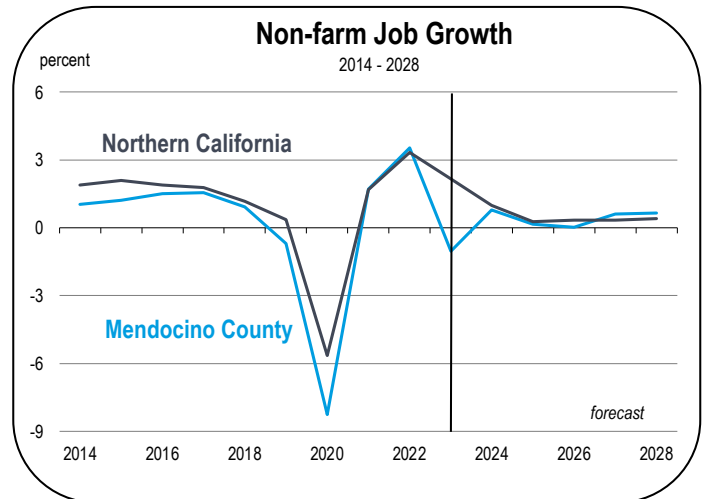
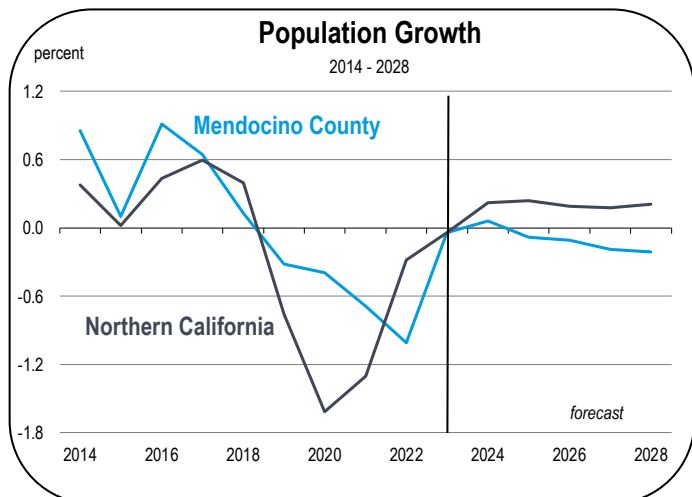


Mendocino County Economic Forecast

Forecast Summary

- Approximately 1,270 jobs were restored in Mendocino County during 2022, increasing the workforce by 4.1 percent.
- The county is on pace to contract slightly in total employment in 2023.
- The labor market will enter an expansionary phase in 2024. The remainder of the jobs lost during the pandemic will be recovered in 2027.
- Between 2024-2028, total employment in Mendocino County is expected to increase by over 1,000 jobs. Manufacturing, leisure services, and healthcare will be responsible for most of the job creation.
- The County has a reported 570 vineyards with twelve approved American Viticultural Areas. Cabernet Sauvignon, Pinot Noir and Chardonnay are the most harvested grapes. The 2022 harvest increased 29 percent from the previous year.
- The unemployment rate averaged 4.1 percent in 2022. It is forecast to average 4.8 percent in 2023 and 2024.
- The Mendocino County population declined 1.0 percent in 2022 with the loss of over 900 residents. Net out-migration was responsible for nearly 80 percent of the decline.
- Net in-migration is forecast to be positive over the next 5 years..
- The influx of in-migration will not be enough to offset the negative natural population growth rate. This will cause the population of the county to continuously decline over the long-term.
- The median home price increased by 0.8 percent in 2022 to \$567,000.



- Home prices are on pace to decrease 4.7 percent in 2023 and expected to appreciate 2.8 percent to \$555,400 in 2024.

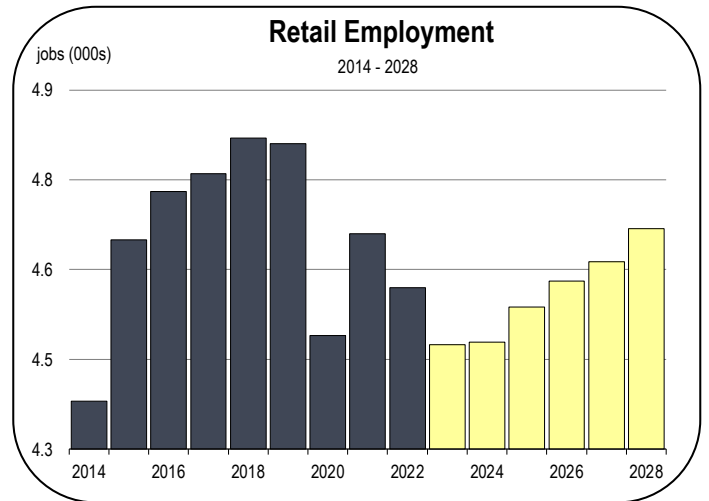
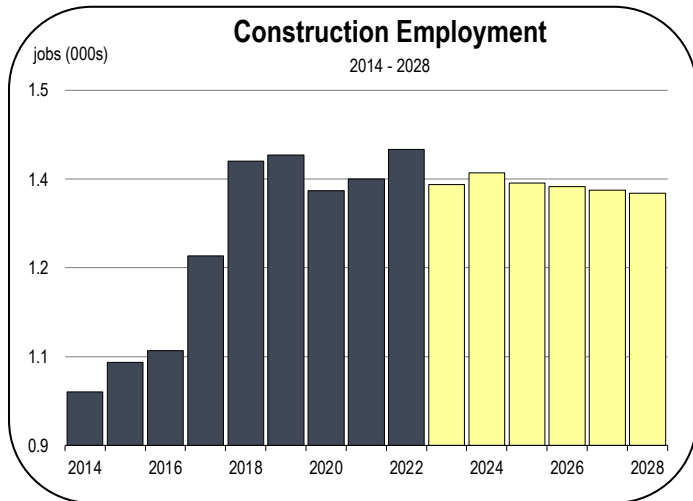
Job Growth

- Total non-farm employment in Mendocino County expanded by 4.1 percent in 2022 with the addition of 1,270 jobs.
- Farm employment surged 13.9 percent in 2022 represented by 230 new jobs.
- Non-farm employment is consolidating in 2023 and expected to lose 50 jobs. Farm employment is continuing to rise and is on pace to add 270 more jobs in 2023, an increase of 14.2 percent.
- Between 2024 and 2028, non-farm and farm job growth will average 0.6 percent and 1.1 percent per year, respectively. This will result in 1,000 non-farm jobs and over 100 farm jobs.

Construction Employment

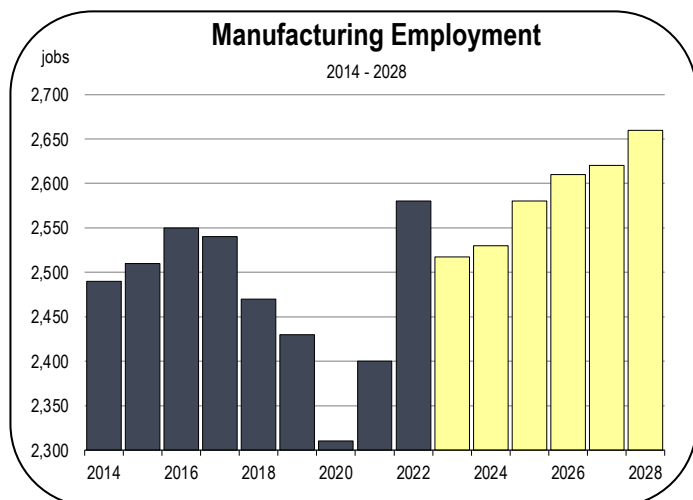
- Construction employment increased 3.7 percent in 2022 with the addition of 50 jobs.
- Employment in the sector will decline by 60 jobs in 2023, representing a 4.3 percent decrease.
- Building activity will remain relatively constant over the forecast. The county's construction industry will support approximately 1,300 to 1,400 construction jobs over the next 5 years.

Mendocino County Economic Forecast



Manufacturing Employment

- Metalfx, a sheet metal fabricator, is located in Willits and employs 176 workers. Mendocino Forecast Products Company is located in Ukiah. They principally manufacture and wholesale rough lumber, and employ 200 workers.
- Fetzer Vineyards is the largest winery in the county. The company grows grapes and bottles wines and brandies. They are located in Hopland and have 202 employees.
- The industry added 180 new workers in 2022, an increase of 7.5 percent. During 2023 however, the sector will shed about 60 jobs. Positive but slow growth in jobs is forecast for the next several years. Manufacturing will add an estimated 145 jobs from 2024 to 2028.
- The wine making and bottling industry will likely generate most of the growth in manufacturing over the forecast.



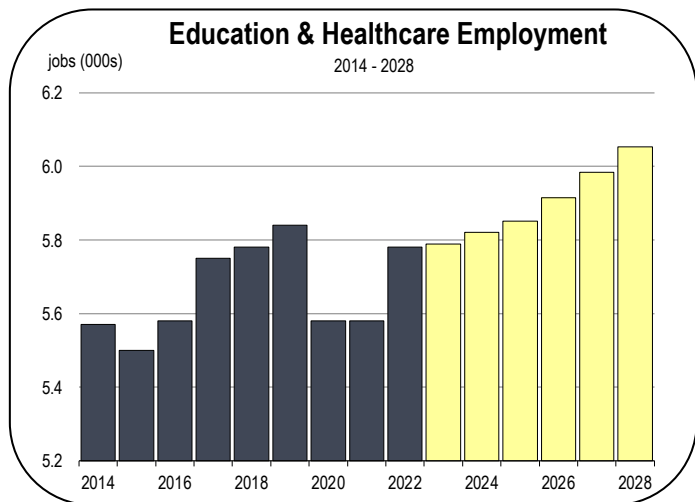
Retail Trade Employment

- The retail industry lost 90 jobs in 2022, a decrease of 1.9 percent. The industry is not expected to recover all the lost employment from the pandemic.
- The Mendocino County retail industry was already under pressure before the onset of the Coronavirus Recession.
- Competition from online stores has slowed the expansion of the local brick-and-mortar industry, and the transition to online shopping will prevent the industry from growing over the forecast period.
- The sector is on pace to shed another 100 jobs in 2023.
- The legal cannabis industry has grown rapidly since its inception in 2018, and job creation at legal cannabis retailers has helped to offset declines in other retail subsectors.
- In 2023, the 19 Mendocino County cannabis stores are expected to bring in \$18 million in revenues, approximately 18 percent less than 2022. Revenues are down because the spot price of cannabis is ten percent lower than a year ago and cannabis consumers can also obtain product from the unregulated market.

Private Education and Healthcare Employment

- A large share of the local economy is represented by hospitals and health facilities.
- Healthcare accounts for more jobs in Mendocino County than any sector other than government.

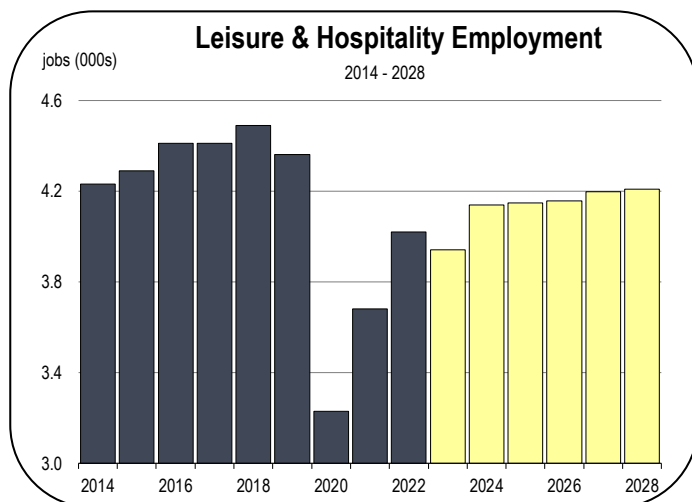
Mendocino County Economic Forecast



- The largest healthcare employer is Adventist Health, which has an estimated 900 workers across its three hospitals / medical centers in Willits, Fort Bragg, and Ukiah.
- Employment in healthcare increased 3.6 percent in 2022 with the addition of 200 jobs.
- In 2023, the employment level will remain stable.
- The sector is forecast to grow at an annual average rate of 0.9 percent and generate 265 new jobs between 2024-2028.
- This expansion could be at risk if job recruitment challenges persist.
- In Mendocino County, there are very few jobs in private educational institutions. Most teachers and education administrators work in the government sector.

Leisure and Hospitality Employment

- Mendocino County is home to an expansive forest of redwoods. It has several California State Parks and a National Forest.
- Mendocino County also has a scenic coastline that includes Glass Beach, a state park with large amounts of sea glass.
- Travelers visit Mendocino County every year to experience its natural amenities, with overall tourism activity generating more than \$400 million annually at restaurants, hotels, bars, shops, and related businesses. Mendocino County welcomed 1.8 million visitors in 2022.
- Wine tourism has grown in tandem with the size of the wine industry which now includes more than 100 wineries.
- Mendocino County also has an expanding subsector for cannabis tourism that includes greenhouse tours and cannabis sampling.

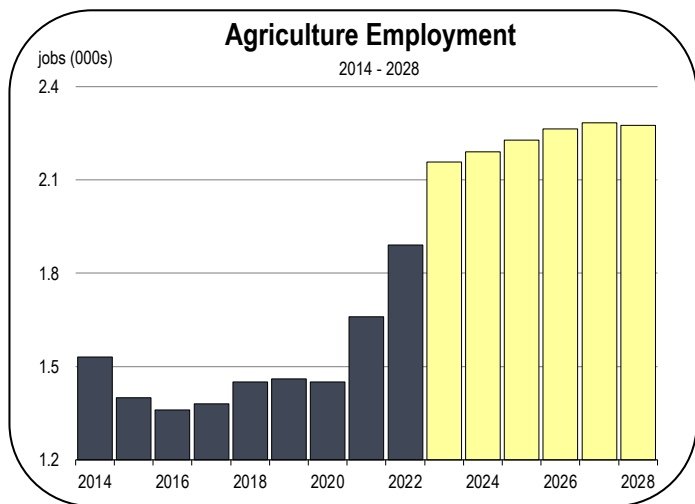


- The leisure services sector expanded employment in 2022 by 9.2 percent with the addition of 340 jobs.
- There is some job consolidation in 2023 with the sector on pace to lose 80 positions, a 2.0 decrease in the employment level.
- Healthy growth is expected in 2024. The sector is forecast to grow 5.0 percent represented by the addition of 200 new jobs. An additional 70 jobs are anticipated over the remainder of the forecast period.
- Employment in the industry is not expected to return to pre-pandemic levels during the forecast period.



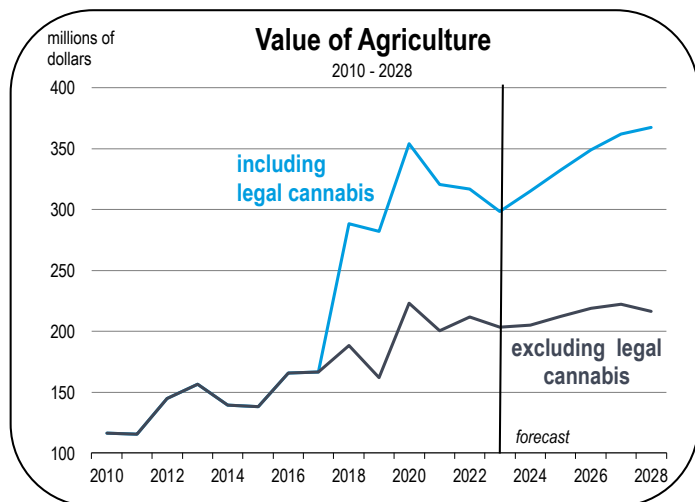
The Glass Beach is a unique coastal destination known for its sparkling shoreline covered in colorful sea glass. Located in Fort Bragg, California, Glass Beach was once a dumping ground for trash and debris, but has been transformed into a stunning beach adorned with smooth, polished glass gems.

Mendocino County Economic Forecast



Agriculture Employment

- Agriculture employment increased 13.9 percent in 2022 with the addition of 230 jobs.
- The sector is on pace to add another 270 jobs in 2023, representing job growth of 14.2 percent.
- The end of the drought in California combined with higher prices for most agricultural commodities is creating a surge in farming in the county.
- The forecast calls for modest growth of 1.1 percent in the farm workforce for the remainder of the forecast period. This growth will translate to 120 new jobs.
- The value of the county’s agricultural products continues to rise over time. The total value of the last reported crop value—in 2021—was \$201 million, a 10 percent decline from 2020. The 2022 crop value is estimated at \$228 million, on the strength of the wine grape crush reported for 2022.



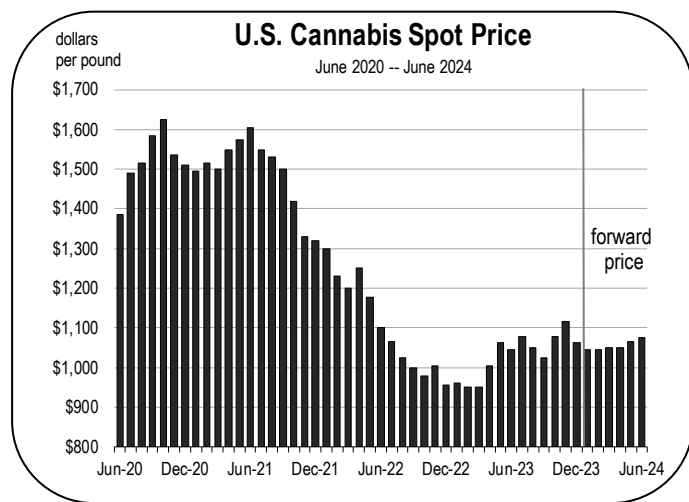
- Though timber sales totaled \$67 million, production and value have been declining steadily since 2018. Consequently, this commodity can probably not be relied on as a meaningful contributor to Mendocino agriculture going forward.

Wine Grapes

- After challenging years of drought and heat waves, Mendocino County’s 2022 grape tonnage was up 31 percent at 61,479 tons compared to 49,909 tons in 2021. This is above average compared to the state of California, which in 2022 reported a 6.7% decline in grape tonnage crushed.
- And though Anderson Valley pinot noir garners much of the county’s notoriety, the most popular grape grown in Mendocino County is actually chardonnay.
- In 2022, chardonnay accounted for 38 percent of all the fruit harvested in Mendocino County. Chardonnay grape tonnage increased 30 percent, rising to 21,000. The runner-up for the second most popular wine grape grown was cabernet sauvignon, which comprised 22 percent of total crop production and increased 50 percent from the 2021 harvest. Pinot noir was third most popular, accounting for 12.4 percent of total crop production.

Cannabis

- As part of the famed Emerald Triangle, Mendocino and its neighboring counties — Humboldt and Trinity — make up the most renown cannabis-producing region in the country.
- Mendocino County had 841 cultivation licenses or applications for licenses in early 2023.

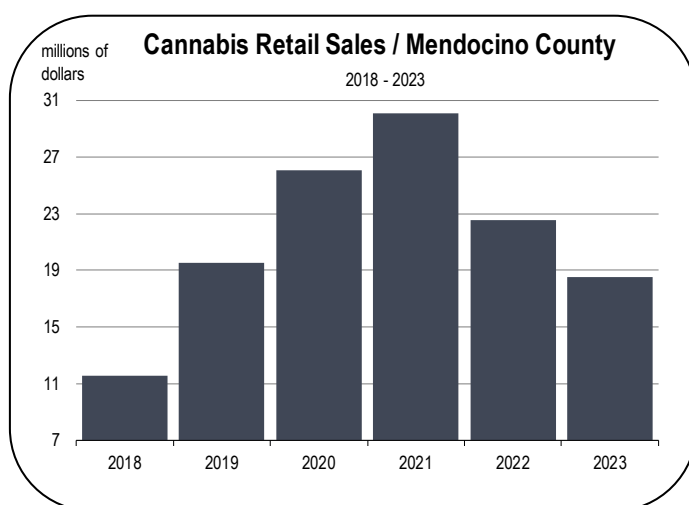


Mendocino County Economic Forecast

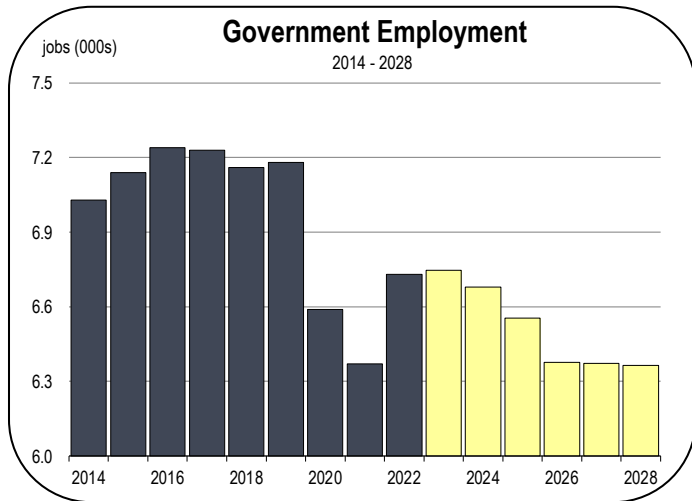


Cannabis in Mendocino

- Currently an estimated 600 businesses operate under cultivation licenses, generating an estimated harvest value of \$131 million in 2020. This puts cannabis ahead of the “other” top crop in the county---wine grapes---which contributed \$84 million to total agricultural product sales in 2021. Moreover, the total crop value for all agricultural products less timber was \$133 million in 2021. If Cannabis maintains its total harvest value, its contribution to farming in Mendocino County is equal to the sum of all other product sales.
- The agriculture sector would have expanded sharply the last two years if cannabis prices would not have plummeted due to rising supply in California.
- The wholesale price for California cannabis in 2023 has stabilized (in tandem with the U.S. spot price index), averaging \$1,282 per pound of flower in August. In December 2022, the price in California was \$955 according to the Green Market Report.
- Total taxable retail sales of Cannabis in the four cities of Mendocino County were just under \$29 million in 2021. During 2023, the sales pace has weakened; and taxable sales of cannabis products (with 3 quarters of sales data now counted) is estimated at under \$20 million for the calendar year.
- The most prominent agricultural commodity is cannabis, and the local cannabis industry is dominated by small farms and greenhouses.
- The increase in farm employment is correlated with cannabis production and rising tonnage of wine grapes harvested over time.
- Mendocino County has the third largest cannabis cultivation industry in California, behind only Humboldt and Santa Barbara Counties.
- As a consequence of cannabis supply growth in the legal market exceeding demand growth, prices have declined dramatically from three years ago. The December spot price for cannabis has declined 30 percent since December 2020.
- Anecdotal evidence suggests that small growers have struggled to adapt to lower prices. Legal cannabis production in Mendocino County should continue to expand; however, it may ultimately depend on the ability of small operations to adapt to market fluctuations or merge into larger entities with better profit margins.

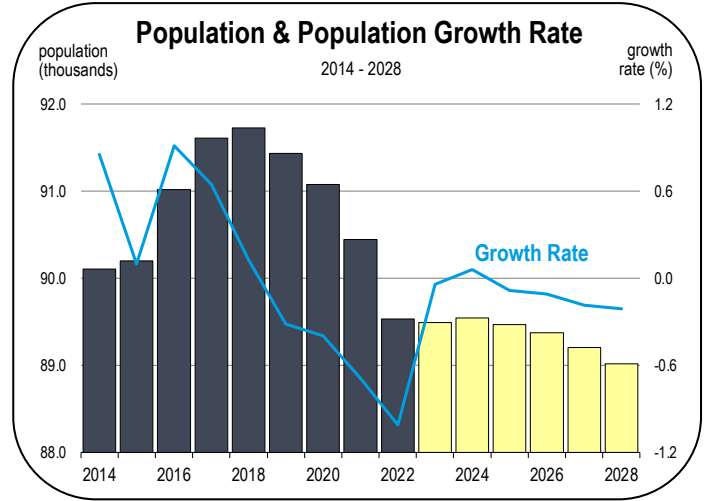


Mendocino County Economic Forecast



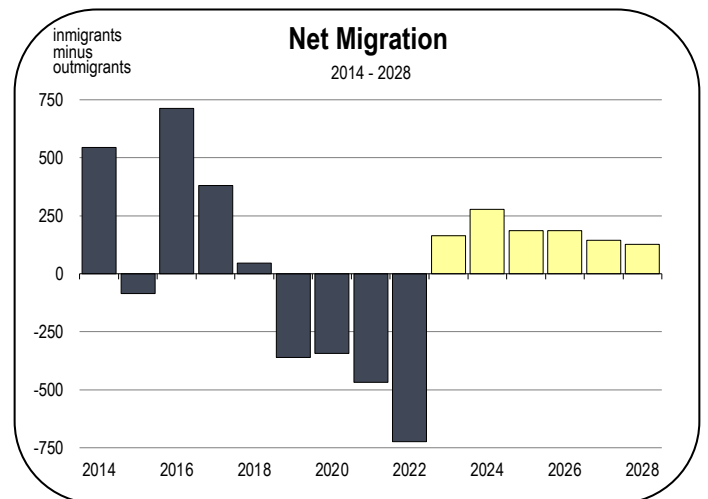
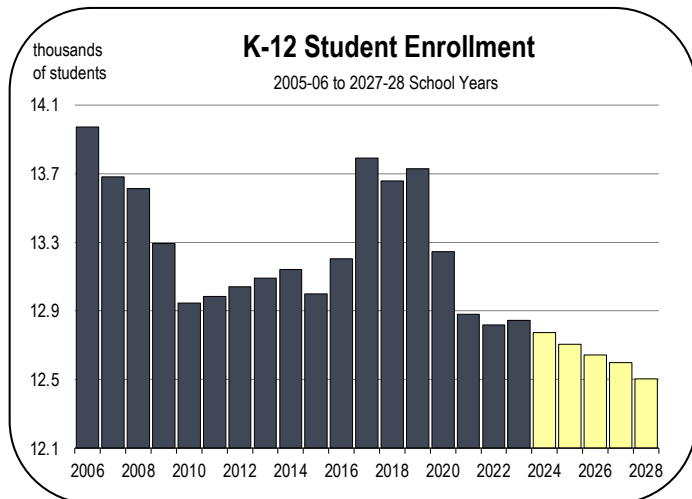
Government Employment

- Employment in the public sector increased 5.7 percent in 2022 with the generation of 360 new jobs. The sector was the largest contributor to new employment in the county.
- Government job growth will be minimal in 2023.
- 2024 may well be the beginning of a longer-term decline in employment in the public sector. The average annual rate of growth is forecast at -1.2 percent, resulting in the contraction of 380 positions between 2024-2028.
- The K-12 public school enrollment is declining. Much of the decline in government employment will be due to reductions in public school teachers and staff.

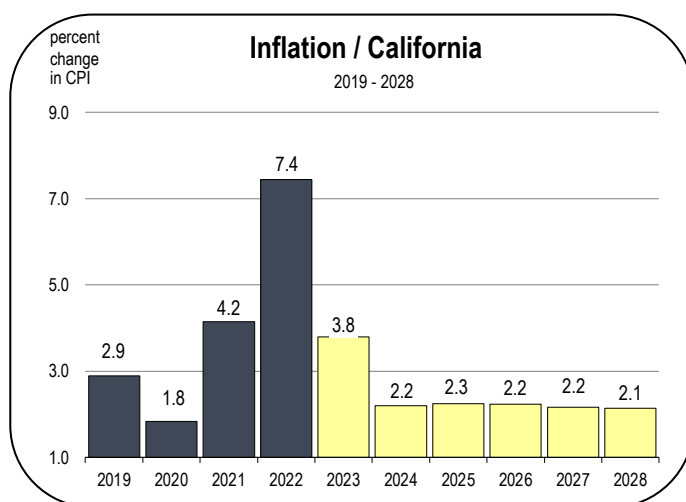
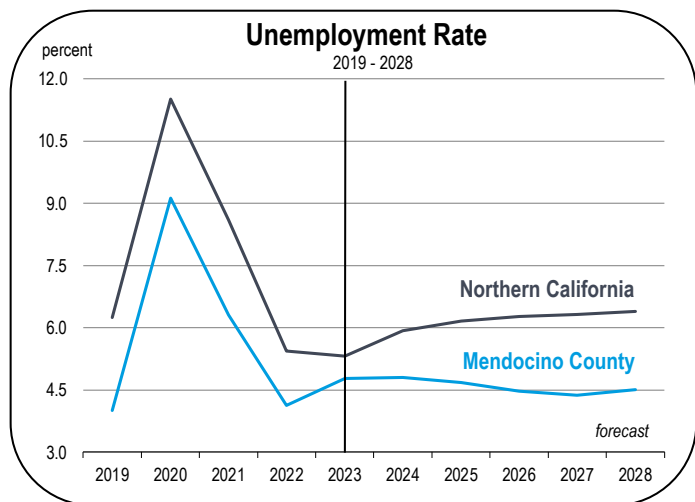


Population Growth

- The Mendocino County population declined one percent in 2022 resulting in an estimated loss of 900 residents. The primary reason for this was due to an unusually large number of net out-migrants. State estimates report that 723 more people moved out of the county than moved in.
- Net migration is expected to turn positive in 2023 and remain so during the forecast period and beyond.
- The county has a disproportionate share of residents over the age of 75 and deaths are outnumbering births. This negative natural population growth will continue to be greater than the positive net migration causing population to decline over the forecast period and in the long-term.
- By the end of 2028, the county will have approximately 89,000 residents.



Mendocino County Economic Forecast

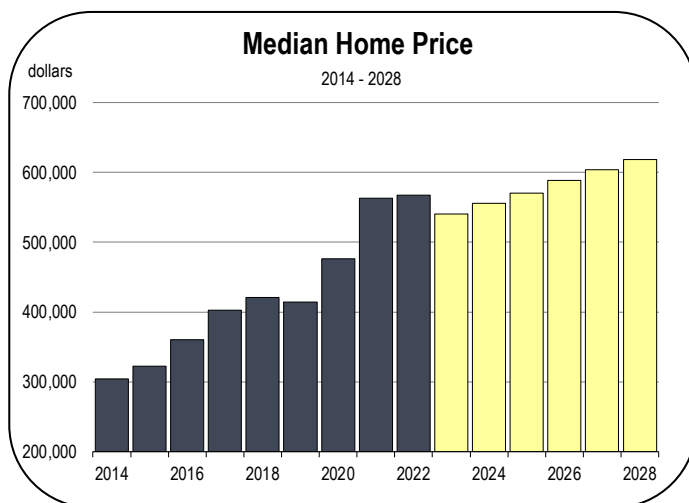


Unemployment and Inflation Rates

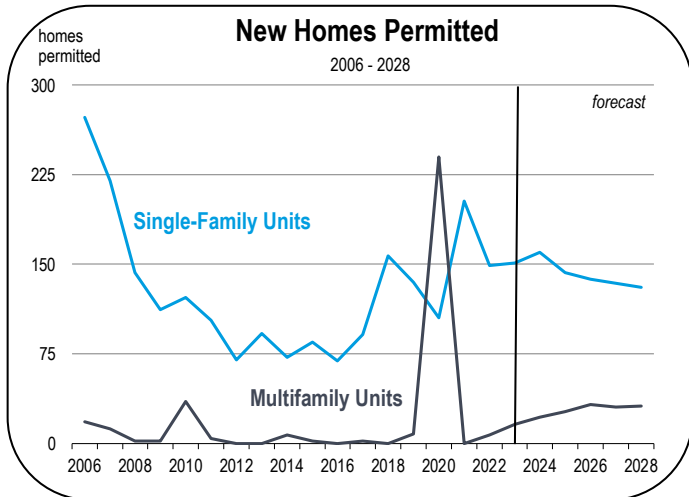
- The unemployment rate in Mendocino County averaged 4.1 percent in 2022.
- An unemployment rate below 5.0 percent signifies a fully employed workforce in the county.
- The unemployment rate is expected to average 4.8 percent in 2023 and 2024.
- Inflation in California, including the Northern California Region, soared to 7.4 percent in 2022, but is expected to decelerate in 2023 to 3.8 percent due largely to declining energy costs, the restoration of supply chains, and stagnant housing costs.
- Ultimately, inflation reduces the purchasing power of households and negatively impacts consumer confidence, limiting the growth potential of the economy in 2023.
- The rate is forecast to continuously decelerate over the forecast period as the labor force is restored, interest rates subside, and wage inflation is contained.
- A risk to the forecast is whether Congressional spending will subside. During 2021 and 2022, this was a principal contributor to the surge of inflation nation-wide. Another risk is whether the economic slowdown will moderate the demand for labor, leading to lower wage inflation.
- Average general inflation rates eventually decline to 3 percent again by 2024.

Home Prices and New Housing Production

- In 2022, the median home price in Mendocino County was \$567,000; an increase of 0.8 percent from the previous year.
- Price appreciation is now reversing throughout California with most counties reporting selling price contractions in 2023. The median selling price for Mendocino County is forecast to fall 4.7 percent in 2023.
- Home price appreciation is expected to resume in 2024 with 2.8 percent appreciation forecast to bring the median price up to \$555,000.
- The average annual rate of price appreciation between 2024-2028 is forecast to be 2.7 percent.



Mendocino County Economic Forecast



- From 2017 to 2022, an average of 183 new residential units per year were started in Mendocino County. Approximately 77 percent were single-family homes, the rest being apartment units.
- Housing production is expected to average 180 units per year from 2023 to 2028. Nearly all--85 percent--are expected to be single-family homes.

New Development in Mendocino County

- The HCD's regional housing needs determination for the county stands at 1,845 housing units that need to be completed by August 31, 2027. A total of 847 units have been permitted in the first 4 years of the 8 ½ year RHNA cycle.
- Mendocino County is still in the process of rebuilding fire destroyed homes. Most have been rebuilt from the Redwood Complex fire of 2017 that removed 349 homes from the standing housing stock, and the Mendocino Complex fire of 2018 that destroyed an estimated 108 homes.
- Mendocino County Board of Supervisors approved a large housing development in the south end of Ukiah. The project, previously known as Garden's Gate, will include 172 single family units, 39 of which will be for senior citizens. Ten percent of the remaining 132 units will be for moderate income households.
- The project expects to break ground in spring or summer of 2024.



A rebuilt home that was destroyed by the Complex fire

Mendocino County Economic Forecast

Economic Indicators

2015-2022 History, 2023-2050 Forecast

	Population (people)	House- holds (thousands)	Net Migration (people)	New Homes Permitted (homes)	Registered Vehicles (thousands)	Personal Income (billions)	Taxable Retail Sales (billions)	Total Taxable Sales (billions)	Real Industrial Production (millions)	Real per Capita Income (dollars)	Unemployment Rate (percent)	Real Farm Production (millions)	Inflation Rate (percent)
2015	90,198	35.4	-86	87	116	\$3.8	\$1.0	\$1.4	\$500	\$54,013	5.9	\$177	1.4
2016	91,021	35.4	712	69	119	\$3.9	\$1.0	\$1.4	\$484	\$53,660	5.3	\$207	2.3
2017	91,609	35.5	381	93	116	\$4.0	\$1.1	\$1.5	\$499	\$53,653	4.5	\$203	3.0
2018	91,726	35.2	45	157	116	\$4.2	\$1.1	\$1.5	\$493	\$53,548	4.0	\$221	3.7
2019	91,435	35.3	-360	143	119	\$4.4	\$1.2	\$1.6	\$490	\$54,831	4.0	\$184	2.9
2020	91,074	36.3	-343	345	119	\$4.9	\$1.2	\$1.6	\$513	\$59,567	9.1	\$249	1.8
2021	90,445	36.1	-467	203	120	\$5.1	\$1.3	\$1.7	\$563	\$60,746	6.3	\$215	4.2
2022	89,530	36.2	-723	156	115	\$5.2	\$1.4	\$1.8	\$542	\$58,002	4.1	\$212	7.4
2023	89,491	36.2	163	167	116	\$5.3	\$1.4	\$1.9	\$532	\$57,332	4.8	\$286	3.8
2024	89,544	36.3	278	182	116	\$5.7	\$1.4	\$1.9	\$530	\$58,813	4.8	\$294	2.2
2025	89,469	36.4	185	170	117	\$5.9	\$1.5	\$2.0	\$529	\$60,040	4.7	\$302	2.3
2026	89,371	36.5	186	170	118	\$6.1	\$1.6	\$2.1	\$531	\$60,916	4.5	\$311	2.2
2027	89,204	36.6	144	164	118	\$6.3	\$1.7	\$2.2	\$535	\$61,970	4.4	\$316	2.2
2028	89,017	36.7	128	162	119	\$6.6	\$1.8	\$2.4	\$540	\$62,956	4.5	\$313	2.1
2029	88,818	36.8	122	161	119	\$6.8	\$1.8	\$2.5	\$544	\$63,877	4.6	\$321	2.2
2030	88,596	36.9	121	161	120	\$7.0	\$1.9	\$2.6	\$549	\$64,596	4.6	\$320	2.2
2031	88,360	37.1	115	161	121	\$7.2	\$2.0	\$2.7	\$552	\$65,340	4.6	\$320	2.3
2032	88,122	37.2	115	161	121	\$7.4	\$2.1	\$2.8	\$556	\$65,599	4.5	\$319	2.3
2033	87,845	37.3	93	158	122	\$7.6	\$2.1	\$2.9	\$559	\$66,137	4.6	\$319	2.4
2034	87,545	37.4	79	156	122	\$7.8	\$2.2	\$3.0	\$562	\$66,782	4.7	\$316	2.4
2035	87,225	37.6	63	154	123	\$8.0	\$2.3	\$3.1	\$564	\$67,302	4.8	\$314	2.5
2036	86,898	37.7	53	152	123	\$8.2	\$2.3	\$3.1	\$567	\$67,493	4.9	\$310	2.5
2037	86,559	37.8	35	150	124	\$8.4	\$2.4	\$3.2	\$570	\$67,651	5.0	\$306	2.6
2038	86,222	37.9	26	149	124	\$8.6	\$2.5	\$3.3	\$572	\$68,033	5.1	\$303	2.6
2039	85,896	38.0	19	148	124	\$8.8	\$2.5	\$3.4	\$574	\$68,066	5.1	\$299	2.7
2040	85,578	38.2	18	148	125	\$9.1	\$2.6	\$3.5	\$576	\$68,411	5.2	\$296	2.7
2041	85,242	38.3	-5	145	125	\$9.3	\$2.6	\$3.5	\$578	\$68,923	5.3	\$292	2.8
2042	84,919	38.4	-8	144	125	\$9.5	\$2.7	\$3.6	\$580	\$69,501	5.2	\$289	2.8
2043	84,593	38.5	-22	143	125	\$9.8	\$2.8	\$3.8	\$582	\$70,114	5.2	\$286	2.9
2044	84,265	38.6	-33	141	126	\$10.0	\$2.9	\$3.9	\$583	\$70,847	5.3	\$284	2.9
2045	83,930	38.7	-47	139	126	\$10.2	\$3.0	\$4.0	\$585	\$71,476	5.3	\$282	3.0
2046	83,596	38.8	-56	138	126	\$10.5	\$3.0	\$4.1	\$586	\$72,004	5.4	\$279	3.1
2047	83,264	39.0	-60	138	126	\$10.7	\$3.1	\$4.2	\$588	\$72,368	5.4	\$276	3.1
2048	82,936	39.1	-68	137	126	\$11.0	\$3.2	\$4.4	\$589	\$72,654	5.4	\$273	3.2
2049	82,603	39.2	-76	136	126	\$11.2	\$3.3	\$4.5	\$591	\$73,141	5.4	\$270	3.2
2050	82,267	39.3	-83	135	126	\$11.5	\$3.4	\$4.7	\$592	\$73,565	5.4	\$268	3.3

Employment Sectors

2015-2022 History, 2023-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade (thousands of jobs)	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
2015	32.0	1.40	1.0	2.5	0.7	5.4	1.0	1.7	0.3	5.5	4.3	7.1
2016	32.4	1.36	1.1	2.6	0.7	5.5	1.1	1.7	0.3	5.6	4.4	7.2
2017	32.9	1.38	1.2	2.5	0.7	5.6	1.1	1.7	0.2	5.8	4.4	7.2
2018	33.3	1.45	1.4	2.5	0.7	5.6	1.1	1.8	0.2	5.8	4.5	7.2
2019	33.1	1.46	1.4	2.4	0.7	5.6	1.1	1.9	0.2	5.8	4.4	7.2
2020	30.5	1.45	1.3	2.3	0.8	5.2	1.0	1.8	0.2	5.6	3.2	6.6
2021	31.2	1.66	1.4	2.4	0.9	5.4	1.0	1.8	0.2	5.6	3.7	6.4
2022	32.5	1.89	1.4	2.6	0.8	5.3	1.0	1.8	0.2	5.8	4.0	6.7
2023	32.4	2.16	1.3	2.5	0.8	5.2	1.0	1.9	0.2	5.8	3.9	6.7
2024	32.7	2.19	1.4	2.5	0.8	5.2	1.0	1.9	0.2	5.8	4.1	6.7
2025	32.8	2.23	1.3	2.6	0.8	5.2	1.0	1.9	0.2	5.9	4.1	6.6
2026	32.8	2.26	1.3	2.6	0.8	5.3	1.0	2.0	0.2	5.9	4.2	6.4
2027	33.0	2.28	1.3	2.6	0.8	5.3	1.0	2.0	0.2	6.0	4.2	6.4
2028	33.2	2.27	1.3	2.7	0.8	5.4	1.0	2.0	0.2	6.1	4.2	6.4
2029	33.4	2.31	1.3	2.7	0.8	5.4	1.0	2.0	0.2	6.1	4.2	6.4
2030	33.7	2.30	1.3	2.7	0.8	5.5	1.0	2.0	0.2	6.2	4.3	6.4
2031	33.9	2.30	1.3	2.7	0.8	5.5	1.0	2.0	0.2	6.2	4.4	6.3
2032	34.2	2.30	1.3	3.0	0.8	5.5	1.0	2.0	0.2	6.3	4.5	6.3
2033	34.2	2.30	1.3	3.0	0.8	5.5	1.0	2.0	0.2	6.3	4.5	6.3
2034	34.3	2.29	1.3	3.0	0.8	5.5	1.0	2.0	0.2	6.4	4.5	6.2
2035	34.2	2.28	1.3	3.0	0.8	5.5	1.0	2.0	0.2	6.4	4.5	6.2
2036	34.2	2.26	1.3	3.0	0.9	5.5	1.0	2.0	0.2	6.5	4.5	6.1
2037	34.2	2.24	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.5	4.5	6.1
2038	34.2	2.23	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.5	4.5	6.1
2039	34.2	2.21	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.6	4.5	6.0
2040	34.2	2.20	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.6	4.5	6.0
2041	34.1	2.18	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.6	4.5	6.0
2042	34.1	2.17	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.7	4.5	5.9
2043	34.1	2.16	1.3	3.0	0.9	5.5	1.0	2.1	0.2	6.7	4.5	5.9
2044	34.2	2.15	1.3	3.1	0.9	5.5	1.0	2.1	0.2	6.7	4.5	5.8
2045	34.1	2.14	1.3	3.1	0.9	5.5	1.0	2.1	0.2	6.8	4.5	5.8
2046	34.1	2.12	1.3	3.1	0.9	5.5	1.0	2.1	0.2	6.8	4.4	5.8
2047	34.1	2.11	1.3	3.1	0.9	5.5	1.0	2.1	0.2	6.8	4.4	5.7
2048	34.1	2.09	1.3	3.1	0.9	5.6	1.0	2.1	0.2	6.8	4.4	5.7
2049	34.1	2.08	1.3	3.1	0.9	5.6	1.0	2.1	0.2	6.9	4.4	5.6
2050	34.0	2.07	1.3	3.1	0.9	5.6	1.0	2.1	0.2	6.9	4.4	5.6

Mendocino County Economic Forecast

Socioeconomic Indicators

