

# Omak, Okanogan County, Washington

by Lisa Tobe

## NEAI Projects\*

<b>Omak Projects</b>				
<b>Year</b>	<b>Applicant</b>	<b>Projects</b>	<b>Funding Sources<sup>1</sup></b>	<b>Amount</b>
1994	City of Omak	Comprehensive Capital Facilities Plan	FS-RCA grant	\$40,000
1995		Water Supply Funding Gap		\$164,000
1999		Airport Industrial Park Plan		\$10,708
1995	Omak Wood Products	Timber Mill	RD-B&I loan	\$4,900,000
1996	Omak Performing Arts Center Foundation/Omak School District	Omak Performing Arts Center Addition	FS-RCA grant	\$93,822
1997				Commuter Airlines Feasibility Study and Business Plan
<b>County-level Projects</b>				
1994	Okanogan County	Okanogan Revolving Loan Start-up	FS-RCA grant	\$40,000
1995			WA OTED grant	\$25,000
1994				\$41,564
1995	Okanogan Community Investment Association	Okanogan Community Revolving Loan Fund Administration	RD IRP loan	\$500,000
1996			RD IRP loan	\$1,500,000
1998			RD IRP loan	0
1997			FS-RCA grant	\$700,000
				\$100,000
1996	OCCED	Industrial Recruitment and Technical Assistance	EDA grant	\$25,000
1997		Business Retention & Economic Growth Visioning	FS-RCA grant	\$47,000
2000		NCW Rural Tourism Network Circuit Rider and Communication		\$44,157
2000		Market Opportunities 2000		\$16,585

\* Project funding reflects initial loan and grant totals. Final funding amounts may be different.

1. Key to Funding Sources: FS=Forest Service (U.S. Department of Agriculture); RCA=Rural Community Assistance program; RD=Rural Development (U.S. Department of Agriculture); IRP=Intermediary Relending Program; B&I = Business and Infrastructure, WA OTED = Washington Office of Trade and Economic Development;

## Background Context

The incorporated city of Omak is located on the Okanogan River approximately 28 miles north of the confluence with the Columbia River in central Washington. A portion of Omak lies within the Colville Indian Reservation. The name Omak comes from the Salish word *Omake*, meaning good medicine or plenty.

### Brief History

Prior to European settlement, Native American tribes of the region lived in both permanent settlements and temporary fish camps along the upper Columbia River and its tributaries (Halliday and Chehak 2000). Livelihoods revolved around the seasonal availability of salmon, berries, and other food sources. One of the most important fishing grounds on the Columbia River was at Kettle Falls (approximately 60 miles from the present-day city of Omak), where tribes from across the region would congregate to catch their annual supply of salmon (Halliday and Chehak 2000). In 1826, the Hudson Bay Company established a trading post at Kettle Falls, trading furs and other goods with the tribes. By the mid 1850s, an influx of European-American settlers began to arrive in the area, establishing homesteads and engaging in activities such as mining, logging, and agriculture. As white settlement increased in the area, conflicts arose between the Native tribes and the settlers. These conflicts ended with the signing of a treaty in 1855, and the confinement of the tribes within a reservation that originally covered a third of Washington State (Halliday and Chehak 2000). In 1872, an executive order issued by President Ulysses S. Grant created the Colville Indian Reservation, reducing the reservation size to approximately five million acres. Twelve aboriginal bands from Eastern Washington were forced on to the reservation, forming the Confederated

Tribes of the Colville Reservation.<sup>2</sup> Approximately one month later, the U.S. government moved the reservation to its current location west of the Columbia River, reducing its size to about 2.8 million acres.

For the next 60 years, the U.S. government continued to withdraw land from the Colville Reservation. In the 1880s, the federal government passed the General Allotment Act (or Dawes Act),<sup>3</sup> which initiated efforts to privatize reservation lands and encourage Indians to hold individual title to land. In 1892, Congress ceded the northern half of the reservation to the U.S. government, which purchased land not previously allotted, but allowed the Confederated Tribes to retain the rights to harvest fish and game (Colville Confederate Tribes 1981). In 1900, the U.S. opened the southern half of the Colville Indian Reservation to homesteading. In 1905, the McLaughlin Agreement was signed, ceding the south half of the Colville Indian Reservation for an 80-acre allotment to each Indian. A Presidential proclamation opened the remaining 400,000 acres of unallotted and unreserved reservation lands to settlement in 1916. Finally, in 1935, Congress ended the policy allowing the withdrawal of lands belonging to the Tribes of the Colville Reservation. In 1956, about 800,000 acres of Colville Reservation lands were returned to tribal ownership as a form of repayment for the past withdrawal policy (Colville Confederate Tribes 1981).

The town of Omak was established in 1907. Within its first year, Omak had a business district comprised of a mercantile, a bank, and a hotel all supported by a growing agricultural industry. When the town was laid out in 1907 the name of the post office, which had previously been Epley, was changed to Omak. The town became incorporated in 1910. The economy of Omak revolved around agriculture and logging. The Omak Fruit Growers, Inc., ran a

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2. The 12 tribes included the Lake and Okanogan (which were the largest), as well as the Entiat/Chelan, Methow, Moses, Columbia, Nespelem, Palouse, Sanpoil, Senijextee, Skitswish, and Wenatchis.

3. The General Allotment Act of 1887 (referred to as the Dawes Act) privatized reservation land, which was held in common by tribal members. Land allotments were granted to individuals and families ranging from 30 to 120 acres. "Surplus" land not allotted or otherwise reserved for the tribe was sold to the government and made available for homesteading. The result of the Dawes Act and the "Allotment Era" was the loss of 64 percent of tribally owned land between 1887 and 1933. Although originally the Dawes Act claimed to protect Indian property rights during the land rushes of the 1890s, in reality, the goal, according to the BIA (2000), was to "break up the tribal mass", abolish tribal governments, and assimilate the Indians into the larger society."

small apple box factory in East Omak. To supply this factory, the company built a sawmill seven miles outside of Omak on Omak Mountain in 1920 (Wilson 1990).

In 1921, Biles-Coleman Lumber Company purchased the mill and factory, and by the following year employed 600 people throughout its various divisions (unknown, 1995). Biles subsequently purchased a large stand of reservation timber, consisting of a half-billion board feet, and constructed a second sawmill in Omak in 1924. Biles-Coleman became the nation's largest producer of casket shooks,<sup>4</sup> selling 130,000 units a year. By 1930, the company employed over 300 workers, and by 1938, was the largest Ponderosa pine mill in the west (Wilson 1990). At its peak employment, the company had 1,200 mill workers and 600 woods workers (unknown, 1995). Omak's population grew from 525 in 1920 to 2,547 by 1930, surpassing that of the City of Okanogan (the county seat, with a population of 1,519) to become the county's largest city (Wilson 1990).

In addition to jobs at Biles-Coleman and other mills, the 1930s brought in an additional labor force to begin work on the Grand Coulee Dam. During the Great Depression of the 1930s, in an effort to create jobs and promote economic development and growth in the Northwest, the U.S. Bureau of Reclamation initiated the Grand Coulee Dam project on the upper Columbia River. Dam construction began in 1933 and continued until 1951. By 1935, the project employed 5,000 people. The creation of the dam helped to expand agricultural activities in the Columbia Basin, and currently provides irrigation for over a half million acres of land. For the tribes, however, dam construction resulted in the inundation of prime fishing sites, including the submerging of Kettle Falls, as well as the blockage of fish passage up the Columbia. Today, the Grand Coulee Dam is the largest concrete structure in the United States and the third largest hydroelectric facility in the world (generating 6.5 million kilowatts of power, and supplying much of the electrical power in the Northwest).

In 1975, Crown Zellerbach purchased the Biles-Coleman mill. Cavenham Forest Industries

subsequently acquired the mill in a hostile takeover in 1985. By 1988, however, Cavenham faced bankruptcy and threatened to close the mill. In an effort to save the mill and their jobs, Cavenham employees purchased the mill for \$45 million through an employee stock option program. At the time, the mill, which changed its name to Omak Wood Products, employed 650 people (LaFontaine 1995).

Negatively affected by the national recession of the early 1990s, the mill's payroll decreased to 480 by 1995 (LaFontaine 1995). In an effort to reduce its debt load, the company sold 45,000 acres of young timber and a tree farm to Crown Pacific (unknown, 1995). They used part of these profits to pay off their debt and complete a \$2.5 million plant modernization. This decision to sell parts of its private timber holdings had detrimental effects on the mill's operation, as county timber harvests continued to decrease throughout the decade (Figure 1). The reduction in available logs increased competition and purchasing costs, which led to decreased profits for the company.

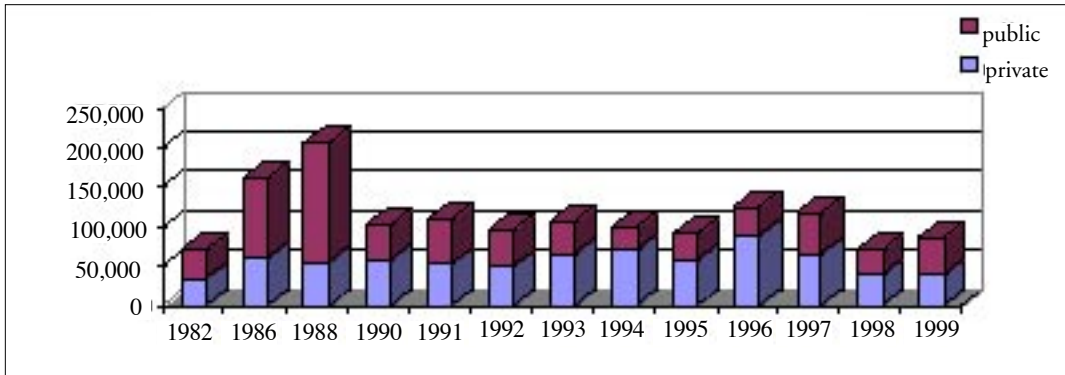
In 1998, Omak Wood Products declared bankruptcy. At this time, Quality Veneer purchased the mill for \$19 million. A non-union plant, Quality Veneer paid substantially lower wages. According to a former employee, decreased manpower and increased accident rates decreased profits and negatively affected employee morale. During its first year of operation, the company spent over \$1 million for environmental remediation. The Environmental Protection Agency worked with Quality Veneer to decrease wood stack emissions and soil and groundwater contamination from leaking drums. Environmental remediation also involved the Office of Trade and Economic Development supported work on Onion Creek to address salamoid-associated water temperature concerns. Nevertheless, Quality Veneer, the largest private manufacturing company in the county closed in 2000, laying off approximately 200 employees (Meseck, 2000).

In 2002, the Colville Tribal Enterprise Corporation (CTEC) purchased the mill for \$6 million using various financial resources (Table 2). They

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4. A box used by manufacturers to ship caskets.

**Figure 1: Okanogan County Timber Harvest 1982-1999**



Source: WA Department of Natural Resources: 2001 <http://www.wa.gov/dnr/htdocs/obe/timberharvest.htm>

**Table 2: Mill Funding**

Source	Amount
Colville Confederated Tribe	\$1.3 million
Key Bank Loan	\$6.6 million
OTED loan	\$1 million
HUD	\$750,000

also borrowed or received grants for an additional \$3.4 million; approximately \$1 million of which is being placed in an environmental trust and the rest used for working capital. They run one shift and employ 70 people, paying between \$9 and \$14 per hour. Because of the on-going economic hardships in Okanogan County, the Board of Commissioners agreed to support the CTEC’s purchase of the mill despite the \$160,000 tax loss. Impressed with the corporation’s previous financial performance, Key Bank agreed to loan them \$6.6 million for the project, despite its inability to hold the mill as collateral, should the tribe default on the loan.

According to a CTEC employee, their corporation can make the mill successful for several reasons. The corporation:

- Is paying a reasonable price for the property,
- Has the natural resources to operate one shift,
- Will operate a co-generation plant on site,

- Has a lean operation and therefore low corporate overhead,
- Will self-market products, and
- Is self-financed.

The mill’s future success will be dependent upon several factors, including timber supply, professional management, competition and an adept labor force.

**Population, Household, and Employment Trends**

Okanogan County’s labor force almost doubled between 1970 and 1996, albeit sporadically. The national recession of the 1970s stagnated growth, throwing unemployment up to 15 percent. The labor force rebounded at the end of the decade. Two national recessions in the early 1980s again leveled growth in Okanogan labor force. Despite this, it began expanding in the late 1980s and has continued since.

Traditionally, the region’s economy has been dominated by timber and agriculture. As a result, the county has a significantly higher concentration of seasonal workers than the state (WA LMEA, 1997).

As these resource-dependent industries have declined, the primary employment sectors have shifted to government and service.

Until the late 1990s apples were the largest agricultural commodity in the County creating a significantly higher concentration of seasonal workers than the state. Migrant Hispanics represented a large portion of these workers. Despite being the largest employment sector in 1996, agriculture was also the lowest paying. In 1996, Okanogan County was the third largest producer of apples in the state. In 2000, competition from foreign markets forced the closure of most packing houses in the county (Meseck 2000).

Omak serves as the primary governmental, commercial, and medical center for the county. The highly volatile lumber and woods products industry has consistently represented almost 90 percent of the manufacturing jobs in the county many of them centered on the two large mills operating in Omak. Mechanization, foreign competition, and reduced timber harvests as well as the industry's cyclical nature have had a large impact on the timber mills in Omak, and consequently Omak's overall economy.

According to the Washington Employment Security Department's most recently published data from 1999, the Omak zip code has 425 private firms employing a total of 3,332 workers. The average annual wage per employee was relatively low at \$20,407. Manufacturing provided almost one-third of the employment in Omak in 1999 and 41 percent of the total wages paid. Most other sectors had an av-

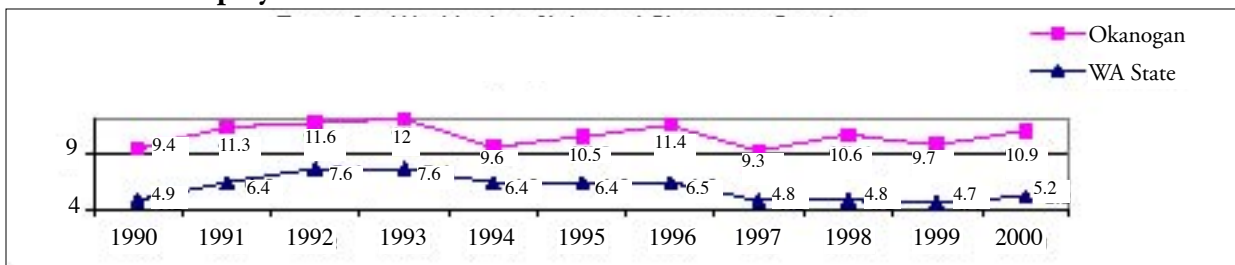
erage annual wage that was considerably lower than manufacturing at \$29,262. Although the Transportation, Communications and Public Utilities wages are fairly comparative at \$28,369, retail trade has the next largest percentage of employees. This sector provides an average annual wage of just \$13,364, compared to services at \$19,013 (Washington Employment Security 2001).

Eight lumber and wood products manufacturers employed 868. By the end of 2000 the closure of a local mill decreased the number of lumber and wood manufacturing jobs in Omak by 203 jobs, or one quarter of the workforce employed in that sector (Meseck 2000).

The growth of Omak, which currently has a population of 4,721, has been characterized by periods of rapid increases and moderate declines. This fluctuation reflects the volatility of resource based industries that have traditionally been the area's economic backbone. Since 1990, the growth rate (15 percent) has increased, largely due to retirees and urban refugees seeking to live near outdoor recreational opportunities.

While unemployment trends for the county closely parallel the state trends, the county's rates tended to be at least five percent higher between 1990 and 2000 (Figure 2). According to the 1990 Census, Omak's unemployment rate of 10 percent was twice as high as the state rate. Despite fluctuations and an improved economy for much of Washington State, Omak's unemployment was still 10 percent in 2000 (Census Bureau 2000).

**Figure 2: Washington State and Okanogan County Unemployment 1990-2000**



Source: Washington State Employment Security Department, Labor Market and Economic Analysis Branch, April 1, 2001.

Roughly 15.4 percent of the people living in Omak are 65 years old or older, compared to 11.2 percent for the State of Washington (Census Bureau 2000). This has remained roughly the same since 1990. Omak's population is 69.5 percent Caucasian, 15.2 percent American Indian, and 13 percent Hispanic as compared to the state, which is 81.8 percent Caucasian, 1.6 percent American Indian and 7.5 percent Hispanic (Census Bureau 2000). Omak has almost 10 times higher population of American Indians than does the state. In Omak, the Hispanic population has quadrupled from three percent to 13 percent since 1990, primarily from seasonal farm workers who have settled in Omak.

In 1990, 77 percent of Omak residents were high school graduates or higher and 15 percent had a bachelor's degree or higher, while 23 percent had not obtained a high school diploma. By 2000 these numbers remained similar. This is significantly lower than the state averages. For example, almost twice as many Washington residents had a bachelor's degree or higher (28 percent) than Omak residents, and nearly 90 percent of the Washington residents, representing a rate 17 percent higher than Omak residents, had a high school diploma or higher.

## Key Issues

### *Indian and non-Indian Relations*

East Omak lies within both the city limits and the reservation boundaries, creating a complicated patchwork of fee and trust lands served by the Tribe and the City. With overlapping borders, community development efforts in the city of Omak and on the Colville reservation are intrinsically linked. Despite this linkage, the tribe and the community have a history of separation, distrust, and animosity. Fueled by stereotypes and economic tension, this on-going conflict has prevented collaboration and efforts at cohesive community development.

In 1993, all bordering governmental entities, including Omak, entered into an intergovernmental agreement with the Confederated Tribes of Colville to develop compatible land-use language. This was meant to end jurisdictional issues and facilitate the development of similar permitting processes. Fearing backlash from their constituencies, the participating

agencies delayed announcing the agreement until six months after it was signed. Soon thereafter, Ferry County backed out of the contract, arguing that it was not applicable to them because they did not have a zoning ordinance. While the agreement seems to be working well for some communities, Omak and the Tribe only loosely follow the agreement. In addition, personnel changes in the Tribal Council, the Okanogan County Commissioners, and tribal and city staff weakened the effectiveness of the agreement.

Annual elections can replace up to 50 percent of Tribal Council members, who serve two-year terms. Interviewees agreed that the turnover in representation makes it difficult for the Colville Confederated Tribes to complete projects with outside entities. Complex tribal issues and a limited planning staff with a large workload decreases the likelihood that staff can complete work in a timely manner and actively participate in community meetings, which has also created tension. Members of the Tribal Planning Department staff often find themselves requesting changes when a non-tribal government entity is about to make a pertinent planning decision. As one tribal member explains:

At times, they have meetings and invite everybody, but I tell them that just because the tribe doesn't go to all of the meetings, it doesn't mean they're not interested. It's frustrating to the county to try to get something approved and then have the tribe step in, because it messes up their whole schedule. It's because we're trying to cover so many things. We're not only dealing with city, county and state regulations, we're dealing with the federal government.

Misunderstanding about sovereignty creates other tensions among non-Indian Omak residents. Community members cited the Colville Confederated Tribes' Indian hiring preferences, limited accountability to local and state laws, and businesses on trust lands within the city border that do not pay taxes as examples of why they resent the tribes' sovereign nation status. Some interviewees felt that sovereign nation status gives the tribe an unfair economic advantage.

Overlapping boundaries create jurisdictional questions about the obligations of the city to provide equivalent law enforcement or fire protection

services in East Omak. A tribal employee noted that the city often overlooks East Omak when they apply for grants to upgrade infrastructure, which creates distrust between the two governments. Non-Indian Omak residents complained about the city's provision of fire protection for trust lands within their city limits, arguing that tribal property owners do not pay taxes, which support these services. A tribal employee maintains that the tribe does provide financial support to many city efforts as an informal payment in lieu of taxes.

Jurisdictional issues also extend to water rights. Much of Omak's water comes from the reservation, a portion of which the city owns the rights to. Non-Indian interviewees worry that the tribe's purchase of a mill in East Omak will invalidate their agreement with the earlier owners who gave them rights to a certain percentage of water coming out of the two wells located at that site.

Despite this, the City of Omak worked with the tribe to facilitate their purchase of Quality Veneer Lumber, a mill in East Omak that has undergone several closures during its 74 years of operation. For the past two decades, the Colville Tribe has been systematically increasing its financial assets through its economic development corporation. The Colville Tribal Enterprise Corporation (CTEC) owns 14 companies. With 2,000 employees, the CTEC has become the largest employer in the region. This success has increased the tribe's ability to have an impact on economic development in the region. A long-term Omak resident noted that the tribe has become more autonomous in the past two decades.

Despite these complicated issues, relationships have improved somewhat. One interviewee who grew up in Omak noted that friendships have developed on a small scale. "When I was growing up there was a distinction between economic status. The Indians stayed on the East side and the Caucasians on the West," she said. "Now there's a strong desire to attempt to build a bridge, but the cultural differences are hard to understand." A tribal employee agreed. "We have negative past histories of working with each other so the trust levels are not there," she said. "We're inching closer and closer to that."

For example, the tribe has donated both financial

and in-kind support for city and regional projects, such as the Alliance 2005, the Rural Tourism Network, and work on the airport (see below for more details on these projects). The tribal member noted that this support from the Colville Confederated Tribes would not have occurred 10 years ago indicates a shift in attitude towards working with outside governmental entities:

A big reason why they are extending a hand is not just because we are the biggest employer, but because of the catastrophic events--the closing of the mill, the closing of the orchards. These events have opened the county folks eyes to see that they haven't diversified their economy. They recognize now, we have been diversified for 20 years. The ones responsible for diversifying the tribe are the ones to help diversify the county.  
— Tribal Employee

#### *Tension Over Economic Development*

Okanogan County Council for Economic Development (OCCED) served as the county's economic development agency between 1986 and 2001 when the County Commissioners, unhappy with OCCED's economic development efforts, ordered the Alliance 2005 to take over this function. Previous to this change, OCCED regularly identified needs and/or funding and resources to apply for special needs relevant to economic development within the county. In 1994 they received almost \$400,000 to administer a Jobs-for-the-Environment grant from the Washington Department of Natural Resources. They used these funds to employ 19 dislocated timber workers who completed watershed restoration projects. Between 1993 and 2000, OCCED secured almost \$413,078 in Initiative funds to run economic development and tourism programs, four of which impacted Omak. Aside from grant funds and their annual Area Development Organization allocation from the state, OCCED secured membership dues.

Inadequate financial support from the County (\$10,000 annually) and limited annual funding streams contributed to an insufficient operating budget as perceived by several interviewees. A former

OCCED employee felt that economic development was not a high priority for the County government, which he characterized as having unrealistic expectations. According to several interviewees, this financial strain forced OCCED to spend an inordinate amount of time seeking grants, which significantly hampered their economic development efforts. Interviewees discussed this problem. “A lot of their time was spent finding grants and executing them to keep their doors open,” one resident said. “The community felt like they weren’t doing a lot of

at least visual things they could see in economic development. There was a perception that they weren’t being very effective.”

In an effort to address these issues, the OCCED’s Executive Director requested that the County Commissioners convene a Task Force later known as Alliance 2005 to determine the future direction of the county and OCCED. Six months into their meetings, the County replaced OCCED with the Alliance. This will be detailed more explicitly in the county projects section.

## NEAI Projects and Programs

### Community Economic Revitalization Team (CERT)

One of the primary mechanisms for implementing the Northwest Economic Adjustment Initiative (NEAI) was the development of State Community Economic Revitalization Teams (SCERTs). SCERTs worked with tribal governments, local governments, and private and non-profit organizations to coordinate the delivery of state and federal assistance. In Washington, the SCERT (WA-CERT) was staffed by the pre-existing Governor’s Timber Team (now the Governor’s Rural Community Assistance Team – GRCAT), formed in 1991 by the state legislature to coordinate assistance to timber-dependent communities. WA-CERT members included state representatives for each of the federal agencies, representatives of state government who were appointed by the governor, and representatives of local government, also appointed by the governor with the approval of local governmental organizations. As part of an effort to streamline funding and provide “one-stop” shopping for projects, communities and other eligible entities submitted two-page proposals to WA-CERT. Top priority projects were often assigned a scoping agent—a representative from a state or federal agency whose role was to facilitate project development and help guide a project through the application process. In January 1998, administration of WA-CERT was transferred to the Washington Department of Community, Trade, and Economic Development (CTED).

### *Local Implementation of SCERT*

Incorporated in 1986 as a private non-profit corporation, Okanogan County Council for Economic Development’s (OCCED) mission was to support economic development in Okanogan County. OCCED also served as the Small Business Development Center for the county. As the official Area Development Organization (ADO) under a \$20,000 annual contract with the Department of Community, Trade, and Economic Development (CTED), OCCED performed a variety of functions that included:

- Designing and facilitating a quarterly prioritization process for WA-CERT (the SIFT).
- Serving as primary contact for businesses seeking relocation to Washington State or an expansion within the state (business recruitment).
- Providing data for the Washington Development Network’s website featuring Industrial Sites on the Internet.
- Serving as a liaison between the state’s business retention staff and local businesses threatened by closure.
- Channeling information relevant to businesses, business interests, and municipalities.

To avoid political implications related to funding decisions, the Okanogan County Board of Commissioners delegated the county prioritization process, known as the SIFT process, to the Okanogan County Council for Economic Development. The Commission has never supported this process financially or otherwise. According to one interviewee, the Commissioners only go along with the process because the state mandates it.

As part of their outreach efforts, OCCED sent out memos, made newspaper and radio announcements and phone calls to notify elected officials, community members, and agencies requesting that they submit a CERT pre-application for any economic development project for which they wish to secure funding for the next fiscal year. The notice also serves as an invitation to participate in the prioritization process.

Local representatives of each project—paid staff, volunteers, consultants, or elected officials—have five minutes to advocate for their application. Amidst the project descriptions, people would have short dialogues. Despite seeking money for their own projects, participants would advocate for other projects that they saw as necessary for community “success.” When everyone had described their project, participants scored each proposal based on five criteria: Project Readiness (10 points), Local Commitment (10 points), Matches defined needs with benefits (5 points), Other Factors (five points), and Severity of Impact (Bonus Points). Only one person per project could score other proposals. The facilitator encouraged open dialogue and de-emphasized the importance of ranking.

When describing the SIFT meeting, one participant stated, “It’s like the fourth of July with the noise level of people talking to each other.” Once the projects were prioritized, the Alliance presented the County Commissioners with the project list and the pre-applications. After the Commissioners endorsed the prioritization list, they would submit an official resolution to WA-CERT.

Residents and agency representatives have been pleased with the process. Participants felt that the non-political atmosphere helped initiate collaboration among agencies with similar goals. Others added that the two-page application forced agencies to succinctly express their needs. The process allowed applicants to

think concretely about what they hoped to accomplish, and the ranking process helped smaller communities present projects to county, state, and federal officials.

WA-CERT has used Okanogan County’s prioritization process as a model in their 1998 booklet “Guidelines for Prioritization of Projects: A Tool for Counties and Tribal Governments.” A local consultant felt that this translated to increased dollars allocated to county projects. “Anything that came from Okanogan County did very well because of the process that OCCED engineered, because they [the state] didn’t want to fund projects that didn’t have community support,” the consultant said.

One city employee said that the WA-CERT process helped communities to access funding by giving them personal contact with the funding agencies, “We’ve been able to sit down and talk to different representatives that have funding so that we can match it. As a result, we have gotten funding.” Although appreciative of the technical assistance provided by scoping agents, most interviewees who discussed WA-CERT felt that the county rankings did not have a strong impact on the likelihood of their projects receiving funding. An applicant’s ability to advocate for his/her projects, as well as the funding agency’s guidelines and budgets, were more likely to determine funding decisions. “You could receive the top ranking and it could be a year before you ever hear from WA-CERT or you could be ranked fortieth and get funded tomorrow,” one SIFT facilitator said. The general sense among participants about the importance of being on the list, not the rank, may have facilitated the cooperation among Okanogan County WA-CERT applicants. “It might be that they aren’t fighting because they know that the rankings aren’t being held,” a WA-CERT facilitator said. Regardless of the importance of ranking, the Okanogan County prioritization process creates a framework for collaboration and discussion.

## **Community-Level Projects**

### *Capital Facilities Plan*

Declining infrastructure and a need to improve the local water supply pushed the City of Omak to develop the Greater Omak Area Comprehensive Plan in 1994. As part of this process, the city staff assessed issues and assets within the following departments:

public works, fire, police, and general administration. These assessments fed into the Capital Facilities Plan, a planning document funded by a \$40,000 Forest Service Rural Communities Assistance grant.

Aware of the need to up grade their sewer and water system, the City felt that the Capital Facilities Plan would help them prioritize issues, come up with a strategy to address them, and make Omak more competitive for federal and state funding. The plan also helped them fulfill their limited obligations towards the state's Growth Management Act. Developed in one year, the plan has helped the city to access over \$4 million in loans from the Public Works Trust Fund and provided guidance in annual budgeting decisions. The Public Works Trust Fund provided monies for a project partially funded by Initiative dollars—a water-cooling tower at Omak Wood Products.

City employees attribute their ability to complete such a comprehensive plan and subsequently up grade their water and sewer systems to the RCA grant. "This allowed for planned growth and planned replacement, so we [the City of Omak] did not find ourselves in a crisis," one city employee said.

#### *Omak Wood Products*

##### Water Supply Funding Gap

During the same time period, the City of Omak and Omak Wood Products (OWP) began a collaborative effort to solve the City's insufficient domestic water supply and reduce the mill's hot water discharge into Omak Creek from its power generating facility. The Environmental Protection Agency mandated that OWP decrease the temperature of its effluent from 110 degrees to 80 degrees, because of the detrimental effect on native fish species.

In April 1993, the mill and the city signed a contract in which the city agreed to pay for a water-cooling system in exchange for guaranteed water from the mill's two wells. The wells can produce 6,000 gallons of water per minute, of which the mill used 3,500. By January 1994, the city secured a \$500,000 Community Economic Revitalization Board Grant, a \$591,000 Public Works Trust Fund Loan, and guaranteed a \$175,000 local match for the project. The city proposed to use this money to construct transmission lines to convey the heated potable water from OWP's

facility to the cooling towers. After cooling, the water would be pumped to the city's domestic water supply system. In 1995, the City received a \$164,000 grant from the Forest Service Rural Communities Assistance Program to cover cost overruns on the project as a result of changes made to the project design. The grant paid for construction and engineering costs associated with the design change, including relocating the original site for the cooling tower, re-routing the transmission lines, an additional pump house, and water mains. The new design allowed the cooling tower to cool and recycle water for OWP's power generating facility, rather than just to cool water for Omak's consumption. This change dramatically reduced the amount of source water required by OWP's generating facility from 3,500 gpm to 250 gpm. This created excess capacity at the two OWP wells and the following benefits:

1. Omak received water directly from OWP Well No.2 prior to its passage through the power generating facility;
2. The city had a direct connection from the water source to the existing city water distribution system, thereby decreasing operation and maintenance costs;
3. Groundwater withdrawal decreased because pumping occurred "on demand" rather than continuously; and
4. OWP brought its second power generator on-line, thereby increasing revenues and the economic stability of Omak Wood Products.

This new design temporarily assisted in the retention of 493 FTEs at Omak Wood Products by enabling the employee-owned company to bring its second power generator on line. It also lifted a water connection moratorium, allowing commercial development in Omak. Omak expected this to create an additional 160 new jobs by the year 2000. Since no new industry located to Omak, the anticipated jobs never materialized.

##### Rural Development Business and Infrastructure Loan

In a restructuring deal in 1995, DBI Liquidating Trust forgave \$1.2 million and General Electric

and Safeco forgave \$32.5 million in debts accrued by Omak Wood Products. The employees also agreed to forgo \$9.4 million invested in individual accounts since 1988 while receiving stock worth one-third of the account. Based on this restructuring, which took the company two years to complete, USDA Rural Development agreed to provide the company a \$4.8 million Business and Infrastructure Loan. Rural Development expected their investment would help save 476 jobs.

In 1998, Omak Wood Products, despite all efforts to keep the worker-owned company alive, was forced to declare bankruptcy. Quality Veneer purchased the mill for approximately \$19.5 million. Two years later, they closed laying off approximately 200 employees. In 2002 the CTEC purchased the mill and operates it under a new name.

### Performing Art Center

Through fund-raising efforts and a school board levee, the Omak School District constructed a 560-seat Performing Art Center (PAC) in 1989 as part of a new middle school. The school district saw this as an opportunity to enhance cultural opportunities for students and residents, as well as to increase tourism. The facility cost \$2.5 million to build and will require approximately \$35,000 annually to maintain. Since its completion in 1990, performers have had to use the middle school library for a dressing room. Strong community support initially contributed to sold-out performances. This support waned and eventually the facility began to lose money on sponsored events. "We had lost the mill and the orchards. People just couldn't afford to go that often," one resident said.

Trying to determine the PAC's future direction, the Foundation completed a survey with board members, contributors, and community members in 1996. Based on the results, the board decided to quit recruiting outside performers and apply their endowment money towards facility maintenance. At the same time, the school district secured \$93,822 from Forest Service Rural Communities Assistance Program to build a dressing room, bathrooms, and storage room despite being a lower priority on the county WA-CERT list. The school district matched this with \$11,000 from the PAC Foundation and \$12,000 from its capital ex-

penditure fund. According to their grant application, they expected this expansion to increase PAC utilization, which would promote tourism and increase financial support for the arts.

The district contracted with Northwest Architecture from Spokane to construct the expansion. By December 1997 the School District had expended all funds allocated for this project, but had only completed the outer shell of the dressing room, set storage, and work area. The grantee cited unanticipated labor needs, increased material costs, and lack of competitive bidders to explain its inability to finish the entire project. As of March 2002, this project has not been completed.

The economic drain of the PAC has created some tension between the Omak School District,



The Performing Art Center was constructed in 1989 by the Omak School District.

which owns the facility, and the PAC Foundation, which partially supports it. A foundation board member observed that the school's limited utilization of the facility as an "art center" creates an image of contributions supporting the facility instead of an arts program, making it more difficult to obtain donations. At one point, in an attempt to break even, the school district raised user fees significantly. This angered residents who view the facility as community-owned, and decreased utilization and revenue. Subsequently, the district reduced the fees.

Although the PAC Foundation receives hotel/motel tax dollars to support the arts center (hotel/motel tax) and board members see the facility as a tourism and economic development tool, the board does not actively collaborate with any local tourism efforts. According to one board member, they have attended some tourism meetings in the past, but felt that they had dissimilar goals. Interviewed board members were unaware of local Initiative-funded tourism projects.

Because the facility has not been self-sustaining, the Foundation board has submitted a WA-CERT project proposal to fund a feasibility study to determine the effects of hiring a full-time manager to promote the Center. Despite its challenges, interviewees saw Omak Performing Art Center as a community asset. "The community can point to it and say we're not that backwoodsy here," a resident said.

### *The Omak Municipal Airport*

The Omak Municipal Airport, built as an emergency landing strip for bombers in the 1940s, is situated three miles north of downtown Omak on 153 acres of municipally-owned property. Annexed by the City in 1979, the county zoned the area 'airport industrial' in 1995. In 1997, the City worked with the Okanogan County Office of Planning Development to develop consistent regulations regarding identification of protected airspaces on and around the airport.

The runway, the third largest in North Central Washington, provides the capability to land large aircraft. Historically, this airport had been utilized as a Medi-Evac point and a central base for fire fighting for the Bureau of Indian Affairs and the Department of Natural Resources. Local businesses such as Wal-Mart, Colville Tribal Enterprise Corporation, and Omak

Wood Products, as well as Federal Express and United Parcel Service, also use the facility. Most interviewees saw the airport as an economic development tool.

### *Commercial Airline Feasibility Study*

In 1997, Taquan Air Alaska, an Indian-owned passenger airline, offered to begin an airline service in Okanogan County. Subsequently, the Colville Confederated Tribe secured \$31,964 from the Forest Service Rural Community Assistance Program to complete a feasibility study with the following objectives:

1. To evaluate the feasibility of operating a scheduled passenger airline service based in Okanogan County,
2. To perform activities that will advance the feasibility of establishing a successful passenger airline service based in Okanogan County, and
3. To develop a business plan for a scheduled passenger airlines service based in Okanogan County.

In their application, the tribe argued,

Commuter airlines will diversify and strengthen the economic opportunities of the Colville Tribes and surrounding communities. It will enhance the tourism-based enterprises of Colville Confederated Tribe (e.g., houseboat rental operation and gaming facilities), and will improve efficiencies of our government and business operations, which require frequent airline travel for meetings in Portland, Spokane, and other destinations.

The tribe hired RJR & Associates to complete the study. Collaborating organizations included the Colville Confederated Tribe, Taquan Air Alaska, the Okanogan County Council for Economic Development, the City of Omak, the U.S. Forest Service, and several of the counties largest employers.

In 1998, the consulting firm completed a mail survey of the third of the 2,180 households in Okanogan County with incomes greater than \$35,000 to identify the travel needs, destinations, and preferenc-

es of Okanogan county residents and to determine the potential volume of passengers. Of the 629 Okanogan households that received a survey, 285 were returned—a 45 percent response rate. Forty eight percent of respondents said they would use air service; 46 percent said they would “Maybe” use the proposed air service, and only six percent said they had no interest.

The study also included a description of projected revenues, expenses and profits; a three-year analysis of yearly operations; an action plan; and financing for start-up. The financial analysis showed high start-up costs that would prohibit the initiation of scheduled passenger airline service in North-Central Washington. The consultant also noted that the service would be viable if launched as an expansion of an existing, operating airline. By this time, financial difficulties prohibited Taquan Air Alaska from pursuing this business venture. The city did not complete the second objective (see above), arguing that it would be better to wait for a viable business partner to finish that portion of their project. Despite the study results, most interviewees do not think the area’s population will support a commercial airline.

#### *Airport Master Plan*

Since the early 1990s the city has enhanced the airport by adding an FAA-approved global positioning system approach; a non-directional beacon, which gives the airport primary and secondary landing systems; an automated weather station, which provides real-time climatological data; a parallel taxi-way, and an automatic refueling station. As development progressed, the City of Omak, the Omak Chamber, and area businesses saw a need for more formalized planning to develop an industrial park.

In 1999, the City of Omak secured \$10,708 from the Forest Service Rural Communities Assistance Program to complete a master plan for a combined business and industrial park. The City argued that the development of an industrial park would help the city recruit businesses that provide family wage jobs. This plan had the following objectives:

1. Identification of opportunities, challenges and constraints to business and industry development at the Omak Municipal Airport;
2. Identification of measures that address constraints on development and mitigate for any potential environmental impacts;
3. Identification of vehicular access routes that will support development of business and industry; and
4. Creation of a plan consistent with the transportation and land use elements of Omak’s Comprehensive Plan as well as Okanogan County plans.

The plan detailed park layout, existing and needed infrastructure, cost projections, and potential funding sources to construct the various infrastructure components. A project participant said that the plan prepares the Omak Municipal Airport for future business trends. “All of that work has been done in case an airline decides to come,” he said. “Instead of having to plan from the ground up, they know where they can get water, how to do the sewer system, how the area will lay out.” Because of the poor market for commuter airlines and the economic downturn, he does not advocate using infrastructure monies until they have located a client. Although the City has spent hundreds of thousands of dollars in state and federal grants on up grades and planning documents to enhance the airport, the facility does not have a large impact on the community’s economic vitality.

#### **County-Level Projects**

##### *Okanogan County Council for Economic Development (OCCED) projects*

OCCED received just over \$200,000 from the Economic Development Administration (EDA) and the Forest Service between 1995-1997 for industrial recruitment in Okanogan County. Despite this, no interviewees were aware of businesses that sited in Omak because of this effort. According to an OCCED WA-CERT project proposal, they utilized a portion of these monies to provide technical assistance to organizations to develop and submit proposals to WA-CERT.

In 1997, OCCED secured \$47,000 for the Forest Service Rural Communities Assistance Program to conduct four area “economic visioning” meetings. These meetings were held throughout the county in 1998 and followed by a county-wide meeting in November, 1998 where attendees discussed methods of dealing with economic change. Attendees recognized “the need to diversify that [economic] base and create job opportunities for all sectors of the population (OCCED 1998).” While one interviewee felt that the meetings gave residents an opportunity to express their opinions, most of those not directly involved in planning were unaware of the sessions. As a result of the countywide meeting, the County Commissioners formed a 15-member countywide taskforce staffed by OCCED in early 1999. During March and April the task force met twice monthly to review results of previous economic development planning efforts, listen to testimony from organizations, review relevant data for decision making, and draft the initial vision and goals statement

WA-CERT brings together “technical teams” and “community teams” annually for a three and one-half day symposium to work on complicated project ideas. “Sick of talking head conferences and wanting to do something that added value to the communities,” WA-CERT switched to this approach in 1996. WA-CERT selected Okanogan County’s project as one of five throughout Washington to participate in their Rural Symposium in Ellensburg in 1999. Twelve members of the task force attended the three-day symposium, which provided experts to assist rural communities in their planning efforts. The workshop atmosphere allowed the task force to do intense work on the project for several days. Frustrated by the state facilitators, the Okanogan task force dismissed them and completed their strategic plan and vision in a marathon all-night session without further assistance. The group chose the name Partnership 2005 (later changed to Alliance 2005) to reflect strong partnership and a minimum five-year commitment to achieving a stronger county economic base.

County leadership perceived OCCED as a non-functioning entity and told the task force that by June 30 Alliance 2005 would be the new county Area Development Organization. An interviewee

disagreed with the change. “If they are so interested in changing the economic development organization they should have joined the board and made changes instead of creating a whole new one.”

One Alliance 2005 member felt that there needed to be a change from OCCED because they were struggling to get quorums and attract money from the community and private enterprise. He added that he saw a need to broaden the economic development organization’s appeal and create a higher profile for their efforts. Another member agreed with the change for different reasons. “Everywhere we turned OCCED was already involved,” an Alliance 2005 board member said. “As we looked at funding sources, we realized we would be competing head on with them. We all recognized that two economic entities doing enough parallel activities couldn’t stay.” The County gave the Alliance \$20,000 towards their planning efforts and committed another \$30,000 towards the agency with one caveat: Alliance 2005 must demonstrate outside financial support in the form of memberships and donations.

This movement to oust OCCED as the county economic development agency created tension among the participants. As both groups went through a tedious yearlong process of merging, Alliance 2005 focused on business involvement and organized their scope of work around a committee structure. The board serves as a liaison to the committees, which consist of board and other community members. “We see ourselves as the facilitator to help get these things moving,” a board member said. As of October 2001, the Alliance has had few tangible successes other than developing the organizational structure. “Now we’re hearing criticism that we’re not doing more and the criticism is that the board looks a lot like OCCED,” a board member said.

Despite these difficulties, many community members perceived Alliance 2005 as accomplishing important tasks, such as facilitating the Distressed Counties Fund process. After some community backlash over county expenditures from this Fund in 2000, tax monies were allocated back to the counties from the state for infrastructure projects related to economic development, and the County requested that the Alliance develop a funding process. Because

they developed funding guidelines and facilitated the prioritization process, many community members see the Alliance as the funding agency and point to this as an example of their current success. For a variety of reasons, many interviewees felt that Alliance 2005 will have more success than OCCED in their economic development efforts.

### **North Central Washington Rural Tourism Network**

In the fall of 1998, a grassroots initiative held a series of meetings to explore and develop the concept of a regional tourism organization for rural North Central Washington. Over 50 people participated in a three-day planning retreat at the Rural Communities Symposium in Ellensburg in May 1999. This alliance, known as the North Central Washington Tourism Network (Tourism Network), includes representatives from private and public sector economic development and tourism organizations, and tribal government and business within the region. Approximately 70,000 people live in the 14,000-square mile area, which encompasses communities within Okanogan, Ferry, Douglas, Chelan, Stevens, Lincoln and Grant counties, as well as the Colville Reservation.

To facilitate the organizational development of the Tourism Network, the Forest Service Rural Communities Assistance Program granted OCCED \$62,025 to develop a strategic plan, complete a Visi-

tor Characteristics and Preferences Study, and hold a regional summit. Okanogan County matched this with \$20,000 from its hotel/motel tax fund.

RJR & Associates completed the Visitor Characteristics and Preferences Study, which included information from the following:

- Focus group interviews with Seattle-area residents who had recently visited Okanogan County;
- Interviews with providers of visitor services and/or products;
- Surveys from over 400 attendees at four special events in Okanogan County;
- An analysis of respondents to Okanogan County advertisements in the Washington Lodging and Travel Guide; and
- Locally-gathered visitor data.

The Tourism Network used this study to gather baseline data for tourism planning and marketing. Study results facilitated the development of the Tourism Network's strategic plan, refined the Okanogan County Tourism Council's marketing plan, and set the stage for the North Central Tourism Summit. The summit, a two-day event held in March 2000, attracted 125 people who participated in working sessions specifically related to rural tourism issues



Built in 1920, ownership of the sawmill has changed hands many times.

identified in the Visitor Characteristics and Preferences study. The Colville Confederated Tribes, an active participant in the formation of the Tourism Network, coordinated their Colville Tribal Enterprise Corporation board meeting to overlap with the summit so their board members could remain involved in the project. Washington State Tourism paid for speakers and contributed financial support (\$2,000) for the summit.

Later in the year, the Rural Tourism Network secured just over \$44,000 to develop a communication plan and implement a circuit rider program. The study and the brainstorming sessions from the summit also informed the strategic plan and directly led to the development of this project. OCCED again served as the fiscal sponsor. Text box 1 lists the projects goals and objectives.

### **Text Box 1: Goals of the Tourism Network**

Goal 1: To facilitate the development of tourism in rural North Central Washington via direct technical assistance to communities that have adopted tourism as an economic strategy.

1. To assess the community tourism development needs in the region that can be addressed by technical assistance and/or a regional cooperative effort.
2. To assemble resources and specialized expertise that can help to address the identified needs.
3. To channel resources directly to the communities to assist them in developing tourism opportunities and/or resolving tourism issues.

Goal 2: To develop and implement the communications plan element of the NCW Rural Tourism Network Strategic Plan to improve organizational decision-making, general knowledge, and dialogue among member communities.

1. To build a comprehensive database of contacts for the NCW Rural Tourism Network.
2. To utilize and leverage information technologies for communications, meetings, and conferences in the region.
3. To establish regular and special topic-specific communications with members and partners of the NCW RTN.

According to their Forest Service Progress Report, the Circuit Rider Project has completed several action steps to address the Rural Tourism Network's objectives, including completing a tourism needs assessment and short strategic plan for Omak in February 2001. In 1998, the Okanogan County Tourism Council received a significant financial boost when the state allowed counties to retain an additional two percent of hotel taxes. This additional \$80,000 to

\$100,000 allows the county to increase its marketing efforts, taking some of the pressure off of the Tourism Network. Instead the network has begun to focus on product development. For example, the Network has been instrumental in developing an International Discovery Loop, a scenic and historical drive encompassing many committees in the northeast corner of the North Central Washington Tourism Network area.

The Tourism Network Initiative facilitated collaboration and communication among various entities working to improve tourism in their areas, provided baseline data about current markets, and helped to develop sustainable marketing plans based on concrete information. Projects within the network have built upon the results of one another, streamlining the process and creating a comprehensive strategy to increase tourism in the area. However, long-term results remain to be seen.

#### *Market Opportunity 2000*

In September 2000, OCCED secured \$16,500 to formulate a market strategy for Okanogan County to target new industry and construct a resource library and electronic database for industry clusters and targeted industry processes and products in the strategy. OCCED cited the downturn in the timber and packing industries as the reason behind the sudden increase in the availability of facilities and labor to accommodate industrial enterprises.

The administrative change that occurred when OCCED transitioned to Alliance 2005 has created a delay in this project. Alliance 2005 has completed approximately 50 percent of this project and has requested an extension. It is unclear what the direct effects will be or have been on Omak.

#### *Okanogan Revolving Loan Fund*

In the late 1980s and early 1990s, mainstream economic development institutions started to support rural business start-ups and expansions by infusing financial and technical resources. Economic development planners identified the inability of many businesses to obtain bank loans as a key stumbling block for many rural areas. By the mid-1990s, when the NEAI went into effect, small business and micro-business loan programs had become an increasingly accepted economic development tool.

Many of the funds lent to small and micro-businesses through the NEAI were disbursed through revolving loan fund programs. Funders support these programs by giving or lending money to an intermediary lending organization. The intermediary lender, typically a nonprofit or public agency, then re-lends the money to businesses or individ-

uals. The intermediaries also lend repaid loans and interest to other businesses or individuals. The loan fund becomes self-perpetuating when the payback rate and interest rates are sufficiently high to cover costs. Typically revolving loan fund (RLF) monies are lent to local businesses that cannot obtain private financing. In many cases, RLF funding is tied to the job creation/retention potential of the business receiving the loan.

In a 1987 survey conducted by OCCED of over 400 home-based businesses, 27 percent indicated they had problems obtaining financial capital and 48 percent requested the development of a revolving loan fund. Okanogan County's 1992 Overall Economic Development Plan (OEDP) ranked the establishment of a county-wide revolving loan fund as the fourth priority in 1992. In response to this need, a collaborative consisting of the County Commissioners, the Colville Confederated Tribal Council, OCCED, area banks, municipalities, chambers of commerce and local businesses established the Okanogan County Investment Association (OCIA) as a non-profit corporation in December 1993. The board of directors is comprised of 14 members representing government, the tribe, business, and banking. The corporation's service area includes Okanogan, Douglas, and Chelan Counties, as well as the Colville Reservation.

The Okanogan County Investment Association (OCIA) provides "gap" financing for new and expanding businesses. All OCIA loans focus on community development projects; business, establishment, expansion, and retention; as well as the creation of employment opportunities and retention of existing jobs. Working with a team of federal and state program representatives, OCIA secured administrative and capitalization funds to administer the revolving loan fund. Despite donations from area banks, local businesses, city governments, chamber of commerces, and various individuals for revolving loan fund administration, these monies were insufficient to cover the initial operating costs. Recognizing this gap, the Department of Community, Trade and Economic Development's Community Economic Strategies Fund and the Forest Service granted \$41,564 and \$65,000, respectively.

The USDA-RD's Intermediary Relending Pro-

gram (IRP) finances business facilities and community development projects in rural areas or cities with populations of less than 25,000. The OCIA secured \$2.7 million for its IRP loan fund between 1995 and 1998. The Forest Service granted the OCIA an additional \$100,000 for loan administration in 1997. Four Omak businesses—a health care facility, a fast food restaurant, a rental agency, and an auto retailer—received \$373,879 between 1994 and 2001 (17 percent of the over \$2 million disbursed). The four businesses provide employment for approximately 32 people. One loan recipient, the owner of D&H Auto Sales, attributed her business' survival to the loan and technical assistance provided by OCCED. An OCIA representative said that they had not received more applications from Omak, because of its slow growth and adequate local funding sources.

### **Job Training Partnership Act**

One of the NEAI's chief objectives was to lessen the economic hardships that the region's economic restructuring incurred on laid-off timber workers and their families during the 1990s. The Administration emphasized the need to retrain timber workers who were facing declining employment opportunities. To accomplish this objective, the Department of Labor (DOL) set aside \$12 million for the three-state region through the Job Training Partnership Act (JTPA) Title III Secretary's Reserve. These funds provided additional services, such as longer-term training packages, on-going case management, and support services, such as daycare for dislocated timber workers. Eventually the DOL expanded eligibility to all unemployed workers in timber-dependent communities (McClaine 2001).

The state of Washington provides similar services. The Washington Legislature formed the Governor's Rural Community Assistance Team (GRCAT), originally known as the Timber Team, in 1990 when Governor Booth Gardner allocated \$9.4 million of

funds under his discretion. The monies were slated to mitigate the impact of the economic crisis on timber communities adjusting to decreased timber harvest. The Governor's office designed a timber package—a combination of 20 worker, community, and business assistance programs for the 1991 legislative session.

In 1995, legislation proposed by Governor Mike Lowry reauthorized the team, renamed it, and broadened its role. In addition to the timber focus, the new GRCAT includes assistance to fishers and addresses salmon-related problems in communities around the state. As part of this benefit packet, the legislature authorized a Timber Training Benefits program that allowed those dislocated from the timber industry to qualify for additional unemployment and training benefits. This program has expanded to serve fisheries and aeronautical employees, subsequently changing its name to Training Benefits. All of those who qualify may receive 22 weeks of benefits in addition to their regular unemployment and training allotment.

Layoffs, closures, bankruptcies and buy-outs have been common occurrences for the mill workers in Omak. In 1998, WorkSource Okanogan,<sup>5</sup> the local JTPA provider, found themselves faced with 488 laid off Quality Veneer workers who had no warning about the plant closure. Physically, emotionally, and financially depleted after working for 10 years and building up their Employee Stock Option Plans, many employees did not return to work when Quality Veneer purchased and restarted the mill several months later. Approximately 35 percent of the former employees returned to work with the new company. The rest retired, moved, and many with ties to the union were simply not rehired.

When Quality Veneer closed in April 2000, they laid off 277 employees. The perception that the mill closure would be temporary kept many former employees from using retraining benefits offered through a variety of state and federal programs including NAFTA,<sup>6</sup> the Federal Trade Act,<sup>7</sup> and the

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5. A collaborative of Workforce Development partners in Okanogan County who provided services to dislocated workers. This includes Washington State Employment Security.

6. NAFTA provides aid to workers who experience dislocations resulting from trade with, or shifts in production to, Canada and/or Mexico.

7. The Trade Adjustment Assistance (TAA) program is a federal program that provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports.

Washington Timber Benefits program. Noting this, the AFL-CIO Sawmill Workers Union Local 3023 secured funds from the Washington State Labor Council to hire an outreach worker to find former mill workers and enroll them to receive worker retraining benefits. Most workers were eligible for two years of worker retraining, which paid tuition and some living expenses. In the first few months, workers poured into the union offices daily sometimes up to 30 looking for direction.

The outreach worker talked with them about their needs, options, and next steps before connecting at least 127 dislocated workers with WorkSource Okanogan. This agency offered several services including basic literacy, vocational, and computer training, job search assistance, employee recruitment, screening and testing, child care referral, and a variety of other programs.

The local branch of Wenatchee Community College worked with the Washington Employment Security Department to create additional program offerings to meet the needs of their clients. For example, approximately 16 Work Source clients attended a Natural Resource Technician program developed by the college. While this four-quarter class provided participants with basic watershed restoration skills,

limited job availability made this program unsustainable. "It was nice to have work, but temporary jobs don't give them [dislocated workers] anything permanent. It just postpones the inevitable," said a Work Source employee.

Work Source also collaborated with the labor union to develop and certify a carpentry pre-apprenticeship program, which lasted four months. One program participant expressed appreciation for what he characterized as a well-run program that gave him hands-on skills. As with many of the other participants, he completed the program and was offered work in Seattle. However, he turned it down because he did not want to leave the area.

Relocation issues are only one barrier to re-employment that Washington Employment Security encountered when working with dislocated timber workers. Low literacy skills meant that clients often needed more than two years to complete a technical program. Clients were also disconcerted with limited local employment opportunities, which paid lower wages than they had been accustomed to at the mill. One participant felt that local retraining options prepared him for jobs that did not exist locally. This decreased the participation rate of dislocated timber workers in the retraining program.

## **Current Socioeconomic Conditions and Effects of NEAI on Community Well-Being**

### **Current Socioeconomic Conditions**

According to the 1990 Census, 16 percent of all Omak residents lived below the poverty level; by 2000 this increased to 25 percent, a 56 percent increase. In 1990, 21 percent of Okanogan County residents lived in poverty. This remained unchanged in 2000. At 16 percent higher than the county's rate, the City's poverty rate has grown precipitously faster than the county's (Census Bureau 1990,2000).

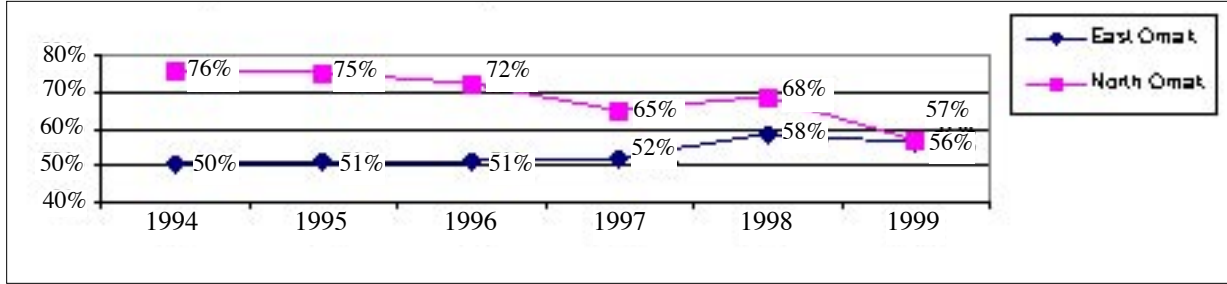
Omak's per capita income in 2000 was \$13,472 an increase of 16 percent from 11,373 in 1990. The county's per capita income has increased by 44 percent from \$10,346 in 1990 to \$14,900 in 2000. On average income in the county has grown twice as much as Omak. This suggests that the econom-

ic declines have disproportionately impacted the city as compared to the county (Census Bureau 1990,2000).

Okanogan's county income was 66.1 percent of the state average and ranked 30th in the state (WSU Cooperative Extension 2001). Transfer payments were 23.9 percent of the personal income in 1999 and increase of 4.7 percent from the previous year (WSU Cooperative Extension 2001).

The elementary schools have had a 12 percent decrease in their student population between 1990 and 1999, from 1,051 to 923. In 1994, the schools had their largest enrollment during this time period (1,099). The schools have had divergent free and reduced lunch rates, with participation rates decreas-

**Figure 3: Omak Elementary Scholls Free and Reduced Lunch Rate 1994-1999**



Source: National Center for Education Statistics, 1996, 2000.

ing in North Omak, while slightly increasing in East Omak (Figure 3), suggesting that poverty is increasing in East Omak and decreasing in North Omak.

### Community Capacity

Community capacity is the collective ability of residents in a community to respond to external and internal stresses, to create and take advantage of opportunities, and to meet local needs (Kusel 1996). For this study, we identify five dimensions of community capacity: (1) physical capital, which includes a community physical infrastructure (e.g., sewer systems, business parks, capital assets such as equipment, housing stock, and schools); (2) financial capital, which includes money, credit, and other financial resources available for local use; (3) human capital, which includes the skills, education, experiences, and general abilities and capabilities of residents; (4) cultural capital, the myths, beliefs, norms, and lifeways that serve to organize groups and facilitate survival; and (5) social capital, which includes the willingness of residents to work together toward community goals (and not just self-interested goals). Evaluating the effects of NEAI projects on the capacity of Omak thus requires a closer examination of these various dimensions of capacity.

#### *Physical and Financial Capital*

Over half of the Initiative projects that affected Omak related directly or indirectly to enhanced physical capital. The Comprehensive Capital Facilities Plan helped the city determine priorities for future development. The Airport Industrial Plan helped establish a foundation from which to develop an industrial park

around the airport facility. Initiative monies also built a dressing room shell for the Performing Art Center, constructed a water cooling tower on a mill site that provided the city with an adequate water supply and allowed the mill to temporarily continue operations. Despite the almost \$300,000 investment in physical capital, very little economic development originated from these projects.

The Initiative provided nearly \$8 million in financial capital to projects that directly affected Omak. Although the \$4.9 million loan allowed Omak Wood Products to operate for approximately three additional years, the company eventually declared bankruptcy and defaulted on this loan. A more successful venture, the Okanogan Community Investment Association, has provided at least four loans in the Omak area, which have saved or created approximately 30 jobs.

#### *Social Capital*

Projects and issues prior to the Initiative reveal various pockets and levels of social capital. As delineated in the Issues section, decades of distrust between Indian and non-Indian populations negatively affected social capital within Omak. Outside of this dynamic, several groups within Omak had been able to work together to develop a community Performing Art Center and to start a non-profit organization to administer a revolving loan fund. These major projects demonstrated creativity and perseverance. The loan fund itself took eight years to obtain administrative and start-up capital, most of which was provided by Initiative sources.

Initiative investments have helped to increase social capital in Omak. Several projects have increased

collaboration between tribal and other government entities. First, the tribe and the City of Omak worked together on two planning projects related to the Omak Municipal Airport, generating open discussions about common economic development issues. The collaboration among the diverse governments on these projects forged on-going relationships between governmental employees. For example, the Tribe actively partnered with the surrounding region to address tourism issues when they supported the development of the North Central Washington Rural Tourism Network. Their early provision of resources was key in the organization's establishment, including gaining financial and other support from the Forest Service and OTED. Tribal members have also been active participants in the County Task Force, which created Alliance 2005, and even provided financial support for its second year of operation. In turn, the City of Omak and the Okanogan County Commissioners supported CTEC in their bid to purchase Quality Veneer Lumber in 2002. Despite improvements, government relationships remain tentative as both sides work to overcome decades of mistrust.

Initiative projects also highlighted pockets of limited social capital within the community. Frustrations over limited local economic development opportunities increased tension between OCCED and its partners, some of which was heightened by personality and political conflicts. The visioning sessions funded by Forest Service money began the transition from OCCED to Alliance 2005. The work to blend the two organizations initially increased strain within the task force as the newly formed entity formalized its structure. The community, however, saw the shift as a much-needed step towards taking control of their economic future. This positive perception created by the change facilitated increased involvement in some ongoing Initiative-funded projects funneled through OCCED. In short, it gave a much-needed infusion of hope.

While the development of the Performing Art Center was initially an example of existing social capital, the continuing maintenance needs created tension between the original collaborators—the Omak School District and the Performing Art Center Foundation. Instead of being a self-sustaining

entity, it has continued to rely on the School District for financial resources and dressing room space. According to a Foundation Board member, the school has provided maintenance monies to the PAC that could have been used elsewhere. “Teachers feel that they don’t have what they need to do the best job, because the school district is using their money to maintain the PAC,” a PAC board member said.

Also, despite being touted as an economic development tool, there appears to be little connection between the PAC’s sustainability efforts and the county’s tourism work. Three interviewed board members did not participate with, nor were they aware of, the North Central Washington Rural Tourism Network’s regional efforts. “I’m interested to find people working on those groups and figure out how to work together to get things done. It seems like we’re competing for the same thing,” a foundation board member said.

As a whole, the Initiative has increased social capital within Omak, benefiting local community development efforts. However, despite the improvements, limited social capital serves as a barrier to the comprehensive strategic changes that are needed to diversify Omak’s faltering economy.

### *Human Capital*

Although there is a core of residents with knowledge and skills, most of the interviewees noted a lack of definitive leadership in Omak. In fact, anecdotal evidence suggests the out-migration of retrained workers may have decreased human capital locally. “When I look at our town, I see that we are moving away from people being independent types that are making things happen to people becoming dependent upon programs,” a resident said. WA-CERT’s Rural Community Symposiums provided the only tangible example of Initiative funded programming that may have positively affected human capital within Omak. Through this process, participants had the opportunity to increase their individual skills related to topic specific areas such as tourism.

### **Worker Effects**

Initiative-funded projects have had limited direct long-term effects on dislocated timber workers

in Omak. Projects associated with the mill (cooling tower and loan) temporarily postponed the mill's closure, allowing workers to remain employed longer and with less lengthy layoffs. The Okanogan County Work Source provided dislocated work-

ers with retraining and support services, making it more likely that they would be successful in their efforts to find other employment. Finally, the loan program supported the creation or retention of 30 jobs.

## Patterns and Themes

### Role of Technical Assistance

At least three Initiative-funded projects—Alliance 2005, North Central Washington Rural Tourism, and the Okanogan Community Investment Association—in Omak received in-depth technical assistance provided by participation in the Rural Communities Symposium and the assignment of a “technical team.” The technical team offered workshops that helped Okanogan County residents expand their resource base and gain new skills. It also provided participants with an opportunity to explore new ideas and projects in a supportive atmosphere, in turn allowing them to streamline their proposals and develop realistic objectives. This saved time, money, and energy for both the communities and the federal and state agencies.

### Community economic development versus county economic development

Competition among small, rural communities for limited resources often detrimentally affects their ability to collaborate and address broader goals. Although ostensibly supportive of a county-wide economic development agency, Omak residents resented OCCED's business expansion projects, as most of

these efforts were focused on other parts of the county. “Projects that I worked on in OCCED achieved success but were limited in changing the thinking about how to move forward as communities and jointly as a larger set of communities,” one OCCED collaborator said.

Although not supported by the County Commissioners, the Okanogan WA-CERT prioritization process serves as an effective example of how to overcome this issue and increase cohesiveness among county communities. By creating a non-competitive forum in which to develop community development issues, many participants fed on each other's energy, merged projects and effectively used resources to address a broader range of goals.

### Human capital drives community development

Infrastructure and business development alone will not substantially improve a community's ability to address ongoing community development issues. By failing to significantly improve leadership and human capital, the Omak community is drawing from a limited pool of residents with the skills and knowledge to sustain projects, leaving all projects in an ongoing risk of failure.

## Conclusion

Initiative projects have increased social capital in Omak allowing a broader framework from which to address community issues. A reformulated economic development council and the recent re-opening of a mill in East Omak have given residents reasons to be hopeful about their economic future. Despite these positive events and significant Initiative invest-

ments, the city of Omak still struggles to diversify its economy and expand its leadership base; both of which need to be done to secure a healthy future for the community. Alliance 2005 and the Colville Confederated tribes will have to continue to play a role in pro-active strategic planning to make these two things happen.

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### Interviewees

Anita Mayhew	Performing Art Center Board Member
Anne Potter	Work Source Okanogan County, Director
Brian Ellis	Peer Outreach Program Coordinator
Carolyn Davis	Alliance 2005 Staff
Claudia Smith	Alliance 2005 Staff
Dan McDaniel	City of Omak Public Works Employee
Darlene Giesen	Business Owner
Dave Lindeblatt	Special Assistant to the President for Outreach, Wenatchee Community College
Dave Schultz	Okanogan County Commissioner
Dennis Carlton	Director, Carlton Financial
Erin Mundinger	Work Source Okanogan County Employee
Fred Shelton	City of Omak Public Works Director
Jerry Homes	Colville Tribal Enterprise Corporation, Forest Products Division General Manager
Joe Curry	Performing Art Center Board Member
Joe Tortorelli	Consultant
John Andrist	North Cascades Broadcasting, Inc. GM, Partnership 2005 Board Member
John Rayburn	Former EDC Staff
Judy Smith	Editor, Omak Chronicle
Ken Kelnhoffer	Work Source Okanogan County Employee
Kurt Danison	Director, Highland Associates
Les Sutton	Dislocated Worker
Marilyn Reis	Chamber of Commerce Director
Mary Beth Clark	Colville Confederated Tribes Planning Director
Ron Johnson Rodriquez	Consultant
Ron Smith	Okanogan Revolving Loan Fund Staff
Terry Knapton	Director Colville Tribal Enterprise Corporation
Walt Smith	Omak Mayor

