

Otsego County Economic Summary

By

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Employment/Unemployment

Employment peaked in 1999 with an annual average labor force of 13,345, 12,779 residents employed, and an unemployment rate of 4.2%. Employment bottomed out in 2003 with 12,344 in the labor force, 11,341 employed, and an unemployment rate of 8.3%. Despite the closure of the Georgia-Pacific plant in March of 2006, the annual average labor force for 2006 was 12,810, with 11,768 employed, and an unemployment rate of 8.1%. However, Kimball Electronics announced the closure of their Gaylord plant in the spring of 2007 and by the end of November the labor force stood at 12,680, with 11,395 employed, and an unemployment rate of 9.8%. The closure of the Georgia-Pacific and Kimball Electronics plants and the loss of over 430 manufacturing jobs contributed to keeping what otherwise should have been a return to near 1999 employment numbers.

The seven counties comprising the bulk of Otsego County's labor market (Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Kalkaska, and Montmorency) had a combined annual average labor force in 1999 of 72,305, with 67,576 employed, and an average unemployment rate of 6.9% (with a range from 4.7% to 10.4%). By 2006 the labor force had grown to 81,063, with 74,315 employed, and an average unemployment rate of 8.6% (ranging from 7.7% to 11.8%). In November 2007 the labor force was down to 79,565, with 72,181 employed and an average unemployment rate of 9.5% (ranging from 7.9% to 13%). These counties saw the loss of over 360 manufacturing jobs with the closure of at least three plants between 2006 and 2007.

Population

After experiencing rapid population growth of 30% from 1990 to 2000, Otsego County's growth appears to have slowed somewhat, adding another 1,410 residents through 2006 at a rate of 6.1%. However, the County is still among the top growing counties in the State. Additionally, out of five regions in Michigan (Upper Peninsula, Northern Lower, East Central, West and Southeast), the 21 counties comprising Northern Lower Michigan have the highest combined estimated population growth from 2000 to 2006 with a rate of 3.5%. West Michigan is the only other area that comes close at 3.2%. The remaining three regions had less than 1% growth. The eight counties that comprise the primary labor market for Otsego County contain an estimated population of 179,221 in 2006 with a growth rate of 4.47% for the 2000 to 2006 period.

Economic Activity

Otsego County has had the second highest per capita retail sales since 1992 and is fast closing in on Grand Traverse County. This is a result of Gaylord's location in the middle of a fast growing region – over 204,000 people within 40 miles and a population growth rate of 22% (1990 to 2000) - which has attracted an increasing number of chain and “big box” retailers. However, Otsego County's economy is still driven by a diverse base economy with over 31% of employment and over 41% of wages coming from manufacturing, wholesale, transportation, construction and oil and gas jobs. Although tourism is significant to our economy and employs

nearly 39% of all jobs if you include the retail sector (and significantly less if you don't), it only provides a little over 24% of total wages. Like the state and national economy, the local economy is seeing growth in service sector jobs, especially healthcare. This sector, comprised primarily of information, finance and insurance, professional and technical services and healthcare accounts for almost 29% of employment and 34% of wages paid.

The eight county region experienced a 10% growth in total private sector wages from 2000 through 2006 with total annual wages rising from \$1.398 billion to \$1.536 billion. However, individual counties varied from 3% (Antrim) to 31% (Montmorency) and four (Antrim, Charlevoix, Kalkaska, and Montmorency) of the eight saw a decrease in total annual wages between 2004 and 2006. Otsego County saw only a slight increase during the 2004 to 2006 period probably as a result in continued strong growth of the healthcare and oil and gas sectors which offset some of the G-P job loss.

Economic Events 2001 - 2007

Gaylord as a market center continues to attract big-box & chain retail to West M-32 – Kohls, Super WalMart, Lowes, Old Navy, Office Max, Walgreens, Starbucks, Ace Hardware, Dunhams, Big Lots, and the scheduled construction of a Meijers in the spring of 2008. Almost all of the fast food chain restaurants located on Main Street have demolished and rebuilt their facilities in this time period.

Gaylord has seen the location of at least twelve new base-industry companies, the expansion of at least 10, and loss of seven. Significant expansions and locations include:

- FedEx completed the expansion of their ground delivery operations with a new 31,000 square foot facility located in the new Gaylord Industrial Park and began overnight Express service from the Gaylord Regional Airport - both in 2007.
- The redevelopment of the former Georgia-Pacific plant is currently set to begin by March 2008 with the location of a small diameter sawmill that will produce industrial grade lumber; a high volume wood pellet mill producing for the domestic and export heating markets; and a wood handling and intermediate processing operation that will serve the two mills. The combined companies will invest \$46.5 million and plan to employ 160 people within 18-24 months.
- H&H Tube with plants in Vanderbilt and Cheboygan, was purchased from Masco Corporation by Sunspring America in 2007. This resulted in the consolidation of the Cheboygan operation to the Vanderbilt plant and the addition of 5,000 square feet to that facility.
- Cooper-Standard Automotive reached a settlement in June 2007 for a five-year contract with its employees that resulted in \$1.2 million in concessions. These employee concessions allowed the company to secure new work, bringing employment back to around 130 by the end of the year from well under 100 at the end of 2006.
- Preston Feather, a regional building supply chain, began the process to relocate a panelized wall fabrication plant to Gaylord at the end of 2007. The 13,600 square foot facility will create 15-20 new manufacturing jobs in 2008.
- Two of the larger vacant commercial/industrial buildings were occupied in 2006 and 2007 with the sale of the 22,000 square foot Heartland Distribution building to ITC and

the expansion of Gaylord Machine and Fabrication to the 25,000 square foot Scion Steel building.

- Finally, there has been the expansion of three banks, a very substantial expansion of Otsego Memorial Hospital, location of a Culvers restaurant, and the establishment of a small regional restaurant chain called Spicy Bob's with its headquarters in Gaylord.

Otsego County has seen a number of its companies; both locally owned and publicly traded, change ownership. In the 2001-2007 period at least 10 key companies changed hands, with all but two still in operation.

Finally, new employment from projects completed, underway or announced in 2007 (Culvers, Meijers, and the Georgia-Pacific redevelopment) are estimated at just over 600 jobs.

Community Infrastructure Investment 2001-2008

University Center and M-TEC Center - \$8,000,000

Otsego Memorial Hospital Expansion - \$11,000,000

Airport Runways, Ramp, & Terminal - \$5,200,000

New 240 Acre Industrial Park - \$3,300,000

Rail Infrastructure - \$2,700,000

Water, Sewer, Roads, Streetscape - \$57,000,000

Community Fiber Backbone (UC MAN) - \$500,000

Community Planning - \$487,000

Community Recreation Facilities - \$1,600,000

Source of Data

- Michigan Department of Labor and Economic Growth, Labor Market Information, Unemployment Statistics and Industry Census of Employment & Wages (ES-202)
- U.S. Census
- Otsego County Economic Alliance