
COMMUNITY SURVEY REPORT

McCloud Economic Initiative

Jefferson Economic Development Institute

Compiled by:

Susan R. Brown, Independent Business Consultant

&

Nancy Swift, Executive Director of JEDI

Conducted October 2008
Released January 2009

INTRODUCTION

The goal of JEDI's *McCloud Economic Initiative* is to support the long-term sustainability of McCloud. It seeks to foster a community-generated economic vision for the future that is based on a diversified economic base and builds upon the common values, capabilities and desires of its residents.

This survey report summarizes a community needs assessment conducted by JEDI in October 2008. Forty-three residents including business owners, local leaders and agency representatives were interviewed. The sample group reflected a diversity of opinion and positions regarding the future of McCloud and articulated some interesting and promising business opportunities, community development strategies and ways to unite the community.

Over sixty people were contacted directly to participate in the survey. JEDI consulted many residents to insure that people of various perspectives were invited. The survey process was conducted "focus group style" with a conversational survey structure. This survey was not designed and the interviewees were not selected using statistically viable techniques.

In addition to in-person interviews, dozens of McCloud residents were sent a survey by email and invited to participate electronically which some did.

This report is a summary of the actual responses as well as interpretations from JEDI and the consultant and is comprised of three sections:

- I. Executive Summary
- II. McCloud Overview
- III. Common Themes in the Survey Responses
- IV. Recommendations Based on the Results
- V. JEDI's Role in McCloud's Economic Development Efforts
- VI. Summary of the Survey Results

This summary report is being presented to the McCloud community at a public meeting on January 8, 2009 and is available to anyone at JEDI's website: www.e-jedi.org or by e-mail from: info@e-jedi.org. It will be distributed in hard copy at the public meeting. It is JEDI's intention for this report to foster on-going community dialogue about economic development and to play a role in supporting community-lead projects whenever possible.

I. EXECUTIVE SUMMARY

Due to the loss of its historically significant industries such as the lumber mills and the railroad, McCloud has lost its economic base and is facing the subsequent results -- fewer local jobs available and especially those that support a family, declining population base with the loss of young families with children and an aging population, and an aging town infrastructure for sewer, water and telecommunications. This survey project was an attempt to uncover where residents felt there may be opportunities for future economic development efforts.

Most survey respondents agreed that they wanted to see the following happen:

- Revitalize the town, create new jobs and increase the population of families with children
- See more and bigger businesses re-locate or start in the community
- See opportunities in the sustainable use of natural resources

The survey respondents were divided in the means to reach these ends -- those who think these results can be achieved through growing existing business and those who think a larger, established business needs to be brought into the community.

Highlighted recommendations offered in this report include the following strategies:

- Approach contract negotiations with outside businesses in an open-forum, community-based manner using community-generated criteria
- Take time and make efforts to heal the community from the stress and discord of the past few years and build a positive new approach
- Focus on becoming an entrepreneur-friendly town
- Focus on developing locally-owned, value-added, exporting businesses to rebuild McCloud's economic base.

JEDI's interest in conducting this survey:

JEDI is a nonprofit organization dedicated to increasing the economic well-being of people and communities through business development and local wealth creation. We have effectively assisted people to start and grow businesses throughout Siskiyou County including McCloud over the past eleven years. We also have worked in communities in times of need or crisis such as Tulelake when the Klamath Basin water issues reach a head and the water was turned off on the farmers with short notice in 2004.

Our interest is in impacting the community in which we all do business and growing the pie of resources and economic opportunity for all. Our business development services serve as a pipeline of new innovation and opportunity and this is a critical element in an overall economic development effort. We assist entrepreneurs directly and also have the expertise to do planning, write grants, facilitate meetings and research options upon request. JEDI is interested in participating with the community, other McCloud stakeholders and business owners to develop strategies that will build up McCloud at this critical time.

II. MC CLOUD OVERVIEW

McCloud is a small town located at the base of Mt. Shasta in Siskiyou County, CA. It sits along Highway 89 which has been designated as an All American Scenic Road. It is a picturesque little town with much pride evident in its buildings and restoration projects. McCloud is home to some of the most pristine and naturally beautiful regions of the Pacific Northwest that include the McCloud River, Mt. Shasta, the surrounding woods and farmlands. With a strong history as a mill town, McCloud's history is evident in the large old mill structures and the town layout. Today it boasts many bed and breakfasts and a dinner train stationed in the center of town.

McCloud was a growing lumber town between 1900 and 1970. The town's economy depended on lumber mills and the railroad. Then a series of mill closures (with the final mill closure in 2002) changed the basic economic face of McCloud. Its population has declined to 1,344 in 2007. The loss of mill jobs has forced young families to move elsewhere for work leaving McCloud with an older demographic. (The median age in McCloud is 44, ten years older than the California average.)

McCloud's median household income is \$36,800 compared to \$59,948 in California as a whole; its median home value is \$229,800 compared to \$532,300 in the state overall¹ and the county's "housing affordability index" is the least affordable it has been since 2000. McCloud's ethnic breakdown is 86% Caucasian, 6% Hispanic and 4% Native American. Eighteen percent of McCloud residences had incomes below poverty in 2007, compared to 14% in the state.

The most common industries in McCloud	Male	Female
• Accommodations & Food Service	11%	26%
• Food and Beverage Stores	11%	7%
• Public Administration	8%	7%
• Health Care		14%
• Educational Services		11%
• Arts, Entertainment & Recreation		5%
• Social Assistance		4%
• Agriculture, Forestry, Fishing & Hunting	10%	
• Construction	9%	
• Wood Products	12%	
• Rail Transportation	4%	

¹ All statistics are from city-data.com and Siskiyou County Economic and Demographic Profile

III. COMMON THEMES FROM SURVEY RESPONSES

- Everyone Cares. McCloud residents of all perspectives have good ideas about its future and care deeply about many of the same issues.
- Ambience. Most of those surveyed cherish McCloud's small-town, mountain community ambience and want to preserve those qualities. There is consensus on the benefits of the "McCloud Brand" and keeping it intact.
- Families. There is a wide consensus on wanting more families with children as a percentage of the overall population. Few of those surveyed were happy with the trends of increasing retirees and absentee home owners.
- Jobs. There was a broad recognition that community vitality is interdependent. Almost everyone noted the connection between family-wage jobs and the lack of families moving to McCloud. In addition all noted that when the middle-class mill jobs left the area, many ancillary businesses declined as well.
- Leadership I. Many noted that McCloud doesn't have a good structure for overall community leadership. The community is not incorporated and the Community Services District has a limited mandate. There is no one body that everyone recognizes as representing the whole community and that serves to move community issues and ideas forward.
- Leadership II. Hence, there was not a strong consensus about who or what group could provide strong leadership to help the community unite behind a development plan. Many of those surveyed had a hard time naming leadership options.
- County. A common comment was that McCloud's relationship with the County Board of Supervisors needs improvement. Most of those surveyed did not feel well represented by the Board. Yreka is a long way to go, both in terms of miles and awareness, to get McCloud's community needs met.
- Downtown. There was an emphasis on seeing the downtown retail sector as the main indicator of community vitality.
- Anchor Businesses. There was consensus that some type of "anchor" business is a good idea for McCloud. What many wanted to discuss was the criteria for allowing an anchor into the community. One topic that was brought up frequently was the question of scale: What size anchor makes sense for this small mountain town?

-
- *Natural Resources.* Most of those surveyed thought that sustainable use of McCloud's natural resources is a promising development strategy. Use of timber products and water for value-added development had support from interviewees of all stripes.
 - *Healing.* Many indicated, either directly or indirectly that community healing needs to take place. People have been hurt, angry and even scared by some events that took place over the past few years.
 - *Attraction vs. Locally Grown.* The most prominent division boils down to those who want to rely on local business growth for the foundation of community vitality versus those who see attracting a large anchor business from out of the area as the most promising path. Those in the former group feel confident that focusing on local business development will revitalize the town, create new jobs, preserve resources and maintain McCloud's unique mountain-town atmosphere. Those in the latter group -- while expressing complete support of local business development -- do not see it building up a sufficient middle-class, family-wage, benefit-carrying job base similar to that provided historically by the lumber mills. This group feels that reliance on tourism is creating seasonal, low-paying jobs and is reinforcing the trends toward a growing retirement population and vacation-home ownership. This group thinks an anchor business -- with enough capital, experience and scale -- could offer the volume and type of jobs needed to realize the revitalization of McCloud that all surveyed want.

IV. RECOMMENDATIONS

- **Address the need for community healing.**
Research options for a community reconciliation process. While it might be uncomfortable and somewhat challenging to undertake, create a plan for uniting the community, allowing wounds to be redressed and acknowledging everyone's best efforts and unintended mistakes. Sweeping these feelings under the rug or hoping time will heal all wounds will not serve in moving McCloud forward.
- **Talk to each other without the Nestlé's proposal being the topic.**
Leave Nestlé's aside temporarily -- for the moment, it is a divisive and corrosive issue. Rather, invest in reaching across the divide to talk about what you all have in common. There was consensus in the survey responses on the outcomes residents seek. And, yes, there are different opinions on how to get there. But recent community development forums have shown that it's not a choice between Nestlé's and nothing. Cultivate some other options for awhile. It will help in the healing process and take the pressure off the conversation of McCloud's future.
- **Conduct future discussions about the Nestlé's contract in a united and open way.**
Use community-generated criteria (see next recommendation) to determine the merits of the proposal. Bend over backwards to keep the process as community wide as possible. Move slowly. Emphasize inclusion and consensus over expediency.
- **Create community-generated criteria for accepting proposals from potential anchors coming in from outside the community.**
Criteria could include payment levels for natural resources; number and quality of jobs created; contributions to community infrastructure; monetary support for the fire department; annual contribution to the chamber and schools; 'green' business practices; annual contribution to a community park and depot restoration; pollution, noise and traffic mitigation beyond what might be required by an EIR; commitment to hiring a specific number of McCloud residents; commitment to hiring a specific number of McCloud high school graduates; and so on.
- **Hire expertise to help with the reconciliation process, the development of anchor criteria and the entrepreneur attraction programs.**
These are tough topics. Economic development in McCloud is challenging. Qualified and sensitive expertise would help the community succeed in implementing these projects.
- **Selectively and strategically use leakage analysis to generate new business opportunities.**
This approach needs to be applied carefully because McCloud's market is so small. Just because some percentage of sales of a particular item is "leaking out" doesn't mean there is enough volume to sustain a business.

- **Continue to support the downtown retail and hospitality sector.**

This is the heart of the tourism industry for McCloud.

- **Develop an added-value, experience-based tourism industry.**

Build up your outdoor recreation, heritage and eco-tourism opportunities which create better jobs and have more multiplier effects. Create a multi-faceted authentic “McCloud” experience that emphasizes activities, not purchases. This is an area full of potential for business development with existing owners and residents.

- **Undertake projects that identify and support exporting, valued-added, asset-based, locally-owned business opportunities.**

Exporting: Every community needs to export products or services, and import new dollars to keep the economic pie healthy and sustainable. Otherwise the local economy is relying on circulating existing dollars which shrink due to taxes and the need to buy things out of the area that aren’t available locally.

Value-added: Taking existing assets (like water or timber) and processing them locally in some way adds value and creates jobs. Avoid exporting raw materials. All the value of those raw materials will get captured elsewhere by the people processing them. Do the processing in McCloud and sell it outside the community.

Asset-based: Take advantage of what you already have. Responsible use of McCloud’s natural resources has the support of most of those surveyed. Timber management expertise is an asset that abounds in McCloud. Ideas for use of McCloud’s water are everywhere. Building consensus on community-based natural resource development holds great potential. The key is getting consensus on the criteria for development.

Locally owned: Local ownership provides vast benefits over national or international ownership. Local ownership of business ventures:

- Captures the true value of your resources
- Generates profits that get invested and spent locally
- Creates a truly developed economy by generating capacity and expertise to operate larger enterprises on into the future
- Preserves what residents value about McCloud because those making the business development and investment decisions live in McCloud and live with the outcomes of their business decisions.²

² This is how you control something economists call externalities. Externalities are the side effects of a business on a community. For example, the production of energy in a nuclear power plant benefits the owners of the power plant, but creates externalities in the form of radioactive waste for the community and its inhabitants. When the owners and investors of a business are not locals, they are more likely to make decisions that have a negative impact on the community because they don’t have to live with the outcomes of their decisions. Local owners do.

- **Focus on becoming an Entrepreneur-Friendly Town.**

Ask the question, "What barriers do growing, high-potential entrepreneurs face in doing business in McCloud?" McCloud is a challenging place to grow a business. Do research and ask successful entrepreneurs what circumstances prevent business development in McCloud. What can the community do to mitigate those challenges? Work together to address some of the barriers.

- **Undertake an Entrepreneur Attraction program.**

To create jobs and recreate McCloud's economic base, McCloud needs some new entrepreneurial blood, especially the value-added, exporting type that can hire 5 to 15 people. Attracting several entrepreneurs rather than one large corporation would create businesses scaled appropriately to maintain McCloud's mountain-town atmosphere that is precious to residents. These businesses would be locally-owned and would create the type of economic development in keeping with McCloud's circumstances.

- ♦ **Consider using the "Four Tenets for Rural Economic Development"³ as an organizing document for community development efforts.**

This article argues that:

1. Innovation is the key to driving growth and prosperity in today's global economy. To compete regionally or nationally, both existing businesses and new entrepreneurs need to adopt practices in step with the 3.0 world.
2. Significant capital investment is needed to put innovation to use. Rural areas need capital to support innovators and invest in infrastructure, including education and telecommunications.
3. Development efforts must protect natural assets. Conserving an area's natural capital is significant for rural areas where "ecology of place" is the basis of the economy.
4. Development is a 'contact sport,' best pursued through dense networks of personal contacts. Networks create tangible economic benefits such as access to ideas, capital, markets, business practices, suppliers and workers. Networks link people businesses and institutions to regional and national opportunities.

Both innovation and networks require sophisticated use of internet technology that would help link McCloud businesses to larger markets, collaborations with other businesses and cutting-edge business practices.

³ Taken from "Four Tenets of Rural Economic Development," by Anita Brown-Graham and William Lambe.

V. JEDI's ROLE IN ECONOMIC DEVELOPMENT EFFORTS

Our interest is in impacting the community in which we all do business and growing the pie of resources and economic opportunity for all. Our business development services serve as a pipeline of new innovation and opportunity and this is a critical element in an overall economic development effort. We assist entrepreneurs directly and also can do planning, write grants, facilitate meetings and research options upon request. JEDI is interested in participating with the community, other McCloud stakeholders and business owners to develop strategies that will build up McCloud at this critical time.

McCloud needs many of its partners to conduct effective economic development including the Siskiyou County Economic Development Council, the Workforce Connection, the Small Business Development Center, JEDI and others.

JEDI is interested in supporting McCloud in whatever manner is appropriate and in ways the community identifies as useful. As a result of this needs assessment, a couple of areas are logical ways for JEDI to be a resource to McCloud. In particular, JEDI plans to:

- Schedule several of its business development workshops physically in McCloud over the year 2009 to make it more convenient for new and emerging business owners. All the classes and workshops and individual business technical assistance are always available to McCloud residents and JEDI business counselors travel to McCloud often to assist business owners. JEDI has already been in discussion with Ray Angle over finding suitable locations and it is likely that we can host a few technology and marketing related workshops.
- Participate in the steering committee to develop a local first network and future activities of that network. While JEDI's interest is countywide and any business development effort will be compelled to look regionally, there is merit in an effort that is building McCloud's capacity and leadership to help itself. There are some unique barriers to economic development that McCloud faces given that it is a small remote town, unincorporated. Consensus and a regional approach are needed and JEDI would like to assist as appropriate.
- Support of any new business development on a project basis.
- Be available to assist in meeting facilitation, grant writing, and planning as requested and based on community consensus.

*III. SURVEY RESULTS SUMMARY
(Summary of all responses in their words)*

1. What is your general vision for McCloud in ten years?

Downtown tourism focus: Fourteen (14) respondents.

I see a vibrant downtown, lots of shops, night life, rail road up and running, façade improvements, good roster of well-attended events, tourism-friendly.

Rail Road Emphasis: Five (5) respondents.

Keep dinner train going, develop depot with museum, restaurant, park.

Small-town ambiance maintenance: Three (3) respondents.

Maintain "McCloud" small-town flavor, maintain historic elements. No big box stores.

Ski Resort focus: One (1) respondent.

Become a destination for the ski resort.

Improved entrance to town: One (1)

Better connect entry to Main Street; make grocery store look like a McCloud store; clean up look of town from Highway 89.

2. What is your vision for McCloud's schools in ten years?

Full Schools: Thirteen (13) respondents.

Active, full schools with all the amenities: sports, proms, musicals, pool.

Magnet Schools: Seven (7) respondents.

Create magnet school for vocational education to attract students to McCloud. Use old mills and land for trade schools.

Close the Schools: Four (4) respondents.

Not a good use of resources, or simply not viable to keep schools open with so few students.

3. What is your vision for McCloud's population?

More families: Fifteen (15)

Increase number of families with children, increase the younger population

Small growth: Six (6)

Small increase in population (around 1,000) to maintain mountain-town atmosphere.

More year-round residents: Four (4)

Increase year-round residents, decrease proportion of vacation homes

4. What is your vision for McCloud's main industry?

Natural Resource Development: Four (4)

Small-guy logging; bio mass regeneration; hydro plant; ethanol development; wood working.

Business attraction/ Anchor: Four (4)

Create incentive to attract business; get new industry to take care of the rest of the town; Nestles.

Light Industry: Three (3)

Light industry to support town, low-impact.

Good jobs: Three (3)

Industry that creates well-paying jobs with benefits.

Green industry: Three (3)

Green services and manufacturing.

Diversification: Three (3)

Various industries are needed, not just one.

Tourism: Two (2)

Downtown revitalization.

Senior Services: One (1)

Community Food production: One (1)

Cottage Industry: One (1)

Brewery: One (1)

5. What is your vision for McCloud's business mix?

Diverse: Nine (9)

Need diversity in types of businesses and industries.

Locally owned: Six (6)

Focus on local entrepreneurship rather than big corporations. Owners live and work in town.

Scale: Three (3)

Several mid-sized companies employing 10-20 people. Keep scale of businesses appropriate to McCloud's small-town atmosphere.

Natural Resources: One (1)

Professional services: One (1)

Tourism: One (1)

Big Anchor: One (1)

6. What is your vision for McCloud's employment and jobs?

Family-supporting jobs: Ten (10)
Family-wage jobs, with benefits to create a strong middle class.

Anchor: Six (6)
Large business that can hire 40-50 people, to create a solid center of employment;
something like Nestles

Green business: Two (2)
Solar and wood products; green houses

Local entrepreneurship: One (1)
Natural Resource development: One (1)

7. What is your vision for McCloud's environmental conditions?

Clean environment: Nine (9)
Clean air, water, land; Keep McCloud Healthy.

Natural Resource Preservation: Six (6)
Preserve and enhance natural resources; watershed plans; Scenic and Wild River
designation; clean up mill site; responsible use of natural resources

Close hunting season: Two (2)
Higher percentage of local residents: One (1)
Geo-thermal development for heat: One (1)

8. What is your vision for McCloud's housing?

Affordable housing: Ten (10)
Affordable, sustainable, higher density, good design standards.

Residents: Five (5)
Need higher proportion of year-round residents; fewer vacation homes.

Green housing: Two (2)
Appropriate Scale: One (1)
More vacation homes: One (1)

9. What is your vision for McCloud's infrastructure?

Maximize Internet: Five (5)
Good telecommunications very important.

Entryway: Five (5)
Improve access to I5; clean up 89; improved traffic flow from 89.

Water: Four (4)
Upgrade water system.

Downtown: Three (3)
Improve downtown signage, roads, and paths.

Emergency services: One (1)
Rail road: Two (2) Use as shuttle to ski park

10. Other Vision comments:

Incorporate the town.
Less government regulation of business
Capture leaking out-of-town sales

11. Is tourism a promising industry to revitalize McCloud?

Yes, Tourism: Fifteen (15)
Diversify tourism; corporate retreats; eco-tourism; guide services; heritage tours;

Tourism not enough: Seven (7)
Tourism too seasonal; not enough sales tax generated; doesn't support families; should be a secondary industry; low-paying.

12. Is natural resource management or development a promising industry to revitalize McCloud:

Timber: Seven (7)
Sort yard; small mills; forest management.

Water: Seven (7)
Small, community owned bottling; corporate bottling;

Bio Mass Plant: Five (5)

Eco-tourism: One (1)
Brewery: One (1)

13. Is cottage industry a promising industry to revitalize McCloud?

Restoration: Two (2)
Historic rehabilitation of homes

Food: Two (2)
Good water and soil; green house; farmers market

Woodworking: Two (2)
Secondary wood manufacturing; small mills; artists

No, cottage industry is not promising: Two (2)
No enough profit; doesn't create enough jobs

14. Is e-commerce a promising industry to revitalize McCloud?

Yes: Seven (7)

15. Are urban refugees a promising industry to revitalize McCloud?

Yes: Three (3)
No: Two (2)

16. Are back office operations a promising industry to revitalize McCloud?

Yes: Two (2)

17. Are utilities a promising industry to revitalize McCloud:

Yes: Twelve (12)
Hydro power; co-generation; solar power

18. Other ideas to revitalize McCloud?

All have about one vote:
Brewery; Britt Two; Performance art training; Recycle building materials; Senior services;
Green houses; Convention Center; Consortium of developers; Green ventures; Business
attraction; Nestlé's; Diversification.
