

Community Profile and Trends

Regional Context

Hillsdale County is located in the south-central region of Michigan, sharing borders with Lenawee, Jackson, Calhoun, and Branch Counties in Michigan, Williams County in Ohio and Steuben County in Indiana. Hillsdale County itself encompasses nearly 600 square miles. Nearby metropolitan areas include Toledo, Ohio (85 miles southeast); Ann Arbor, Michigan (72 miles northeast); Battle Creek, Michigan (60 miles northwest) and Fort Wayne, Indiana (81 miles southwest). The major routes that cross the County north and south include US Route 127, as well as State Routes 49 and 99. State Route 34 and US Route 12 cross the county east and west. Interstates 94, 60 and 80/90 (the Ohio Turnpike) are all in close proximity as well.

The county seat for Hillsdale County is the City of Hillsdale. Originally, the City was founded as a booming railroad community in the late 1800's. Today, the City has more of a commercial and industrial focus. Other Cities in Hillsdale County include the Cities of Litchfield and Reading; and other County Villages include Allen, Camden, Jonesville, Montgomery, North Adams, Waldron, and the Hamlet of Pittsford. In addition to these municipalities, there are 18 Townships.

Physical Character

Appropriately named, the landscape of Hillsdale County includes gently sloping topography with elevations reaching 1,250 feet above sea level. Along with the rolling countryside, water features are also an important aspect of the natural landscape. Hillsdale County is located at the headwaters of five major rivers that flow into either Lake Erie or Lake Michigan, and has more than 300 inland lakes. These lakes are a significant draw providing recreational opportunities and choice locations for both primary and secondary homes.

Demographics

Current Census Bureau estimates from 2003 indicate that Hillsdale County has a population of 47,230. This is a 1.7 percent increase from the official 2000 census count of 46,527. In the past 10 to 15 years, population figures in Hillsdale County have matched closely to the rate of growth Statewide, which was up about 7 percent during the 1990's and up about 1.5 percent between 2000 and 2003. Within the County, the City of Hillsdale is the most populated community with more than 8,000 residents.

Apart from overall population change, it is important to look at key age groups, such as children, the working population and older residents. Obviously, the number of children in an area implies certain things in terms of demands on the local educational system, while numbers of older residents impact demand for other services. All together, the distribution of persons in various key age groups closely mirrors what is found Statewide.



Community Profile and Trends

Age Range	Hillsdale County % of Total Persons	Michigan % of Total Persons	Group Characteristics
14 and Younger	21.3	21.8	Younger School Age
15-19 Years	8.3	7.2	Older High School
20-24 Years	6.6	6.5	Young Workforce
25-35 Years	11.5	13.7	Young Workforce
35-44 Years	15.3	16.1	MiddleAge Workforce
45-54 Years	13.6	13.8	Middle Age Workforce
55-59 Years	5.3	4.9	Older Workforce
60-64 Years	4.6	3.8	Older Workforce
65 Years and Older	13.3	12.3	Retired/Elderly

The one age group that differs the most from the Statewide comparison is the 25-34 age group. This is important not only as a static statistic, but also as part of a larger trend. By comparing what happened between 1990 and 2000 in demographic terms, it is evident that Hillsdale County, like the whole Great Lakes region, experienced an out-migration of young adults aged 25 to 34 years. In Hillsdale County, persons in the 25 to 34-year-old age groups declined by nearly 18 percent during this time. This demographic trend, often referred to as “brain drain,” relates to concerns that young people are not staying in the area, and/or do not return after college to join the workforce.

Along with proportionately fewer people in the 25-34 year old age group, Hillsdale County has proportionately more residents 65 and older, than the State of Michigan. These older residents make up 13.3 percent of the population in Hillsdale County, versus 12.3 percent Statewide. One reason for the higher proportion of older residents may be the increases in retirement homes along some of the lake properties in the County. Given these considerations, it also follows that Hillsdale County has an older average age. In 2000, the median age of a Hillsdale County resident was 36.5. The Statewide median age was one full year less at 35.5 years.

Race Composition

The majority of people, 98.3 percent, in Hillsdale County are white, in comparison to the State’s 81.8 percent. The largest minority population in Hillsdale County is the Black or African American population, representing .02 percent of the total population.

Households

Apart from looking at only the numbers of people and some descriptive characteristics, it is useful to consider how people form households. One reason this is useful is because the number and types of households in an area drives demand for local housing. Not unlike

... it is evident that Hillsdale County, like the whole Great Lakes region, experienced an out-migration of young adults aged 25 to 34 years.



Community Profile and Trends

many other areas, the rate of household formation in Hillsdale County has exceeded the rate of population growth in recent years. During the 1990's, the total population of Hillsdale County grew by 7.1%, yet the number of households grew considerably faster, by nearly 11 percent (10.9%). This local household growth rate was about the same as the rate of household growth Statewide (10.7%). The somewhat obvious reason for this is the fact that households have been getting smaller as the result of many social factors. This trend has been evident both nationally and Statewide. In 2000, the average number of persons per household was 2.60.

One important implication of this trend is an increasing demand for housing units beyond what simple population growth would otherwise suggest, as fewer people occupy each housing unit on average. It also follows, that growth in "non-family households", far exceeded growth in "family households" between 1990 and 2000. During this time, "family households" increased 6.7 percent, while "non-family households" increased 23.5 percent. In technical terms, a "non-family household" consists of a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom he/she is not related.

Housing

According to 2000 Census data, the median home value in the County was \$85,800. This median home value was considerably less than the median home value of \$115,600 Statewide and \$119,600 nation-wide. In Hillsdale County, these median home values vary considerably from place to place, from lows in the fifty thousand dollar range, to much higher levels that approach \$150,000 in places such as the Somerset area.

By far, the dominant housing type in Hillsdale County is the single-family detached unit. Of the 17,335 occupied housing units that were identified in the 2000 census, more than three-fourths (13,248) were single-family detached units, and the vast majority were owner-occupied. In fact, Hillsdale County has a very high home ownership rate that is nearly eighty percent (79.9%). This homeownership rate is far above the State rate of 73.8 percent and well above the national rate of 66.2 percent.

The second most common housing type in Hillsdale County is the mobile home. In 2000, there were 2,189 mobile homes in Hillsdale County, and about three out of four of these units were owner-occupied. This number of mobile homes represents 12.6 percent of the total number of owner-occupied housing units in the County. This is a comparatively high proportion of mobile homes compared with elsewhere. Statewide, and nation-wide, only 6 and 7 percent of all occupied housing types are mobile homes respectively. Often mobile homes provide a need for more affordable housing units since costs

During the 1990's, the total population of Hillsdale County grew by 7.1%, yet the number of households grew considerably faster, by nearly 11 percent (10.9%). This local household growth rate was about the same as the rate of household growth State-wide (10.7%).



Community Profile and Trends

are often lower than other housing options. Mobile homes are also popular as seasonal or recreational units located in rural or recreational areas.

The third most common housing type in the County is the multi-unit dwelling that is occupied by a renter. In all, there were 1,380 renter-occupied housing units in complexes that vary in size between 3 and more than 50 units. However, less than 10 percent (9.5%) of all Hillsdale County housing units are found in multi-family structures. Proportionately, the number of units in this category is about half of what is found Statewide, where 18.8% of all housing units are found in multi-unit structures.

Viewed as a complete picture, housing in Hillsdale County is clearly dominated by detached, single-family and owner-occupied units. This consideration has many positive aspects, including a tendency toward neighborhood and property value stability. On the other hand, the homogeneous nature of the local housing stock means that there may be fewer housing choices available for people at younger and older stages of life. Younger families often have difficulty affording detached, single family units, and older residents (who might be empty nesters or individual persons living alone) sometimes would prefer to live in housing units that are smaller and require less maintenance and upkeep. Sometimes this housing market demand is met by the private sector, but other times, government regulations or other obstacles, prevent construction of condominiums, town homes, apartments, or similar higher density housing units.

The overall condition of the housing stock in Hillsdale County is thought to be more or less typical of similar areas. A very small fraction of the housing units exhibit substandard conditions such as lacking complete plumbing facilities, complete kitchen facilities, or are overcrowded. These percentages are however, consistent with national and state statistics.

One particularly important housing statistic however, relates to the age of the housing units in Hillsdale County. The 2000 census data shows that about one third (33.8%) of all housing units in Hillsdale County were built before 1939. By comparison, only 16.7 and 14.9 percent of housing units in Michigan and nation-wide were built before 1939 respectively. While older housing stock does not necessarily imply distressed housing conditions, it can mean higher maintenance costs which can result in financial burdens on the occupants and declining conditions. Energy use is also sometimes a major consideration with these older units.



Viewed as a complete picture, housing in Hillsdale County is clearly dominated by detached, single-family and owner-occupied units.

The 2000 census data shows that about one third (33.8%) of all housing units in Hillsdale County were built before 1939. By comparison, only 16.7 and 14.9 percent of housing units in Michigan and nation-wide were built before 1939 respectively.

Community Profile and Trends

Neighborhoods/Demographic Segments

Although Hillsdale County is largely rural, one way to portray the area demographics is to consider areas of the county as various neighborhoods. In Hillsdale County, five general types of neighborhoods can be observed. These neighborhoods include: rural or small-town, older industrial style, urban, rural seasonal, and growing rural neighborhoods.

Rural neighborhoods mainly consist of residents employed in the agricultural or manufacturing sector. On average, their median household income is around \$47,000. Unemployment rates for these neighborhoods are typically low. Characteristic of these neighborhoods are residents that own their homes with a median values in the \$90,000 range.

Older industrial-style neighborhoods are located closer to manufacturing and transportation industry facilities. Typically, residents of these neighborhoods own their homes, with median values also around the \$90,000 range. Household types in these neighborhoods are a mix of couples, single-parent families, and singles. The median family income for these neighborhoods is around \$43,000.

Urban neighborhoods are mostly occupied by young singles and families. Business activity most characteristic of these neighborhoods includes retail and manufacturing, among others. The median household income for these areas is around \$45,000. Roughly half of the residents in these neighborhoods own their homes, with a median value of \$95,000. Most homes in these neighborhoods are older and were most likely built before 1960.

Rural seasonal neighborhoods contain single-family dwellings, manufactured homes, and a large quantity of seasonal housing. Located primarily within, rural, non-farm areas around lakes with the availability of multi-seasonal recreational amenities, this type of area has a median age of typically 46, with older married couples having no children living at home.

Growing rural neighborhoods are most frequently populated with families of over 3 persons. The median household income is about \$47,000. Since 2000, these types of neighborhoods have been growing at an annual rate of about 2.5 percent. Roughly 40 percent of homes were built after 1990, with 95 percent of these homes being single-family units. The median home value is about \$100,000.

In Hillsdale County, five general types of neighborhoods can be observed. These neighborhoods include: rural or small-town, older industrial style, urban, rural seasonal, and growing rural neighborhoods.



Community Profile and Trends

Income

Countywide, the median household income was \$40,396 in 1999. This level of income was about 90 percent of the Statewide median household income which was \$44,667. The median family income was somewhat higher at \$45,895, but lagged even further behind (about 85 percent) of the Statewide median family income which was \$53,457. One explanation for lower household incomes in Hillsdale County is the number of residents who receive social security income. Among the households with earnings in 1999, 29 percent had Social Security income. This compares with only 26.2 percent statewide. Also, income levels are perhaps affected somewhat due to generally lower wage rates often found in more rural areas and the presence of seasonal and resort-type areas within the County. Occupants of seasonal and more resort-type housing might include larger numbers of older residents with lower actual incomes, but substantial household assets and accumulated wealth.

Despite lower median incomes Countywide, individuals and families in Hillsdale County are less likely to be below the poverty level. Only 5.2 percent of Hillsdale County families and 8.2 percent of Hillsdale County individuals were classified as below the poverty level 1999. This compares with 7.4 percent and 10.5 percent Statewide respectively.

Workforce

According to the 2000 census, 65 percent of all residents older than 16, are in the labor force. This labor force participation rate is nearly equal to the Statewide rate of 64.6. On average, Hillsdale County workers are more likely to be engaged in production, transportation, and material moving occupations than the average statewide worker, and the dominant industry in Hillsdale County is clearly manufacturing. In 1999, nearly 35 percent of Hillsdale County workers worked at manufacturing industries, compared with 22.5 percent Statewide.

Between 1990 and 2000, the workforce in Hillsdale grew comparatively rapidly. In fact, the Hillsdale County workforce grew at nearly twice the Statewide rate (Hillsdale County 14.3 percent, versus, 8.2 percent Statewide). This was probably due in part to the expanding local economy driven by growth in the local manufacturing sector in the 1990's. Declining local manufacturing activity in recent years has likely reversed this trend.

It is also important to note that given the older characteristics of the general population in Hillsdale County, it follows that the local labor force is also somewhat older, and may be closer to retirement. Between 2000 and 2010, about 4,500 local residents will reach retirement age in the County. This equates to about one in ten residents.



Community Profile and Trends

Unemployment

Both total employment levels, and the average unemployment rate, closely mirrored that of the State, with unemployment being slightly lower than Michigan's, until the year 2000. The most current unemployment figures from February 2005 indicate that the unemployment rate for the closest Metropolitan Statistical Area (MSA) to Hillsdale County is 7 percent. According to the Bureau of Labor Statistic's table from February 2005, the State of Michigan's unemployment rate stood at 7.5 percent. This compares with a U.S. rate of 5.4 percent.

Labor Mismatch

Despite high unemployment rates, some shortages of workers are reported in the Hillsdale County, Jackson County, and Lenawee County region. Specifically, there are reported shortages of workers in some fields, while there is a surplus in others. Some of these labor shortages may be explained by comparative wage rates offered, and some may be explained by the specialized nature of required skills or abilities.



Table 1: Distribution of Total Job Seekers and Total Job Orders
(Source: 2004 State of the Workforce, South Central Michigan Works!)

Occupational Category	% Total Seekers	% Total Orders	Job Order Shortage / Surplus
Production	14.9	21.3	Surplus
Installation/Maintenance	3.3	5.0	Surplus
Construction/Extraction	9.5	2.5	Shortage
Agriculture/Fish/Forestry	0.6	0	Surplus
Clerical/Admin. asst.	15.7	11.3	Shortage
Sales	7.1	8.8	Surplus
Service	21.8	13.8	Shortage
Professional/Paraprofessional	12.3	23.8	Surplus
Managerial and Admin.	8.7	7.5	Shortage
Transportation & Mtl. Trans.	6	6.3	Surplus

According to the Michigan Talent Bank, during the first quarter of 2004 more than 17,000 persons in 22 different occupational groups, applied and competed for a mere 80 job orders in the area. So, in addition to the mismatched ratios of specific job seekers to specific job orders, there are fewer job orders in the area than potential workers, and more people may be commuting outside of the County to work.

...there are fewer job orders in the area than potential workers, and more people may be commuting outside of the County to work.



Community Profile and Trends

Education

Education attainment levels in Hillsdale County lag behind those found Statewide according to certain measures. For example, while the percent of people 25 years old or older with a high school diploma in Hillsdale County is nearly identical to the Statewide percentage, (83.1% in Hillsdale County verses 83.4 Statewide), the percent of people in Hillsdale County with a college degree is half what it evident Statewide. In Hillsdale County, only 12 percent of the residents 25 or older have a Bachelors Degree or higher, while Statewide, the number is 21.8 percent

Hillsdale County offers several post-secondary educational options to its residents. Hillsdale College is a four-year liberal arts institution and is obviously a major educational resource, drawing students from the local area and throughout the nation. Other local educational resources include Jackson Community College which operates the Clyde LaTarte Center in Hillsdale. This center provides educational opportunities to those pursuing an associate’s degree. The primary campus of Jackson Community College is within an easy commute for students. In addition, the Hillsdale County Intermediate School District and Kellogg Community College provide vocational training at the Hillsdale Workforce Development & Technology Center.

Also within commuting distance of Hillsdale residents are the University of Michigan, Michigan State University, Western Michigan University, Eastern Michigan University, Spring Arbor University and Tri-State University, in Angola, Indiana.

National and Local Manufacturing Employment Trends

Recent national and international business trends have impacted manufacturing employment to a significant degree. During the late 1990’s, national manufacturing employment held steady at about 17 million. After 2000, however, employment levels have declined steadily and stood at about 14 million during 2004. Similar trends are evident in Hillsdale County where data from the US Department of Labor suggests that manufacturing employment stood at 6,648 early in 2000, and has dropped to 4,213 near the end of 2004. Evidence also suggests that the total quarterly wages from these manufacturing establishments has likewise declined from nearly 60 million dollars to about 44 million during this same time.

Future Employment Growth

The future of employment growth in Hillsdale County is influenced greatly by national, State and regional trends. Nationally, the U.S. Department of Labor, Bureau of Labor Statistics makes projections with respect to future job creation. Some of this information includes the following perspectives:



Community Profile and Trends

Service-providing industries. The long-term shift from goods-producing to service-providing employment is expected to continue. Service-providing industries are expected to account for approximately 20.8 million of the 21.6 million new wage and salary jobs generated between 2002 and 2012.

Education and health services. Jobs in education and health services are projected to grow faster, and add more jobs than any other industry. About one of every four new jobs created in the U.S. economy between 2002 and 2012 will be in either the healthcare and social assistance or private educational services sectors.

Professional and business services. Jobs in professional and business services will grow by 30.4 percent and will also include some of the fastest growing industries in the U.S. economy.

Leisure and hospitality. Overall, employment will grow by 17.8 percent. Most of these new job openings will come from the amusement, gambling, and recreation sector. Job growth will stem from public participation in arts, entertainment, and recreation activities, reflecting increasing incomes, leisure time, and awareness of the health benefits of physical fitness.

Trade, transportation, and utilities. Overall employment in this industry will grow by 14.1 percent between 2002 and 2012. Demand for truck transportation and warehousing services will expand as many manufacturers concentrate on their core competencies and contract out their product transportation and storage functions. Employment in utilities is projected to decrease by 5.7 percent through 2012.

Financial activities. Employment is projected to grow 12.3 percent between 2002 and 2012. Real estate, rental and leasing is expected to grow by 18.4 percent, and growth will be due in part to increased demand for housing as the population grows.

Manufacturing. Employment change in manufacturing will vary by individual industry, but overall employment in this area will decline by one percent or 157,000 jobs.

At the State-level, future employment growth is also projected. According to the Michigan Department of Labor and Economic Growth,



Jobs in education and health services are projected to grow faster, and add more jobs than any other industry.



Community Profile and Trends

between 2000 and 2010, the population for all of Michigan is expected to increase by nearly 4% while labor force is expected to increase by 10.4%, a gain of 538 thousand workers. Employment is projected to rise from approximately 5 million in 2000 to nearly 5.5 million in 2010. This represents a slower growth rate compared with the previous 10-year period when employment grew from roughly 4.2 million in 1990 to approximately 5 million in 2000. Michigan job growth is expected in all industry divisions except for mining, government and manufacturing. Manufacturing is expected to shed the most jobs over the forecast period primarily in the auto and auto-related industries. Roughly 22 thousand manufacturing jobs are expected to be lost over the forecast period. Virtually all of the job growth is expected in service-producing industries, such as business services and social services. In the goods producing sector, only construction is projected to produce a significant number of new jobs.

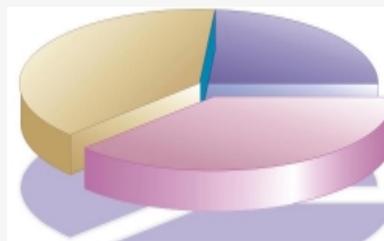
In the South Central Michigan Works Region (Hillsdale, Jackson, Lenawee Counties), similar trends are expected. The average growth for all industries between 2000 and 2010 is projected to be 10.9 percent. Notably however, some industries are expected to grow more rapidly than others. Manufacturing for example, is expected to grow only slightly (1.3%). As with manufacturing, industries such as mining, government, wholesale trade and transportation, communications and utilities, and finance, insurance, and real estate are also expected to grow at a below average rate. On the other hand, some local industries are projected to grow faster than average, and these include retail trade, services and construction.

Other National and State Trends

Looking into the future, it is important to consider national trends that are currently shaping the economic landscape of communities today. Some of these trends (which are considered to be particularly pertinent to later discussions) include the following:

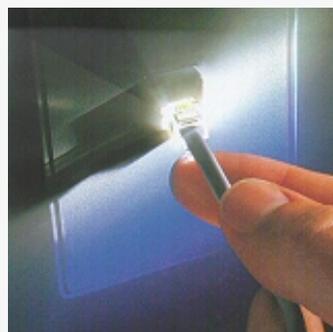
- Businesses with no paid employees grew 2.3 percent between 1999 and 2000. Examples of these types of businesses are barber and beauty shops, child-care providers, real estate agents, carpenters, plumbers, writers, and tax preparers.
- In the Northeast/Midwest, despite stagnant or slow growth trends, urban sprawl is still common. Additionally, most new job creation is occurring in more suburban locations, as opposed to urban centers which make them more accessible from suburban and rural locations.
- In 1997 nearly half of the 17 million small businesses in the United States were home-based. Only 2 percent had \$250,000 or more in receipts, while 74 percent brought in less than \$25,000.

According to the Michigan Department of Labor and Economic Growth, between 2000 and 2010, the population for all of Michigan is expected to increase by nearly 4% while labor force is expected to increase by 10.4%, a gain of 538 thousand workers.



Community Profile and Trends

- Baby boomers are helping to drive a growing market for second homes. According to American Demographics Magazine (June 2003), growth of second home buying is now about 5 percent per year, which is up from less than 2 percent per year in the 1990's.
- Apart from being more inclined to buy a second home, some retiring baby boomers are also inclined to move back to their college towns. People in this age group are sometimes lured back to where they attended college for nostalgic reasons and for an enriched cultural and intellectual environment. In Ann Arbor, University Commons is one of 25 college-affiliated retirement communities that have opened in the nation in the last decade, and more are under development. This nation-wide trend has prompted Hillsdale College to initiate plans for a similar project.
- U.S. retail e-commerce sales (e-sales) reached \$34 billion in 2001, an increase of 22 percent over revised 2000 e-sales of \$28 billion. Retail e-sales, accounted for 1.1 percent of total retail sales in 2001, up from 0.9 percent in 2000.
- E-commerce outperformed total economic activity in three of four major economic sectors measured between 2000 and 2001. Business-to-Business activity dominated e-commerce.
- Nationally, since about 1970, the U.S. has moved from a manufacturing-based economy to one based on services, with manufacturing as a percent of gross domestic product steadily declining.
- According to a study published by the Brookings Institution Metropolitan Policy Program (December 2004), in 2030, about half of the buildings in which Americans live, work, and shop will have been built after 2000. The nation had about 300 billion square feet of built space in 2000. By 2030, the nation will need about 427 billion square feet of built space to accommodate growth projections. Most of this new space will be residential space, and most will occur in the South and the West. Fast growing southern and western places, will see the most dramatic growth. However, though a small component of overall growth, the projected demand for industrial space in the Midwest outpaces that of the other regions, unlike the other major land uses. States with a strong industrial presence will see the largest amount of growth in industrial space even though other areas may witness faster growth. After California, the next four largest producers of industrial space are all Rust Belt states in the



Community Profile and Trends

Midwest: Ohio, Michigan, Illinois, and Indiana. By 2030, 70 percent of the Midwest's industrial space will be less than 30 years old. Part of the reason for the demand for more industrial space is that industrial buildings have a high rate of obsolescence.

- According to Michigan State University's Tourism Resource Center, after four consecutive difficult years, Michigan's tourism industry will experience modest growth this year (2005). The projected growth for Michigan's tourism industry is slightly below the average registered over the last 20 years. This would not be enough to recoup losses registered since 9/11 and the subsequent economic recession. Additional data from Michigan State University's Tourism Resource Center (published in June 2001) indicated that Hillsdale County was the location for more than 368,000 pleasure-trip nights, and these trips involved expenditures of more than 20 million dollars. Pleasure-trip nights are overnight or day trips at least 50 miles from a person's home made for enjoyment. Comparatively speaking, Hillsdale County's market share was shown to be about equal to Branch County and about one half of the activity in neighboring Lenawee and Calhoun Counties. Jackson County had about five times the tourist activity of Hillsdale County.

Additional data from Michigan State University's Tourism Resource Center (published in June 2001) indicated that Hillsdale County was the location for more than 368,000 pleasure-trip nights, and these trips involved expenditures of more than 20 million dollars.

