

2.3.3 Economic Development

Introduction

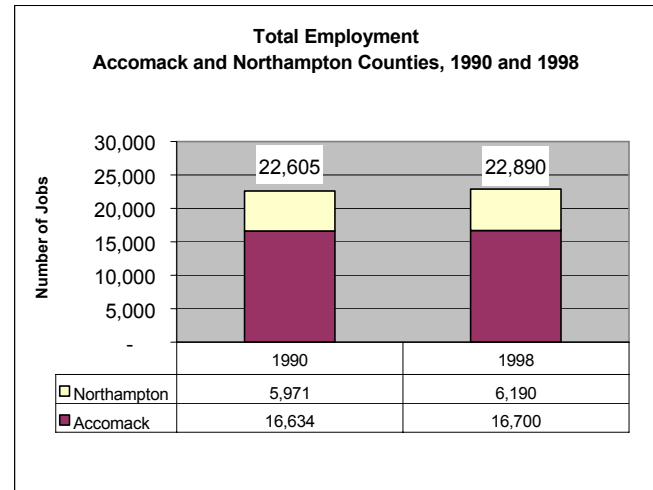
The Eastern Shore of Virginia is one of the poorest areas of the state, but hosts a broad range of industries and retains competitive advantage in key traditional and emerging industries. Eastern Shore industries provide jobs for most of the residents in the labor force--few residents commute outside the region for employment. Unemployment on the Shore is currently at low levels, but given the mix of local industries, employment is highly seasonal and skewed toward professions with lower rates of pay.

This topic report will explore current conditions, assets, needs, and issues of concern in Eastern Shore economic development through an examination of employment, industrial composition of the economy and strategies for economic development being pursued on the Shore.

Current Conditions and Trends

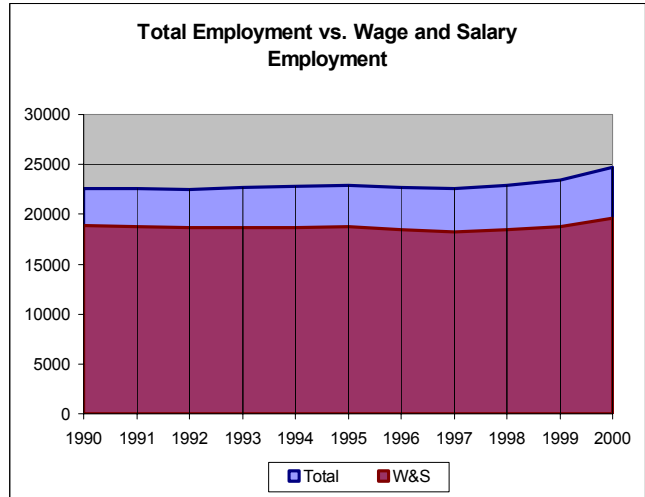
Employment in Accomack and Northampton Counties

The total number of full, part-time, and proprietorship positions grew slightly in both Accomack and Northampton counties from 1990 to 1998. Northampton County enjoyed a 3.6 percent gain during that period; employment held steady in Accomack with an increase of less than 1 percent. Overall the Eastern Shore economy supported nearly 23,000 jobs in the 1990s. (Source: *Regional Economic Information System (REIS)*, Bureau of Economic Analysis, US Department of Commerce, 2000)



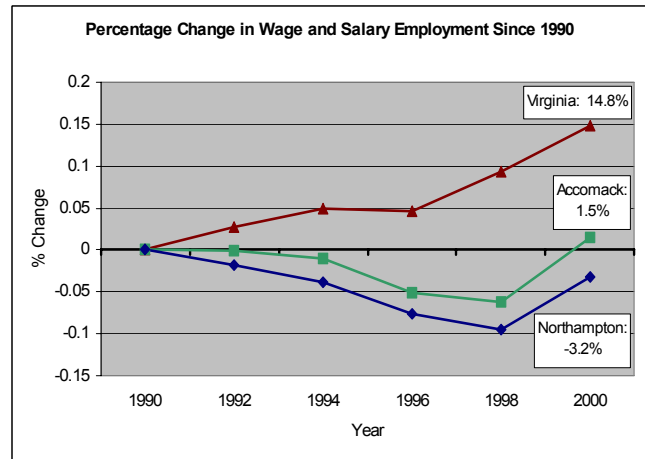
Wage and Salary Employment

Wage and salary employment accounted for just over 80 percent of all employment through the 1990s but declined slightly in comparison with total employment including farm and proprietorship jobs. Overall the number of jobs on the Eastern Shore remained relatively steady during the decade with a slight increase during the last two years. (REIS, 2000; Virginia Employment Commission, 2000)



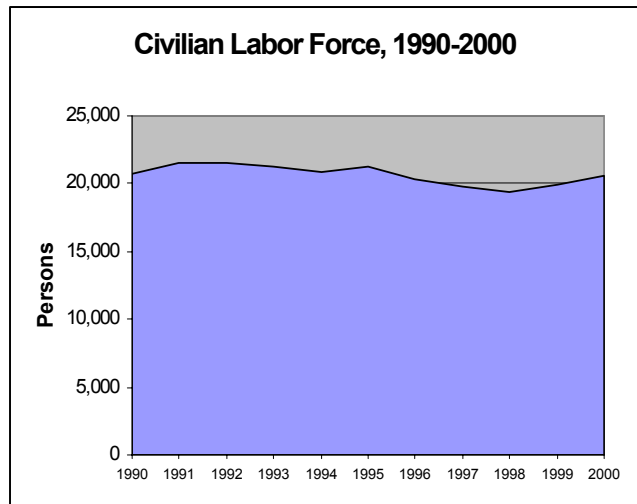
Employment Change Relative to Virginia

In the individual counties, wage and salary employment decreased slightly during the 1990s before regaining most of the losses by the end of the decade. (By the end of 2000 wage and salary employment in Northampton was still 170 jobs lower than levels in 1990.) During the same period the Commonwealth of Virginia saw a steady increase in jobs amounting to nearly 15 percent from 1990 to 2000. (Virginia Employment Commission, 2000)



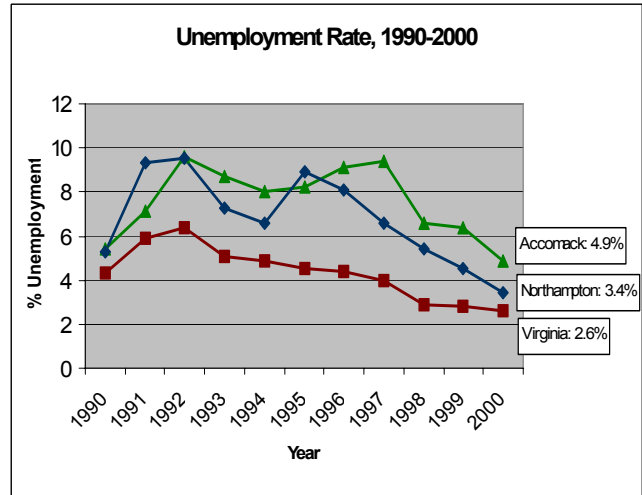
Civilian Labor Force

The pool of civilian labor on the Eastern Shore declined slowly throughout much of the 1990s. A slight increase with improving economic conditions at the end of the decade put the labor force in 2000 just below 1990 levels. The shrinking of the labor force on the Eastern Shore is common to rural areas with fixed levels of employment opportunities and an outflow of working-age young people searching for a broader range of opportunities. An influx of new retirement-age residents has kept the total population fixed but has not contributed to the pool of available labor on the Shore. (Virginia Employment Comm., 2000)



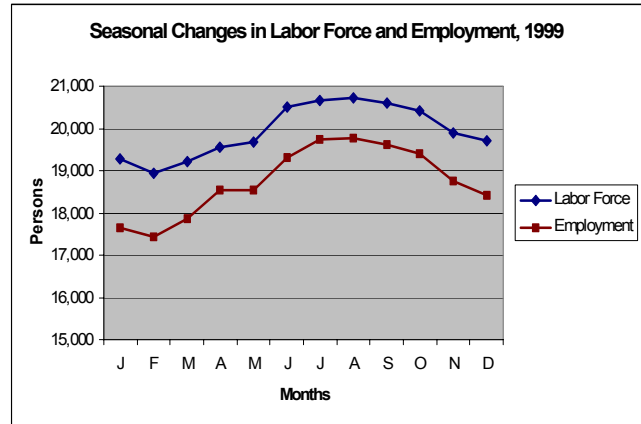
Unemployment

A decline in the labor force and a slight increase in the total number of jobs has contributed to lessening levels of unemployment on the Eastern Shore. While levels of unemployment in Accomack and Northampton counties were double that of Virginia during much of the decade, by 2000 the gap had narrowed. Low levels of unemployment have led to reports of shortages of labor and difficulties with turnover at some of the region’s major employers mirroring conditions in the rest of the state and many parts of the nation. *(Virginia Employment Comm., 2000)*



Seasonal Changes in Employment

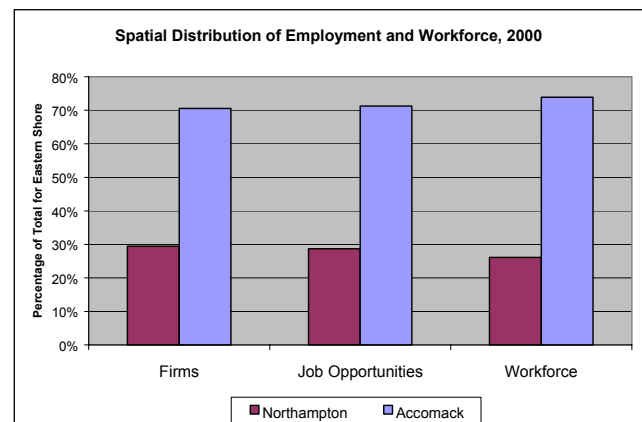
With the importance of agriculture and tourist-related industries, employment on the Eastern Shore undergoes significant change on a seasonal basis. The number of employed workers ranges from 17,500 during the winter months to nearly 21,000 at the height of the summer and harvest seasons—a change of nearly 15 percent. A corresponding change in the labor force during the year suggest migrant agricultural labor accounts for much of the difference.



Unemployment levels do vary throughout the year however indicating that a portion of the working population is dependent on the seasonal variation in job opportunities. *(Virginia Employment Comm., 2000)*

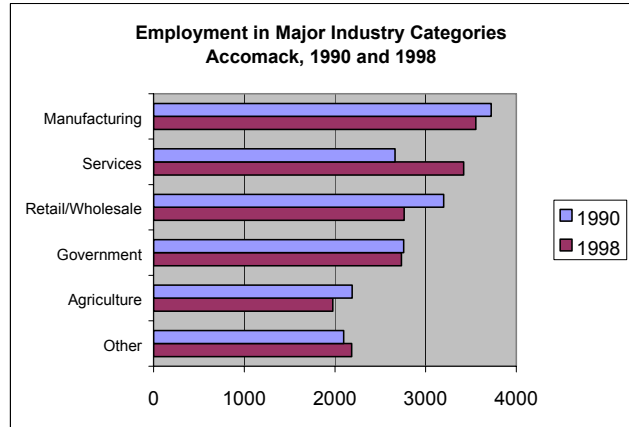
Spatial Distribution of Employment

While there are many more job opportunities and firms in Accomack County, there is a balance between the number of job opportunities and the size of the workforce and population in each county. Accomack hosts 74 percent of the workforce and just over 70 percent of the firms and job opportunities. In Northampton the workforce (26 percent of the Eastern Shore total) is slightly smaller than the percentage of firms and job opportunities (approximately 29 percent of the regional total). *(Virginia Employment Comm., 2000)*



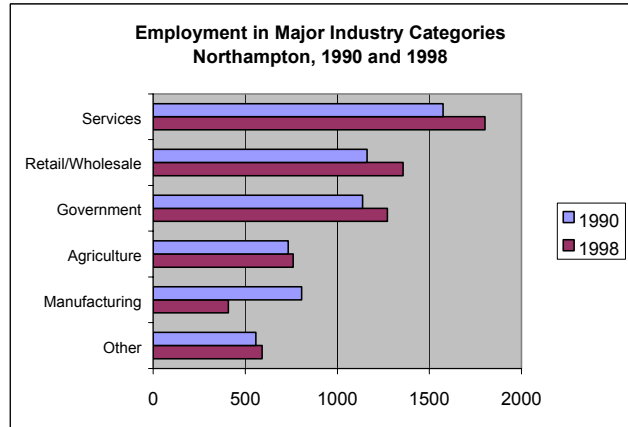
Major Industry Sectors – Accomack

The manufacturing sector was the largest employer in Accomack County throughout the 1990s, but saw a decline in jobs of nearly 5 percent from 1990 to 1998. The retail/wholesale sector, the third largest employer, also declined during this period by 13 percent. Declines in these industries and agricultural employment was compensated by a gain in service sector jobs of nearly 30 percent. (REIS, 2000)



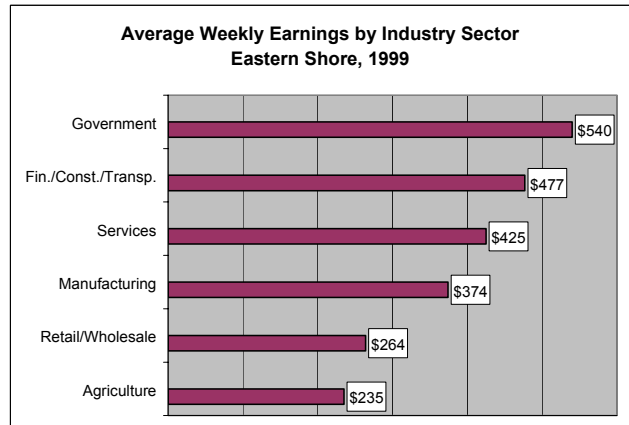
Major Industry Sectors – Northampton

Services and retail/wholesale businesses were the biggest employers in Northampton County throughout the 1990s. These sectors also posted large gains in employment—a 15 percent increase from 1990 to 1998. Government and agriculture also added jobs during this period, offsetting a 50 percent decline in the county’s manufacturing sector, which employed 400 people in 1998. (REIS, 2000)

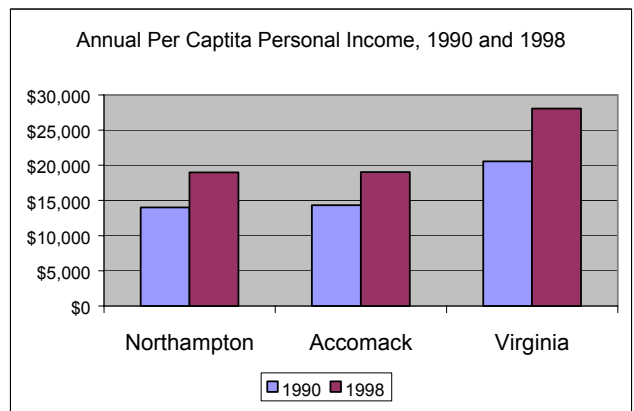


Average Weekly Earnings

As with the rest of the nation, weekly earnings vary widely by profession and sector of the economy. On the Eastern Shore, the sector of the economy posting the highest average weekly earnings is Government employment, which includes state and local positions as well as the management and technical staff at NASA Wallops. Wages in this sector average \$540 per week. Wages in other large industries on the Shore are lower with weekly earnings averaging \$374 in the Manufacturing and Food Processing sector and \$235 in the sector including farm, fishing, and agricultural services employment. (REIS, 2000)



The Eastern Shore’s mix of lower paying employment contributes to an annual per capita income that ranks among the lowest in the Commonwealth. In 1998 per capita personal income was approximately \$19,000 in both Accomack and Northampton Counties up 35 percent from 1990 levels. Per capita income in Virginia as a whole was nearly 50 percent higher than the Eastern Shore at \$28,000 in 1998, a 37 percent gain over 1990. (REIS, 2000)



Economic Base

In most regional economies there are industries that produce more products and services than can be consumed in the local market. This excess production is exported to other parts of the state, nation, and the world, bringing in earnings from outside the regional economy. In economic theory these industries are referred to as the economic base. Base industries are important because the employment and local spending they produce support a range of other local industries. As the base industries grow or decline so do these supporting sectors of the economy.

On the Eastern Shore, the economic base is comprised of the following major industry sectors:

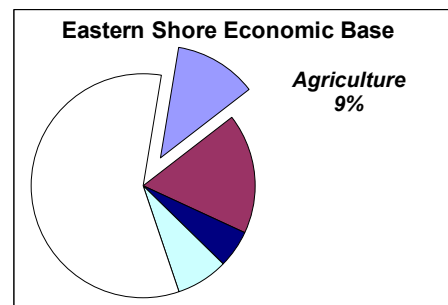
- Agriculture
- Manufacturing
- Federal Government Agencies (NASA, USN, NOAA)
- Tourism / Second Home Development

In the following sections these base industrial sectors will be profiled and the extent to which employment in the base industries supports other employment on the Shore will be examined.

Agriculture

Agriculture is one of the most important industries on the Eastern Shore, constituting nine percent of the total workforce. This broad category includes farming, horticulture, forestry, seafood/aquaculture, and agricultural services.

- Farming produced gross sales receipts of \$120 million in 1998 and comprised 6% of the total Virginia agriculture industry and supplied over 14% of the state's crop sales. In 1999, there were 40 crop agriculture businesses employing approximately 510 persons in the winter months and 3,939 persons during the seasonal peak in July.
- Horticulture, an emerging element of the industry, employed 150 people in 9 businesses in 1998.

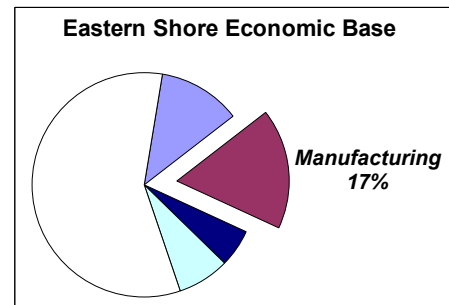


- The fishing, clamming, and aquaculture industries are traditional local industries for the Eastern Shore accounting for 15 percent of the total earnings in this sector and 31% of Virginia's total fishing and seafood industry earnings. Aquaculture, the cultivation of clams, fish and other seafood, is another emerging Eastern Shore industry—clam aquaculture companies employed over 60 workers in seven local businesses in 1998.
- Outputs of the Eastern Shore Agriculture industry are vital to the local food processing industry a major component of the Manufacturing sector (see below).
- In terms of employment, agriculture is nearly 5 times as important to the local economy as it is to the economy of Virginia as a whole.

(Source: REIS, 2000; Eastern Shore CEDS, 2000)

Manufacturing

Manufacturing is the largest component of the Eastern Shore's economic base employing over 3,900 workers or 17 percent of the total workforce.



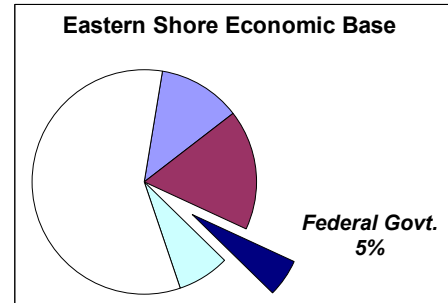
- Food Processing, particularly the chicken packaging industry, employs nearly 77 percent of all manufacturing workers predominantly in two plants: Perdue with approximately 2,000 employees, and Tysons with 1,000 employees. Approximately 300 workers are employed at Eastern Shore Seafood.
- The manufacture of pre-cast, pre-stressed concrete products is another important contributor to the economic base. Bay Shore Concrete in Cape Charles fulfills orders worldwide and employs approximately 400 workers.
- Manufacturing on the Eastern Shore experienced an overall loss in jobs of approximately 12 percent during the 1990s compared to a loss of 4 percent for the state as a whole. Employment in the core businesses in this sector remained stable (chicken packing) or increased (pre-cast concrete).
- In terms of employment, manufacturing is 1.7 times as important to the local economy as it is the economy of Virginia as a whole.

(Source: REIS, 2000; Eastern Shore CEDS, 2000)

Federal Government Agencies

The Federal Government is a major employer on the Eastern Shore with agencies that serve nationwide functions. Major agencies include:

- Wallops Flight Facility - Wallops is NASA's principal facility for the management and implementation of the agency's next-generation, suborbital launch research program. The facility hosts over 800 federal employees and private contractors providing one of the few sources of well paid, highly skilled technical and management employment on the Eastern Shore.
- U.S. Navy Surface Combat Systems Center (SCSC) – Located near the NASA Wallops facility the Navy SCSC supports development, training and evaluation of the AEGIS surface combat warship systems. Over 300 federal employees and private contractors are employed at the facility.
- NOAA CDA station – The National Oceanic and Atmospheric Administration's Command and Data Acquisition Station at Wallops is responsible for transmission, command, and maintenance services for the agency's satellites. Approximately 100 people are employed at the facility.

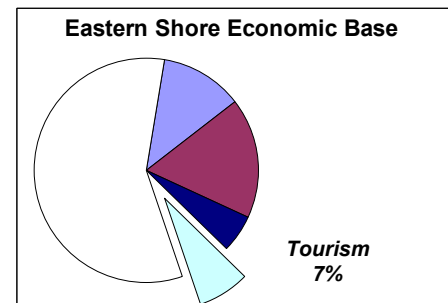


(Source: REIS, 2000; Eastern Shore CEDS, 2000)

Tourism / Second Home Development

Tourists to major destinations on the Eastern Shore support a variety of local businesses and jobs. The Eastern Shore Economic Development Commission estimates that in 1998, tourism generated approximately \$140 million in spending at businesses employing 1,700 people or 7 percent of overall employment.

- Lodging Facilities – Approximately 370 people were employed at Eastern Shore lodging facilities in 1998, including hotels, motels, bed and breakfast facilities, and campgrounds. This represents a 16 percent increase in employment since 1990.
- Tourist Attractions – Those employed by national and state park facilities (with over 1.4 million visitors per year), local visitors centers, and other tourist destinations such as the Wallops Space Center (with an average of 50,000 to 60,000 visitors each year) also contribute to the economic base of the Eastern Shore.



- Retail, Service, and Eating Establishments - A variety of retail shops, service establishments, and restaurants also cater to the overnight and daytrip tourist trade. The Eastern Shore has a slightly higher proportion of eating establishment employment than the state average, but a lower proportion of retail employment, suggesting that there is potential for growth in this sector as the number of visitors to the Shore increases.
- Second-home development – Sales of waterfront and resort property for second home and vacation use increased through the 1990s, indicating the potential for an increase in local construction and real estate services. Based on employment statistics, the Eastern Shore has a proportion of construction employment that is 20 percent below that of the state as a whole suggesting that this type of growth has not yet exceeded local demand. As units are developed at Bay Creek and elsewhere, however, increases in these local industries can be expected.

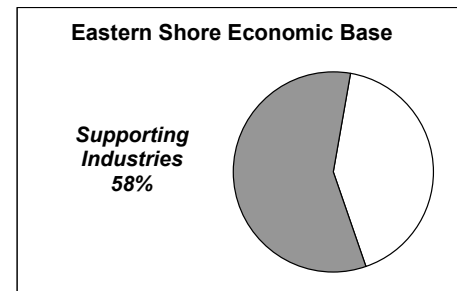
(Source: REIS, 2000; Eastern Shore CEDS, 2000)

Supporting Industries

Employment in the economic base contributes to economic activity and employment in a variety of other industries on the Eastern Shore as base industries purchase raw materials, supplies, and services locally and as employees of base industries spend wages in the retail, service, and financial sectors. Employment in these supporting industries on the Eastern Shore totaled 14,670 in 1998, posting a 7 percent increase over 1990.

Supporting industries include:

- Local retail (21 percent of total employment)
- Services (except lodging) (18 percent of total employment)
- State and local government (12 percent of total employment)
- Construction (5 percent of total employment)
- Finance/Insurance and Real Estate (4 percent of total employment)
- Transportation and Public Utilities (2 percent of total employment)



Economic Base Multiplier

This analysis of the economic base and supporting industries on the Eastern Shore shows that each job in the base industries is responsible for 1.6 jobs in the supporting industries. Promotion of existing industries in the economic base and the growth of emerging industries can be expected to stimulate further growth in the regional economy.

**Eastern Shore
Economic Base Multiplier:**

$$1 \text{ Base Industry Job} = 1.6 \text{ Supporting Industry Jobs}$$

Existing and Emerging Industry Clusters

To promote expansion of the economic base on the Eastern Shore, a Comprehensive Economic Development Strategy Committee was established and meets on a regular basis. The CEDS Committee conducted research and public involvement activities to identify existing and emerging industry clusters and develop strategies for supporting and promoting these industries. The Committee outlined eight clusters that correspond to existing strengths, observable trends, and the region's competitive advantages:

- **Food Processing** – As outlined above, food processing, particularly the chicken packing and seafood processing industries, constitutes a substantial portion of the Eastern Shore economy. While several other large vegetable and seafood processing companies have closed on the Shore, smaller niche-market and specialty companies have good prospects for growth. Examples include Bay Beyond, Delisheries, and Eastern Shore Select.
- **Aerospace** – Existing infrastructure and the concentration of specialized knowledge and facilities at NASA Wallops have enabled the Commonwealth of Virginia to develop a commercial spaceport on Wallops Island: The Virginia Space Flight Center. Private companies utilizing the facility are also expected to conduct assembly and manufacturing in the area.
- **Tourism** – Growth in tourism has accelerated nationwide. The Eastern Shore's rural environment, natural resources, and existing destinations offer opportunities for growth.
- **Agriculture/Horticulture** – Traditional agriculture is the backbone of shore industries and supports not only its own year-round and seasonal employment but that of the food processing sector. Horticulture is an emerging business on the Shore that utilizes the region's competitive advantages.
- **Seafood/Aquaculture** – The work of watermen and new clam-aquaculture companies builds on the wealth of seafood resources and local knowledge and traditions.
- **Studio Businesses** – An industry of artists, craftspersons, and other producers of one-of-a-kind or limited-edition items is emerging on the Shore. From self-employed painters to a tile mosaic manufacturer with more than 70 employees these businesses are founded by creative people attracted to the Eastern Shore's rural atmosphere, low cost of living, tourist trade and proximity to major eastern markets. The CEDS committee estimates this industry employs over 100 individuals.
- **Boatbuilding** – Three boatbuilding companies on the Shore including a company recently relocated from Norfolk take advantage of the regions abundant water resources and bay and seafaring traditions.

- **Sustainable Technology** – The newly developed Cape Charles Sustainable Technology Park, is seeking to capitalize on the growing national trend toward “green” industries—companies whose processes or products promote the conservation and efficient use of natural resources. The park, which has already attracted two companies and has gained the attention of many others, offers infrastructure and programs catering to eco-industrial companies.

Trends and Initiatives in Industry Clusters

The Eastern Shore CEDS identified several goals for economic development and a set of short and long-term actions to achieve those goals. Goals include:

- Provide a positive environment for the growth of our eight industry clusters by providing the necessary public infrastructure (business parks, utilities, incubators) and by enhancing capital availability (revolving loan funds).
- Offer opportunities for lifelong learning and skill development related to our eight industry clusters, serving potential employees and entrepreneurs.
- Develop a regional identity that celebrates our competitive advantages and connects the communities of the region.
- Recognize the importance of our historic towns and villages to the overall economic health of the region and develop strategies to stimulate their revitalization.

Eastern Shore Comprehensive Economic Development Strategy

Short and Mid-Term Actions in Order of Priority:

- Wallops Business and Learning Center
- Cape Charles Sustainable Technology Park
- Virginia Space Flight Center
- Specialty Foods Processing Center
- Accomack Airport Industrial Park
- Workforce Training and Business Development Center
- Regional Heritage Trail
- Wholesale Farmers Market and Seafood Market
- Destination Resort Project
- Network Future E-Commerce Project
- Brownfield Redevelopment in Exmore
- Wastewater Treatment Systems Improvement and Development
- Space Flight Academy & Marine Science Education Center
- A Market for Local Arts, Crafts, and Food Products

Assets and Resources

The Eastern Shore has numerous assets and resources that produce important competitive advantages for economic development. These assets include:

- **Human Resources** – The Eastern Shore has a diverse labor force with skills and experience ranging from seasonal agricultural work to crafts to scientific research. The workforce can continue to support the manufacturing and agricultural work that are a large part of the local economy.
- **Natural Resources** – With abundant farm and forest land, marshes, waterfront and beaches, the Eastern Shore is an attractive place to live and vacation. In addition to their inherent value, these resources offer numerous opportunities for tourism and recreation. The Chesapeake Bay and Atlantic coasts allow for a viable seafood industry, and privately held forest land has the potential for timber harvesting if carefully managed. Conservation efforts by the state and federal governments, local communities and private entities such as the Nature Conservancy help ensure the continued protection of many of these valuable resources.
- **Location/Accessibility** – The Eastern Shore is within several hours driving distance of many of the East Coast’s important metropolitan areas and is connected to the Norfolk/Hampton Roads metropolitan region via the CBBT, the Eastern Shore Railroad rail float, and the recently remodeled Accomack County Airport which offers private and charter service.
- **Climate** – The Eastern Shore has a mild climate, a growing season suitable for many types of crops, and four distinct seasons.
- **Local Quality of Life** – The rural, coastal lifestyle is an important draw in attracting and retaining many businesses, employees, tourists, and seasonal residents.
- **Industrial Parks/Space Flight Center** – The Airport Industrial Park and the Sustainable Technology Park offer infrastructure and amenities important to many small to mid-size firms. When fully developed, the Virginia Space Flight Center will be one of a limited number of launch sites in the world available to private commercial interests.
- **Farmers’ Market** – The Eastern Shore Farmer’s Market provides local market access to farms of all sizes. The market has achieved full occupancy and has brokered tens of million of dollars in transactions since opening in 1993.
- **Existing and Emerging Industry Clusters** – The output, employment, and earnings generated by each of the traditional and emerging industries clusters outlined in the CEDS are an important asset for the Eastern Shore and its residents.

Needs and Deficiencies

- **Workforce Skills** - As improvements in automation and technology advance, demand for the skills that have ensured the success of the agriculture and manufacturing industries on the Shore may decline. Currently training and jobs in high technology fields are not as available here as in the metropolitan areas of the region, prompting many seeking those types of opportunities to leave the Shore. These trends may put the region's labor force at a competitive disadvantage. An example of this disadvantage is the lack of training in construction trades, traditionally in low demand on the Shore. With activity increasing in developments such as Bay Creek, skilled labor may need to be brought in from outside the region to meet local demand.
- **Sewer/Water Infrastructure** - Central sewer and water systems are limited to a few locations on the Eastern Shore. While the lack of infrastructure can further the goal of concentrating development in existing town centers with water and sewer services, it also places limits on the size, location, and types of businesses elsewhere, including other town and village centers that lack access to infrastructure.
- **Location/Accessibility** - While the Shore has important transportation facilities that make it accessible to Hampton Roads and other major metropolitan areas on the East Coast the cost and time associated with the travel may not be suitable for all businesses.
- **Few Signature Destinations** – Apart from Chincoteague and Assateague National Seashores, the Eastern Shore has few destinations with national or regional recognition, and lacks a full range of resort, recreational, lodging, and conference facilities seen in other major coastal destinations.
- **Declining Town/Village Centers** – While some town and village centers have benefited from the increase in retail, service, restaurant and lodging businesses, many traditional town and village centers, have seen vacancies and disinvestment rise as businesses move to new locations along the U.S. 13 corridor. While not unique to the Eastern Shore this trend is facilitated by the single north-south corridor and limited infrastructure in many town and village centers.
- **Limited Retail** – Due in part to geographic isolation and the small size of the population, opportunities for retail shopping, particularly for major purchases, are limited, prompting many residents to travel to Hampton Roads, or Salisbury Maryland for access to malls, major discount stores and other retail outlets.
- **Local Economic Development Incentives** – The relatively small size of the Eastern Shore economy can make it difficult for the region to compete in offering incentives, such as tax abatement, for local economic development
- **Local Quality of Life** – While the rural lifestyle is a draw to many others prefer quick, low-cost access to the activities and amenities available in a large metropolitan area.

Issues of Concern

An examination of trends in employment and economic development on the Eastern Shore coupled with a review of the CEDS and county comprehensive plans suggests several major issues of concern with regard to regional economic development.

- ***Expansion of the Economic Base*** – Base industries such as manufacturing, agriculture, federal government employment and tourism provide an important source of employment, earnings, and local spending that fuel other sectors of the local economy. With employment declining in manufacturing and agriculture on the Shore and nationwide, the broadening of other sectors of the economy will be important. While key manufacturing businesses on the Shore have been enjoying success, employment is concentrated in a small number of firms. Goals and initiatives promoted through the CEDS process by a variety of public and private concerns seek to address this concern through targeted investment and promotion of the advantages of the region.
- ***Enhancement of Workforce Skills and Job Opportunities*** – The Eastern Shore workforce is slowly declining in size, and is concentrated in lower paying, lower skilled jobs, some with seasonal peaks and idle periods. Expansion of the economic base requires improving the training, skills, and job opportunities available to local residents.
- ***Revitalization of Town and Village Centers*** – Infrastructure limitation and trends in the retail industry have led to vacancies and disinvestment in many of the traditional town and village centers that have been the focus of life on the Eastern Shore. Revitalizing underutilized buildings and public infrastructure can benefit local residents and more evenly disperse the benefits of visitor activity and business development to all regions of the Shore. Revitalization efforts have begun in Cape Charles, Onancock, Chincoteague, and Exmore.
- ***Access to Job Opportunities*** – While the number of jobs on the Eastern Shore are distributed relatively evenly with respect to population, the types of job opportunities available differ in each county and the absolute difference in the number of jobs may lead to future inequities in growth and the distribution of opportunities. On a long narrow peninsula such as the Eastern Shore, ensuring access to job opportunities for all becomes important.
- ***Access to Hampton Roads Markets/Amenities*** - Access to the Hampton Roads metropolitan area is important for many current and prospective residents, visitors, and firms. The metro area offers markets, amenities, and services such as advanced medical care and air transportation that are not currently available on the Shore. Perceptions regarding the cost (in terms of travel time and toll and other monetary costs) will be important to future economic development.
- ***Preservation of Natural Resources*** – From an economic development perspective, preservation of natural resources is important for several reasons. Many of the key

industries on the Eastern Shore depend on the quality of land and water resources including agricultural and forest land, bay and ocean waters, and the groundwater aquifer. The abundance and quality of the natural resources are also an important factor in retaining and attracting residents, businesses and visitors that generate local economic activity.

- ***Enhancement and Preservation of Rural Lifestyle*** – Just as natural resources are important to the local economy, the rural lifestyle itself is an important economic resource for the Eastern Shore. As with many other parts of the country, there is a concern that rapid, unplanned development could have negative consequences for a sustainable level of growth and development.

Issues of Special Concern to Low Income Residents

Several of the issues described above may be of particular concern to low-income residents.

- ***Job Access*** - In one of the poorest regions of the state, ensuring access to jobs in terms of skill level and geographic proximity is as important as promoting the quantity and quality of job opportunities.
- ***Metro Area Access*** - Low-cost access to Hampton Roads amenities and services such as education and health care is also an important concern for those whose incomes are limited. The county discount programs for CBBT crossings for medical purposes have not been widely utilized.
- ***Direct and Indirect Displacement*** – When economic development leads to a change in the composition of employment opportunities, the expansion of tourist and second home industries, and conversion of farmland to other uses, lower income residents can be priced out of areas that were formerly affordable or can see jobs replaced with positions of lower pay or differing skill and educational requirements. Maintenance of a job base and affordable housing for low-income residents can be an important concern even as fortunes generally improve in a region's economy.

Economic Development and Transportation

The cost and availability of transportation plays a key role in local economic development but is just one of many factors influencing it. Other factors important to the success of the existing and emerging industry clusters on the Eastern Shore include:

- Location attractiveness (physical features, suitability for development, land price and development costs; adjacency to markets, customer, and demand generators).
- Consumer preference (for local features, existing/anticipated development types)
- The existence or availability of other infrastructure (water, sewer, communications)

- Local political, economic, and social conditions (tax rates, incentives, regulatory environment, availability of labor and capital, quality of educational facilities and cultural amenities).
- The rate and path of urbanization in the larger metropolitan region.

These factors will be examined in assessing potential impacts of a CBBT toll change.