

Walla Walla Trends - 2017 Q4 Newsletter

News from the Port:

New Coding Space Opens on Whitman Campus



As technologies continue to innovate, software and coding could be considered the gasoline that powers those engines, especially in Washington State. Software developers rank first in Washington State’s forecast of job openings from 2020-2025 for those occupations that require a BA/BS or higher. The average annual wage in the state in 2017 was slightly greater than \$130,000 for software developers and related occupations claim salaries not too far behind.



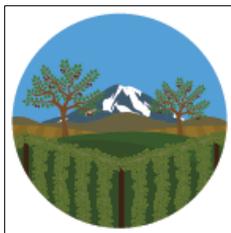
Supported by a grant from the Port of Walla Walla, Whitman College has now created a Coding Space in the College Technology Service. Although a designated place for blossoming coders to work and collaborate with other coders, the space is available for students at Walla Walla Community College and Walla Walla University as well.

Whitman’s Grants and Foundation Relations director, Rachna Sinnot, stated “the Port’s objectives of promoting local economic development and attracting technology companies to the Walla Walla Valley dovetail with a Whitman strategic priority—community engagement.”

Computer Science bachelor’s degree program at Whitman started at the beginning of the 2017-2018 school year with 16 students currently in the major.

Indicators in the News:

Yakima Valley Trends, EWU’s 10th Indicators Project, Just Launched



On Monday, November 13, Eastern Washington University’s Institute for Public Policy and Economic Analysis launched their 10th indicators site: Yakima Valley Trends.

While the data offered on Yakima Valley Trends is basically the same as found on the Walla Walla Trends site, Yakima Valley boasts of a completely new web design and format. The basic indicator and website functions of the new format will be almost identical to the old design.

Keep watching in the early part of 2018 as we will be working hard to port the new web design over to all the other [Trends sites](#) Eastern Washington University manages.

U.S. Census Now Offers Statistical Significance Test by Emily Wavra



The American Community Survey (ACS), from the U.S. Census, provides estimates for the nation, all 50 states individually, various counties and states across the nation. These estimates include various measures of well-being, income, population, diversity, housing, age and more and help us keep track of

important trends throughout different places across the U.S.

Each year as every ACS-sourced indicator on the Trends site receives an update, the numbers may show a significant change, a small change, or anything in-between. All ACS indicators are estimates based on a national survey. In prior years there was no way to tell the importance of that change, since the Institute does not have access to the source data.

For the 2016 annual ACS updates, the “More Information” section now includes the results of a statistical significance test, making it easier to determine how significant the change in data is.

First, we collect the estimates and Margin of Error (MOE) for the base year (the first year recorded for the trend), then we add the most recent estimates and MOE. An algorithm [provided by the ACS](#) determines whether the change is statistically significant or not. We simply enter the estimates and MOE's. If the estimate is found to be “*statistically significant*”, it means the most recent estimate is different from that of the base year. This is important because this will show that the trend is changing.

An example of an ACS indicator is the [Median Age of the Population](#), this indicator shows a trend of the median age of the population throughout the county, the state and the nation. For each location, a significance test is performed and we can track the movement of the median age for the nation, the state and the county. If the test results come back as “*not statistically significant*”, it means the median age has not really changed over time. On the other hand, if the test results are “*statistically significant*”, it means over time the trend has seen change due to real factors. For example, if the median age of the population has gotten older this could be due to medical advances and a better standard of living.

Most every ACS-sourced indicator allow statistical significance tests but not all. One example, some indicators use a combination of more than one ACS table and the test cannot be carried out. If test results are offered, the test was able to be performed. If no results are offered, the test was unable to be performed.

With the addition of the statistical significance test results, we can now draw more accurate conclusions than previously available about the estimates offered for each ACS indicator. Knowing if changes are actually significant will help the community better understand what's truly going on in our area.

Most U.S. Occupations Require Increasing Digital Skills



Perhaps digitalization began thousands of years ago when the Chinese first developed a binary arithmetic system as mentioned in I-Ching. By the time computers were programmed with punch cards the binary system, and henceforth digitalization of nearly everything, including how we do our jobs.

[Brookings Institute](#) has quantified “Digitalization and the American Workforce” by analyzing 545 occupations in the U.S., covering about 90% of all industries existing within the total U.S. workforce.

According to Brookings, “Digitalization is associated with increased pay and job resiliency in the face of automation but also vastly uneven trends for job growth and wages.”

Specifically in the graphic titled “Digital Skills Levels and Change in Digital Skills for 545 Occupations”, showing occupational digital score from 2002 and 2016, as well as the median annual wage in 2016 for each of the 545 jobs. The 545 jobs are also divided into three groups, jobs requiring low, medium, and high digital skill levels. Additionally, the absolute change for all 545 occupations from 2002 to 2016 are plotted with the majority of occupations demanding increased digital skill levels.

Indicators in Action

[Households with Internet Continuing to Rise](#) by Bryan Lockwald, Scott Richter, and Dr. Patrick Jones

The internet was first conceived and put into practical use in 1989 by the European Organization for Nuclear Research, or [CERN](#), as a means to share information and documents between scientists, universities, and institutions around the world. At the time, computers that needed to be connected could only be used by groups of people in what was known as “time sharing.” These large computers were usually located on university campuses and at large institutions like CERN and were dialed into by phone modems.

In less than 30-years, a wholesale revolution has taken place, bringing with it advances on the order of magnitude of the industrial revolution.

([click here](#) to see what the very first website on the internet, or WorldWideWeb, or W3, as it was called back then, looked like) It’s been many decades since computers were nearly large enough to require their own zip codes, so fast-forward to today, nearly every household in the nation, and nearly every person through their cell phone connection has a link to the internet. These simple connections are not only linking people to the internet, but literally billions of other devices worldwide. A [white paper](#) published by Cisco Systems projects that there will be 50 billion devices connected to the internet by the year 2020.

How has the Walla Walla area fared with this sweeping change? Looking at the [Total and Share of Homes with an Internet Connection](#) indicator, during 2016 in Walla Walla and Columbia Counties combined, an estimated

20,191 households had an internet connection, representing 85.0% of homes.

Although showing an increase from 2013, the margin of error (MOE) of this indicator for Walla Walla and Columbia Counties combined is 6.0%. So with the MOE factored in, the year-to-year changes are not that much statistically different than what is present in the state and U.S. benchmark. Consequently, the combined counties, the state, and U.S. have all generally followed similar upward trends over the short time this information has been measured.

One other internet indicator on the Trends site is [Internet Connection by Type](#), which shows that during 2016, Broadband connections were 87.0% of all internet connections in Walla Walla and Columbia

Counties combined, while Cellular Alone (internet service on a cell phone as the only internet connection) was 13.1% and that Dial-up alone was at 0.69% of all internet connections.

Internet access has changed so dramatically in the past 10-15 years that the Census Bureau, beginning in 2016, reduced the variety of internet connections to the three currently on the Trends site: Broadband, Cellular Alone, and Dial-Up Alone. Previously, the breakdown included DSL, Satellite, and Fiber-Optic internet connections. This explains the one year of information available.

Bob Greene, the Manager of Communications and Information Technology at the Columbia Energy Cooperative, said there are some of the challenges providing for such a large increase in internet use in the Walla Walla area over the past few years.

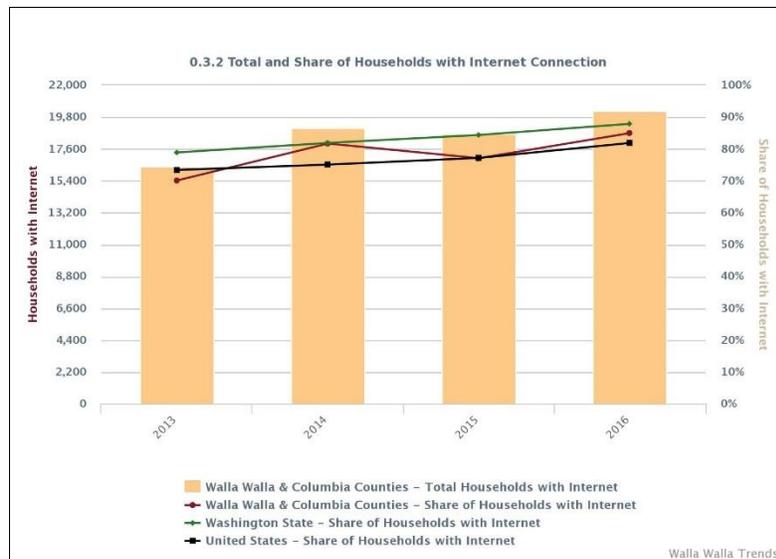
Green says, "The Columbia Energy Cooperative is one of the largest internet service providers (ISP) in the Walla Walla area. Mr. Greene says that the largest challenge to providing for such a growing demand for internet is really in the bandwidth available. Bandwidth is maximum data transfer rate of a network or internet

connection. It measures how much data can be sent over a specific connection in a given amount of time. We can think of bandwidth a little like the size of a water hose, the larger the water hose the larger the amount of

water that can be transferred. But, the more people that connect to the water hose, the less water is available for each user connected."

Greene also says the bottom line for meeting the increased demand is for the internet service provider to work with the Federal Communications Commission (FCC) release more frequencies, which results in a larger bandwidth available to customers.

In the Walla Walla area, [Walla Walla Public Schools](#) has a digital presence on the internet. A household with access to the internet can access any number of web pages dedicated to their children's learning experience finding out information such as the school lunch menu,



upcoming events for the school, national test results, and school closures just to name a few items. Links to a multitude of resources are available and parents can connect with school officials and teachers. In many schools across the nation, assignments and resources are included in access to school web pages making household internet increasingly more important to the K-12 school experience. To remain competitive with other cities and regions in the U.S., the Walla Walla schools will have to begin to offer these types of services in their K-12 education impacting school funding and ultimately how education is delivered to children in the digital age.

The digital age has impacted just about every aspect of our lives. Companies like Amazon have harnessed the digital marketplace to great advantage, [reporting](#) total revenue for 2016 of \$136 billion. The digital marketplace is, in a broad economic sense, a truly competitive market with many buyers and many sellers and the digital market is easy to enter, all one needs to do is create a web page as a front for their business. This market place has, and will continue to impact and change how commerce is delivered, education is taught, politics made and news reported Walla Walla and Columbia Counties will continue to be a part of these societal shifts.

Travel & Tourism in Spending Continues

Upward Trend by Bryan Lockwald, Scott Richter, and Dr. Patrick Jones

Tourism has become part of the overall economic development strategies in many communities across the U.S. Tourism attracts travelers from many different locations, domestic and international, bringing money in from outside areas, not to mention recycling dollars spent by locals within the tourism and travel service industry. This money adds to the economic base, providing revenue to local businesses and workers, as well as tax revenue to local governments.

Tourism also adds to the economic diversity of a community by spreading dollars spent across a wide range of businesses. Lodging, restaurants, gas stations, gift shops, grocery stores, and cultural heritage sites are some of the businesses benefitting from tourism. As tourism grows, indirect effects and multipliers are felt by banking institutions, construction companies, landscapers, the real estate sector and health care providers. The impact can be

felt outside of a given community by travel management agencies as they are paid to arrange transportation and lodging, and within from advertising agencies who promote the community.

Developing a tourism industry benefits more than just revenue streams, however. Civic pride in a community can be built around the local heritage and promoting that heritage outside of the community by inviting tourists to visit and spend their vacation dollars. And, some may be so taken by the experience that they will investigate moving. In the long expansion of this industry in Walla Walla over the past two decades, the County has felt all of these benefits.

As we take a look at the [Total Direct Travel and Tourism Spending & Spending per Capita](#) indicator on the Trends site, during 2016, travelers to Walla Walla County spent an estimated \$130 million dollars, a 128% increase in spending since \$57 million during 2000. On a per capita basis, spending in Walla Walla County was \$2,134, slightly below the

Washington State benchmark of \$2,981, but doubling from \$1,026 in 2000.

“Tourism” is a broad term used for this indicator. Specifically, purposes of travel counted in this indicator include: business, pleasure, shopping, attending meetings, medical services, education and for personal reasons. Total travel spending estimates for this indicator are collected from four industries: Accommodations & Food Services; Arts, Entertainment & Recreation; Retail Trade; and Transportation.

An increase in tourism development in Walla Walla can be benchmarked to the wine industry, which has been the driver behind tourism growth over the years.

According to an article in the [Seattle Times](#), Walla Walla had no wineries until the 1970’s but today there are 120 wineries in the area. A 2014 news release from [Visit Walla Walla](#) cites Wine Enthusiast as naming Walla Walla one of the world’s 10 best wine travel destinations.

A conversation with Ron Williams, the Director of [Visit Walla Walla](#), helped to see a little more clearly the industry in Walla Walla.

Williams says “Since 2000 tourism has blossomed in Walla Walla to include much more than wine, although wine is a mainstay of the tourism industry in the region. Tourism has developed in Walla Walla to include outdoor

recreation, the great historical heritage of Walla Walla as a gateway to the North West, and an increased interest in the culinary arts.”

Williams also notes these activities pair well with tourism attached to the wine industry but these are beginning to stand on their own as tourism develops in the region.

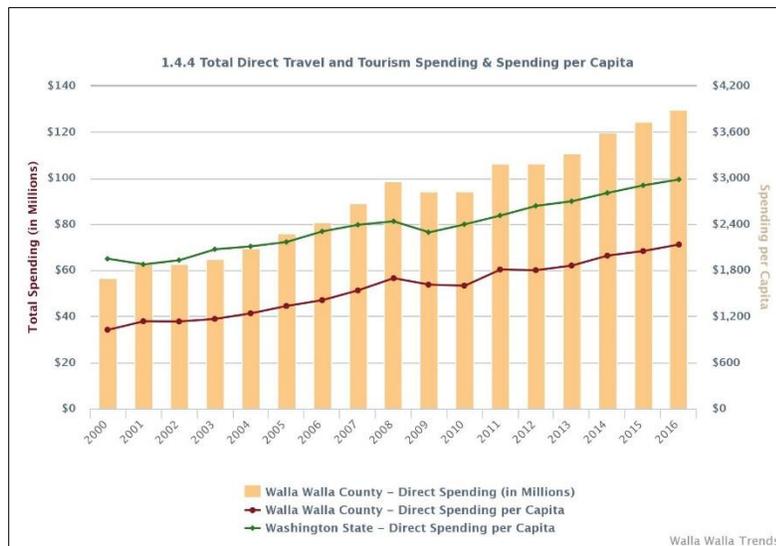
Williams says while wine is the mainstay of tourism, future development is expanding into the venues that pair well with wine.

Consequently, future development in Walla

Walla will include a much greater emphasis on the culinary experience along with wine. El Gaucho, a fine dining upscale steak house out of Seattle, will be investing in a restaurant called Fire and Wine partnering with the new [Eritage Resort](#) just outside of

Walla Walla. Other future growth will feature the development of a historic property in downtown Walla Walla and an 80 room luxury hotel with a restaurant built around a chef yet to be named. Other culinary venues in Walla Walla are building on the ‘rock star’ chef idea to build business.

As can be seen by this economic indicator, which has shown a 119% growth in dollars spent on tourism in Walla Walla since the year 2000, there seems to be no end in sight to this upward trend. This can only bode well for the contribution of tourism and travel to the economic health of the region.



Median Household Income Below Benchmarks

by Bryan Lockwald, Scott Richter, and Dr. Patrick Jones

Median Household Income provides a fundamental snapshot of economic health within a community. The Trends' [Median Household Income](#) indicator measures income distribution by dividing the income distribution into two equal groups, one group of households earning incomes above the median value and half earning income below. Median Household Income takes into account many, but not all sources of income. For example, non-cash benefits are not counted. Two examples are food stamps and housing vouchers.

Median household income is estimated by the American Community Survey (ACS), taken by the U.S. Census. For all metropolitan statistical areas (MSAs), the survey produces

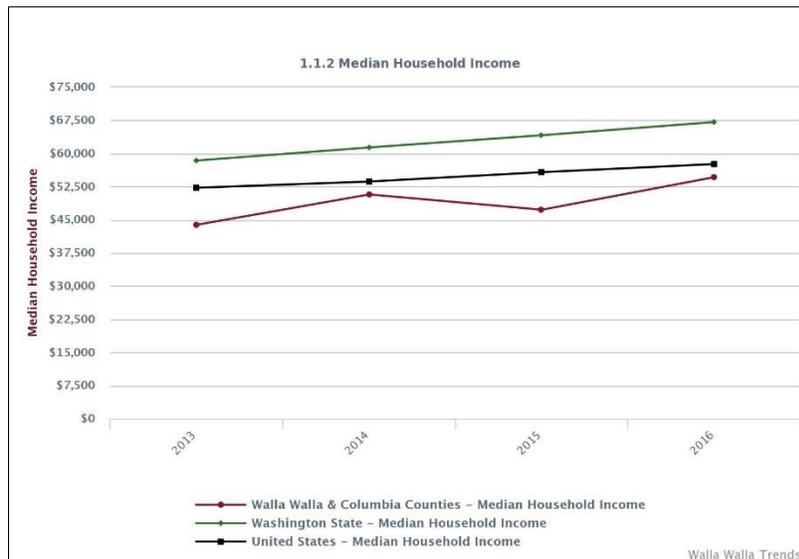
annual estimates. The Census definition of what is considered income is quite lengthy, but can be [viewed here](#). A household may consist of a nuclear family, extended family, unrelated individuals living together, or a single occupant, in some of its variants. This particular measure covers the Walla Walla which consists of Columbia and Walla Walla Counties.

When we consider the most recent value for 2016, the estimated median household income in Walla Walla and Columbia Counties combined was \$54,655, increasing from

\$43,870, or by 25% since 2013. Note that the values are in inflation-adjusted terms. In 2016, Washington State sported an estimated median household income of \$67,106, increasing from \$58,405, or by 15% since 2013. For the most recent year, the same measure in the U.S. was estimated to be \$57,617, increasing from \$52,250, or by 10% since 2013. Over this short interval then, income growth in the MSA has outpaced both benchmarks.

Yet, Walla Walla and Columbia Counties combined have consistently fallen below both the state and U.S. benchmarks. There are several aspects to help explain why this has occurred. In the state, tech sectors in the

Seattle metro area produce wages much higher than those of the agriculture and manufacturing sectors of Walla Walla MSA. But this is not the only influence on area median household income leading to lower values compared to



Washington State and the U.S.

Ajsa Suljic, Regional labor Economist with the Washington State Employment Security Department passed on some further thoughts. Suljic says the ACS includes the population of the Washington State Penitentiary and those attending the three major schools located in Walla Walla” which perhaps adversely affects the statistics of this indicator. The [daily population](#) of the Washington State Penitentiary from November of 2017 was 2,580. The approximate enrollment of [Whitman](#)

[College](#), [Walla Walla University](#), and [Walla Walla Community College](#) was 1,510, 1,894, and 10,000 respectively. The total population of inmates and students of 15,964 equals roughly 26% of the total population of Walla Walla. Most enrollees in community colleges are part-time, so the 10,000 enrollees in Walla Walla Community College perhaps do not affect the household income statistics as they might in a small town with a large university, like Pullman. But they should still be considered when examining the figures in the graph, as some of them are full-time students not from Walla Walla or Columbia Counties.

To be fair, the colleges in Walla Walla County attract students from surrounding counties, such as Asotin and Garfield, as well as from areas in Idaho and Oregon that are close in proximity. Enrollment numbers at Walla Walla Community College include the Clarkston campus and due to distant learning (online classes), it's not safe to assume any student queried by the ACS actually resided in Walla Walla County. Additionally, many students live with their parents or together in households on

and off campus. Those living at home with their parents would have been included in the survey completed by their parents (if they were chosen to participate in the survey). A [working paper](#) by the U.S. Census Bureau shows that many counties in the U.S. had significant declines in poverty rates when off-campus college students were excluded.

Countering the dampening influence of students on income could be the economic status of recent arrivals to the Valley. No data exist to tell for sure whether the in-migrants bring higher incomes than those already here, but to the degree that "young retirees" are in that category, their presence may help explain the recent relative outperformance of the MSA.

Regardless of the populations included in this indicator, it bears keeping in mind that the Walla Walla MSA has experienced a greater increase over the state and U.S. benchmarks, 25%, 15% and 10% respectively, so this particular needle is moving in the right direction: up.

[Homeowners Spending 30%+ of Income on Shelter Decreasing](#) by Bryan Lockwald, Scott Richter, and Dr. Patrick Jones

The Great Recession, generally speaking, created a situation where people weren't buying or selling homes. Decreasing or stagnant home values from the popped housing bubble created situations where many homeowners simply couldn't sell their homes without losing money or some of their hard-earned equity, inspiring many sellers to wait to sell until the market rebounded. In the meantime, the economy started improving, but an improving housing market came later.

Looking at the [Total and Share of Homeowners Paying 30% or More of Their Household Income for Shelter Costs](#) indicator, during 2016, we see that an estimated 2,647 households were paying 30% or more of their household income on shelter costs, decreasing from 2,955, or by 10.5% since 2013.

When we examine the estimated share of households paying 30% or more of their household income on shelter costs during 2016 in the Walla Walla metropolitan statistical area, or MSA (Walla Walla & Columbia Counties combined), as the estimate was reported as 17.0%, decreasing from 20.8% since 2013. In 2016, the share in Washington State was 24.1%,

decreasing from 27.7%, while the U.S. was 22.7%, decreasing from 25.3% since 2013. Altogether, it seems that less financial stress for Walla Walla MSA homeowners seems to prevail.

The 30%-of-income standard says that non-shelter needs (costs for basic necessities such as clothing, food, and other non-housing monthly bills) can be met with 70% of a household's annual income. When shelter costs become larger than 30%, meeting basic needs becomes more difficult.

Shelter costs, as defined by the ACS, are “the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgages,

home equity loans, and other junior mortgages); real estate taxes; fire, hazard, and flood insurance on the property; utilities (electricity, gas, and water and sewer); and fuels (oil, coal, kerosene, wood, etc.).”

The 30% income to housing costs ratio is also referred to by the U.S. Census as the “housing-cost burden”. Those above the 30% ratio but below 50% are considered to have a “moderate housing-cost burden.” Those households with a ratio greater than 50% are considered to have a “severe housing-cost burden”. Going back to 14Q3, one can see that the [median home resale value](#) in Walla Walla County has increased by

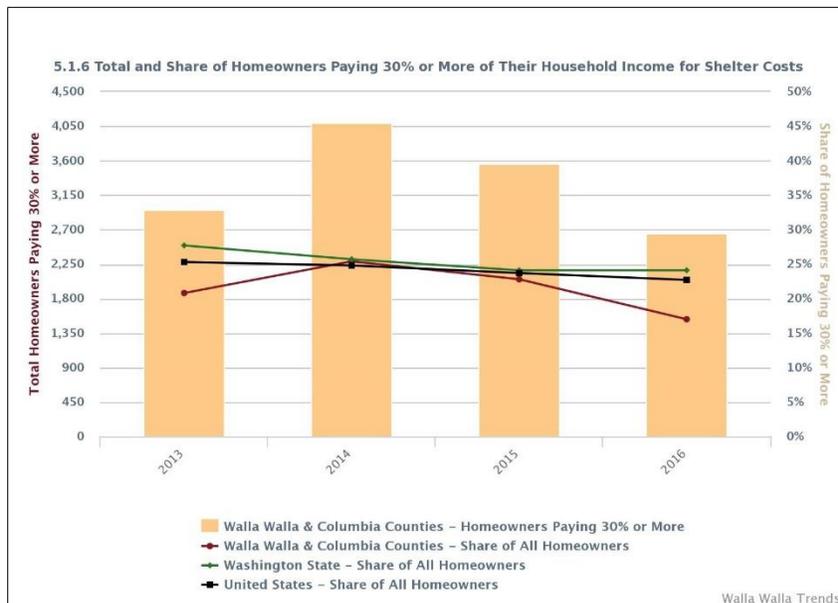
19.2%, from \$185,000 to \$220,500. Statewide over the same time interval, the increase is 59.9%, from \$227,100 to \$363,200). As one might imagine, higher home prices can effect housing affordability, yet area affordability for homeowners has experienced relatively little change since the beginning of the series in 2013.

Examining at yet another housing indicator – one that considers both home prices as well as income, the [All Home Buyer Affordability Index](#), it is apparent that the values for Walla Walla County were considerably below the state

benchmark for each of the four years since 2013, meaning home ownership has been more affordable in Walla Walla County than in the state. Or, the ratio of income to housing costs for homeowners

has kept pace better in the area than elsewhere. Clearly, the area can tout this aspect of life here.

What is the current view from the real estimate community? Karen Yager, of Kelly Right Real Estate, says that many of the people inquiring have never been to Walla Walla, with most coming from the Seattle area, some from California, and a few from Colorado. Yager added that part of the appeal of moving to Walla Walla are the lower property taxes and the relaxed lifestyle. Most of the remaining homebuyers have already lived in the area but



have downsized as children have grown up and moved out.

Yager also says that during the Great Recession there were plenty of homes on the market and people who purchased a home did so to have it serve as their primary residence. More specifically, during 2008 and 2009, Yager says there were usually about 600 homes listed at any given time. Yager notes that now there are only 136 homes in the county with a current active listing. Eighty-five homes have received standing offers, for a total listing of 221. This total has decreased roughly by 63% since the Great Recession. So the pressure on prices is increasing and will likely show up in the data in a few months.

Lorne Harvey, with Premier Mortgage Resources in Walla Walla, says that "home prices have definitely increased since 2009 - especially in the City of Walla Walla".

Harvey says the increases are probably occurring for many reasons but perhaps most important to the housing market has been the

positive press the Walla Walla area has and is still receiving.

The City of Walla Walla provides a running list of accolades the City has received dating back to 1996. The list includes making the Forbes list for "Best Small Places for Business and Careers", a finalist in the Sunset Magazine for "Best Food Town", and made the list of "10 Best Wine Travel Destinations" by Wine Enthusiast Magazine.

In general, the housing market in Walla Walla and Columbia Counties are not all that different from what is happening across the state and U.S. As the economy continues to recover and more people look to purchase a home while the housing industry is trying to catch up to demand, keeping an eye on the share of homeowners paying 30% or more of their household income on shelter costs will be important for this key sector. . Given the recent pricing pressure on the owner-occupied market, it seems likely that the low rate of housing burden currently enjoyed by the Walla Walla MSA will rise.