



ECONOMIC BASE

An evaluation of Valparaiso's economic base involves identifying the basic sources of employment and income on which the local economy depends. Economic conditions also relate directly to existing as well as future patterns of land use. Therefore, this evaluation tries to achieve a better understanding of the economic forces at work in the local economy in order that recommended land use plans might be responsive to the current economic conditions. Two factors - population and employment - which affect economic conditions the most, are considered in the following sections. Statistics include regional and/or national (Northwestern Indiana and the United States) as well as local. Population and employment trends are provided to aid in a better understanding of how these factors influence the local economy. Spreadsheets and graphs are included throughout this chapter.

POPULATION TRENDS

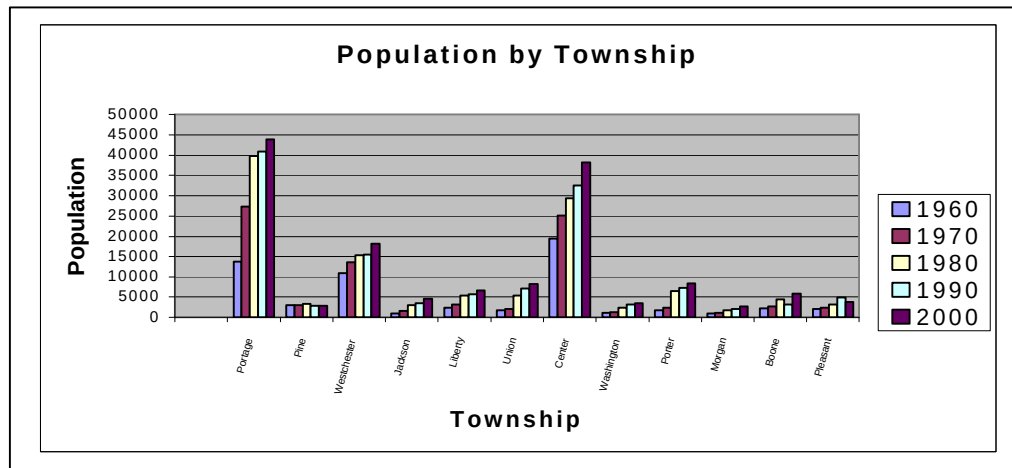
The size of the population of a community and current state of the economy of the community have direct bearing on each other. A study of the population trends of Northwestern Indiana, Porter County and Valparaiso during the last three decades will provide a clearer understanding of the economic trends that have affected Valparaiso.

CHANGES IN TOTAL POPULATION

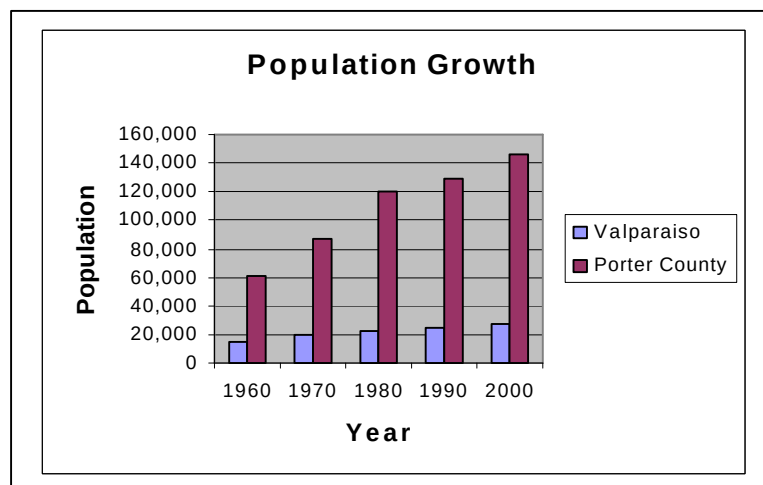
The last decade of the 20th century included a modest increase in population for Lake and LaPorte counties, a 14% increase for Porter County, and 12% increase for Valparaiso. However, Lake County's population is still lower than the 1980s.

Northwestern Indiana continued to undergo sharp demographic and population changes during the last three decades. Overall population figures within the region registered an increase during the 1950's and 1960's. During the next decade (1970-1980) the story had some interesting variations. Some areas within the region, such as Lake County, lost population whereas some areas, such as Porter and LaPorte County, registered population increases. The factors which most influenced population decreases were the decline of some manufacturing industry in the Gary-Hammond Metropolitan area, and large amounts of outmigration from the region. During the first half of the 1980's, population continued to decline in Lake County; LaPorte's declined slightly, and Porter County experienced a modest population increase. Decreases in the population during this period are attributable to depressed rates of development in the region, as well as an aging population, a lower birth rate, and heavy out-migration in some areas. Increases were attributed to creation of new employment, and an increase in overall quality of life.

Between the years 1970 and 1980, the total population of Porter County increased from 87,114 to 119,816; an increase of 38%. The 1980s added more than 10,000 people, and by 2000, the county had 147,000 people as residents that represented over 25% of the total regional population. The growth in Porter County has also been uneven over the course of history. Some townships like Portage, Center, Union, and Porter have had continued growth while Pine has decreased in population.



Changes in regional population trends affect Valparaiso. The population of the city as it entered the 21st century was almost 28,000. Recent increases in population are attributable to the attraction of additional businesses, the quality of life, and the growth of the territorial limits of the city through annexation activities. The city annexed a total of 1,401 acres between 1986 and 1990, and an additional 1,116 acres by 2000. Lying east of the Chicago Metropolitan area as well as the Gary-Hammond Metropolitan area, the eastward flow of population has been one of the factors which has led to an increase in Valparaiso's population from 20,020 in 1970, to 22,247 in 1980, 24,414 in 1990, and 27,428 in 2000.



CHANGES IN AGE AND GENDER COMPOSITION

The changes in age and gender composition of the population of a community are important considerations as they help reflect the changes in the nature of the community's workforce , which in turn affects the community's economy.

The median age of persons in Valparaiso rose from 29 to 31 between 1980-90. By 2000, the median age was 32.7. From 1980-90, the 0-24 years age group declined 12%, the 25-44 years age group increased to 35% of the total population, and the 45 years and above age group increased to 27% of the total. By 2000, preschool population was up again by 17%, those in their mid-20s increased 45%, mid-30s by 61%, and those in their 40s by 62%.

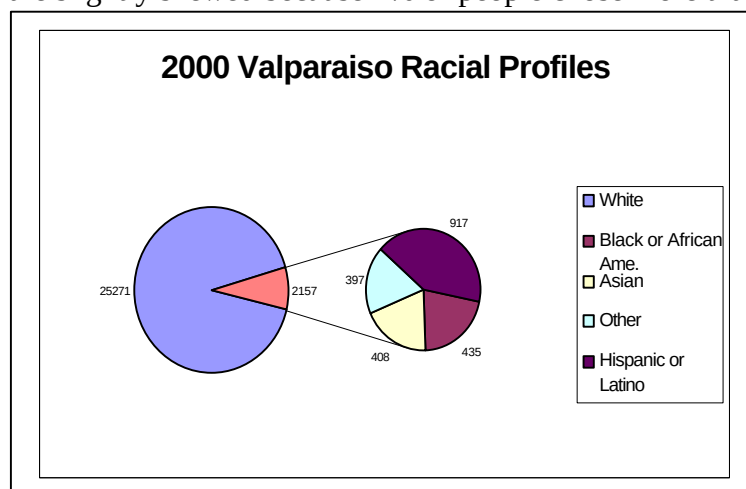
The median age in Porter County rose to 36.3 by the year 2000. This is an increase from 27 in 1980, to 33 in 1990, and reflects the nationwide trend towards an older population. Between 1980-90, the 0-24 years age group declined from 52% to 46% of the total population. The 25 and older age group increased 3%.

Both the county's and city's gender composition continued throughout the last three decades to register a slight increase in females over males.

DIVERSITY CHARACTERISTICS

Racial identification on the 2000 Census included the option to choose two or more races, which has previously not been an option. This does cause some difficulty in comparing data from previous Censuses. It also should be noted that the *Hispanic or Latino* question was asked before the race question in 2000 instead of after, as before. The Federal government considers *Hispanic or Latino* to be an ethnicity and not a race. Individuals were allowed to choose one or more races in addition to *Hispanic or Latino*.

The 2000 Census indicates a growing diversity in both the county and city. Porter County has seen an increase in the minority population from 2% in 1990 to 4.7%. The City saw a slightly higher increase in the minority population from 2.2% in 1990 to 5.7% of the total population in 2000. The Hispanic population rose 5% in the county, and from 1.5% to 3.4% in Valparaiso. These percentages are slightly skewed because 1% of people chose more than one racial category.



The racial characteristics of the population body also underwent change during the period 1970-1980. In Porter County all racial and Spanish-origin categories registered an increase but the percentage composition of each category did not change significantly over the decade.

INCIDENCE OF LITERACY

In 2000, 23% of all people 25 years and older living in Porter County had completed a four-year college degree. From 1970 to 1980 people 25 and older completing even 1 year of college rose from 20.8 percent to 28.8 percent.

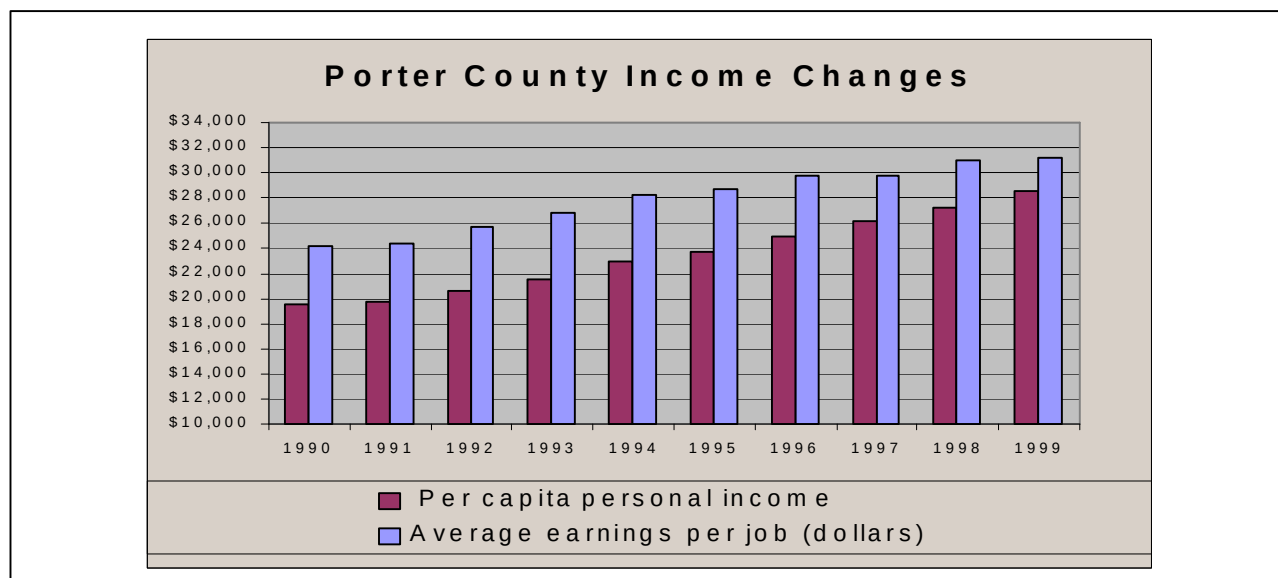
In 2000 in Valparaiso, 35% of those 25 and older had completed a college degree and 91% of its citizens over age 25 had a high school degree. In 1980, only 28% had completed a college degree.

PERSONAL INCOME

Median income for county residents was \$37,142 in 1990, compared to \$35,576 in 1989, and \$53,000 in 2000. Per capita personal income in the Porter County rose from \$10,774 in 1980 to \$29,824 in 2000. This per capita personal income (PCPI) ranks 9th in the State and is 111% percent of the State average, \$26,933. The average annual growth rate of PCPI over the past ten years was 4.6 percent for Porter County, which outpaces the average annual growth rate for the State (4.5 percent) and the Nation (4.4 percent).

Porter County's average earnings per job (AEPJ) was \$31,200 in 1999 compared to \$24,107 in 1990 and \$16,997 in 1980. The county's 1999 AEPJ was 103 percent of the State average, \$30,317 but only 91 percent of the National average, \$34,384. The annual growth rate in AEPJ over the last ten years was 2.9 percent for Porter County, which was outpaced by the State (3.5 percent) and the Nation (3.7 percent). Source: U.S. Bureau of Economic Analysis

Median household income for city residents rose from \$31,602 in 1990, to \$45,799 in 2000. The 1980 median income per household was \$20,670.



NUMBER AND SIZE OF FAMILY UNIT

The number of families (defined as a married couple with or without children) in the county in 2000 was 39,709, compared to 34,634 in 1990. In the 1990-2000 decade, the number of Valparaiso families grew by about 600 new families. The average Valpo family size was reported as 3.17 in the 1980, 3.01 in 1990, and 2.93 in the 2000 Census.

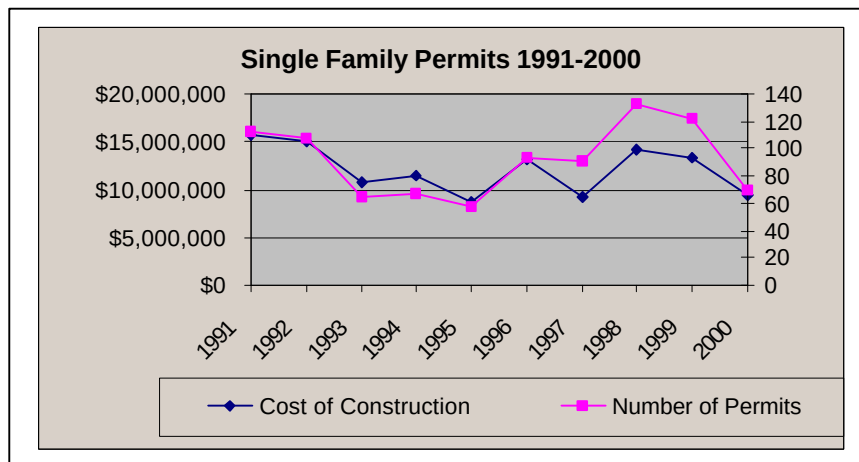
HOUSING PATTERNS

Both the county and city increased the number of households by 21% in the 90s. However, the number of people per household decreased to 3.08 in the county and 2.93 in the city. This is a 50% decrease in the number of people per household in both the county and the city throughout the 1990s.

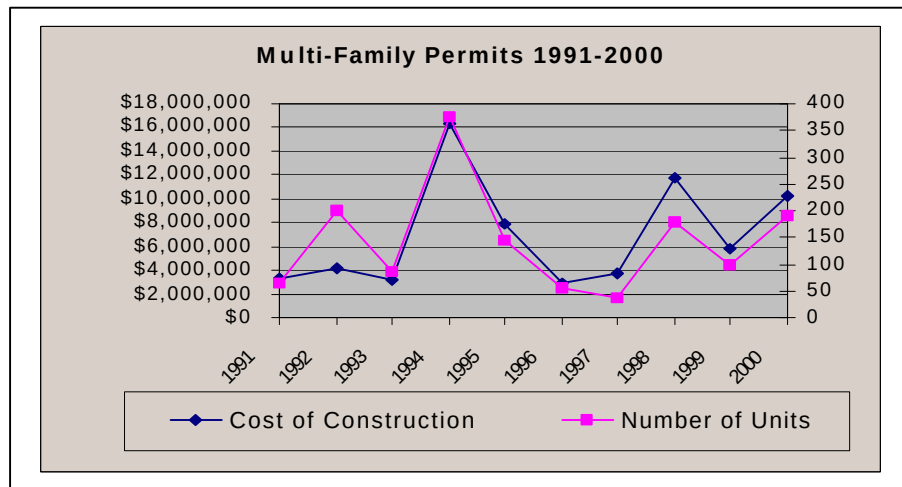
The City of Valparaiso had 10,867 household in 2000, of which 33% included people living alone. Families (defined as a married couple with or without children) accounted for 46% of the households, and female head-of-household accounted for 10%. The 10,867 households break down into 55% owner-occupied, and 45% rentals. This breakdown is consistent with the 1990 census. The vacancy rate in the City in 2000 was 6%. That rate is slightly up from the 1990 census data.

Porter County had 57,616 households in 2000, with a vacancy rate of 5%. Of those 57,616 households, 73% are families, 22% include people living alone, and female head-of-household is at 9%.

The average cost for a new home in the City of Valparaiso has actually fluctuated over the years, as more affordable housing has been built. The number of multi-family units built has also varied, and has followed the demand, rather than speculation of markets. Multi-family units have included a variety of markets, from tax credit projects, which require a percentage of modest rents; to expensive rental units, and condominiums.



In looking at sales activity, Valparaiso and unincorporated Center Township had 461 units sold which is consistent with its five-year average of 467. The median sale price for homes sold in 2000 was \$140,000 which is consistent again with the five-year average of \$139,929 (adjusted for inflation and shown in 2000 dollars). This indicates the area around Valparaiso remains healthy and strong for economic activity and residential investment.



There is still a gap in the rental marketplace in Porter County as summarized in a 2000 study by the National Low Income Housing Coalition (www.nlihc.org). That study concluded that the average renter in Porter County has a household income of \$28,871, and so could afford a \$217 monthly rent (30% of household income). However, the average fair market rents in the county range from \$400 for an efficiency, to \$920 for a four bedroom. The result is either households pay more than 30% of their income to rent, or are subsidized.

A household in Porter County would have to make over \$10 per hour to afford a one bedroom, and over \$15 per hour to afford a three bedroom apartment.

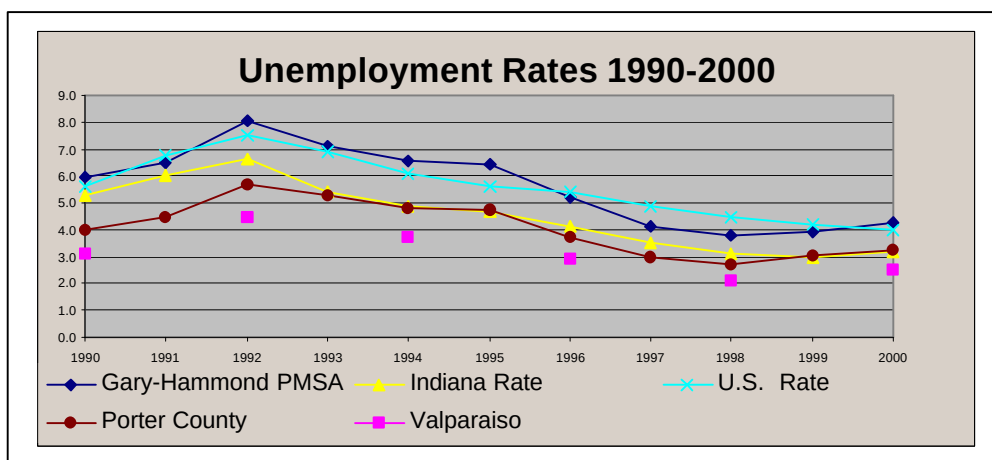
EMPLOYMENT PATTERNS

LABOR FORCE

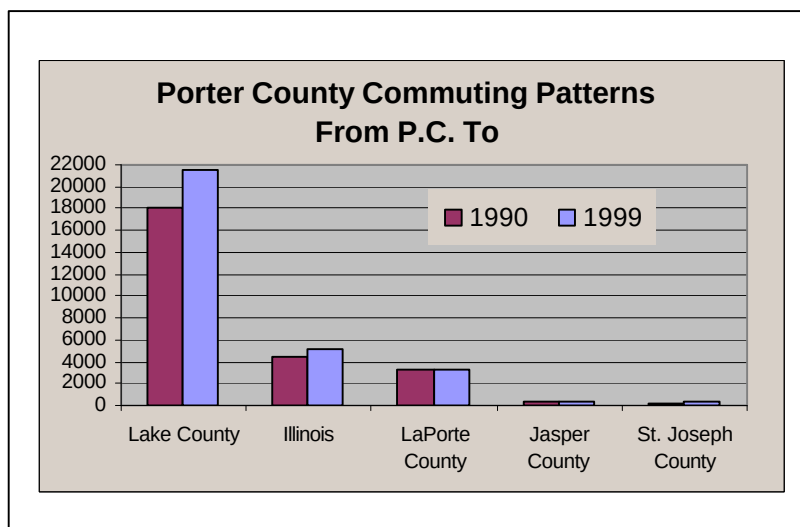
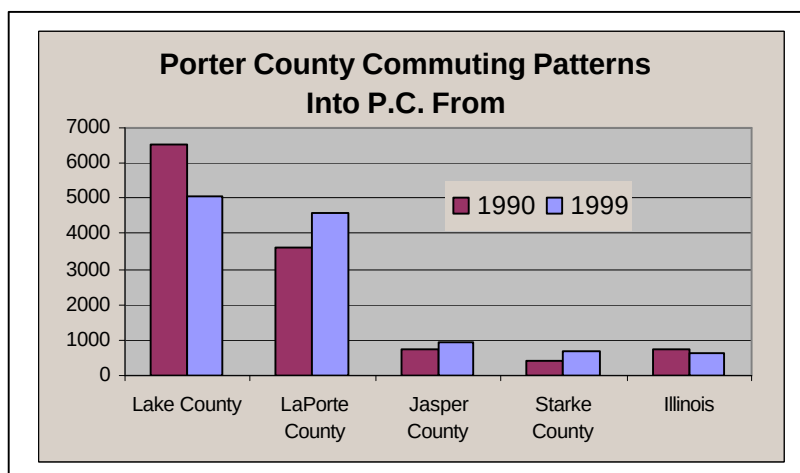
Statistics reveal that at several geographic levels the civilian labor force in the U.S., Indiana and Porter County grew during the period between 1980 and 2000. In 2000, the U.S. had a labor force of 140,863,000, Indiana's share was 3,084,100, Porter County included 74,210, and of those, 14,260 were in Valparaiso. In 2000, Porter County employed over 70,000 people with an average salary of \$32,000.

Of those employed, 28% were in service jobs, 19% in retail, 17% in manufacturing, and .3% in government. The county's assessed valuation included 45% in industrial and manufacturing, 47% in residential, and 1.6% in agriculture.

Most labor force statistics are regional, and defined as a combination of Lake-Porter counties into one metropolitan statistical area. Unemployment figures increased at all geographic levels from 1979-83, but there was improvement during the period 1983-1987. The unemployment figures



during this period showed a change from 9.6% to 5.5% for the U.S.; 11% to 5% for Indiana; and from 14.2% to 4.7% for Porter County. During the last decade, labor markets have tightened considerably after 1992 and through 1999. This labor market tightening coincides with the robustness and the expansiveness of the U.S. economy. As the economy experienced sluggish growth as labor markets loosened and unemployment increased slightly, but well below 1992 levels of 6%-8%. By 2000, the unemployment rate for the County and the State averaged 3% and the PMSA and U.S. remained at 4%.



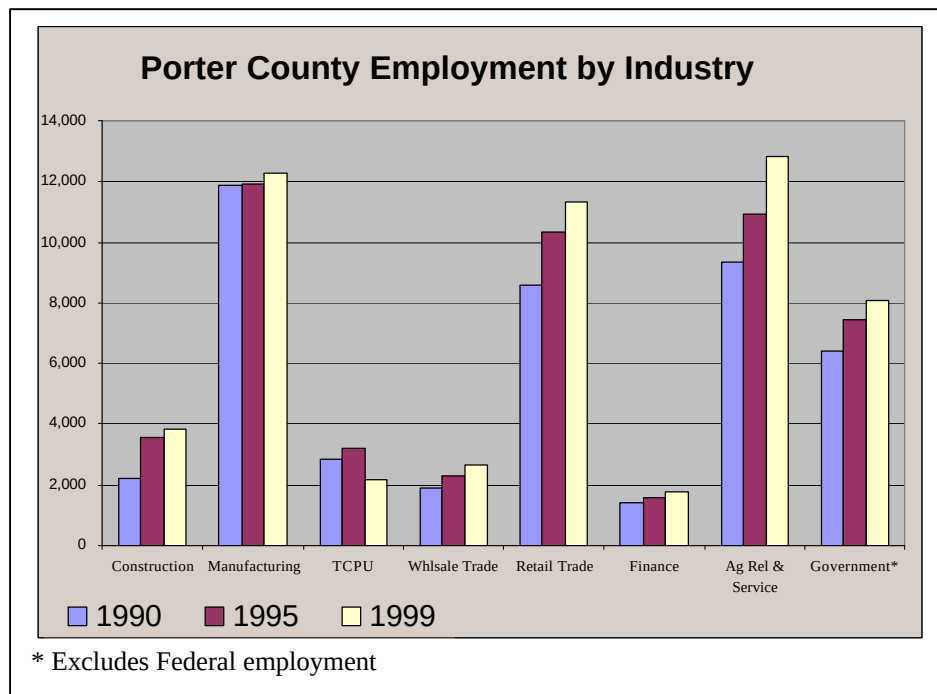
The metropolitan area lost 5,800 jobs between 2001 and 2000. The area has lost 28,000 since 1994, however most of the job lost has been in Lake County. If current trends continue, 50% of the labor force in the two-county area will be in Porter County by 2030.

Porter County statistics indicate over 22% of the work force traveled outside the county to work in 1984. That percent rose to 44% (26,658) in 1990, and appears to have leveled at 34% in 2000 for residents commuting out of Porter County. At the same time, Porter County accepted 16% of employees into the county from outside.

LOCAL ECONOMY

Although industrial activities in Northwestern Indiana have traditionally been centered near the cities of Gary, Hammond and East Chicago, there are plants of major importance located in northern Porter County along the Lake Michigan shoreline. Smaller manufacturing industries are located immediately south and east of the steel-making complexes as well as in various other areas throughout the county. The "value added" (difference between basic costs of raw materials and finished product) totals by manufacturing industries increased from 15% in 1980 to 18% in 1990 in Porter County.

Although the steel-making industry is important, the area continued to diversify its employment opportunities during the last decade of the 20th century. New manufacturing parks opened that attracted companies involved in the recycling industry, construction industry, and the foods processing industry. Even the closing of one foods industry in Valparaiso made way for smaller companies to be created and continue the food processing business. The biggest increase in job opportunities continues to be with existing businesses.



(TCPU – Transportation, Communication, and Public Utilities)

Despite current declines in employment in the manufacturing sector, Northwestern Indiana is still the number one steel producing area in the United States. In the 1990s, this area's steel companies invested millions of dollars in upgrading facilities and streamline operations. Unprofitable operations were sold or abandoned. At the same time, numerous steel suppliers and steel related service operations located in the area. The area's steel companies reported a combined profit of \$1 billion in 1987, after losing more than \$12 billion since 1981. Profits again disappeared in the late 1990s, as low-priced foreign steel was dumped into the national steel market. By the 2000 Census, the region was once again wondering how the steel industry would survive.

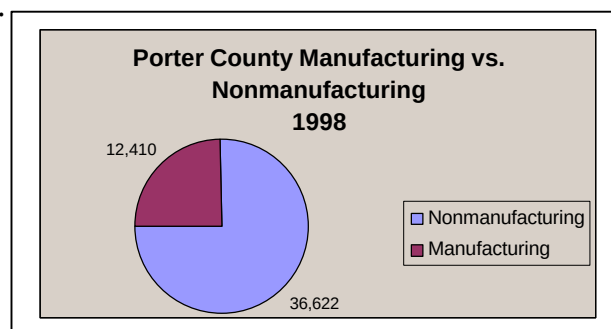
Valparaiso' labor force is less dependent on steel manufacturing, although it has more jobs in manufacturing per 1000 workers than the national average. Due to its location Valparaiso benefits from the desire of smaller manufacturing industries to relocate or expand near interstates and major highway located east, west, south and north. Valparaiso is an attractive location for expansion and relocation of businesses and industries serving the Chicagoland marketplace.

The growth in the service industry sector experienced in Porter County is reflected in the annual receipt statistics. The service industry's total annual receipts for the three county area (Lake, Porter and LaPorte) grew by 125% in the early 1980s. During these same years Porter County's share was 15 percent. This suggests that service sector jobs were created in Lake and LaPorte counties at a higher rate than they were in Porter County. At the same time, the service industry in Valparaiso increased by 210%, and another 50% by 1990. This trend continues into the 21st Century as more retail and service sector businesses develop in the southeast section of the City.

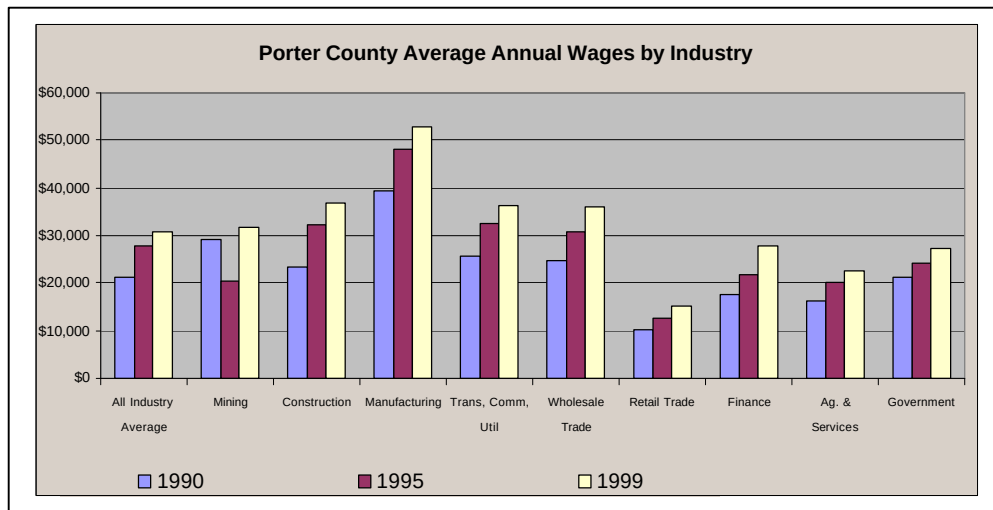
Wholesale and retail trade serve as the mainstay for Valparaiso's economic base. This situation is largely the result of companies that have relocated to more desirable communities like Valparaiso. Retail sales in Porter County grew 47% during the 1980s, and its share of the total sales continues to increase annually. Retail sales in Valparaiso accounted for approximately half the county total in the 1980s.

This figure has continued today. In the 1980s, Porter County had sales of \$371,629,960 on taxables and \$18,581,498 in sales tax for retails. In Valparaiso, the strongest retail sectors are apparel and accessory stores, home furnishings, and automobile dealerships. Porter County's share of the area's total wholesale trade sales grew in the 1980s from 9.5 % to 16.1%. Wholesale figures for Valparaiso increased by \$38,124,000 during this same period.

Agricultural activity in Porter County is found in nearly all parts of the county. The number of farms declined during the period 1980s, and the county lost acreage in farmlands as well. The average acres per farm in the county increased during this period and the value of land and buildings increased by 5%. The county also registered an increase in the market value of products sold during this period.



Manufacturing employment in Indiana decreased 23% in the 1980s. According to the 1980 Census, 33% of Porter County's population and 21% of Valparaiso's population were employed in the manufacturing sector. By 2000, the figure was at 16% of the total employment base, but the number of manufacturing jobs slightly increased during the 1990s. In addition, the average wage earned by people working in Porter County in all industries – manufacturing, construction, service, education, etc. rose in the 1990s. By 2000, the average wage for manufacturing was \$52,000 for the highest average, and \$15,000 for retail employees, the lowest average wage.



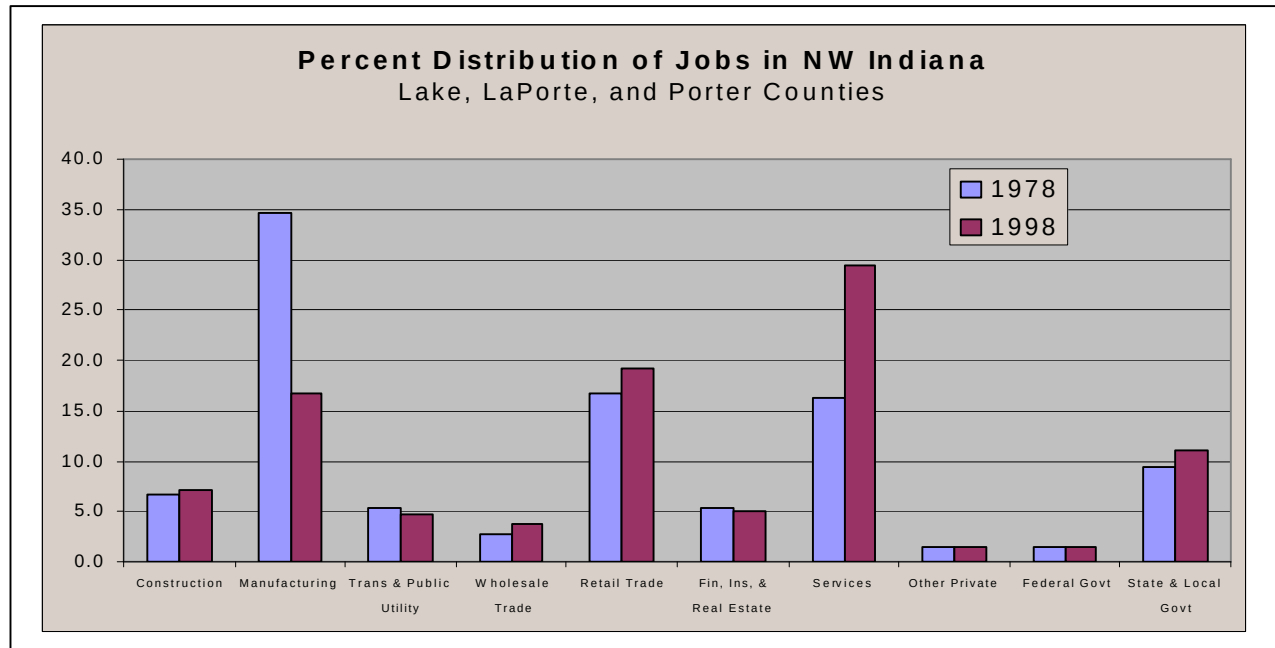
In the non-manufacturing sector the State lost jobs in the early 1980s, but since then Indiana has experienced a strong recovery rate in this sector with 278,900 jobs added in the late 1990s. Porter County also recovered in the 1990s, but between 2001 and 2000 lost over 1,000 jobs. Porter County's real earnings have stayed equal to the state average of 11% growth in manufacturing, but lag the state in non-manufacturing real earnings by 2%. Valparaiso has consistently averaged about 200 new jobs annually. Non-manufacturing job categories with the largest additions were construction; wholesale and retail trade, and the service sector.

In the two county PMSA a similar trend of steady recovery has been in effect since 1983. Though the area lost 13,300 non-manufacturing jobs in the early 1980s, 10,200 of them were recovered by 1990. All non-manufacturing employment categories except finance, insurance, real estate, and government experienced employment increases during this period. Today's (1999) PMSA's employment includes 64,500 in the trades, 76,700 in service, 128,600 in other non-manufacturing.

In the non-manufacturing category, 19% of Porter County's population in the early 1980s, were employed in the trade sector while the rest were employed in the service sector. The corresponding statistics for Valparaiso's population showed 3,740 persons employed in the service and trade sector of which 3,500 were employed in non-manufacturing industry and 240 were employed in the government sector. In 1999, the statistics included 12,809 in service, 14,003 in trade, and 16,282 in all other non-manufacturing in Porter County.

EMPLOYMENT BY OCCUPATION

The following employment totals by occupational group by place of employment from the 1970 to 2000 indicate that NW Indiana has shifted from a manufacturing based economy to one reliant on services.



Censuses show the primary occupational groups of county residents; however, the figures do not fully reflect the severe unemployment in manufacturing which occurred after the 1980 Census. Unemployment during the years 1983-84 was in the double digits but Porter County made a tremendous comeback over the next couple of years when the unemployment rates dropped to as low as 2% to 3%.

In Porter County, the number of workers in all occupational categories grew over the decade, with the exception of private household workers. The percentage composition of the occupations in the county remained stable over the decade except in the craftsmen/foremen, non-farm laborers, and operatives categories which fell from 44.0 percent to 40.1 percent of the total county workers between 1970 and 1980.

In the Lake and Porter County area, from 1979 to 1987 the manufacturing sector lost over 49,900 jobs, primarily in the craftsmen/foremen, non-farm laborers, and operatives occupational categories. In non-manufacturing, recovery has occurred since 1983, resulting in industry and occupational levels nearly comparable to those existing in 1980.

IMPLICATIONS

POPULATION

The population figures show that the population changes in Porter County and Valparaiso have been relatively stable compared to the region's. This illustrates the city's as well as the county's ability to weather changes in regional economic trends and all attempts should be made to maintain such a capability as well as enhance it if possible. The city/county population is an aging one and this is partly a result of outmigration. Such outmigration is occurring because the young people do not find the local jobs attractive and seek employment elsewhere.

The aging population also has implications for the local schools and universities. With smaller families and fewer couples planning to have children, the school-going population is not going to grow at the same rate and this will be reflected in the annual enrollment figures.

The aging population is however an increasingly educated one. This will lead to an increase in the total number of professionally qualified people and demand for service sector jobs. The city/county statistics reflect that quite a few people work out of the county as well as the state and this obviously reflects that local employment is not adequate and cannot prevent the consequent "brain drain".

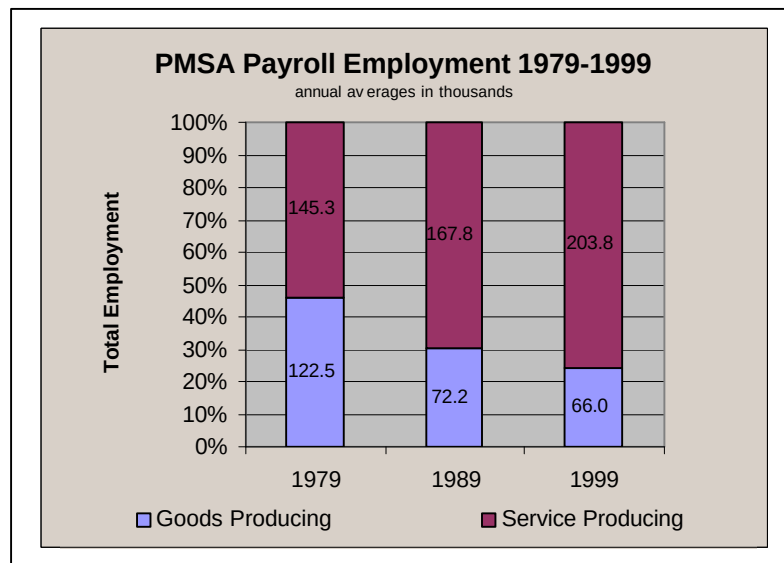
As recent migration patterns and the community survey results illustrate, relative to basic amenities - an excellent school system, diverse community facilities, sound housing stock, etc. - Valparaiso is a very attractive city to live in. Increased population pressure will certainly affect the present stock of community facilities and if necessary the stock will have to be expanded to cater to increased demand. The increasing population base will undoubtedly lead to an increased demand for developed land and housing. As additional people reside in the city of Valparaiso, there will be increased demand for city services, and for a variety of housing options.

INCOME

As the figures for the median household income show, there has been a dramatic increase in this area. Combined with the low inflationary rates that have been in operation, this is an increase in total household disposable income. Unfortunately, as the receipts and sales figures indicate, such income is not captured locally. The city businesses face a lot of competition from nearby malls and the city of Chicago. Figures reflect that much of residents' disposable income is being spent outside of Valparaiso. Recent commercial development should increase local spending

It is important to note that most of the median household income figures reflect double-income family totals. As the ranks of working mothers increase, the need for more day care centers becomes apparent. Since the economic base of the city depends heavily on double income families, the city should support the need to increase day-care facilities if they wish to maintain the median household income at the current levels.

The change in the employment profile reflects a shift from the manufacturing sector to the service sector. Figures show that the city is losing people within the age groups of 18-24 and 35-44 to employment outside the city.



EMPLOYMENT

The stable and growing nature of Valparaiso's current economy is likely to attract investment. The range of businesses and industries which are likely to invest in the city's economy or relocate is diverse, and this will consequently result in the demand for land which has been suitably and adequately developed to support such industries. The employment statistics also show a strong dependence on retail trade and this should be sustained and enhanced if possible by capturing the disposable income dollars in the community. Wholesale trade, too, has increased significantly. The implications of such an increase is that the community has been successful in operating and maintaining a good system of transportation, so necessary to wholesale trade. These systems need to be maintained, and expanded. With the increase in commercial activity, more and more land is required to accommodate the city's economic growth. This has led to a decrease in the total acres of agricultural land as more and more of the land is being used up for residential and nonresidential purposes.

ACTION PLAN

- 1) The Greater Valparaiso Chamber of Commerce, through their economic development efforts, should make an active effort to decrease the outmigration pattern by attracting a variety of businesses that would employ young people to work and reside in the City.
- 2) In order to promote, preserve and enhance the City's economic stability, Valparaiso Festival and Events, Inc., the Greater Valparaiso Chamber of Commerce, the Valparaiso Economic Development Corporation, and other business organizations should receive strong and active support from the residents and the City.

3) Efforts should be directed towards attracting new businesses and retaining the growing wholesale trade by supporting the regional, county and local intermodal transportation plans and the continued financing of such plans.

4) Creating various local opportunities for improving professional and technical training and education is necessary to maintain an efficient and current labor force. Such programs should be made readily available through the existing institutions like Kankakee Valley Works, Valparaiso University, Purdue University's Valparaiso campus, and Indiana Vocational and Technical College.

5) In helping new businesses get started, support should be directed towards programs like the Small Business Development Center, Small Business Administration, and the development of business incubators.

6) Efforts should be made to support the export efforts of local businesses, as well as attract new businesses, which are export-oriented.

