

# **Ideas for Economic Recovery**

**In Carey, Idaho**

**An Overview of Recent Economic Trends  
and  
Results from Interviews with Local Leaders**



**HEADWATERS  
ECONOMICS**

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### About this Report

This report summarizes interviews with local government and business leaders on obstacles to and opportunities for local economic recovery from the latest recession.

### 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. For more information about Headwaters Economics, visit: <http://headwaterseconomics.org>.

### Acknowledgements

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## INTRODUCTION

Based on concern about local impacts from the most recent recession, the Pioneers Alliance introduced Headwaters Economics to Carey City Council members to discuss whether the timing was right to evaluate opportunities to revitalize business in Carey.

The resulting conversations led to initial agreement that new ideas would be needed to speed the short-term economic recovery in Carey and to capitalize on longer-term changes in the underlying fundamentals of the area's economy.

The last recession, which officially began in December 2007 and ended in June 2009, significantly impacted the economy of Blaine County and Carey, Idaho.<sup>1</sup> For example, from 2008 to 2009, the county lost 1,157 jobs, or 10.5 percent of total employment in a single year.<sup>2</sup>

Because of close ties between Carey residents and businesses and the larger population centers and economy of the county centered in the Wood River Valley, Carey's economy also was negatively affected by the broader business downturn.

Although there are real obstacles to economic recovery, there also are good ideas for immediate actions as well as long-range building blocks that can improve the area's competitiveness.

Headwaters Economics approached the task of identifying challenges and opportunities by interviewing local officials and business owners to get their first-hand sense of what is working and what needs to happen to improve the economy in Carey.

We interviewed a cross-section of individuals who represent local government, businesses across a range of industries, and people who have lived in Carey all their lives as well as relative newcomers. The results do not necessarily reflect the views of the entire population, and are representative only of the people we interviewed.

We also gathered information about the local and regional economy by examining published data from reliable government sources to identify important trends. In addition to this report, Headwaters Economics produced detailed economic profiles of the area, which are available on request.

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<sup>1</sup> See National Bureau of Economic Research: <http://www.nber.org>.

<sup>2</sup> U.S. Department of Labor. 2010. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

## CONTEXT

Carey is a small community that lies at an important highway junction (Highways 26/93 and 20) in southern Blaine County. Working landscapes and spectacular public lands surround the city. Many Carey residents commute to the north to work in Hailey, Ketchum and Sun Valley, and regularly visit the Magic Valley and Twin Falls to the south for shopping and services ranging from entertainment to health care.

Carey has an estimated population of 728 people. The vast majority of people (708, or 97%) identify their race as White. A significant number of people (113, or 16%) identify as Hispanic. A small number of residents (33, or 5%) are 65 years and older.<sup>3</sup>

Carey has long been the center of agricultural operations that produce both crops and livestock. It was also home to related agricultural manufacturing, such as the cheese factory, which is no longer in operation. Today, most people think of Carey as a bedroom community—a town with little industry and people who commute to jobs elsewhere.

The transformation of the Carey area has been pushed by changes in agriculture on the one hand, and pulled by rapid growth and new economic opportunities in the Wood River Valley on the other hand.

In Blaine County, agricultural jobs have been declining for decades. From 1970 to 2008, farm and ranch employment in Blaine County fell from 503 to 291 jobs, a 42 percent decline.<sup>4</sup> As agriculture has become more efficient and the narrowing gap between production expenses and commodity prices has pushed operators to reduce payrolls and invest in more efficient machinery, the number of operations shrank through consolidation and they employed fewer people. By 2008, farm and ranch employment was 1.5 percent of total employment in the county.<sup>5</sup>

While agricultural employment shrank, Blaine County's economy as a whole was the fastest growing in the state. As the indexed figure on the next page shows, between 1970 and 2008 the county's population grew 280 percent, employment 558 percent, and real personal income 928 percent.<sup>6</sup>

This growth was driven by in-migration and centered on construction, real estate, finance, and a range of service sectors. Employment grew so much faster than population because the economy is heavily oriented to visitation. Real personal income grew so much faster than employment because non-labor income, which is money earned from investments and government transfer payments, grew significantly faster than labor earnings in recent decades.

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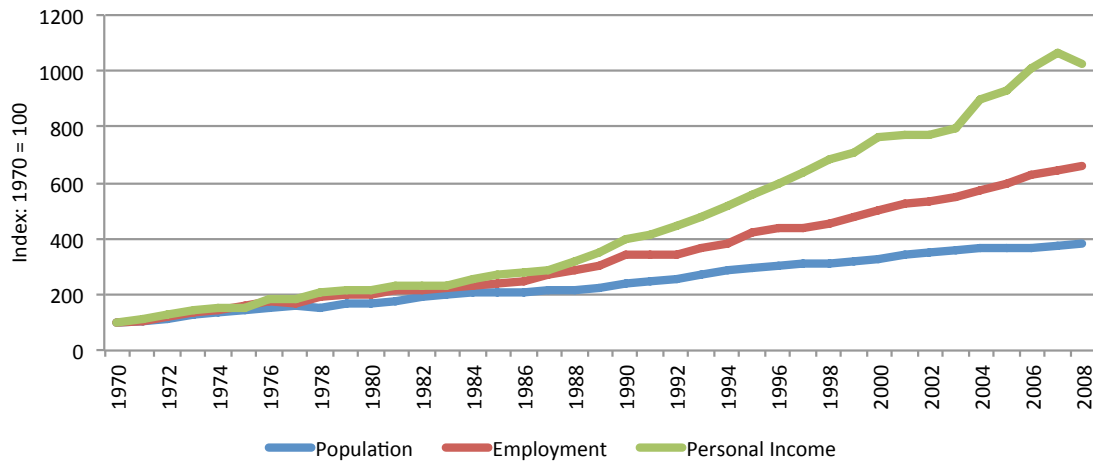
<sup>3</sup> U.S. Census Bureau. 2005-2009 American Community Survey 5-Year Estimates, Washington, D.C.

<sup>4</sup> U.S. Department of Commerce. 2010. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Tables CA25 and CA25N.

<sup>5</sup> Ibid.

<sup>6</sup> U.S. Department of Commerce. 2010. Bureau of Economic Analysis, Regional Economic Information System, Washington, D.C. Table CA30.

## Blaine County, Population, Employment, Real Personal Income Trends, 1970 to 2008



A growing number of Carey people commuted to and worked in the Wood River Valley, providing construction, landscaping, retail, custom woodworking and other services to this rapidly growing economy. The high cost of real estate and of doing business in the Wood River Valley also pushed businesses to locate in Carey where they could find more affordable land, buildings, and labor. The resulting mix of employment by industry for Carey residents can be seen in the table below.<sup>7</sup>

### City of Carey, Labor Force by Industry (estimated rolling average 2005 to 2009)

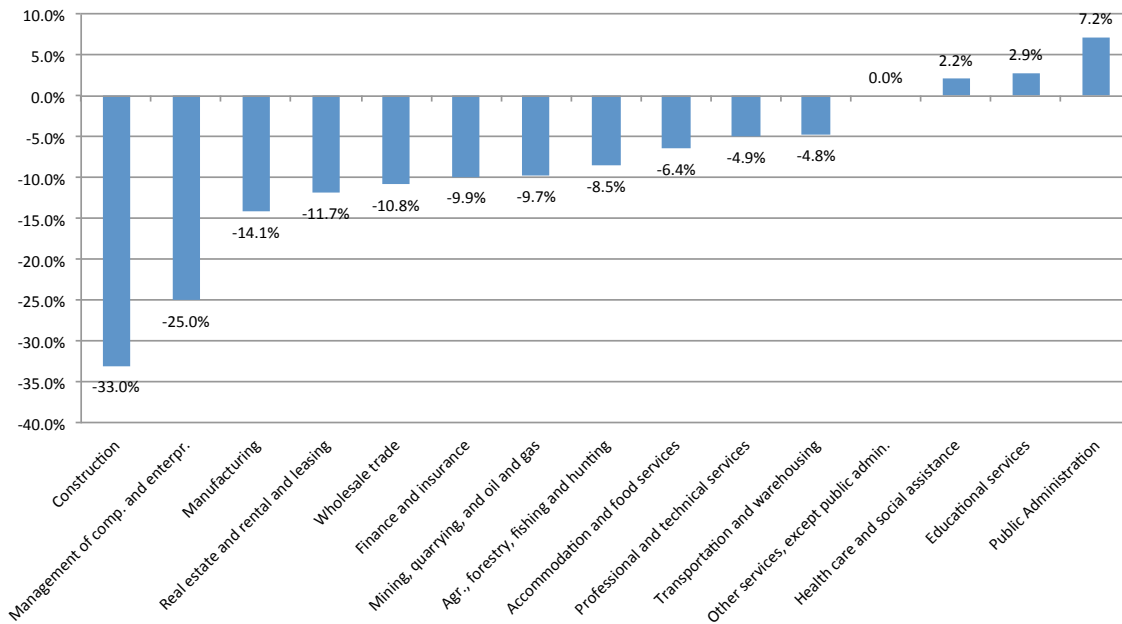
INDUSTRY	Jobs	% of Total
Agriculture, forestry, fishing and hunting, and mining	24	8.1%
Construction	59	19.9%
Manufacturing	4	1.3%
Wholesale trade	7	2.4%
Retail trade	64	21.5%
Transportation and warehousing, and utilities	8	2.7%
Information	3	1.0%
Finance and insurance, and real estate and rental and leasing	4	1.3%
Professional, scientific, and management, and administrative and waste management services	11	3.7%
Educational services, and health care and social assistance	51	17.2%
Arts, entertainment, and recreation, and accommodation and food services	37	12.5%
Other services, except public administration	2	0.7%
Public administration	23	7.7%
<b>Civilian employed population 16 years and over</b>	<b>297</b>	<b>100.0%</b>

While an estimate, the industry-level employment data give a general sense of the economic diversity and areas of specialization. There are significant concentrations in construction; retail trade; education services, and health care and social assistance; and arts, entertainment, and recreation, and accommodation and food services.

<sup>7</sup> U.S. Census Bureau. 2005-2009 American Community Survey 5-Year Estimates, Washington, D.C.

The foundation of the county’s economy proved vulnerable in the last recession, exposing a financial, real estate, and construction bubble that ultimately affected the entire economy. The figure below shows the change in county employment by industry from 2008 to 2009.<sup>8</sup> Not all industries were impacted in the same way, and some even grew during the recession—these were associated with government services and health care.

**Blaine County, Percent Change in Employment by Industry, 2008 to 2009**



There continues to be significant and ongoing economic stress after the official end of the recession (in December 2009). In 2010, for example, seasonal unemployment in Blaine County hovered between 8.3 percent and 10.6 percent.<sup>9</sup>

**Blaine County, Seasonal Unemployment Rate, 2007 to 2010**

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2007	3.0%	3.0%	3.0%	2.4%	2.0%	1.9%	1.6%	1.7%	1.6%	1.9%	2.6%	2.9%
2008	3.5%	3.4%	3.9%	3.9%	3.3%	3.3%	3.0%	3.4%	3.6%	3.9%	4.9%	5.6%
2009	6.9%	7.2%	7.7%	7.7%	7.6%	7.1%	7.0%	7.6%	7.6%	8.3%	9.2%	8.9%
2010	10.0%	10.6%	9.9%	10.1%	8.5%	8.3%	8.3%	8.0%	8.2%	9.1%	10.4%	9.4%

Carey is a small and vulnerable portion of the larger regional economy. Declining agricultural employment and a close relationship to the fortunes of the Wood River Valley economy have left some people out of work and forced businesses to scale back.

<sup>8</sup> U.S. Department of Labor. 2010. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Washington, D.C.

<sup>9</sup> U.S. Department of Labor. 2010. Bureau of Labor Statistics, Local Area Unemployment Statistics, Washington, D.C.

The U.S. Census Bureau estimates that Carey has an adult labor force population of 320 people. Of these, 297 were employed and 23 were unemployed in the period 2005 to 2009. The number of unemployed is likely to be significantly higher than these numbers indicate because the estimates represent rolling averages that include years before the onset of the last recession.<sup>10</sup>

As the recovery from the last recession slowly takes root, it is a good time to consider what lies ahead for Carey, and what competitive strengths the town and outlying areas have at their disposal.

Before the recession, there was a possibility that Carey would become a new “center” as more businesses relocated in the city based on cost advantages, and land speculation and sales for residential development were rampant.

It now appears that pre-recession cost drivers will take some time to regain their former levels, the inventory of local residential lots will not be absorbed quickly, and other communities like Bellevue now offer a relatively affordable alternative to prospective businesses and residents alike.

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<sup>10</sup> U.S. Census Bureau. 2005-2009 American Community Survey 5-Year Estimates, Washington, D.C.

## **FINDINGS**

Below is a categorized summary of major economic challenges and opportunities as expressed in the interviews with Carey leaders and business interests.

### **Challenges:**

#### City of Carey

- Attitude at the city generally not seen as business friendly; this applies to permits, fees, infrastructure, and fast-tracking
- No city program or staff to attract business or solve business problems
- Impractical to rely completely on developer or business applicant to solve relocation or development needs, especially when competing areas provide assistance
- Missed opportunities, such as Sun Valley Bronze facility that went to Shoshone; this example noted by almost everyone
- All current commercial buildings in use; this is a barrier for new businesses that would have to permit and build from scratch with accompanying costs and delays

#### Attitude

- Many people in Carey do not want the place to change (despite the fact that it has changed and will continue to change) and this translates into resistance to exploring new business and growth opportunities
- “Old guard mentality” which does not welcome change or new ideas
- A local business attitude: “they don’t want to do anything until someone else does it”
- Defensiveness about newcomers, especially toward outside wealth which is seen by some as a threat
- Kids are leaving—some just want to leave, others see no opportunities locally, and still others don’t want to work as laborers in agriculture or commute

#### Bedroom/Commuting

- Carey is a bedroom community—people commute to work; as a result, Carey has people but little industry
- The lack of local restaurant, hotel, retail, and other services businesses makes it difficult for residents to do business locally
- Everyone leaves to shop, bank, etc.—this is a pattern and culture, which is abetted by the work-commuting arrangement

#### Scale/Service Quality

- Scale—local population too small to support many businesses; city lacks critical mass to attract new businesses
- Rural and isolated location, mediocre broadband, long emergency service response times

#### Main Street

- Main street seen as unattractive and does not encourage people to stop; it’s “like a strip mall”
- More difficult to rebuild Main Street (e.g., Mackay) than to build one for first time
- Gateway entrances to Carey are not welcoming or attractive



### Agriculture

- Crop agriculture operates are large scale to be profitable; not hiring new people; businesses consolidating and investing in more efficient equipment
- Little to no agricultural processing, or value added products; main focus is production and shipping
- Significant capital barriers to entrance to agricultural businesses; not realistic for most young people (if inheritance not an option)
- Surrounding ranchers struggling financially—with high production costs and low prices, and market volatility

### Seasonality/Consistency

- Winter months in particular are difficult, with much less traffic
- Seasonal nature of traffic and business a real challenge—from the standpoint of revenue, staff, and overhead
- Businesses are saying they will not hire for the peak again
- Lack of consistency in retail offerings a problem for customers—such as stock, hours, offerings

### Other Government

- State taxes seen as a burden
- Blaine County's land use laws mentioned as restrictive
- Some are concerned that access to public lands is being curtailed

### Leadership/Capacity

- Lack of leadership capacity and excitement for change, new ideas
- No local business advocacy organization, point of contact
- Volunteer burnout; same people do all the work
- Divisions with the Carey community (e.g., between LDS and non-LDS)

## **Opportunities:**

### Business Friendly

- Crucial to create a positive and problem-solving atmosphere
- Become a business-friendly city—packages for new businesses, fast tracking, cost sharing, suitably zoned land, streamlined permitting, etc.
- Examine tax and financial incentives to expand and attract business
- Need central point of contact for business concerns, initiatives

### Makeover

- Town needs to become more attractive—presentation matters for visitors who might stop and businesses that might relocate
- Many would support downtown improvements to make Carey more attractive—but not necessarily willing to pay for them as businesses

### Business Zone/Park

- Establish a commercial zone for expanding and new businesses
- Create a light industrial or business park—to attract industry, reassure that approval and infrastructure available, ease relocation and construction delays

### Capitalize on Location

- City lies at a crossroads and at the center of state
- IDOT forecasts that traffic through Carey will dramatically increase in coming years—opportunity to capture new business from the pass-through increase
- Carey not currently listed in Peaks-to-Craters brochure—change that immediately and commission maps showing Carey at center of various recreational opportunities
- Explore hot springs/golf course development potential at the edge of town—could help make Carey a destination

### Recreation/Public Lands

- Develop Carey's potential as a gateway community to surrounding public lands
- Carey should be positioned as the hub for current and potential future recreation activities
- Some recreational opportunities may need to be developed (e.g., OHV friendly rules and access)
- Offer maps, interpretation, access, guiding expertise, and shopping opportunities for people recreating in region

### Qualities/Attractants

- Small town feel attractive to many; build on that feeling
- People choose to be in Carey—people most often mentioned community, outdoors, and recreation
- Market excellent air and water quality, affordable housing, and good schools
- Affordability alone not as powerful a competitive strength since the last recession; as a result, it is important to compete on quality too, to look for distinguishing traits that people want
- More signature public events like County Fair and Pioneer Days—these attract people who spend money and get to know a place; also brings community together.
- School often mentioned as the center of the community and as an institution that offers new job opportunities; use school to attract people and business

### Become a Center

- Position Carey as a “center” for businesses that are currently in the Wood River Valley but will face price pressures again as recovery from recession matures
- Build on the presence of solid bank in town (Ireland Bank); expand from commercial loans to family banking
- Plug leaks—workers currently commute from the Wood River Valley to jobs in Carey; shift those jobs to Carey residents; and as jobs expand in economic recovery arrange for locals to compete for them
- Plug leaks—as local and regional economies recover from the recession, look to expand number and scope of shopping options in Carey to retain dollars
- Consider supporting a motel or RV park, which would give passersby a reason to stop and spend

### Affordability

- Price of labor and cost of business still affordable by regional standards
- Affordability an advantage that accounts for the presence of a number of businesses in town—some of which may expand as economy recovers
- As the Wood River Valley recovers and price pressure resumes, look for businesses that may need or want to relocate to a more affordable location

## DISCUSSION

Headwaters Economics offers the above summary along with suggestions below to stimulate thinking and structure a discussion about how to revitalize the Carey economy.

There is considerable debate about the best way to approach economic development. It is clear there is no single approach that works and strategies must be tailored to local conditions and desired outcomes.

With this in mind, we offer some general comments that may help guide discussion in Carey about how to approach local economic development. It is entirely up to the citizenry of Cary to determine the best course of action.

- Without a clear vision for what success looks like in Carey, there is no standard to evaluate one course of action over another and no way to know if various actions have been successful. A facilitated session, with key parties participating, could determine a vision of what Carey wants to become as the broader economic recovery begins. A good example of this approach in action is what Wallowa Resources has accomplished in Enterprise, Oregon.<sup>11</sup>
- There are not enough local resources to undertake ambitious actions unilaterally. As a result, it will be important to pursue partnerships and coordination. This could be a joint project with IDOT, Pioneers Alliance, Blaine County, Sustain Blaine, land management agencies, or others. The key will be to find overlapping interests, joint revenue, and implementation opportunities.
- The goal of becoming more of a center of activity (and less of a bedroom community) is a useful way to shift Carey's economic focus. Creating or attracting events, facilities, and signature businesses will help here. In addition, positioning Carey less as a place you drive through than a place you go to in order to access recreation and public lands are potential approaches.
- Carey needs to be more than inexpensive. It must have qualities that attract people and business because they want to be here. Many things could be done to alter the feel and welcoming nature of town. A makeover for Main Street, for example, would be a good place to start.
- The perception and reality of how the city communicates about and approaches economic development matters. The city should send the message that it wants to attract new business and assist existing businesses to expand. It should re-examine the way it currently handles permits, fees, infrastructure improvements, incentives, etc. It also could reconsider existing zoning and the potential for a business or light industrial park. Another important step would be to establish a single point of contact for all business inquiries and needs.

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<sup>11</sup> See Wallowa Resources' Strategic Framework for 2008 to 2010, which is available at: <http://www.wallowaresources.org/index.php>.



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