

A Research Paper by



Bonner County, Idaho's Resilient Economy



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ABOUT HEADWATERS ECONOMICS

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

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I. EXECUTIVE SUMMARY

The communities and economies of Bonner County, Idaho are vibrant and resilient, with a more diverse economy than one would expect in a relatively remote area. It is also an economy less affected by broader recessions than other communities with large tourism sectors. In 2014, the county lost a major employer when Coldwater Creek, a catalog and online retailer, went bankrupt. Although the economic effects have been significant, the impacts were not as bad as initially feared because a number of employees were hired by other local firms in sectors such as software and aerospace, and others opted to open their own businesses because they did not want to leave the area. We found that this type of resilience and commitment to the area is not unusual for Bonner County.

The purpose of this report is to describe the local economy in detail, to help identify the sources of its strength and resilience. We hope these findings can help the communities of Bonner County better understand their competitive advantages and provide some context and suggestions for tackling challenges. This report's goal is to support continued long-term economic success.

Bonner County is doing quite well in terms of its diversified economy and committed residents passionate about the area's high quality of life. However, the area lags behind in access to markets, Internet speeds, and supporting an educated workforce. These relative weaknesses can be changed, and this report documents some ongoing efforts.

In Bonner County there is significant employment and strong momentum in manufacturing, health care, aerospace, and advanced industries in addition to strong tourism and timber sectors. These sectors are bolstered by a culture of entrepreneurship and residents' commitment to remaining in the area, which has led to many spinoff businesses. Compared to its peers, Bonner County's diverse economy is more like the larger, connected communities like Redmond and Ashland, Oregon than a more rural, isolated community like McCall, Idaho. Tourism has been an excellent marketing tool for the community, rather than its only economic option.

From a business-owner's perspective, Bonner County's main advantages are its existing breadth of businesses and capacity for innovation in manufacturing, aerospace, software design; its relatively low cost of living and cost of commercial real estate compared to urban markets, which improves local business' competitiveness with businesses in urban centers; and its quality of life and natural amenities, which make it easier to recruit new businesses and employees. The county's advantages in cost of living and "livability" depend on its ability to rein in rising housing and commercial real estate costs. Other communities were successful with an assortment of zoning policies, incentives, and public-private partnerships.

The primary disadvantages to business owners in Bonner County are distance to larger markets and relatively low educational attainment of its workforce. Peer communities in this analysis are addressing similar challenges by improving broadband access across the community and improving the pipeline for technical education to supply target industries with skilled employees.

We hope this report sheds light on the functioning of the area's economy and helps elected officials, business leaders, and community members to understand the county's unique strength. By building on these strength and anticipating challenges early, we expect the economy will continue its history of steady, consistent resilience. Although some disadvantages like distance to markets cannot be changed, the area can shore up its strengths like quality of life and existing breadth of employers to ensure ongoing economic success.

II. INTRODUCTION

The communities and economies of Bonner County are vibrant and resilient, with a more diverse economy than one would expect in a relatively remote area and an economy less affected by broader recessions than other communities with a large tourism sector. In 2014 the county lost Coldwater Creek, a catalog and online retailer that employed approximately 300 people locally. There was great concern that the loss of these high-paying, highly skilled jobs would drastically affect the local real estate, restaurants, retail, schools, and philanthropic causes these employees supported. While the economic effects are significant, the impacts were not as bad initially feared. Other local firms, in sectors like software and aerospace, hired a number of employees. Others opted to open their own businesses because they did not want to leave the area. We found that this type of resilience and commitment to the area is not unusual for Bonner County.

The purpose of this report is to describe the local economy in detail, to help identify the sources of its strength and resilience. We hope these findings can help the communities of Bonner County to better understand their competitive advantages and provide some context and suggestions for tackling challenges, with the goal of supporting continued long-term economic success.

Generally speaking, rural economic development potential is a function of four broad categories: 1) a diversified economy, 2) a well-educated workforce, 3) residents committed to the community and the area's quality of life, and 4) access to larger markets. Bonner County is doing quite well in terms of its diversified economy and committed residents passionate about the area's high quality of life. However, the area lags behind in access to markets and support for an educated workforce. These relative weaknesses can be changed, and this report documents some ongoing efforts.

This report is structured as follows. First, we describe the economy and people of Bonner County, presenting current conditions and historical trends. Focusing on selected themes, we compare findings to Bonner County to four peer communities. These peer comparisons highlight Bonner County's unique assets as well as opportunities to learn from communities that have faced similar challenges.

Methods

We used the following sources of information about Bonner County and its cities for this report:

- Publicly available data at the county and city level;
- In-person and phone interviews with business leaders and city staff;
- In-person visits to the area; and
- A steering committee, made up of residents and business leaders of Bonner County.

We compared Bonner County to its peers using:

- Publicly available data at the county and city level and
- Interviews with elected officials, business owners, and city staff in peer communities.

III. THE ECONOMY OF BONNER COUNTY

In this section we outline trends in Bonner County’s economy, including overall employment and wages per job, trends in income sources, and trends in specific sectors. We focus on several aspects of the economy – manufacturing, entrepreneurship, health care, tourism, and “advanced industries” – as they are current points of economic strength and present opportunities that Bonner County can leverage in the future.

Population, Employment, and Income

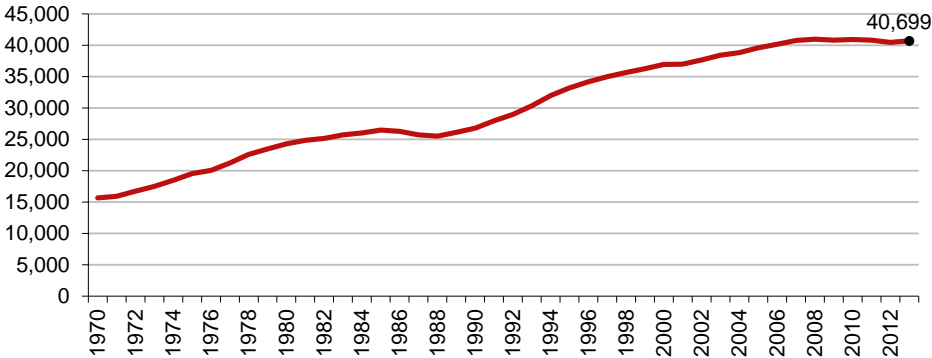
Despite a downturn during the last recession, steady growth in employment and income over the long term led few residents to leave, which left a relatively stable population.

Long-term, steady growth in population, employment, and personal income are commonly associated with a healthy, prosperous economy. High volatility, stagnation, or decline indicates a community whose economy is struggling.

Bonner County has generally seen steady, consistent growth since 1970 in terms of population, the number of full-time and part-time jobs, and personal income. The following three charts (Figures 1-3) show long-term trends in the county. From 1970 to 2013, population grew from 15,636 to 40,699 people, a 160 percent increase. Employment grew from 5,326 to 22,425, a 321 percent increase, and personal income grew from \$283 million to \$1,420 million (in real terms), a 402 percent increase.

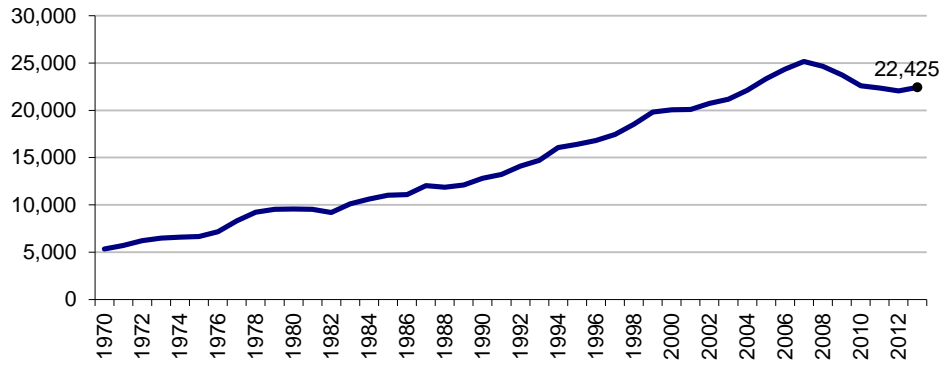
Although the most recent recession had a substantial impact on Bonner County, it also revealed the county’s strong appeal and ability to retain residents. The recession led to a drop in employment and income of 11 percent and 3 percent, respectively. However, population changed little over the same time period despite the loss of available jobs. While the long-run growth Bonner County had experienced over prior decades has been interrupted, people have not left the county in numbers commensurate with job losses. This is likely due to several factors, including connection to family and friends, the area’s high quality of life, and the expense of relocating. It appears that employment and personal income are beginning to recover since the recession. As we describe in the [Migration](#) section, 86 percent of net population growth since 2000 was from migration (as opposed to births).

Figure 1. Population, Bonner County, Idaho, 1970-2013.



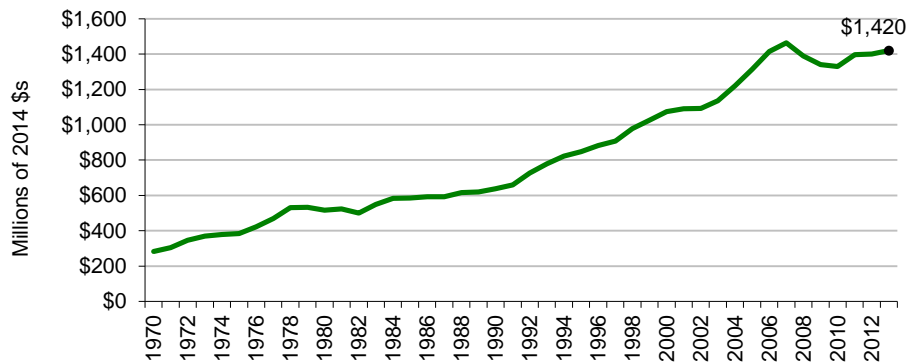
Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA30.

Figure 2. Employment, Bonner County, Idaho, 1970-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA30.

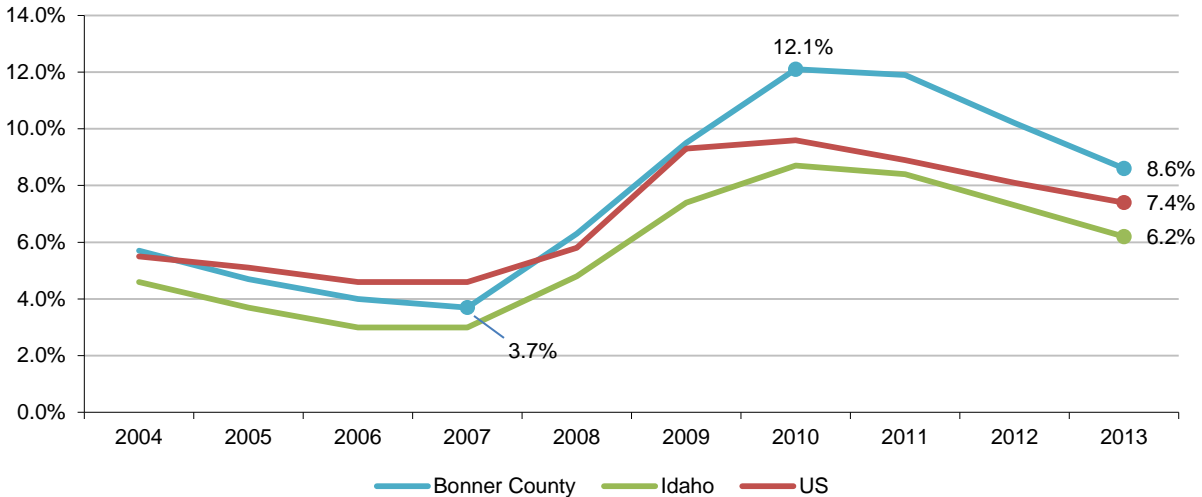
Figure 3. Total Personal Income, Bonner County, Idaho, 1970-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA30.

Figure 4 shows the unemployment rate in Bonner County is consistently higher than in the rest of Idaho, and has been higher than the rest of the U.S. since the recession. From a high of 12.1 percent in 2010, the county unemployment rate was 8.6 percent in 2013, the most recent year for which it is available.

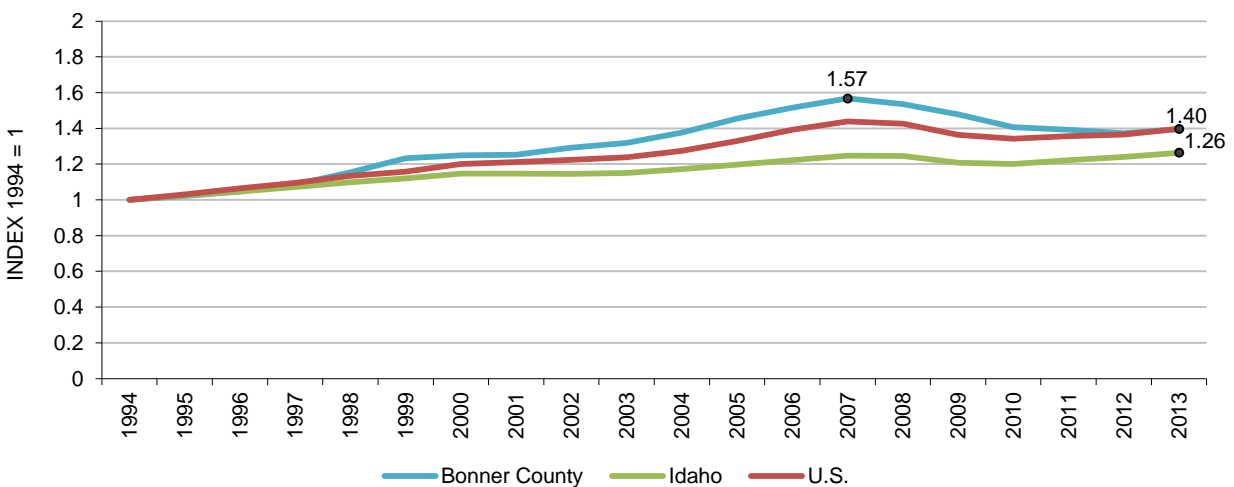
Figure 4. Unemployment Rate for Bonner County, Idaho, and the U.S., 2004-2013.



Source: U.S. Department of Labor. 2014. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.

Despite this relatively high unemployment, employment in Bonner County has grown faster than in Idaho and the rest of the U.S. This apparent contradiction suggests that growth in jobs has not been large enough to offset growth in the labor force. Figure 5 shows relative changes total employment in Bonner County, all of Idaho, and the U.S. between 2013 and 1994. In Bonner County and the U.S. in 2013, there were 1.4 times the number of jobs than there were in 1994, and 1.26 times the jobs in Idaho. Employment in Bonner County reached a high point of 25,162 jobs in 2007, 1.57 times what they were in 1994, but total employment has not yet recovered to pre-recession levels.

Figure 5. Relative Changes in Employment in Bonner County, Idaho, and the U.S., 1994-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

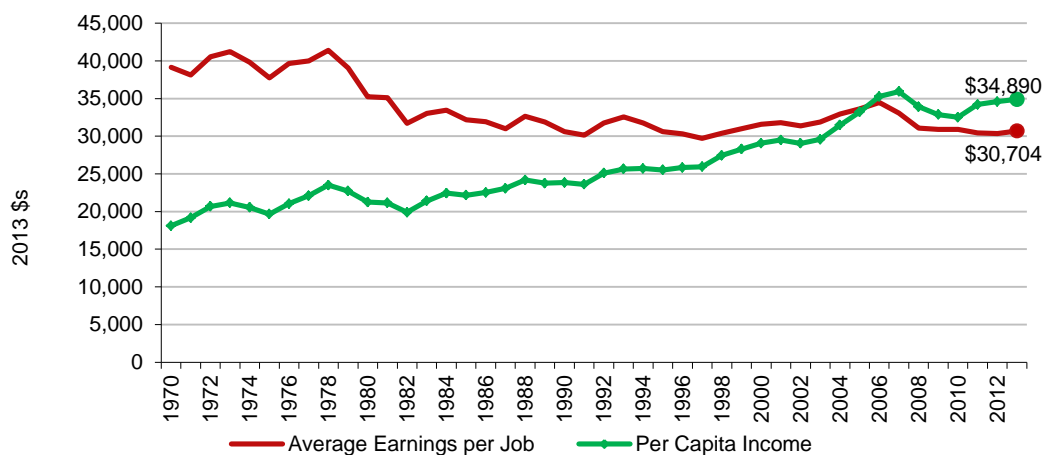
Income Sources

Although earnings per job have stagnated for decades, per capita income has risen steadily due to non-labor income sources.

The levels, sources, and trends in household income help reveal the relative importance of wages and salaries in fueling the local economy. Changes in the source of income reveal broader economic and demographic trends in the community that can be difficult to see from other economic data.

Figure 6 shows that in Bonner County, per capita income has risen steadily, with the exception of a dip during the recession. By comparison, average earnings per job have declined from a high point in the 1970s, stabilized somewhat throughout the 1980s, and started to rise in the 1990s and early 2000s. Earnings declined during the recession, but started to rise a little more recently. There are a number of explanations for these trends and why per capita income has grown faster than earnings.

Figure 6: Average Earnings per Job and Per Capita Income, Bonner County, Idaho, 1970-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA30.

The first reason for this trend is due to a number of structural shifts in the local and national economy including: a shift towards a service-based economy with the primary service component consisting of the relatively low-wage retail sector; a loss of construction jobs, especially during the recession; the growth of recreation and tourism-related industries which include more seasonal or part-time work; a rise in lower-wage self-employed workers; a downturn in the housing and stock market; and long-term lingering effects from the subprime mortgage and financial crisis that extend beyond the officially recognized period of 2007-08.¹

¹ Commonly another explanation for declining wages is due to the loss of manufacturing jobs, which is occurring throughout the country. Bonner County is unusual in that it has experienced a steady long-term rise in manufacturing employment, doubling from 1970 to 2013 (there were 1,189 manufacturing jobs in 1970, 2,663 in 1990, 2,290 in 2000 and 2,389 in 2013). Data from U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA25. from 1970 to 2013 (there were 1,189 manufacturing jobs in 1970, 2,663 in 1990, 2,290 in 2000 and 2,389 in 2013). Data from U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA25.

The second reason for the increasing importance of per capita income relative to earnings per job is because per capita income includes both labor and non-labor income (NLI) sources, and the latter has been growing very rapidly. NLI includes investment and retirement income, as well as Social Security, and medical payments such as Medicare. Unlike most sources of labor income, non-labor income, which often arrives in the form of a dividend check or retirement benefit, can be more difficult to see in a local economy. NLI has grown to be more than half of total personal income in Bonner County (rising from 31 percent of total personal income in 1970, to 43.8 percent of total in 1990, to 53.7 percent of total in 2013).

In many geographies, non-labor income is often the largest source of personal income and also the fastest growing. NLI in Bonner County has outpaced growth of labor earnings: from 1990 to 2013, NLI in Bonner County grew by 173 percent, while labor earnings grew by 84 percent. Since 1990, NLI sources have accounted for 62 percent of new growth in personal income. In 2013, non-labor constituted 53.7 percent of all personal income in Bonner County (see Table 1).²

Non-labor income (NLI) consists of investment income, retirement payments, Social Security, medical payments (e.g., Medicare and Medicaid), and payments from social welfare programs. NLI is one of the largest and fastest growing sources of income, constituting more than one-third of personal income in the U.S. West and more than half of net growth in real personal income in the last decade. Non-labor income is affected by such factors as the stock market, retiring Baby Boomers, and changes to Medicare, Medicaid, and Social Security.

Table 1: Total Personal Income, Labor Earnings and Non-Labor Income Sources, Bonner County, Idaho.

	2013
Total Personal Income (000s of \$)	\$1,419,968
Labor Earnings	\$688,541
Non-Labor Income	\$762,439
Dividends, Interest, and Rent	\$436,738
Age-Related Transfer Payments	\$218,626
Hardship-Related Transfer Payments	\$73,478
Other Transfer Payments	\$33,597
Percent of Total	
Labor Earnings	48.5%
Non-Labor Income	53.7%
Dividends, Interest, and Rent	30.8%
Age-Related Transfer Payments	15.4%
Hardship-Related Transfer Payments	5.2%
Other Transfer Payments	2.4%

Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Tables CA05, CA05N & CA35.

In Bonner County the bulk of NLI consists of investment income (Dividends, Interest, and Rent), which in 2013 made up 30.8 percent of total personal income. Investment income is associated with higher educational attainment, an older population, and larger construction, health care, and real estate sectors.

² U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Tables CA05, CA05N & CA35.

Age-related payments (e.g., retirement, social security, Medicare) are the second largest type of NLI in the county, constituting 15.4 percent of total personal income. These types of payments are generally associated with a growth in the health care sector.

Hardship-Related Payments (e.g., Medicaid, income maintenance benefits) constitute a small portion (5.2%) of total personal income. These payments are generally found in counties with lower household income and higher poverty than Bonner County.

An aging population, stock market and investment growth, and a highly mobile population are some of the reasons behind the rapid growth in non-labor income. With the Baby Boom generation reaching retirement age, it is likely non-labor income will continue to be a growing source of personal income.

The growth in non-labor income can be an indication that a place is an attractive place to live and retire. The in-migration of people who bring investment and retirement income with them is associated with a high quality of life, good health care facilities, and affordable housing, which is important for those on a fixed income. Non-labor income can also be important to places with struggling economies, either as a source of income maintenance for the poor or as a more stable form of income in areas with declining industries and labor markets.

Overall, Bonner County is fortunate to have investment income as the highest percentage source of non-labor income, and from age-related sources because these sorts of income are closely tied to stimulating other sectors of the economy.³

Business Development

Most businesses in Bonner County are small, employing fewer than 10 people, and cater to local and non-local markets.

Businesses in Bonner County are primarily small firms who sell locally. New establishments are mostly created from within the local economy—either as new start-ups or spin-offs from existing businesses—rather than outside businesses moving in. Table 2 shows that approximately 90 percent of all businesses are small, with fewer than 10 employees, and there are more businesses that sell products and services locally than to external markets. There are also a number of large businesses, both local- and export-oriented, that employ more than 100 people. A handful of very large companies employ more than 500.

Table 2: Establishments by Employment Size and Sales Type in Bonner County, Idaho, 2013.

Establishments by Number of Employees	Local Sales	% of Total	External Sales	% of Total
Total	3,087	100%	510	100%
Self-employed (1 employee)	882	30%	118	28%
2-9 employees	1,909	60%	327	59%
10-99 employees	280	10%	55	11%
100-499 employees	14	1%	9	1%
500+ employees	2	<1%	1	<1%

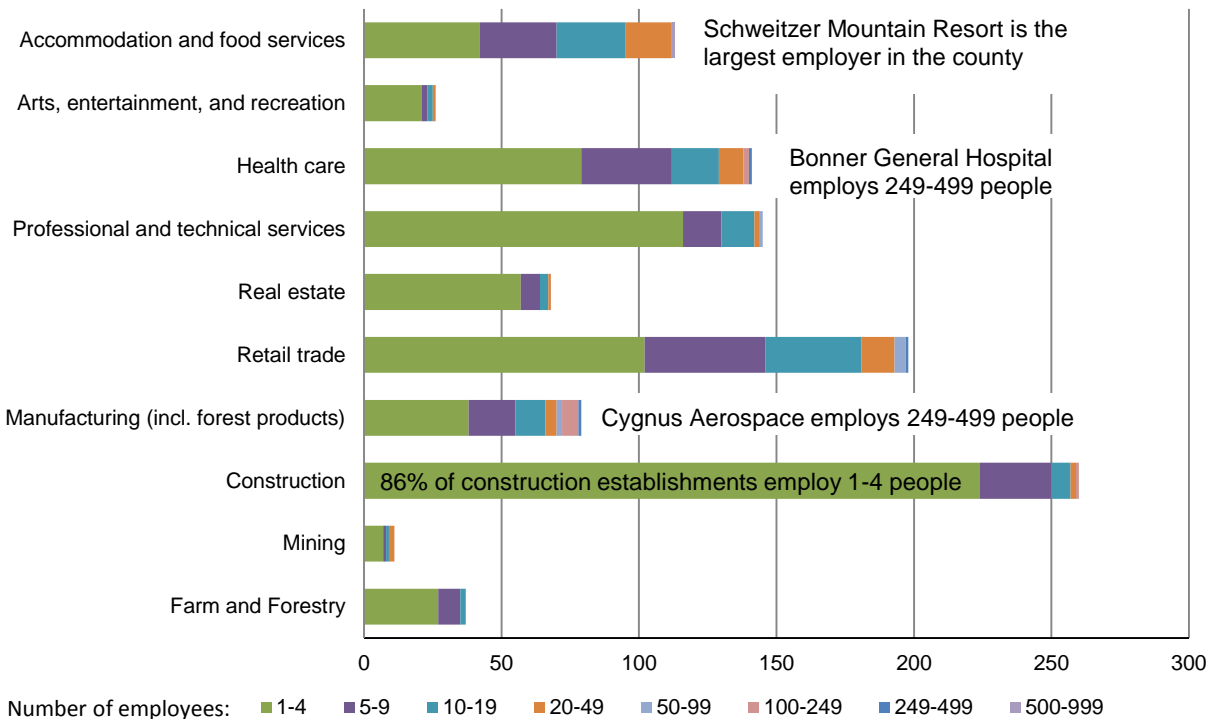
Source: <http://www.youreconomy.org/>, which uses the National Establishment Times Series (NETS).

³ For a peer-reviewed article exploring the relationship between various forms of non-labor income to other socioeconomic factors in western counties, see: Lawson, M.M., R. Rasker, and P.H. Gude. 2014. “The Importance of Non-Labor Income: An Analysis of Socioeconomic Performance in Western Counties By Type of Non-Labor Income.” *Journal of Regional Analysis and Policy* 44(2): 175-190. To learn more about non-labor income and how Bonner County compares to the rest of the West, see: <http://headwaterseconomics.org/land/reports/non-labor>.

The bulk of new businesses sell products and services within Bonner County, while a smaller number sell primarily to outside markets. From 2000 to 2013, the total number of establishments in the county increased by 834, at an average annual rate of 2.3 percent (by comparison, the state added establishments at a rate of 2.8% per year during this time). From 2000 to 2013, establishments that sell goods and services primarily within their local area increased by 1,187 (on average 4.8% per year, with sales valued at more than \$2 billion in 2013). Establishments that sell primarily to regions and countries beyond the county increased by 61 during the same period (on average 1% per year, with sales valued at \$567 million in 2013; down from \$606 million in 2012).

Figure 7 shows the number of business establishments by sector and number of employees. As we discussed earlier, the local economy is dominated by businesses with fewer than ten employees. This is particularly true in the construction sector, in which 96 percent of all establishments are these small businesses. Also, over 90 percent of establishments in farm and forestry, real estate, and professional and technical services employ ten people or fewer. The sectors with the largest employers are in manufacturing, with seven establishments employing more than 100 people; health care, with three establishments employing over 100 people; management of companies and enterprises, with one establishment employing over 100 people; and accommodation and food services, with one establishment employing over 100 people. The largest employer in the county is Schweitzer Mountain, with over 500 employees. The health care, retail trade, management of companies, and manufacturing sectors each has a business employing 249-499 people.

Figure 7. Business Establishments, by Number of Employees and Economic sector, for Bonner County, 2012.



Source: U.S. Department of Commerce. 2012. Census Bureau, County Business Patterns, Washington, D.C.

Employment and Average Wages by Sector

Employment is dominated by retail, manufacturing, and construction, with the highest wages in manufacturing

Total employment, growth in employment, and average wages by sector gives us an idea of which sectors are most economically significant. In this section we highlight sectors that employ many people but have relatively low wages and other sectors that employ few but have high wages, and also consider how sectors weathered the most recent recession.

Table 3 summarizes total employment, change in total employment, and average wages per job by major economic sector in Bonner County in 2013. Retail is the largest private sector employer (14.5% of all employment in 2013), followed by manufacturing (10.5%) and construction (8.2%). The fastest-growing sector is mining, although it is less than 2 percent of private-sector employment. Real estate and health care, which grew 27 percent and 12 percent over the past decade, are large and likely to continue growing to as the county population [grows](#) and [ages](#). The professional services sector is small (5.6% of total employment), but it has been growing steadily and its jobs pay 27 percent more than the average job in the county (\$44,210 versus \$32,489). The information sector, which includes publishing, motion picture and sound recording, broadcasting, telecommunications, and data processing, is small (1.1% of total employment) and has shrunk in the last decade by 5.1 percent. Although this mirrors broader trends in Idaho and the U.S., this sector is undoubtedly limited by broadband access, discussed in further detail in [Rural Connectivity](#) section.

Table 3. Employment and average wages per job for key sectors in Bonner County, 2013.

	Total employment, 2013	Percent of total employment, 2013	Change in employment, 2004-2013	Average wages per job, 2013
Total Employment	22,425		1.4%	\$32,489
Non-services related	5,659	25.2%	-11.5%	\$36,770
Farm	671	3.0%	-11.8%	*
Forestry, fishing, & ag. services	495	2.2%	-32.7%	\$40,710
Mining (incl. fossil fuels)	273	1.2%	116.7%	\$53,695
Construction	1,831	8.2%	-25.1%	\$29,695
Manufacturing (incl. wood prod.)	2,389	10.7%	2.9%	\$38,058
Services related	14,316	63.8%	8.1%	\$29,909
Utilities	127	0.6%	13.4%	\$66,791
Wholesale trade	293	1.3%	13.6%	\$43,670
Retail trade	3,255	14.5%	4.7%	\$32,228
Transportation and warehousing	493	2.2%	-2.2%	\$42,982
Information	244	1.1%	-5.1%	\$43,518
Finance and insurance	672	3.0%	23.3%	\$49,489
Real estate and rental and leasing	1,547	6.9%	27.3%	\$22,920
Professional and technical services	1,245	5.6%	5.5%	\$44,210
Management of companies	80	0.4%	-32.8%	\$55,769
Administrative and waste services	648	2.9%	15.3%	\$28,175
Educational services	254	1.1%	-12.4%	\$23,859
Health care and social assistance	1,652	7.4%	12.2%	\$28,896
Arts, entertainment, and recreation	834	3.7%	2.6%	\$18,256
Accommodation and food services	1,531	6.8%	9.4%	\$13,735
Other services, except public administration	1,441	6.4%	2.3%	\$23,734
Government	2,450	10.9%	-1.0%	\$35,463

Sources: The first three columns are from the U.S. Department of Commerce, 2014, Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA25N. The fourth column is from the U.S. Department of Labor, 2013, Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

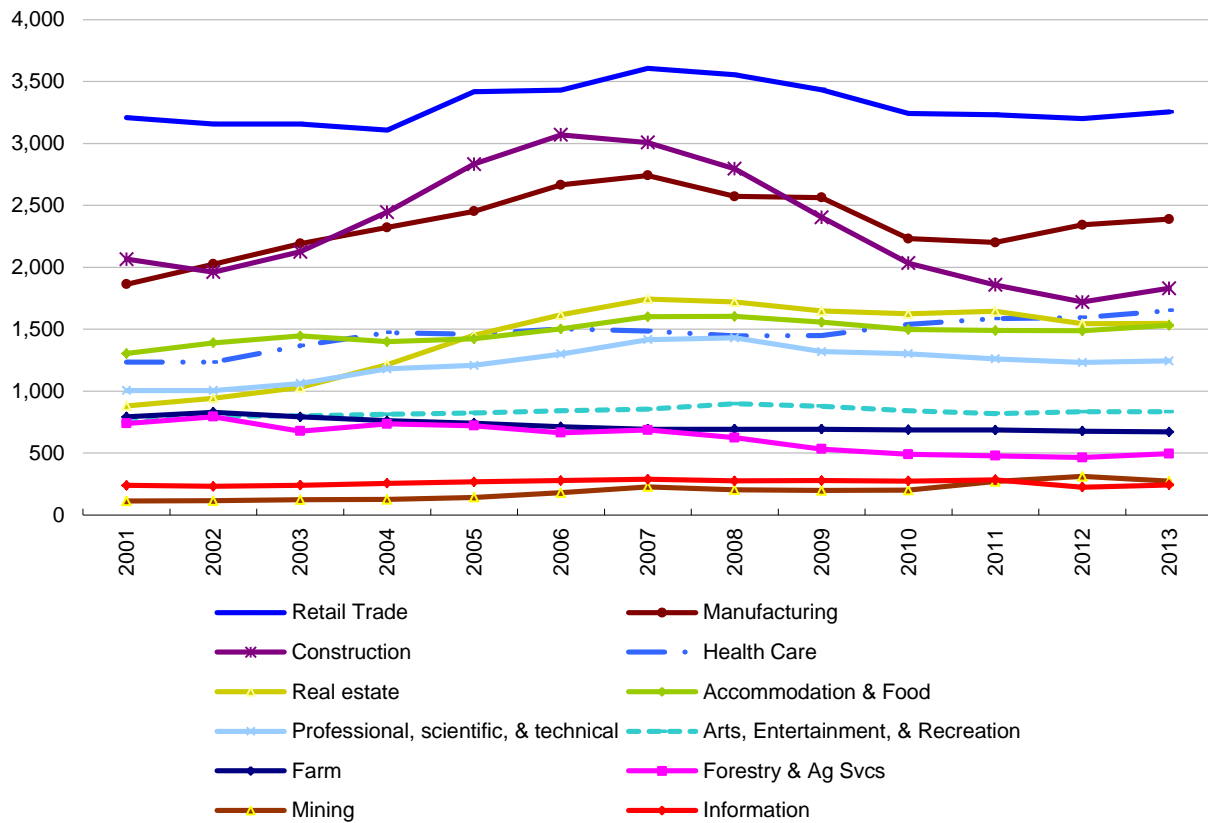
* Data not available due to disclosure restrictions.

Cells highlighted in green indicate sectors with above-average wages per job.

Figure 8 shows that the recession did not affect all sectors the same way. Most of the recession-related job losses occurred in the retail, construction, and manufacturing sectors, also the largest sectors in the Bonner County economy. Loss of jobs in the construction sector accounted for 38 percent of all 2,575 job losses between 2007 and 2010, when the unemployment rate peaked. The retail, construction, and manufacturing sectors appear to be recovering, with manufacturing making the largest and quickest gains, although construction employment remains far below pre-recession levels.

Other significant sectors, such as health care, real estate, and accommodation and food, and health care stopped growing or shrank slightly at the height of the recession in 2007, but have remained relatively steady since then.

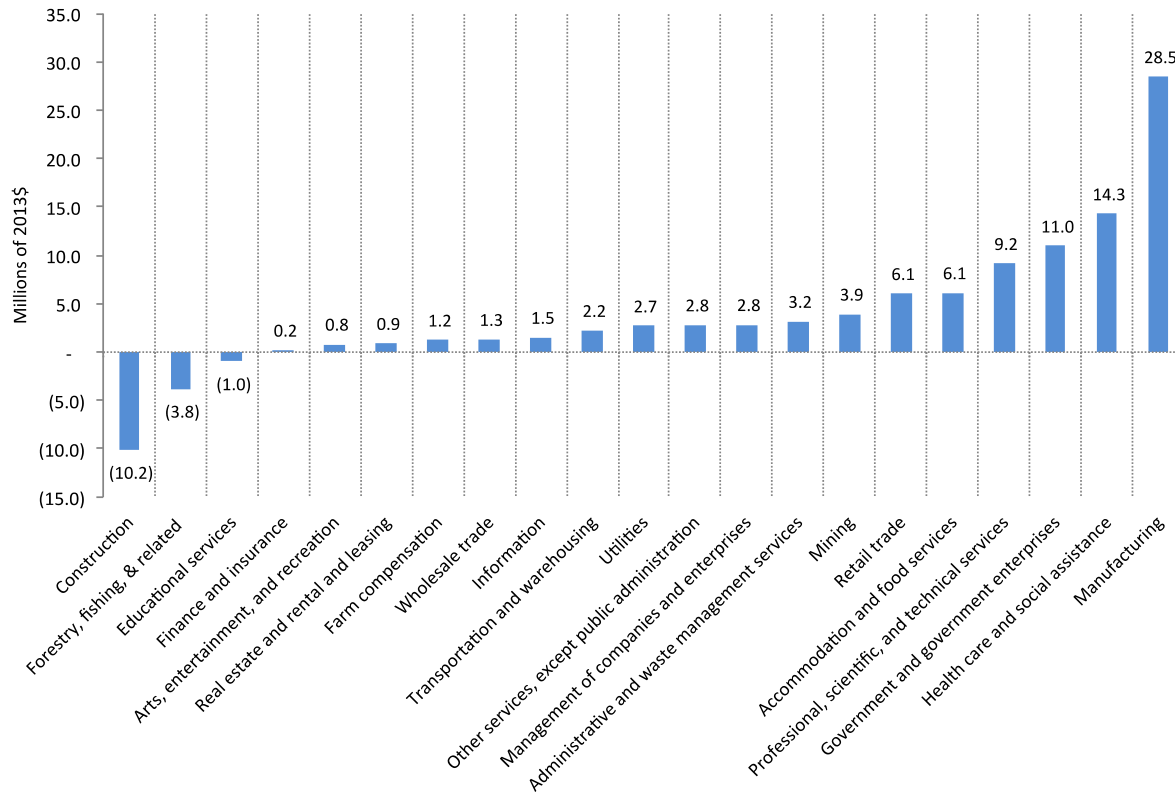
Figure 8. Employment by Major Industry, Bonner County, 2001-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA25N.

Figure 9 shows the change in the Bonner County economy since 2001, measured in terms of total compensation earned by people working in various sectors. Since 2001 there has been an absolute decline in compensation earned in construction, forestry and related industries, and education services. All other sectors grew during the same period, led by manufacturing; health care and social assistance (87% of this category is in health care); government (84% is in local government); professional, scientific and technical services; accommodation and food services; and retail trade. The number of industries that increased compensation is remarkable; most of the decline is attributable to construction, which was severely affected by recession-related housing bubble.

Figure 9: Net Change in Compensation by Industry, Bonner County, Idaho, 2001-2013.



Source: U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Table CA06N.

Sectors in Focus

Manufacturing, Advanced Industries, Travel and Tourism, and Health Care together create some of Bonner County's unique economic advantage.

In the following section, we look in detail at four sectors that represent an important part of Bonner County's comparative economic advantage—manufacturing, advanced industries, travel and tourism, and health care. Understanding trends in these sectors will help Bonner County to develop strategies to continue to support these existing strengths.

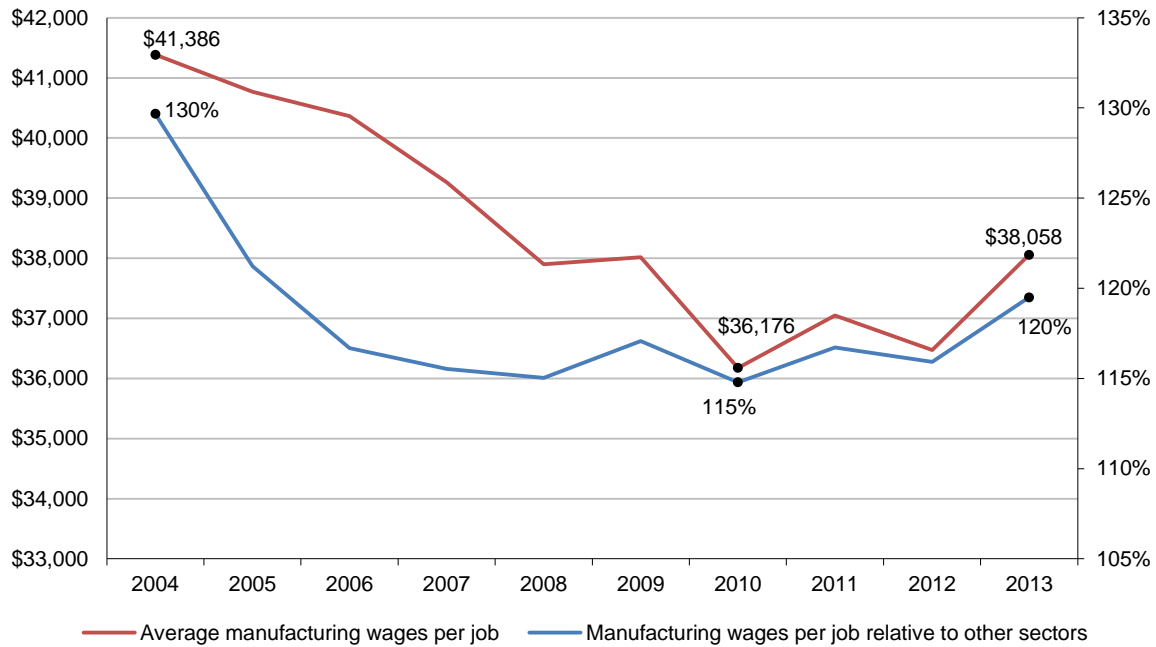
Manufacturing in Bonner County is large and diverse, and pays well relative to other sectors

For a rural area, Bonner County has a relatively well established, diverse, and healthy manufacturing sector. In 2013, labor earning from employment in manufacturing in the county represented 15 percent of all labor income in the county, up from 12 percent in 2001.⁴ As Figure 8 illustrates, the manufacturing sector, like other sectors such as construction, were impacted by the national recession and only recently began showing an upward growth trend.

Relative to other sectors, manufacturing jobs are traditionally high-paying, comparatively. But this gap has shrunk over time. Wages per job in manufacturing have been declining over the last decade, hitting their lowest level in 2010 at \$36,176 (see Figure 10). In 2004, they were 130 percent of wages in all sectors, or 30 percent higher than wages across all sectors. In 2010, the peak of the recession in Bonner County, manufacturing wages were only 115 percent of wages in other sectors (i.e., 15% higher than wages in all other sectors).

Since 2010, manufacturing wages have recovered more quickly than wages in other sectors but, at \$38,058, they remain below pre-recession levels. This recovery in average wages mirrors the recovery of total employment in manufacturing shown in Figure 10.

Figure 10: Manufacturing Earnings per Job, and Earnings per Job Relative to All Other Sectors, Bonner County, Idaho, 2004-2013.



Source: U.S. Department of Labor. 2013. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

Bonner County’s manufacturing sector includes a diverse range of industries. Table 4 summarizes the number of establishments by number of employees, represented within Bonner County’s manufacturing

⁴ U.S. Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Tables CA05 and CA05N.

sector. Although wood products-related manufacturing has comprised less of all manufacturing income over time (7.2% of manufacturing earnings in 2003 versus 2.7% in 2013), sawmills and wood preservation remains the most common type of manufacturing business, and also includes some of the largest employers. Five other sectors have businesses employing over 100 people: other food manufacturing, pharmaceutical medicine manufacturing, plastics product manufacturing, electrical equipment manufacturing, and aerospace product and parts manufacturing.

Table 4: Types of Manufacturing in Bonner County, Idaho, 2012.

Sectors	Number of establishments	Number of employees						
		1-4	5-9	10-19	20-49	50-99	100-249	250-499
Fruit and vegetable preserving and specialty	1	1						
Animal slaughtering and processing	2		1	1				
Bakeries and tortilla mfg.	1	1						
Other food mfg.	2	1						1
Beverage mfg.	2			2				
Textile furnishings mills	1	1						
Other textile product mills	1	1						
Cut and sew apparel mfg.	1			1				
Sawmills and wood preservation	11	5	3	1		1	1	
Plywood and engineered wood product mfg.	1		1					
Other wood product mfg.	3	2			1			
Printing and related support activities	7	4	2	1				
Pharmaceutical and medicine mfg.	1						1	
Plastics product mfg.	1						1	
Cement and concrete product mfg.	5	4	1					
Cutlery and hand tool mfg.	1	1						
Architectural and structural metals mfg.	2	1	1					
Machine shops and threaded product mfg.	4	3		1				
Coating, engraving, and heat treating metals	1	1						
Industrial machinery mfg.	3	1		1	1			
Commercial and service industry machinery	1	1						
HVAC and commercial refrigeration equipment	1		1					
Other general purpose machinery mfg.	1				1			
Computer and peripheral equipment mfg.	1	1						
Electronic instrument mfg.	2		1			1		
Electric lighting equipment mfg.	1		1					
Electrical equipment mfg.	1						1	
Motor vehicle parts mfg.	2	2						
Aerospace product and parts mfg.	4		1		1		2	
Ship and boat building	1		1					
Other transportation equipment mfg.	1			1				
Household and institutional furniture mfg.	6	4	2					
Office furniture and fixtures mfg.	2	1	1					
Medical equipment and supplies mfg.	3	1		2				
Other miscellaneous mfg.	1	1						

Source: U.S. Department of Commerce. 2012. Census Bureau, County Business Patterns, Washington, D.C.

The county’s diverse manufacturing sector represents an impressive range of capacity in terms of facilities and occupations that could accommodate new businesses in the same sector, generate spinoff businesses, or allow for expansion into new, related fields.

“Advanced Industries” in Bonner County are large and growing fast, particularly for a rural community

Bonner County is successful at creating businesses that rely on research, science, and technology. Enrico Moretti, in *The New Geography of Jobs*, has pointed out that while some areas of the country suffer from long-term economic decline, others are booming to the point of having difficulty finding enough workers with the skills need for burgeoning high-tech jobs. He concludes, “In the twentieth century, competition was about accumulating physical capital. Today it is about attracting the best human capital.”⁵

A recent study by the Brookings Institution explored one method for identifying the presence of economic sectors that rely on human capital. They call these sectors the “advanced industries.” They define these industries as sectors that invest heavily in research and development (R&D) and that rely in large part on



Image 1. A Tamarack Aerospace Group test flight above Sandpoint, Idaho.

workers with skills in science, technology, engineering, and math (STEM). The Institution points out that value of their production is very high and that they “pack a massive punch” despite their size; while the 50 advanced industries they identified represent only 5 percent of the U.S. workforce, they produce 17 percent of the country’s Gross Domestic Product. They also employ 80 percent of the nation’s engineers, are responsible for 85 percent of all patents, 60 percent of all U.S. exports, and perform 90 percent of private sector R&D. For every advanced industry job another 2.2 jobs are created in

other sectors, which means that, directly and indirectly, these sectors are responsible for nearly one fourth of all U.S. jobs. Since 1980, advanced industry jobs have grown 30 percent faster than the U.S. economy as a whole.⁶

Using the Brookings Institution definition, we identified 99 advanced industry businesses in Bonner County (out of a total 1,335 establishments), which can be seen in Table 5.⁷ They include a wide range of sectors, including manufacturing based, such as aerospace, computer, and electrical instrument manufacturing, to service-based sectors, such as scientific R&D, architecture, and engineering services.

⁵ Moretti, E. 2012. *The New Geography of Jobs*. Houghton Mifflin Harcourt. New York. Page 66.

⁶ Muro, M., J. Rothwell, S. Andes, K. Fikri, and S. Kulkarni. 2015. “America’s Advance Industries: What They Are, Where They Are, and Why They Matter.” Brookings Institution, Washington, D.C. <http://www.brookings.edu/research/reports/2015/02/03-advanced-industries/#/M10420>. The Brookings Institution identified 50 advanced industry sectors as those where R&D spending per worker is in the 80th percentile of higher for all industries and the share of workers requiring STEM knowledge must be above the national average of 21 percent.

⁷ Establishments by county were obtained from U.S. Department of Commerce. 2012. Census Bureau, County Business Patterns, Washington, D.C. The latest data available are for 2012.

In 2012, 7 percent of all businesses in the county were “advanced industries,” a high number for a rural county, ranking Bonner County as 66th of the top 100 metropolitan counties in the U.S.

Privacy protections prevent the U.S. Department of Commerce from disclosing the exact number of people employed in each industry. However, they do provide data on the number of firms by a range of employment size. While there are four establishments that employ between 100 and 249 employees—in pharmaceutical and medicine manufacturing, electrical manufacturing, and aerospace products and parts manufacturing businesses—by far the greatest number of establishments employ fewer than five people. This is especially true in architecture, computer design, and management and technical consulting services.

For Bonner County, the relatively high proportion and rapid growth of establishments that rely heavily on R&D and STEM workers is an indication that despite the county’s rural location, the local economy has fomented a type of business growth that is one of the hallmarks of economic success in the U.S. economy, and a type of business formation more often found in metropolitan regions.

All of these advanced industries need to be able to connect to broader markets via the Internet to communicate with customers. Others—including software publishers, wireless telecommunications carriers, other information services, computer systems design, scientific research and development, medical and diagnostic laboratories—specifically require high-speed Internet access to disseminate their products. These businesses are present in the county despite the relatively poor Internet access discussed in [Rural Connectivity](#).

Table 5: Advanced Industry Establishments in Bonner County, Idaho, 2012

Sectors	Number of establishments	Number of employees					
		1-4	5-9	10-19	20-49	50-99	100-249
Metal ore mining	1	1					
Power generation and supply	3			1	1	1	
Pharmaceutical and medicine mfg.	1						1
Industrial machinery mfg.	3	1		1	1		
Commercial and service industry machinery	1	1					
Other general purpose machinery mfg.	1				1		
Computer and peripheral equipment mfg.	1	1					
Electronic instrument mfg.	2		1			1	
Electric lighting equipment mfg.	1		1				
Electrical equipment mfg.	1						1
Motor vehicle parts mfg.	2	2					
Aerospace product and parts mfg.	4		1		1		2
Ship and boat building	1		1				
Other transportation equipment mfg.	1			1			
Medical equipment and supplies mfg.	3	1		2			
Other miscellaneous mfg.	1	1					
Software publishers	1				1		
Wireless telecommunications carriers	1	1					
Other information svcs.	2	1	1				
Architectural and engineering svcs.	21	18		2	1		
Computer systems design and related svcs.	11	9		2			
Management and technical consulting svcs.	31	28	1	2			
Scientific research and development svcs.	4	3		1			
Medical and diagnostic laboratories	1	1					

Source: U.S. Department of Commerce. 2012. Census Bureau, County Business Patterns, Washington, D.C.

Travel and Tourism are a consistent employer, and help to market Bonner County's quality of life

Bonner County, and Sandpoint in particular, are popular summer and winter tourism destinations, and tourism is understood to be one of the major drivers of the local economy. The extent of tourism's influence is difficult to measure because many sectors catering to tourists—gas stations, clothing and accessory stores, and retail—also cater to local residents. It is not known, without additional research such as surveys, what exact proportion of the jobs in these sectors is attributable to expenditures by visitors, including business and pleasure travelers, versus by local residents. Because of these challenges, we refer to these sectors as "industries that include travel and tourism."⁸

From 2003-2012, industries that include travel and tourism have hovered at around 20 percent of total private employment (see Figure 11).⁹ Note that these data are from a different data source than earlier tables and do not include proprietors.

Figure 11: Total Jobs in Industries that Include Travel and Tourism and Non-Travel and Tourism Sectors, Bonner County, Idaho, 2003-2012.



Source: U.S. Department of Commerce. 2013. Census Bureau, County Business Patterns, Washington, D.C.

Accommodation and food services make up the largest segment of these industries, at roughly 15 percent of total private employment in 2012. (The relative size of the retail sector is also evident in [Figure 8](#).) The next largest are the retail-based businesses—gasoline stations, clothing and accessory stores, and miscellaneous store retails—which make up roughly 4 percent of total private employment.

⁸ The specific types of businesses included as “industries that include travel and tourism” are: gas stations; clothing and accessory stores; miscellaneous store retailers (includes gift, novelty, and souvenir stores); air transportation; scenic and sightseeing transportation; performing arts and spectator sports; museums, parks, and historical sites; amusement, gambling, and recreation (includes golf courses and alpine and cross-country skiing facilities); accommodation (includes ski resorts, hotels, casino hotels, campgrounds, and guest ranches); and food services and drinking places.

⁹ U.S. Department of Commerce. 2013. Census Bureau, County Business Patterns, Washington, D.C.

Average annual wages in industries that include travel and tourism are \$15,352, less than half the average annual wages in all private sector jobs (\$31,464).¹⁰ This low annual wage is attributable both to lower paying jobs and also to a higher proportion of part-time or seasonal jobs in these sectors. The notable outlier is passenger transportation, which employs 23 people in the county who average \$81,875 per year.

Employment in tourism-related industries has been relatively flat over time. One challenge to expanding tourism in Bonner County is the ability to accommodate conferences of more than 100 attendees, either within the cities or at Schweitzer Mountain Resort. Conferences have the ability to draw visitors, particularly during shoulder seasons.

Health Care in Bonner County is well-suited to serve an aging population and new retiree residents

As a large, growing, and steady employer, the health care sector is one of Bonner County's economic strengths. A strong health care sector with sufficient capacity ensures the county is able to care for its aging population as well as accommodate new retirees moving to the area. As we describe in greater detail in the [Demographics](#) section, Bonner County's population is aging and is attracting retirees, placing greater demands on the health care sector. Twenty-one percent of its residents are aged 65 and older, compared to 14 percent for the U.S. and Idaho.

Bonner County provides some of the best access to health care in the state, evident in the ratio of providers to patients:

- The ratio of primary care physicians to patients is 1,446:1, compared to 2,592:1 across Idaho;
- The ratio of dentists to patients is 2,035:1, compared to 2,272:1 across Idaho; and
- The ratio of mental health providers is 468:1 compared to 1,758:1 across Idaho.¹¹

In addition to access to health care providers, one can measure the quality of health care in terms of public health measures such as disease incidence and access to preventive care. Overall, Bonner County is on par with other Idaho counties in terms of chronic disease incidence and number of physically and mentally healthy days. Bonner County does much better than Idaho counties in terms of physical activity:

- 24 percent of residents are obese compared to 28 percent statewide; and
- 80 percent of residents have adequate access to locations for physical activity, compared to 66 percent statewide.¹²

The health care sector is a steady economic engine in the area. There were 141 health care-related businesses in Bonner County in 2012, most of which employed fewer than 10 people.¹³ Employment in the health care sector grew by 12 percent between 2004 and 2013 (see Table 3). Additionally, the health care sector was relatively immune to job losses during the recession: whereas most sectors lost jobs between 2007 and 2010, the health care sector gained jobs.¹⁴ Although health care is large and growing,

¹⁰ U.S. Department of Labor. 2013. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

¹¹ University of Wisconsin Population Health Institute. *County Health Rankings & Roadmaps 2015*. www.countyhealthrankings.org.

¹² Ibid.

¹³ U.S. Department of Commerce. 2012. Census Bureau, County Business Patterns, Washington, D.C.

¹⁴ U.S. Department of Commerce, 2014, Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA25N.

wages are lower than the county average (\$28,896 compared to \$32,489 across all sectors) and have remained unchanged over the last decade after accounting for inflation.¹⁵

Health care in Bonner County is well positioned to continue being an asset for residents' quality of life as well as to the local economy. This is evident in the new Bonner General and Kootenai Health campus in downtown Sandpoint, an investment that will continue to pay dividends as the county ages and continues to attract retirees.

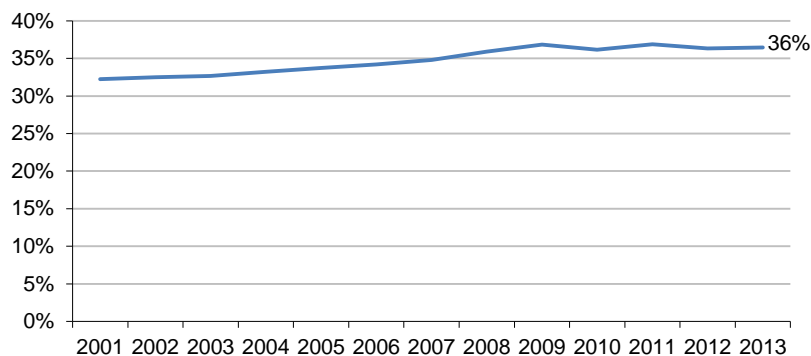
The Culture and Economy of Entrepreneurship

The area's many entrepreneurs highlight residents' commitment to remaining in the community

Entrepreneurs—people who start their own businesses—are an important indication of business vitality and speak to the motivations of local residents to want to live and do business in their own community. Compared to urban centers, fostering entrepreneurship is generally more difficult in rural areas because it is more difficult to obtain access to capital, labor, and transportation infrastructure.

How much entrepreneurship occurs in Bonner County? A common approach is to estimate the number of “non-farm proprietors,” which the U.S. Department of Commerce defines as “the number of sole proprietorships and the number of individual business partners not assumed to be limited partners.” In 2013, Bonner County had 8,178 non-farm proprietors (plus 581 farm proprietors), representing 36 percent to total employment (22,425). As Figure 12 shows, non-farm proprietors in the county have risen steadily from 32 percent of total employment in 2001. These self-employed individuals represent 73 percent of the net growth in jobs from 2001 to 2013.¹⁶

Figure 12: Nonfarm Proprietors Employment, Percent of Total Employment, Bonner County, Idaho, 2001-2012.



Source: Employment data by type from Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Tables CA05 & CA05N.

There are a number of possible reasons for growth in the ranks of the self-employed. Some are lifestyle entrepreneurs who open a business to follow a dream or to fit their lifestyle. These can be as varied as the person who has a sheet metal fabrication business in the garage, to a coffee shop owner who moved to the

¹⁵ U.S. Department of Labor, 2013, Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

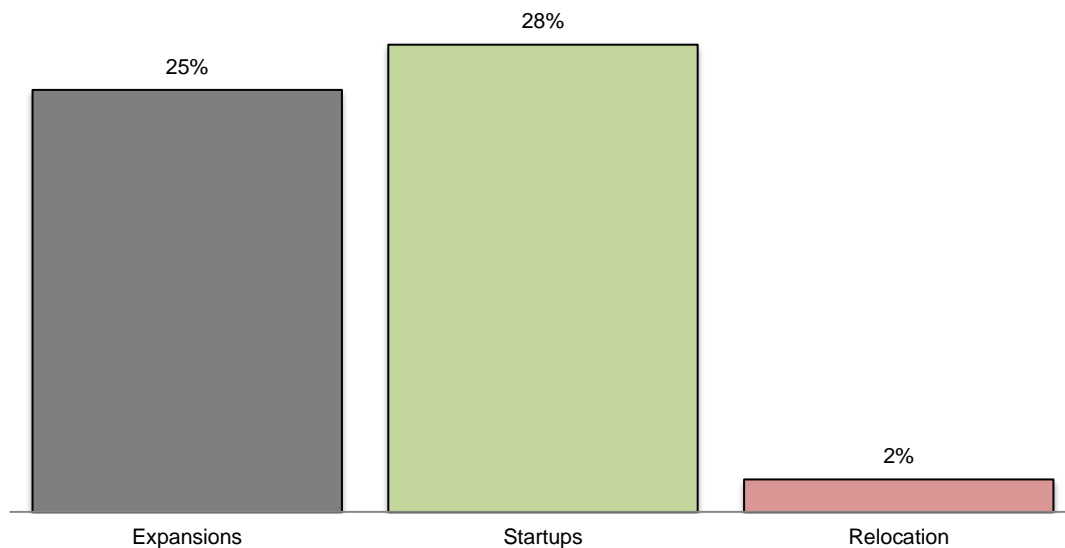
¹⁶ Employment data by type from Department of Commerce. 2014. Bureau of Economic Analysis, Regional Economic Accounts, Washington, D.C. Tables CA05 & CA05N.

area for the lifestyle. Others are “serial entrepreneurs” who launch new enterprises and then sell them to finance new ventures. And some open businesses for themselves, then grow and hire employees.

A rise in the self-employed can also be an indication of a weak labor market, where working for oneself is the only option. However, recently in Bonner County, entrepreneurship has also been a sign of individuals’ commitment to the community and willingness to pursue creative approaches to live in the area. After the 2014 closure of Coldwater Creek, many were concerned that Coldwater Creek’s highly skilled employees would leave because there were no local employment options in their field. While many did, others have opened their own businesses in order to remain in the area. Examples of businesses these entrepreneurs opened include a retail kitchen store, online adventure travel business, a flower delivery service, and a “maker studio,” providing tools and training to other small-scale manufacturing and design entrepreneurs.¹⁷ Although these businesses arose due to the loss of a major employer, in the case of Bonner County they are a testament to its quality of life and committed residents.

Much of the business formation has come from within the local economy rather than by the relocation of businesses to the county. Figure 13 shows that of all establishments in the county between 2000 and 2013, most are either expansions of existing companies (25% of businesses) and from new startups (28% of businesses), while few establishments are businesses relocating to the county (2% of businesses).¹⁸ The remainder are existing businesses.

Figure 13: Percentage of Establishments by Type in Bonner County, Idaho, 2000–2013.



Source: <http://www.youreconomy.org>, which uses the National Establishment Times Series (NETS).

¹⁷ Maben, S. 2015. “Coldwater Creek may be gone, but Sandpoint is enjoying a second wind.” The Spokesman-Review. January 4, 2015.

¹⁸ Net expansions = expansions (of existing companies) - contractions (of existing companies). Net Startups = Expansion Startups (establishments spun off by existing businesses) + New Startups (establishments with no prior affiliation with any existing business) - Close (all establishments that went out of business). Net Relocation = Companies that moved in – companies that moved out.

In rural areas, the self-employed are often prevalent in areas with high concentrations of employment in retail trade and construction.¹⁹ As we showed in the [Employment and Average Wages by Sector](#) section, retail and construction are two of the biggest sectors in terms of total employment in the county, and also were among the hardest-hit during the last recession. Table 6 looks specifically at self-employment across sectors. It shows the percentage of self-employed jobs in each major sector and the percentage of total gains or losses in self-employed jobs attributable to each sector. Construction made up the largest proportion of self-employed jobs in 2010, but it lost the most self-employed jobs during the recession. It accounted for nearly one-third of all self-employed job losses from 2006-2010. Agriculture and forestry were a relatively small proportion of self-employed jobs, but 27 percent of them were lost during the recession.

Table 6: Percentage of Self-Employment and Self-Employment Job Losses and Gains, Bonner County, Idaho, 2006-2010.

Sectors	% of all self-employed jobs in 2010	% of losses in self-employed jobs, 2006-2010	% of gains in self-employed jobs, 2006-2010
Agriculture, Forestry, Fishing and Hunting	4%	27%	-
Mining, Quarrying, and Oil and Gas Extraction	0%	2%	-
Utilities	0%	-	-
Construction	17%	31%	-
Manufacturing	3%	10%	-
Wholesale Trade	1%	0%	-
Retail Trade	10%	6%	-
Transportation and Warehousing	3%	2%	-
Information	1%	-	6%
Finance and Insurance	2%	2%	-
Real Estate and Rental and Leasing	12%	17%	-
Professional, Scientific, and Technical Services	13%	-	23%
Administrative and Support and Waste Management and Remediation Services*	7%	-	21%
Educational Services	1%	-	5%
Health Care and Social Assistance	7%	-	2%
Arts, Entertainment, and Recreation	4%	-	11%
Accommodation and Food Services	1%	4%	-
Other Services (except Public Administration)**	13%	-	32%

Source: U.S. Department of Commerce. 2014. Census Bureau, Nonemployer Statistics, Washington, D.C.

* Includes businesses like office administrative, facilities support, employment, business support, travel arrangement, waste collection, and waste remediation services.

** Includes businesses like automotive repair, electronic repair, commercial machinery repair, religious organizations, and social advocacy organizations.

¹⁹ Low, S., J. Henderson, S. Weiler. 2005. "Gauging a Region's Entrepreneurial Potential." Economic Review: Third Quarter 2005: 61-89.

While construction had the most self-employed jobs in 2010, Professional, Scientific, and Technical Services and Other Services make up the next largest proportion of self-employed jobs at 13 percent each.²⁰ These sectors also added self-employed jobs during the most recent recession. Of all gains in self-employment jobs, 32 percent were in Other Services and 23 percent were in Professional, Scientific, and Technical Services.

Professional, Scientific, and Technical Services merit further attention because these tend to be among the best paying in the county (see Table 3), and high-wage entrepreneurs are usually less common in rural areas. One reason is poor access to large markets, such as long driving distance to metropolitan areas and airports. Rural areas also tend to have higher transportation and information costs. However, Bonner County has managed to attract and foster highly skilled, high-wage entrepreneurs despite these obstacles.

One reason for these entrepreneurs is the high quality of life for which the Greater Sandpoint area is known. A recent study published by the Federal Reserve Bank of Kansas City pointed out that one advantage rural areas have for boosting entrepreneurship might lie in promoting and enhancing its quality of life:

“Communities known as amenity-rich, creative places that are open to a diversity of people and ideas are more likely to develop home-grown entrepreneurs and attract footloose entrepreneurs. Thus, regions seeking new ways to develop local entrepreneurs may want to focus on boosting the quality of life in their communities.”²¹

Bonner County has a large and growing self-employed sector, hinting at the strong entrepreneurial culture that is more difficult to see in economic data. These small businesses help to diversify the local economy and create ties to broader markets. Many of the self-employed are in construction, real estate, and retail, not uncommon for a rural area. However, many self-employed are also in professional services, which are more commonly associated with urban areas with larger markets. This is a testament to how well Bonner County has been able to capitalize on its high quality of life to retain creative, entrepreneurial residents. Venues for sharing knowledge and ideas for starting small businesses have been popular, and will be an invaluable ingredient to continue building entrepreneurial momentum in the area.

Rural Connectivity

Distance to metropolitan areas is a barrier for Bonner County

The West can be divided into three types of counties, each with its own economic development opportunities based on access to transportation infrastructure and major population centers. Some counties are metropolitan, with a core population of 50,000 or greater, including surrounding counties that are within commuting distance to the city. Other counties are in a rural setting, but are connected to larger metropolitan areas via air travel (for example, Ashland, Oregon). The third type of county is rural and remote, beyond easy driving distance to a major city or airport.²²

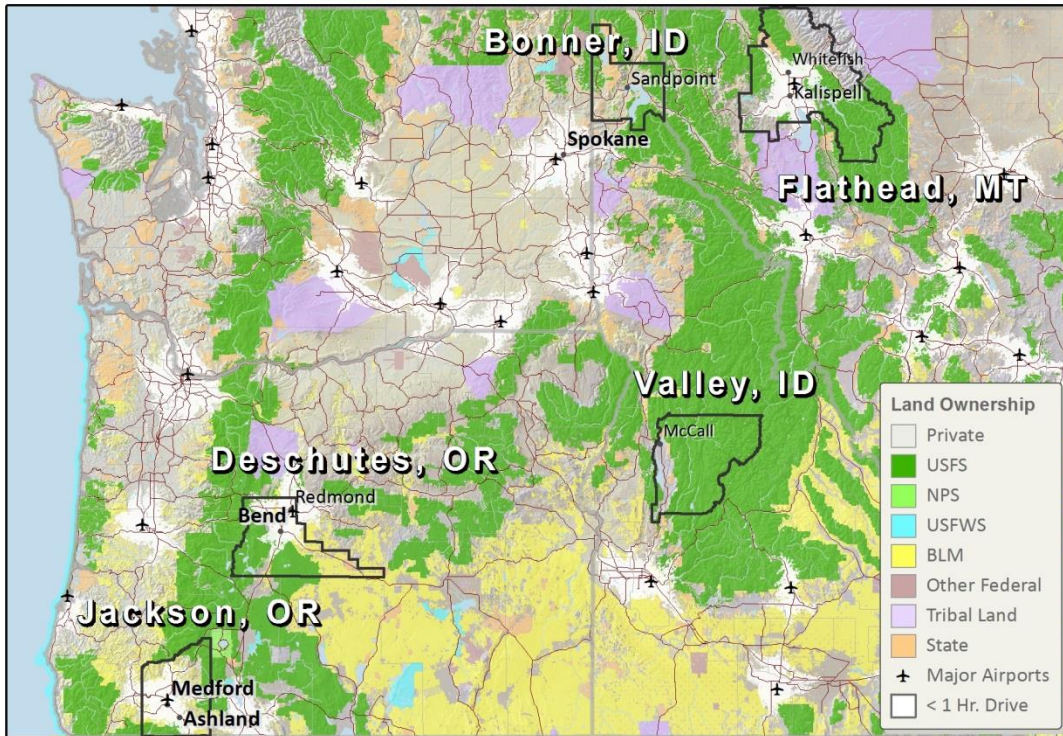
²⁰ Professional services include legal, accounting, architecture and engineering, computer systems design, and scientific research and development. Other Services include auto and electronic repair and maintenance, personal services, and non-profit organizations.

²¹ Low, S. et al. 2005. Ibid. Page 78.

²² The hypotheses of three type of counties in the West was tested and verified: by Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. “The Economic Importance of Air Travel in High-Amenity Rural Areas.” *Journal of Rural Studies* 25(2009): 343-353.

Bonner County and Sandpoint fall within the latter category; the county is rural by Census definition, but also because travel to larger markets is possible, it is neither convenient nor cheap. This places the region at a disadvantage compared to places like Sandpoint that can attract entrepreneurs and business leaders in large part due to the high quality of life, but also have an airport associated with their community (for example, Redmond and Bend, Oregon). Map 1 shows the one-hour drive distance to commercial airports in the Northwest, illustrating the relative isolation of Bonner County. The average drive from Bonner County to the Spokane airport is 1.9 hours.²³

Map 1: The Pacific Northwest, Showing (in white) One Hour Drive Distances to Commercial Airports with Daily Service.



Access to larger population centers is important for economic development for a number of reasons. Cities are more efficient places for in-person communication, moving goods and services (including these days via higher speed broadband access, which is more readily available in big cities), and for finding qualified labor. Importantly, cities are also where most customers are and where the bulk of economic activity in the world takes place.

Airport access is important for three reasons. The first, illustrated above, is for access to cities. Another has to do with the movement of products. To be competitive and successful in today’s economy, it is no longer enough to produce a product that is of high quality and sold at a competitive price. To be successful, a product has to be delivered on time, and faster than the competition. Airport access is

²³ Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. “The Economic Importance of Air Travel in High-Amenity Rural Areas.” *Journal of Rural Studies* 25(2009): 343-353.

essential because 40 percent of world trade goes by air, and two-thirds of U.S. air cargo is transported via 24- to 48-hour door-to-door express shipments.²⁴

Another way that airport access is important is to facilitate face-to-face communication, as a way for business leaders from Bonner County to meet with their clients, suppliers, colleagues, and investors. Air travel is particularly important for Bonner County's high-tech and advanced industries. According to one study, technology workers travel by air between 60 percent and 400 percent more frequently than those in the general workforce.²⁵

One way that businesses in Bonner County reach larger markets is to drive at least 90 minutes to the Spokane airport. Another way is via the Internet. As shown elsewhere in this report, the lack of high-speed broadband access in the region is an impediment to economic growth and diversification. Yet as sophisticated as telecommunications technology has become, it will likely never replace the need for in-person contact. Harvard economist Edward Glaeser, in *The Triumph of the City*, points out:

“For over a century pundits have been predicting that new forms of communication would make urban life irrelevant. One hundred years ago the telephone was supposed to make cities unnecessary. That didn't happen. More recently, faxes, e-mail, and videoconferencing were all supposed to eliminate the need for face-to-face meetings, yet business travel has soared over the last twenty years. To defeat the human need for face-to-face contacts, our technological marvels would need to defeat millions of years of human evolution that has made us into machines for learning from the people next to us.”

One way to overcome the distance barrier is to attract and retain people who, despite the challenges, choose to live in the area because the quality of life—the friendly small town feel, outdoor recreation, scenery, culture, and unique sense of place. The role of amenities in attracting business, especially “footloose” knowledge-based workers, is well documented and it is known that to a certain extent people will trade some degree of business success for personal satisfaction.²⁶ But the notion that economies can be stimulated by amenity-migration has to be moderated with the reality that the bulk of economic activity takes place in cities, and distance from these markets is a significant impediment for Bonner County and Sandpoint. It places a premium on protecting and enhancing the qualities that keep people from leaving the region.

Broadband Speeds

Bonner County and Sandpoint lag behind the nation in high-speed broadband

High-speed broadband is essential for communities that want to grow, diversify, and retain existing businesses. Almost every aspect of a modern economy depends on high-speed online access. It is essential for education, public safety, health care, retail and wholesale trade, marketing, and high-tech industries. In particular, for a rural area Bonner County has been relatively successful in manufacturing and other industries that require a high degree of R&D investment and workers with skills in science, technology, engineering, and math skills. High-speed broadband access makes it possible for these workers to connect to a global economy.

²⁴ Kasarda, J.D., 2000b. Aerotropolis: Airport-Driven Urban Development. Cities in the 21st Century. Urban Land Institute, Washington, D.C., pp. 32–41.

²⁵ Ibid.

²⁶ See Moss, A.G.L., 2006. The Amenity Migrants: Seeking and Sustaining Mountains and Their Cultures. Cromwell Press, Trowbridge; and Gosnell, H., and J. Abrams. 2009. “Amenity Migration: Diverse Conceptualizations of Drivers, Socio-economic Dimensions, and Emerging Challenges.” *GeoJournal* 08 July 2009:1-20.

In 2013, Google identified Sandpoint as one of its 2013eCities, which was Google’s way of recognizing the city as the state’s “digital capital.” Sandpoint earned this distinction by ranking number one per capita in the state for the use of the Internet for online advertising, marketing, and social media. The award from Google stated: “Surrounded by mountains and overlooking Idaho’s largest lake, scenic Sandpoint has another thing going for it: A business community of local shops and online retailers who’ve led the way in the state’s web presence.”²⁷ Another way to say this is, while amenities and recreation may attract people to live and work in this remote part of the country, it is the Internet that connects people to the rest of the world and high-speed connections are the way to overcome the hurdle of distance to markets and population centers.

Figure 14 shows that broadband speed, measured as upload speed, and expressed in terms of access to various technologies by percent of the population. Figure 14 compares Bonner County to the U.S.²⁸ Only 33.5 percent of the population in the county has access to high-speed uploads of greater than 3 Mbps (megabits per second), compared to 84.1 percent of the U.S. population. Speeds of more than 6 Mbps are available for only 5.2 percent of the county’s population. In terms of download speed, 31.7 percent of the county’s population has access to speeds exceeding 25 Mbps.²⁹

Sandpoint fares better than the county, as shown in Figure 15.³⁰ Upload speeds of greater than 3 Mbps are available for 77.8 percent of the city’s population, compared to 84.1 percent of the U.S. population.

Figures 14 and 15 also illustrate that companies requiring upload speeds of great than 6 Mbps would be constrained if located inside city limits, and although these speeds are available in the county, it is very rare (and likely much more expensive). Fiber optic technology is not available in Sandpoint, but is available to 5 percent of the county population.

For purposes of comparison, in San Mateo County, California, home of Silicon Valley, 97.8 percent of the population has access to upload speeds greater than 10 Mbps and 91.7 percent have access to speeds of greater than 25 Mbps. In terms of download, 96 percent of this county has access to speeds greater than 50 Mbps.³¹

High-speed broadband is necessary for economic success in Bonner County for a number of reasons. The Federal Communications Commission has estimated that the demand for bandwidth is doubling every two years and that by 2015 the typical bandwidth needed by business will exceed 50 Mbps (only 5% of Bonner County’s population and none of Sandpoint’s has access to broadband download of these speeds). Factors driving this increased demand include: the growing importance of the Internet to the U.S. economy (currently accounting for 21% of GDP growth in the last five years); more video teleconferencing as travel becomes more expensive; an increase in the number of teleworkers; and the growth of video use on the Internet. Some examples illustrate the importance to different sectors: public safety (emergency dispatch and coordination); education (data visualization and virtual classrooms);

²⁷ Bonner County Daily Bee. Cameron Rasmussen. September 3, 2013. “Businesses’ Web Presence Nets Google nod.” http://www.bonnercountydailybee.com/news/local/article_3be66fb2-1459-11e3-b8e7-0019bb2963f4.html.

²⁸ National Broadband Map: <http://www.broadbandmap.gov/summarize/state/idaho/county/bonner>. Speeds reported are as of December 31, 2013.

²⁹ To put broadband speeds in perspective: downloading a movie (6,144 MB in size) would require 2 hours and 16 minutes for speeds greater than 3 Mbps and less than 6 Mbps. The same movie would require 1 hour and 22 minutes to download for speeds greater than 6 Mbps and less than 10 Mbps. Downloading the movie in 33 minutes would require speeds greater than 10 Mbps. Source: www.broadbandmap.gov.

³⁰ National Broadband Map: <http://www.broadbandmap.gov/summarize/state/idaho/census-places/sandpoint>.

³¹ <http://www.broadbandmap.gov/summarize/state/california/county/santa+clara>.

health care (remote medical imaging and teleconsultations); and business (cloud computing and remote computer aided design).³² Many of these are the advanced industries identified in [Table 5](#).

Figure 14: Broadband Wireline Upload and Download Speeds for Bonner County, Idaho (dark yellow bar) Compared to the U.S. (light yellow bar).

Speed	Percent Population		Nationwide
Upload > 768kbps	58.9%		93.6%
Upload > 1.5Mbps	44.0%		89.7%
Upload > 3Mbps	33.5%		84.1%
Upload > 6Mbps	5.2%		62.5%
Upload > 10Mbps	5.2%		61.3%
Upload > 25Mbps	5.1%		23.7%
Upload > 50Mbps	5.1%		17.5%
Upload > 100Mbps	5.1%		14.8%
Upload > 1Gbps	0.0%		6.6%

Source: National Broadband Map: <http://www.broadbandmap.gov/summarize/state/idaho/county/bonner>. Speeds reported are as of December 31, 2013.

Figure 15: Broadband Wireline Upload Speeds for Sandpoint, Idaho (dark yellow bar) Compared to the U.S. (lighter yellow bar).

Speed	Percent Population		Nationwide
Upload > 768kbps	100.0%		93.6%
Upload > 1.5Mbps	99.2%		89.7%
Upload > 3Mbps	77.8%		84.1%
Upload > 6Mbps	0.0%		62.5%
Upload > 10Mbps	0.0%		61.3%
Upload > 25Mbps	0.0%		23.7%
Upload > 50Mbps	0.0%		17.5%
Upload > 100Mbps	0.0%		14.8%
Upload > 1Gbps	0.0%		6.6%

Source: National Broadband Map: <http://www.broadbandmap.gov/summarize/state/idaho/county/bonner>. Speeds reported are as of December 31, 2013.

³² Bozeman Fiber Master Plan and Feasibility Study. January 2015. Design Nine Broadband Planners. Bozeman, Montana. http://www.bozemandailychronicle.com/news/city/bozeman-fiber-master-plan/pdf_d4f01244-d754-50be-b573-ff97e75d490c.html.

IV. BONNER COUNTY DEMOGRAPHICS

Population

Population in Bonner County has grown steadily over decades

Population has grown steadily and without the boom-bust of some places that depend on natural resources or tourism (see Figure 1). Most of the 40,699 residents live in outlying areas, with 7,397 residents in the city of Sandpoint and 1,287 residents in the city of Ponderay, the two largest cities in the county. Ponderay has seen the largest population change since 2000. It grew over 100 percent, from 638 in 2000 to 1,287 in 2013.

Age

Although Bonner County is a retirement destination, its cities are attracting young residents

Overall, Bonner County is relatively old and getting older, but its aging population is generally in outlying areas while its cities remain relatively young. Table 7 summarizes the age distribution for the county and its cities and how it has changed over time.

The median age in Bonner County is 46 years old, which is older than other non-metro counties in Idaho (34.9) and the rest of the U.S. (37.3). The county is aging quickly. Median age increased 12 percent across the county between 2000 and 2013. This suggests that not only are Bonner County's residents aging in place, but the county is attracting new retirees.

The median age in Sandpoint remained steady between 2000 and 2013 at 36.5 years. This suggests that the city is neither losing its younger residents nor gaining older residents disproportionately.

Ponderay stands out, as its median age has dropped 17.4 percent since 2000. Its median age of 30.9 is much lower than in Sandpoint, Bonner County, and the rest of Idaho. Looking at the age distribution, Ponderay has two big cohorts: those residents age five and under (9.6% of the population) and those residents between ages 25 to 29 (14.1% of the population). Together these numbers suggest that Ponderay has seen a large influx of young families, some of whom may have left Sandpoint or the outlying county to find more affordable housing (see [Housing](#) section).

Table 7: Median Age and Population Distribution in Bonner County, Sandpoint, and Ponderay, 2009-2013 average.

	Median age	% change in median age since 2000	% of population 0-18	% of population 19-64	% of population 65+
Bonner County	46	12.7	21.1	60.5	18.4
City of Ponderay	30.9	-17.4	19.3	61.8	18.8
City of Sandpoint	38.6	5.8	24.7	59.9	15.4
Idaho	34.9	5.1	29.8	57.2	12.9

Source: U.S. Department of Commerce. 2013. Census Bureau, American Community Survey Office, Washington, D.C.

Education

Bonner County's primary schools perform well but adult educational attainment is low

A community's overall education is a function of both its primary and secondary education system and the educational attainment of its adults. Its primary and secondary educational system is one measure of how successful the area will be in the future. Adult educational attainment helps describe the current workforce capacity. Here we summarize Bonner County and its cities in terms of investment in primary and secondary education, relative rankings of its schools in statewide test scores, and the educational attainment of its adults.

In the Lake Pend Oreille School District (LPOSD), which serves students in Sandpoint, Ponderay, Kootenai, and Hope, total expenditures per student were \$7,702 per student in the 2010-2011 school year.³³ The average expenditure per student across public elementary and secondary schools in Idaho was \$8,101 and \$10,770 across the U.S.³⁴ The student-teacher ratio in the LPOSD was 14.7:1, compared to 17.5:1 in Idaho and 16.0:1 in the U.S.³⁵ Residents of the Lake Pend Oreille School District passed a levy in early 2015 to supplement state and federal funding, providing \$7.9 million per year for two years, or 30 percent of the total school district's budget. This measure passed by 70 percent, indicating strong local support for the school system.

Despite the relatively low funding per student, the district's schools have high scores in statewide standardized tests, ranking 19th out of 92 districts in the state. In 2012-2013, Sandpoint's Northside Elementary School had the highest combined math and reading scores for the 3rd and 4th grades out of 313 schools in the state. Sandpoint High School ranked 19th out of 163 based on the combined math and reading scores for 10th graders.³⁶

Compared to the rest of Idaho, Bonner County and its cities have a lower proportion of residents with either the very least or the very most education. Table 8 summarizes the proportion of residents age 25 and older with either less than a high school education or at least a Bachelor's degree. In Bonner County and Sandpoint, 9.3 percent of its residents have less than a high school education, and in Ponderay, only 7.9 percent did not complete high school. Across Idaho, 11.2 percent did not complete high school. Although one could interpret these figures as evidence high graduation rates in the school district, its graduation rate was 85.8 percent for the 2009-2010 school year (the last year for which state-wide data were available), whereas the statewide rate was 91.7 percent.³⁷ Instead, it is more likely that the community has retained or attracted high school graduates.

³³ <http://nces.ed.gov/programs/stateprofiles/>

³⁴ http://www.nea.org/assets/docs/NEA_Rankings_And_Estimates_FINAL_20120209.pdf

³⁵ <http://nces.ed.gov/programs/stateprofiles/>

³⁶ <http://www.schooldigger.com/go/ID/schoolrank.aspx>

³⁷ <http://www.sde.idaho.gov/reportcard/Index/2009/084>

Table 8: Educational Attainment of Residents 25 and Older in Bonner County, Sandpoint, Ponderay, and Idaho, 2009-2013 average

	% of population with no high school degree	% of population with Bachelor's degree and higher	% of population with Bachelor's degree	% of population with Graduate or professional degree
Bonner County	9.3	21.1	14.7	6.4
Ponderay	7.9	21.5	20.2	1.3
Sandpoint	9.3	20.7	13.3	7.4
Idaho	11.2	25.1	17.2	7.8

Source: U.S. Department of Commerce. 2013. Census Bureau, American Community Survey Office, Washington, D.C.

Bonner County and its cities have a lower proportion of residents with a Bachelor's degree than the rest of the state (21.1% in the county versus 25.1% in Idaho). In Sandpoint, the proportion of residents with a Graduate or professional degree is 7.4 percent, close to the rest of the state (7.8%) and much higher than in other non-metro counties (6.6%). Although Ponderay has the highest proportion of residents with at least a Bachelor's degree (21.5%), only 1.3 percent of these have Graduate or professional degrees. This is consistent with the city's large population of families under age 30, who are still early in their careers.

The area's relatively low proportion of residents with Bachelor's degrees or higher highlights a challenge the community faces: there may not be as many jobs in the local economy that require a Bachelor's degree, but there also may not be enough highly-educated residents to support such jobs. More workers with at least a Bachelor's degree are needed as sectors requiring highly educated workers, such as those in Advanced Industries, continue to expand in the county. These employers will either draw them from the local population or recruit them from outside the area.

One strategy to develop an educated workforce tailored to the needs of local businesses is to educate high school and college students with the specific skills for these industries. Currently there are several activities underway in the area to engage high school students in high-demand fields.

One of these efforts, Pathways to Technology in Early College High School (PTECH), exposes early high school students to potential careers in aerospace, health care, and technology, provides mentorship and skill-building during high school and community college, and connection to employers through internships and shadowing programs. The program is currently in its pilot phase in Idaho, and is being offered in the Clark Fork High School, Forrest Bird Charter High School, and Sandpoint High School.

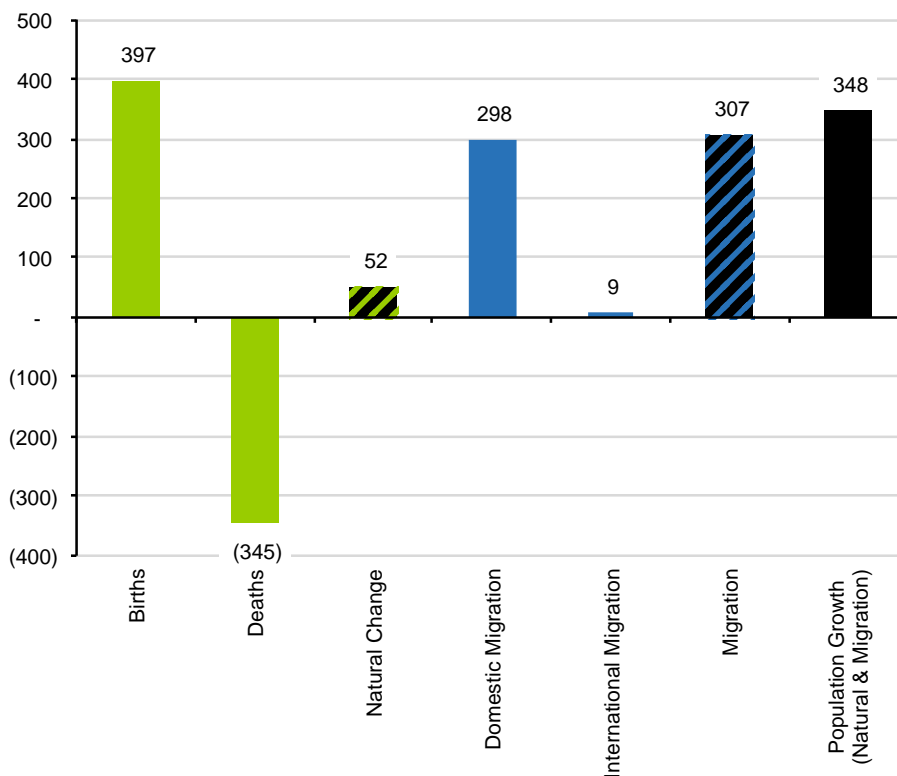
Many of the manufacturing businesses in Bonner County are particularly in need of skilled workers in the trades, including electricians, millwrights, and programmable logic controls. Due to the difficulty of finding these workers locally, some companies identify existing employees with aptitudes for these fields and pay for their training. The Kootenai Technical Education Campus (KTEC) was developed as a partnership between the state and private industry to improve the pipeline of skilled workers by providing high school students with high-demand technical skills in automotive technology, computer repair, construction trades, diesel technology, engineering design, nursing assistants, industrial welding and metal fabrication, and hospitality and tourism. The program is limited to high school students in adjacent Kootenai County, but may provide a model for the North Idaho College satellite campus in Sandpoint.

Migration

Although migration slowed during the recession, it remains the largest source of population growth

Historically, most of Bonner County’s population growth is from migration, not births. However, this fluctuates significantly year-to-year depending on economic trends. Figure 16 shows the components of population change in Bonner County. From 2000 to 2013, migration contributed to 86 percent of population growth. While the number of births was high, so was the number of deaths, balancing to a small amount of growth coming from so-called “natural change.”

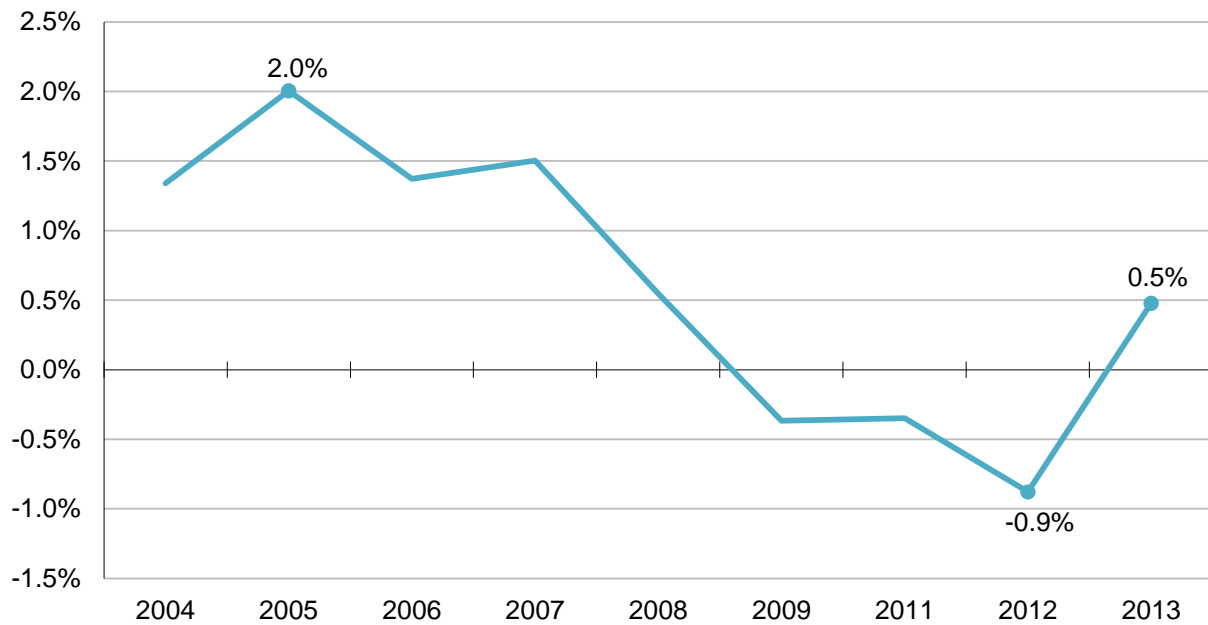
Figure 16: Annual Average Components of Population Change, Bonner County, Idaho, 2000-2013.



Source: U.S. Department of Commerce. 2012. Census Bureau, Population Division, Washington, D.C.

Although most population change has come from people moving to the county, net migration to Bonner County has generally declined over the past decade. Net migration fell from a high point of 2 percent annual migration, or gaining 20 new residents per 1,000 existing residents, to a low of -0.9 percent annual migration, or *losing* nine residents per 1,000 existing residents. In 2013, the latest year for which data are available, net migration was positive for the first time in three years (see Figure 17).

Figure 17. Net migration rate in Bonner County, 2004-2013.



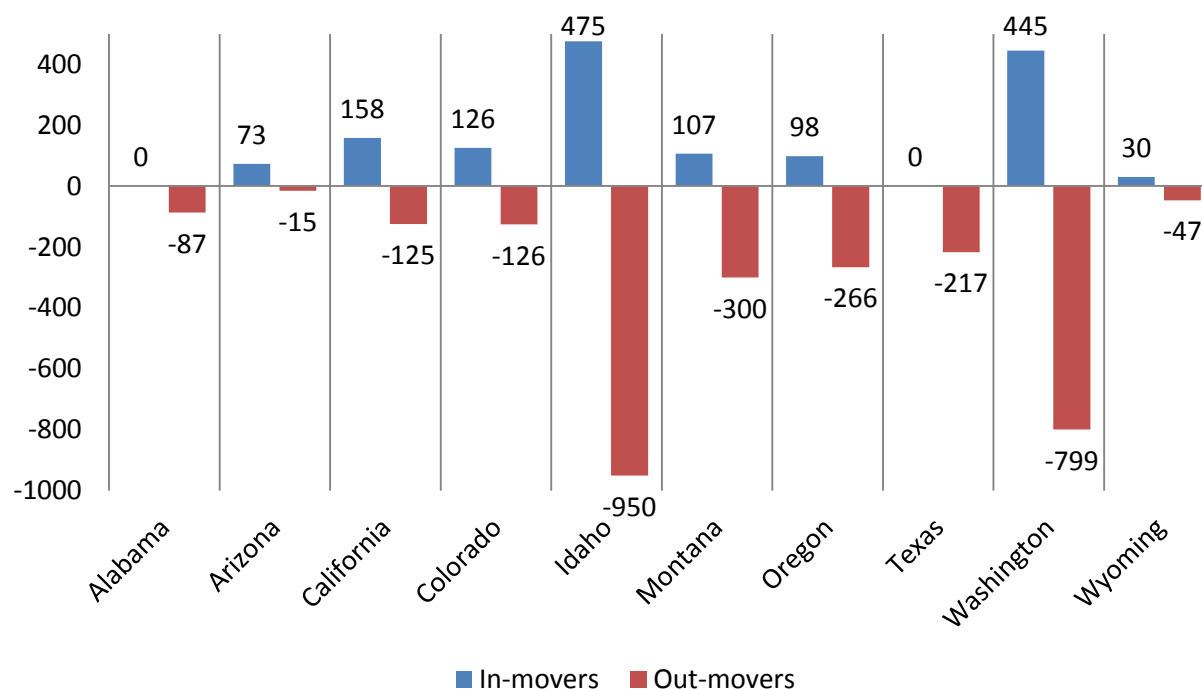
Source: U.S. Department of Commerce. 2012. Census Bureau, Population Division, Washington, D.C.

Many of these in-migrants are retirees or “pre-retirees”, between the age of 55 and 64.³⁸ Of the 3,327 new residents in the county between 2000 and 2010, half (1,676) were age 55 and older. One-third (1,070) were under age 20, and the remaining 17 percent (581) were aged 20 to 54. Bonner County is clearly a retirement destination.

Bonner County attracts residents mostly from within the region, but it also has appeal outside the Northwest. Figure 18 shows the top 10 states people move from when they move to Bonner County in blue and the top ten states they move to when they leave the county, in red. New residents are most likely to come from other counties in Idaho, but California and Colorado are the next most common origins. When residents leave the county, they often stay in the Northwest, moving most often to other counties within Idaho or to Washington, followed by Montana and Oregon.

³⁸ Voss, P., R. Winkler, C. Cheng, K. Johnson, and K. Curtis. 2013. County-Specific Net Migration by Five-Year Age Groups, Hispanic Origin, Race and Sex: 2000-2010. ICPSR34638-v1. Ann Arbor, MI: Inter-university Consortium for Political and Social Research. <http://doi:10.3886/ICPSR34638.v1>

Figure 18. Top ten states for people moving to and from Bonner County, 2008-2012 average.



Source: U.S. Department of Commerce. 2012. Census Bureau, American Community Survey Office, Washington, D.C.

Housing

Property values are rising while wages remain stagnant, making housing increasingly unaffordable

As in many towns with a strong tourism economy and appeal to second home owners, retirees, amenity migrants, and “footloose entrepreneurs,” residents in Bonner County have valid concerns about being priced out of the housing market. In 2010, 23.5 percent of housing units in the county were second homes, up from 21.8 percent in 2000.³⁹ Over that same time period, the median home price went from \$156,252 to \$222,200, a 43 percent increase. For comparison, median house prices in Idaho increased by 13 percent.⁴⁰

Although monthly costs for homeowners and renters in the area are generally close to the statewide average, they represent a much higher proportion of residents’ household income. Table 9 lists average monthly housing costs for owners and renters, and housing costs as a percentage of household income for Bonner County, its cities, and Idaho. Countywide costs for homeowners are \$1,334, which is roughly 8 percent higher than homeowner costs across Idaho. Rental costs in the county are \$716 per month, approximately the same as the rest of the state. In Sandpoint, monthly costs are nearly identical to the rest of the state and somewhat lower than the county average. In Ponderay, homeowners’ costs are \$835 per month, roughly two-thirds of what they are in the rest of the county. Renters’ costs are \$677, only somewhat lower than the county average.

³⁹ U.S. Department of Commerce. 2000. Census Bureau, Systems Support Division, Washington, D.C.; U.S. Department of Commerce. 2010. Census Bureau, Systems Support Division, Washington, D.C.

⁴⁰ U.S. Department of Commerce. 2012. Census Bureau, American Community Survey Office, Washington, D.C.

The U.S. Department of Housing and Urban Development defines housing costs as unaffordable once they exceed 30 percent of household income.⁴¹ Across the state, monthly housing costs make up 34 percent of homeowner income and 45 percent of renter income. In Bonner County, housing costs are 50 percent of household income for owners and 46 percent for renters. The cities are roughly the same for owners—50 percent of annual income in Ponderay and 49 percent in Sandpoint—but even worse for renters at 51 percent of household income in both cities.

Table 9. Average Monthly Housing Costs and Costs as a Percent of Median Household Income, Bonner County, Ponderay, and Sandpoint, 2008-2013 average.

	Average monthly cost		Housing Costs as a Percent of Household Income	
	Owner	Renter	Owner	Renter
Bonner	\$1,334	\$716	49.9%	45.7%
Ponderay	\$835	\$677	50.0%	51.1%
Sandpoint	\$1,256	\$704	49.1%	51.4%
Idaho	\$1,231	\$728	34.4%	45.0%

Source: U.S. Department of Commerce. 2013. Census Bureau, American Community Survey Office, Washington, D.C.

As average wages per job have declined, home values have continued to increase, making housing increasingly unaffordable for many residents. This is a challenge for sectors like [Manufacturing](#), which has seen declining wages over time. Although wages still remain higher than average, it will become increasingly hard to retain the local labor force if this trend continues.

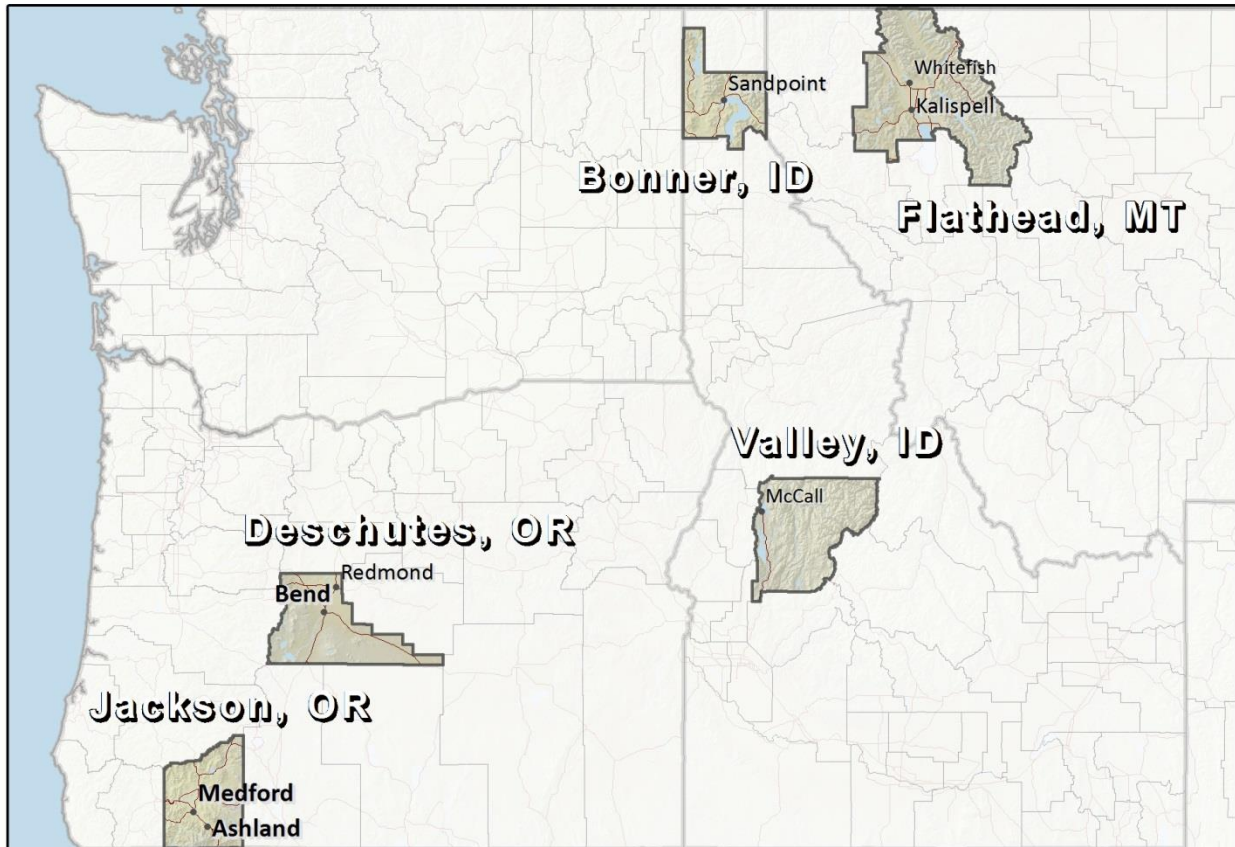
The majority of effort on affordable housing in Bonner County is being undertaken by the Bonner Community Housing Agency, which is focused on purchasing and rehabilitating existing homes and building new homes in the area. These homes are available to home buyers who make less than 80 percent of area median household income and who also qualify for a mortgage. They recently built four homes and are rehabilitating two.

⁴¹ U.S. Department of Housing and Urban Development. Accessed May 6, 2015. http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/

V. PEER ANALYSIS OVERVIEW

In this chapter we compare Bonner County to four communities in the northwestern U.S. to help identify Bonner County’s unique assets, areas where the county is not as strong, and lessons to be learned in how other communities tackled similar challenges. We include the following communities in this analysis, identified in Map 2: Whitefish, Montana in Flathead County; McCall, Idaho in Valley County; Redmond, Oregon in Deschutes County; and Ashland, Oregon in Jackson County.

Map 2. Bonner County and the Peer Communities Used in this Report.



These communities were selected because they share some similar attributes in population, geography, natural resources, and economies. No community matched all criteria, but they share enough common ground to be of interest. The specific criteria and their rationale follow:

Criteria	Rationale
<ul style="list-style-type: none">• Comparable population• Relatively long distance to major airport• No large university• Destination-quality natural amenities• Population growth due to in-migration	<ul style="list-style-type: none">• Similar markets and labor pool size• Similar access to markets• Similar workforce education• Similar appeal to tourists, new residents• Seen as an attractive place to live

All four communities have strong, growing economies and a growing population attributable largely to in-migration of new residents. All have extensive public lands and ski areas nearby and are known for their high quality of life. With the exception of Ashland, which has Southern Oregon University, none of these communities have four-year colleges.

Peer Counties

Valley County, Idaho—Smaller in size, Payette Lake and Tamarack Ski Resort, extensive public lands, steady forestry sector, remote

Flathead County, Montana—Similar size, Whitefish Lake and Whitefish Mountain Resort, extensive public lands including Glacier National Park, relatively large manufacturing sector

Deschutes County, Oregon—Larger in size, extensive public lands and trail system, large, diversified economy with advanced industries

Jackson County, Oregon—Larger in size, retirement destination, Crater Lake National Park and Cascade-Siskiyou National Monument, vibrant arts community

We assembled a suite of socioeconomic indicators for all five communities. The following table summarizes how Bonner County compares to these four communities across indicators related to its population and education, its economy, its connection to broader economic markets, and its housing market (Table 10). We highlighted several cells in orange, to indicate criteria for which Bonner County is performing particularly well or poorly. The following list describes these highlights about Bonner County relative to its peers:

- The vast majority of population growth occurs from in-migration;
- **The adult population has lower educational attainment than its peers;**
- Its unemployment rate is relatively low;
- A large proportion of personal income comes from aging-related payments (e.g., Social Security and Medicare);
- A large proportion of employment is in manufacturing;
- A large proportion of employment is in advanced industries, which are also growing very fast;
- It is far from a major airport;
- Its Internet upload speeds are far behind Redmond and Ashland, Oregon, limiting business capacity; and
- **Although the absolute cost of homeownership is comparable to or lower than its peers, the lower household income in Bonner County makes homeownership unaffordable for half of its residents.**

In the remainder of this chapter we draw comparisons between the communities and, where relevant, discuss policies and programs being used to address challenges in other communities.

Table 10. Key socioeconomic indicators for Bonner County and peer communities.

	INDICATOR	Bonner County, ID (Sandpoint)	Valley County, ID (McCall)	Flathead County, MT (Whitefish)	Deschutes County, OR (Redmond and Bend)	Jackson County, OR (Ashland)
Population and Education	Population, 2013	40,743	9,698	91,536	160,565	205,117
	Population growth, 2000-2013	10.6%	26.8%	22.9%	39.2%	13.2%
	Population growth from net migration, 2000-2013	85.6%	59%	75.7%	84.5%	88%
	Median age, 2013	46.0	47.6	41.7	40.8	42.5
	% change in median age, 2000-2013	12.7%	9.4%	6.9%	6.5%	8.4%
	% over 25 without a high school diploma, 2013	9.3%	7.6%	6.2%	6.9%	10.9%
	% over 25 with at least a Bachelor's degree, 2013	21.1%	34.3%	28.4%	31.0%	24.8%
Education expenditures per student, 2010-2011	\$7,702	\$13,369	\$8,756 (elementary) \$12,459 (high school)	\$9,883	\$7,418	
Economy	Unemployment rate, 2013	8.6%	10.6%	7.9%	9.5%	9.5%
	Median household income, 2013	\$44,772	\$56,213	\$49,280	\$55,688	\$47,244
	% of personal income from aging-related payments, 2013	15.4%	12.3%	11.9%	12.8%	14.8%
	Growth in % of employment in health care 2004-2013	22.2%	Data not available	30.9%	40.6%	25.8%
	% of total employment in manufacturing, 2013	10.7%	1.8%	5.6%	5.5%	7.3%
	Average wages per job in manufacturing, 2013	\$38,056	\$25,914	\$49,174	\$41,387	\$43,683
	% of establishments in advanced industries, 2012	7.0%	4.4%	5.3%	7.8%	5.8%
	Growth in advanced industries, 2003-2012	30.7%	15.2%	13.2%	23.2%	14.3%
Connection	Average travel time to major airport (minutes)	113	188	14	26	5
	% of pop. with upload speeds greater than 6 Mbps	5.2%	0%	0.5%	94.7%	83.4%
	% of pop. with download speeds greater than 6 Mbps	56.9%	79.8%	89.5%	97%	93.4%
Housing	% of homeowners with unaffordable housing, 2013	49.9%	40.2%	45.6%	45.5%	45.8%
	% of renters with unaffordable housing, 2013	45.7%	34.1%	47.8%	52.6%	57.4%
	Monthly housing costs for homeowners, 2013	\$1,334	\$1,364	\$1,392	\$1,605	\$1,521
	Monthly housing costs for renters, 2013	\$716	\$676	\$750	\$922	\$875

VI. COMPARING POPULATION AND EDUCATION

Bonner County's relatively slow growth has made it less vulnerable to the boom-bust cycle experienced by some of its peers. Bonner and the four peer counties have all grown over the past decade. Bonner County experienced the smallest total population change, growing 10.6 percent from 2000-2013 compared to Deschutes County, which was the fastest-growing at 39.2 percent (see Table 10).

Bonner County's population is not growing as fast as other counties, but 86 percent of it comes from new residents moving in (the remaining growth is due to births). Only Jackson County had a higher proportion of population growth from net migration with 88 percent of all growth (see Table 10). Bonner County is an appealing place to live, and continues to attract a small but steady stream of new residents.

Bonner County is a growing retirement destination, more so than its peers

Bonner County is a growing retirement destination⁴² and its economy, in particular the health care sector, can benefit from these new residents. As we discussed in [Bonner County Demographics](#) section, many of the new residents who come to Bonner County are likely retirees or "pre-retirees" (age 55-64). Bonner County has the second-oldest median age (46 compared to Valley County's 47.6, see Table 10) and aged the most (12.7% increase in median age) between 2000 and 2013. Bonner County has the highest proportion of income from aging-related non-labor income such as Medicare and Social Security, with 15.4 percent of all personal income coming from these sources between in 2013 (see Table 10). In Jackson County (Ashland), 14.8 percent of personal income comes from these sources.

Bonner Peers: Recruiting Younger Retirees and Small Business Owners

The City of Ashland (Jackson County, OR) has long been a destination for retirees, many of whom retire in the area after visiting as tourists during the annual Shakespeare Festival. Many of these retirees come from larger cities like Seattle, Portland, and the Bay Area. They are attracted to the area for its urban amenities, like theatre and fine dining, in a small town setting with its less expensive housing, low traffic congestion, and nearby public lands and recreation. Some of these in-migrants are "pre-retirees," who bring their small business with them when they relocate.

Attracting these small business owners has been one of Ashland's economic development success stories, particularly the "home occupation" business sector, which includes businesses based in residential areas, with one to two employees. These businesses cover a broad range of sectors, including professional services such as graphic design and legal work, construction sole proprietors, and businesses in the incubation phase. City officials noticed that home-based businesses were becoming more popular, and formalized their land use code to accommodate these uses. Accommodating land use code aside, many of these businesses would not be possible without the high-speed broadband coverage, which is available from the municipality as well as private companies.

Ashland highlights not only its arts and cultural amenities to attract small business owners or pre-retirees, but its outdoor amenities as well. Easy access to public lands via trails from town, a nearby ski area, and

⁴² To explore other reasons for migration, and see other retirement destination communities in the West, see Headwaters Economics' data interactive, [Migration & Population Trends in the West Vary by County Type](#).

other recreation opportunities such as ultra-running events are helping to attract a younger cohort and their small businesses to the community.

Part of Ashland's appeal for many retirees is its relatively low housing cost compared to the urban centers where retirees had been living. However, the influx of new residents accustomed to more expensive real estate markets drives up the local market and erodes some of this advantage. The city is pursuing many activities to mitigate pressure on real estate prices, discussed in greater detail in the [Comparing Housing Affordability](#) section below.

Bonner County's ability to continue attracting retirees depends on its ability to sustain its high quality of life and relatively inexpensive housing, while providing sufficient services such as health care and retail that this cohort demands.

Bonner County's education levels lag behind its peers

Despite its growing advanced industries sector, which require highly-educated workers, Bonner County's workforce is not as well-educated as its peers. Only Jackson County, with 10.9 percent of residents with less than a high school degree, has a higher proportion of residents who did not graduate college. Bonner County also has a relatively low proportion of residents with at least a Bachelor's degree, with 21.1 percent of residents with a degree compared to over one-third of Valley County residents. Bonner County does not have the university or university branches that other communities do.

Lower quality primary education, or the perception of poor quality, has been a hurdle for businesses trying to recruit professionals with young families. Bonner County spends less than most of its peers on primary and secondary education, despite having a relatively low student-teacher ratio. Bonner County spends \$7,702 per student; only Deschutes County, which spends \$7,418 per student, spends less.

Bonner Peers: Investing in Workforce Education in Target Sectors and Emerging Fields

Deschutes County, Oregon is investing heavily in educating workers in targeted sectors that are an existing economic strength: advanced manufacturing, biosciences, and aerospace. Looking at both existing local businesses that are likely to expand and the broader economy, the City of Redmond anticipates ongoing expansion in these fields. It has implemented the following programs to train the current and future workforce for expanding local businesses and new businesses recruited to the area.

The Redmond Campus of Central Oregon Community College is home to several programs specifically focused on developing workers for their targeted industries. The Manufacturing and Applied Technology Center trains workers in welding, CNC machining, manual machining, quality control, and industrial maintenance. The newly constructed Redmond Technology Education Center (RTEC) is focused on training in emerging technologies such as non-destructive testing and inspection. This center also houses the Center for Entrepreneurial Excellence and Development to foster small business development locally. Funding for RTEC came from a \$12.5 million bond with matching state funding.

The Manufacturing Technology Program (MTP) at the Redmond High School teaches courses on specific high-demand skills for local businesses. Students start during their junior year and the training includes skills-based coursework, a Science Technology Engineering and Mathematics (STEM) Camp, and tours, internships, and job interviews with local companies. This program expanded on the existing Career Technical Education (CTE) program at the high school. Administrators are working to develop a pathway between MTP and the community college to facilitate associates degrees. A \$500,000 grant was obtained from the state, which was largely used to buy specialized equipment for the program. This program is

similar to the KTEC program in Rathburn, Idaho. The difference is that it is based out of a single high school, whereas KTEC is based out of a technical college and serves schools across the county.

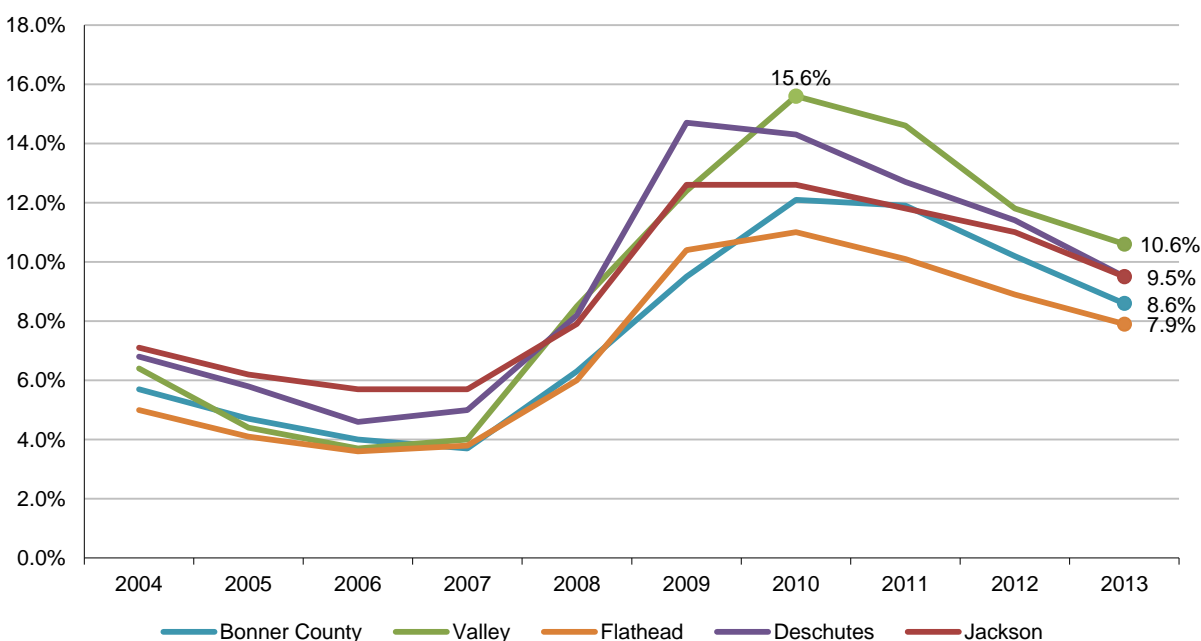
While Redmond has a much larger population base than Sandpoint, Sandpoint does have a similar competitive advantage in existing skills and capacity in advanced manufacturing, biosciences, and aerospace. The forward-thinking approach that Redmond has used by anticipating both future skills and quantity of workers that will be in demand for specific industries, can help Sandpoint to maintain its edge and economic diversity.

VII. COMPARING ECONOMIES

Bonner County unemployment is consistently lower than its peers

Bonner County's unemployment in 2013 was 8.6 percent, the second-lowest after Flathead County, which had 7.9 percent unemployment. Figure 19 shows that this is not an anomaly: Bonner County generally has one of the lowest unemployment rates among these peers. Although the recession hit the area hard, it was not affected as dramatically as Deschutes or Valley, whose unemployment rate jumped over 10 percentage points. While this can be attributed to several factors, two jump out relative to these peers. First, Bonner County did not have the dramatic boom in population and housing prior to the recession like Deschutes did. It has instead seen consistent, steady growth over the years. Secondly, Bonner County's economy is relatively diversified and not as dependent on industries such as travel and tourism, unlike Valley County, which is highly tourism-dependent.

Figure 19: Unemployment rate in Bonner County and peer counties, 2004-2013.



Source: U.S. Department of Labor. 2014. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.

Bonner County median household income is lower than its peers

Bonner County's median household income—\$44,772 per year—is lower than its peers, which range from \$47,244 (Jackson County) to \$56,213 (Valley County). Many people who live in the county choose to stay even though they could likely earn more elsewhere. New residents could have chosen to live elsewhere and earn more as well, but chose to move to Bonner County. This speaks to the commitment that many residents feel to the community and the high quality of life Bonner County offers. While these qualities cannot be observed directly in socioeconomic data, the combination of in-migration and relatively low paying jobs support the idea that many residents remain in the county for its quality of life.

Bonner County has advantages in manufacturing and advanced industries

Advanced industries and manufacturing in Bonner County are larger and growing faster than in peer communities. Their diversity and relatively inexpensive labor represent a competitive advantage.

Bonner County's manufacturing sector is a larger component of its economy than in the peer communities, but wages per job are relatively low. [Table 10](#) summarizes the proportion of county employment in manufacturing and average wages per job for Bonner and the peer communities. Bonner County, with 19.2 percent of employment in manufacturing, has nearly twice the share of total employment in manufacturing than its closest peer, Jackson County, where manufacturing makes up 10.5 percent of total jobs. Aside from in Valley County, wages per job in manufacturing are relatively high-paying jobs in each county. Manufacturing jobs are particularly well paying in Flathead County, where wages are \$49,171, which is 140 percent of the average wages in the county.

Complementing its manufacturing sector, Bonner County's establishments in advanced industries consistently make up a bigger proportion of the local economy than most of the peer communities. Deschutes County, which has 7.8 percent of all establishments in advanced industries in 2012, and Bonner County, which has 7 percent of establishments in advanced industries, have remained consistently ahead of the other counties in these sectors. Not only are there a relatively large proportion of advanced industries establishments in the area, but the number of establishments in these sectors in Bonner County grew by 30.7 percent between 2003 and 2012, much faster than its peers. Deschutes County grew the next fastest over the decade at 23.2 percent.

Bonner Peers: Recruiting, Retaining, and Expanding Businesses That Complement Existing Strengths

As we discussed in the [Education](#) section, Redmond has actively targeted manufacturing as an economic development strategy. In addition to workforce training efforts, the city has worked hard to recruit new businesses by attending conventions specific to advanced manufacturing, medical devices, and aviation,. The city has been proactive in maintaining a supply of industrial-zoned land to ensure it has sufficient space to accommodate new manufacturing businesses, keeping parcels of at least 20 acres intact to accommodate larger manufacturing facilities.

The City of Ashland conducts a business retention and expansion survey designed to gather information on the needs of existing businesses to help the city respond more readily to business' evolving needs. The survey is repeated every three years to help the city to identify trends and performance.

Bonner County is well-positioned to continue its manufacturing sector growth, particularly from spinoffs of existing businesses and recruitment of outside businesses looking to open facilities in the area. The county has a diverse base of existing skills and facilities that include and have expanded beyond wood products manufacturing. Relative to its peers, Bonner County has a comparative advantage in lower labor costs. However, the wages are likely sufficiently competitive within the county to be attractive to the local workforce.

Land use planning for both commercial and residential properties can significantly affect the area's potential for manufacturing. Small-scale manufacturing is increasingly difficult within the city of Sandpoint partially because of limited existing commercial stock.

Long-term trends in Bonner County show declining wages per job in manufacturing. If this trend persists while housing costs continue to rise, there may be a shortage of employees who can afford to live in the area.

VIII. COMPARING CONNECTION TO LARGER MARKETS

Relative to most other communities in this analysis, Bonner County is isolated from other population centers and markets. Across the county, the average driving time to the airport in Spokane is nearly two hours. In contrast, the driving times in Flathead, Deschutes, and Jackson Counties are all under 30 minutes. Valley County is more isolated than Bonner County, with average travel time to the airport over three hours.

This relative isolation from major airports can also be an asset to those who want to live in an attractive small town with easy access to natural amenities. However, in order to fully capitalize on these amenities, the community needs to be connected.

As we discussed in the [Rural Connectivity](#) section, distance can be overcome via high-speed Internet connection, which is an integral component of public safety, education, health care, and business, not just companies engaged specifically in high-tech. However, Bonner County lags far behind peer communities. Figure 14 shows how Bonner County compares to peer counties and the U.S. in terms of access to high-speed broadband, defined here as speeds exceeding 6 Mbps. The population of Bonner County has the least access in terms of download speeds, with 56.9 percent of the population having access to speeds exceeding 6 Mbps. In terms of upload, only 5.2 percent of the county has access to high speeds. Valley and Flathead counties fares even worse.⁴³ The high upload and download speeds in Deschutes and Jackson Counties reflect the fact that these are larger population centers than Bonner County, with associated demand from businesses, hospitals, and universities. It also reflects statewide efforts to increase the availability of broadband in rural areas.

Bonner Peers: Investing in Fiber Rings to Connect and Recruit Businesses

Broadband connectivity is partially a function of state policy that encourages large-scale investment and public-private partnerships. Small cities and rural communities in Oregon have benefitted from statewide investment in fiber capacity. The investment resulted in a fiber optic ring running between cities in Deschutes County, allowing the county to attract data centers. This connectivity potential is a significant asset for business recruitment. Communities with access to fiber optics do not have to offer as many incentives, such as reduced rents or taxes, to attract new businesses.

Local planning also plays a role in improving connectivity. In McCall, the city has begun incorporating conduit with new street projects, in anticipation of a future fiber network.

Overall, Bonner County has promising momentum in both the manufacturing sector and advanced industries and is performing very well relative to its peers. Bonner County is particularly well suited for R&D-related manufacturing to support the small but vibrant aerospace cluster. However, as discussed earlier, the county's isolation will be a hurdle to ongoing economic development in advanced sectors. Current efforts underway to develop a fiber loop downtown between city, county, hospital, and commercial buildings would be an invaluable addition to the area's economic development potential.

⁴³ <http://www.broadbandmap.gov>.

IX. COMPARING HOUSING AFFORDABILITY

Housing costs are a concern for many. Among its peers Bonner County has the greatest number of residents whose housing costs exceed 30 percent of their household income. In Bonner County, monthly costs exceed 30 percent of household income for 49.9 percent of homeowners and 45.7 percent of renters. In Valley County, the most affordable of the peers, housing is unaffordable for 40.2 percent of homeowners and 34.1 percent of renters (see [Table 10](#)).

The absolute cost of housing is roughly the same in Bonner County as in Valley and Flathead counties, and much less expensive than in Oregon. It is not the absolute cost of housing in Bonner County making it unaffordable for residents, but the low household income relative to housing costs. The relatively low housing costs are a double-edged sword. They can attract business owners seeking lower cost of living for employees and new residents moving from more expensive places, particularly “equity refugees” and retirees who are able to sell their homes in an expensive market and who do not need well-paying jobs. However, enough people seeking a housing bargain will lead to higher housing costs for locals, whose wages have not kept pace historically.

Bonner Peers: Anticipating Future Needs with Planning, Incentives, and Regulation

The communities discussed in this report are all facing significant problems due to unaffordable housing. Redmond sees the difficulty of finding housing for employees as a problem for recruiting new businesses. For Ashland, Whitefish, and McCall, the problem relates primarily to locals being priced out of homeownership. That leaves community centers dominated by second homeowners and wealthy new immigrants, while workers commute from outlying areas. Homeownership becomes increasingly difficult as rental housing stock is transitioned to higher priced vacation rentals and overall rental costs rise, which makes it more difficult to save for a home.

Regardless of the primary concern, all communities are actively seeking solutions. Ashland has been working for decades to mitigate the dynamics described above. City officials use a toolkit of creative solutions such as these:

- Allowing for increased density by allowing for accessory dwelling units in areas zoned for single families;
- Providing developers with a “density bonus,” which allows for two additional market value homes for each affordable home built;
- Requiring that a certain number of affordable units are included when a new residential or mixed-use development is annexed to the city;
- Waiving impact fees and providing expedited plan review for affordable housing units;
- Forming a community land trust that provides land for affordable housing; and
- Allowing for residential use overlays across almost all areas of the city, including commercial and light industrial.

The City of Ashland has found it important to have several programs to accommodate the wide range of situations that arise. Equally important is the need to revise incentives when they are no longer sufficiently strong to affect behavior. For example, the density incentive program initially allowed one additional market rate house per affordable home built. But as market prices rose, this ratio was no longer strong enough. The city recently revised the provision to allow for two additional market rate homes per affordable house built. Ashland continues to struggle with housing affordability (see [Table 10](#)), but it is likely these problems would have been more severe had the community been less aggressive.

The cities of Whitefish and McCall are in the planning and research phase. In Whitefish, the city council and Chamber of Commerce together are reviewing what other ski resort communities like Breckenridge, Colorado and Big Sky, Montana have done, including land banks and land trusts, building housing for purchase and rental, and affordable housing incentives. McCall had an inclusionary housing provision prior to the recession that ended due to a legal challenge. As the housing market has recovered and construction picked up again, the issue has drawn renewed interest from businesses having trouble finding housing for employees.

The city of Chattanooga, Tennessee has attracted attention for its high-speed, sophisticated internet and successful efforts to reinvent itself as a high-tech center. Non-profit organizations and private developers in the city have recognized that part of their advantage is in the livability of their city center and relatively low cost of living compared to other high-tech hubs like Silicon Valley and Boston, Massachusetts. To maintain this advantage, they identified downtown properties that were vacant or outmoded as opportunities for redevelopment. City officials have involved private developers and equity firms to turn these buildings into high-density housing.⁴⁴

Chattanooga is clearly a much bigger community than Sandpoint. Nonetheless, we point to this story as an example of a community that recognized its comparative advantage and brought together public, private, and non-profit entities to work outside the traditional economic development universe to maintain that edge.

Without careful planning, Bonner County's comparative advantage in housing cost will diminish, eroding the area's appeal for recruiting and growing businesses in manufacturing and advanced industries, retaining young families, and attracting retirees. Maintaining this advantage is vital to supporting the economic and demographic diversity that has been the source of Bonner County's long-term resilience.

⁴⁴ Sturgis, S. 2015. "Why housing Is Key to Chattanooga's Tech-Hub Ambitions." *The Atlantic Citylab*. March 6, 2015. <http://www.citylab.com/housing/2015/03/why-housing-is-key-to-chattanooga-tech-hub-ambitions/386776/>

X. COMPARING AMENITIES AND QUALITY OF LIFE

Bonner County's quality of life and natural amenities help define its communities, as quality of life and amenities do in all the peer counties included in this analysis. Bonner County and the peer communities all have ski areas, lakes or rivers, and extensive public lands nearby. Many new residents move their families and sometimes businesses after first visiting as tourists. Elsewhere in this chapter we have used socioeconomic data to identify strengths, weaknesses, and trends, but quality of life is a much more difficult attribute to measure.

One thing we can measure is the size and extent of local trail systems, which link communities to public lands and provide alternative transportation routes to work and school. Trails help to create a social network and define local identity, which helps to distinguish one town from another. They are also an indicator of a community's shared priorities for scarce public funds.



Image 2. The Pend d'Oreille Bay Trail, one way to measure local quality of life. Photo credit: K. Manning

Bonner Peers: Creating Public and Private Partnerships to Develop Trail Networks

One measure of prioritization of local trail systems is the number of bond measures proposed and passed to fund the trail development and open space purchases. Between 2005 and 2014, 588 bonds for open space conservation have passed in the U.S., totaling \$35.8 billion in funding.⁴⁵

Among the peer counties, Ashland, Oregon has had the greatest success. It passed a \$4.5 million measure in 1993 and a \$6 million measure in 2009. Bend, Oregon passed a \$22 million measure in 2012. In Flathead County, two bond measures to fund open space were proposed: a \$10 million measure at the county level in 2008 and a \$3.2 million measure in the city of Whitefish in 2007. Neither passed. Neither Bonner nor Valley Counties have proposed nor passed initiatives to fund open space or trails.

Trail systems do not necessarily have to be developed through bond measures. In Bonner County, Friends of the Pend d'Oreille Bay Trail have successfully raised a combination of local, state, federal, and private funds to develop the three-mile long Pend d'Oreille Bay Trail. In Whitefish, the non-profit organization

⁴⁵Trust for Public Land. 2015. LandVote. Accessed 22 February 2015. <https://tpl.quickbase.com/db/bbqna2qct?a=dbpage&pageID=8>

Whitefish Legacy Partners used local, state, federal, and private funds to develop 26 miles of trails between the town and ski resort, which they continue to expand and improve.

Bonner County has remarkable natural amenities in its ski area, lake, and public lands. Current efforts to map trail resources in the county and opportunities for linking trails within the cities are evidence of residents' commitment to developing another amenity that adds to the area's quality of life. Ongoing coordination between the county, municipalities, and non-profit organizations will ensure the success of these efforts.

XI. CONCLUSIONS

Bonner County has an unusually strong, resilient, and steady economy for a community of its size and geographic remoteness. Many similarly remote communities in the West are heavily dependent on tourism or natural resources. While they can be profitable and sustaining, those sectors are prone to volatility. However, in Bonner County there is also significant employment and strong momentum in manufacturing, health care, aerospace, and advanced industries in addition to strong tourism and timber sectors. These sectors are bolstered by a culture of entrepreneurship and residents' commitment to remaining in the area, which has led to many spinoff businesses. Bonner County's diverse economy is more like the larger, connected communities like Redmond and Ashland, Oregon than a more rural, isolated community like McCall, Idaho. Tourism has been an excellent marketing tool for the community, rather than its only economic option.

Over several decades, Bonner County's economy has been resilient. As the forest product sector declined, new manufacturing expanded. Although Bonner County's economy suffered during the most recent recession, its unemployment rate was lower than many of its peers and it recovered relatively quickly. Continuing this resilience depends on the area's ability to maintain its diverse economic base and build on its existing strengths.

From a business-owner's perspective, Bonner County's main advantages are its existing breadth of businesses and capacity for innovation in manufacturing, aerospace, software design; its relatively low cost of living and cost of commercial real estate compared to urban markets, improving local business' competitiveness with businesses in urban centers; and its quality of life and natural amenities, which make it easier to recruit new businesses and employees. The county's advantages in cost of living and "livability" depend on its ability to rein in rising housing and commercial real estate costs. Other communities have had some successes using an assortment of zoning policies, incentives, and public-private partnerships.

Bonner County's primary disadvantages as a business owner are its distance to larger markets, low Internet speeds, and relatively low educational attainment of its workforce. Peer communities in this analysis are addressing similar challenges by improving broadband access across the community and improving the pipeline for technical education to supply target industries with skilled employees.

The following list summarizes these strengths and weaknesses. With the exception of "Distance to markets", all of these factors can be affected by local policies and business decisions.

Strengths

- Manufacturing size and breadth
- Growing advanced industries
- Consistent tourism draw
- Residents' commitment to the community
- High quality of life
- High quality primary and secondary education
- Commercial and residential real estate affordable, relative to the region

Weaknesses

- Distance to markets
- Low download and upload speeds
- Low educational attainment of workforce
- Commercial and residential real estate unaffordable and rising relative to local wages

We hope this report has shed light on the functioning of the area's economy, helping elected officials, business leaders, and community members to understand the county's unique strength. By building on these strengths and anticipating challenges early, we expect the economy will continue its history of steady, consistent resilience.

