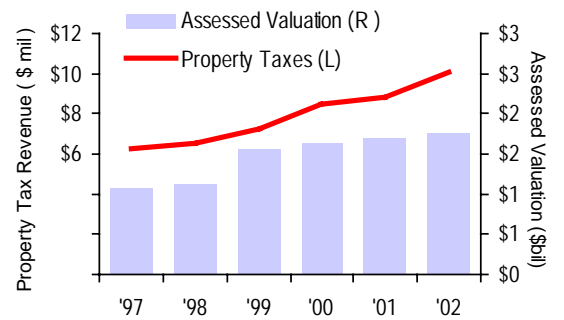
Property Tax Rates

Cents per \$100 Valuation



Source: NC Dept of Revenue

Revenue from Property Tax, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

NEXT STEPS

The national and regional economic downturn has hit the entire state of North Carolina. Many of the counties that are part of the Northwest North Carolina CEDS Project have been severely impacted by NAFTA, lower trade tariffs, and the national transition from a manufacturing economy to a service economy.

A majority of the cities in the 8-county region are what some refer to as traditional “company towns” – where large companies, such as R.J. Reynolds, would historically provide parks, golf courses, and leadership to the community. The downsizing of the traditional manufacturing base has literally created a void in corporate leadership as well as a decline in funding for community improvements.

This *Economic and Demographic Assessment* is the first step for the counties and consulting team in understanding the total impact that the changing economy is having on the region. Our next step will be to provide a **SWOT** report for each county – providing an overview of the key **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats from an economic development perspective. This SWOT report, combined with the *Economic and Demographic Assessment* will form the basis from which the consulting team will develop key strategies to support economic growth and transition the counties from traditional industries of yesterday to sustainable economies of tomorrow.