

CHAPTER 3

ECONOMY

3.0 Introduction

Historically, the economy of Storey County has been directly and indirectly linked to mining. In fact, without the unprecedented richness of the gold and silver contained in the Comstock Lode and the ability of early miners to develop them, there is no reason to account for the existence of the present towns of Virginia City and Gold Hill. During the initial mining period, other economic activities within the County, such as agriculture, construction, finance and transportation were dependent upon the market provided by mining in the area.

The perceived stability of the mining industry, a large metropolitan population, and high transportation costs to other contemporary industrial centers resulted in the development and diversification of the Comstock economy during the 1860's. Many of the industrial products needed by the mining industry and consumer goods required by the general population were soon supplied by local firms.

The unprecedented amounts of gold and silver which were extracted from the Comstock Lode helped finance the northern forces during the U.S. Civil War and created many millionaires. Because of the nature and depth of the ore, the lack of nearby natural and financial resources and the mining industry's inexperience with the development of underground ore bodies, existing technologies were refined and new technologies developed. Among the more significant of these developments were square-set timbering to support the walls and ceilings of underground slopes, the Marlette water system which incorporate a seven mile inverted syphon to bring water from the Sierra Nevada mountains to the Comstock, the construction of the Virginia & Truckee Railroad, the three and one half mile Sutro Tunnel which drained the Virginia City mines to the 1,600 foot level, the development and improvement of hydraulic pumps and elevators, and the refinement and invention of various ore milling processes and equipment. These developments were on the "cutting edge" of mid-19th century technology.

With the exception of some ranching, quarrying and power generation activities along the northern border on the Truckee River, Storey County's economic well being remained linked to the health of the mining industry. By 1933 the average price of an ounce of gold went from \$25/oz to \$36/oz, and silver went from \$.30/oz to \$.64/oz. This created widespread mining in Nevada for precious metals.

Numerous mines reopened and a period of steady growth ensued which economically benefitted the entire Comstock. New ore processing mills were built on the Comstock which used cyanide extraction technology. The main connecting roads to both Reno and Carson City were paved. These two developments however, brought about the demise of the Comstock's only railroad link, the 60 year old Virginia and Truckee Railroad. The original function of the V & T Railroad was to provide inexpensive transport of ore to the mills on the Carson River ten miles

away. With new mills located on the Comstock and alternative transportation opportunities offered by the newly paved highways, the V & T was forced to close its Virginia City line in 1938.

In contrast to the financial situation of the federal government during the U.S. Civil War, gold and silver were not commodities necessary to fuel the country's military involvement during W.W. II. In fact during this war, War Production Board Order L-208 restricted "production of non-essential mines" which included gold and silver operations. Although several mines and mills operated for a short period after W.W.II, this order effectively shut down Comstock mining operations until the government allowed the price of gold to be dictated by market demand in the mid 1970's. Several mining operations which started up after Order L-208 was rescinded in 1947 were unsuccessful due to substantially increased labor costs and a shortage of production machinery.

During the 1950's and 1960's, the economy of Storey County shifted from an industrial (mining) to a service (tourism and gaming) base. The single most important influence in this shift was probably the television show Bonanza. Virginia City was depicted in this highly successful and long running series as being located a short wagon ride away from the Cartwright Ranch, located in the majestic pines next to Lake Tahoe. Notwithstanding the facts that the Comstock Lode is two mountain ranges away and over 35 miles by road, tourists began to flock to Virginia City looking for evidence of the Cartwright family. Local merchants have adapted to the changing economic parameters by promoting events such as Camel Racing, Firefighters' Musters, Bonanza Days and a host of other events which capitalize on the mystique of Virginia City during the heyday of the Comstock.

3.1 Economic Characteristics

3.1.1 Labor Force Characteristics

Analyzing labor force and employment data in Storey County is complicated by the fact that a very large proportion of residents commute to jobs outside the county, mainly Carson City and Reno. In 1985, the Nevada Office of Community Services estimated that nearly half the people living in Storey County commute to jobs outside the county (Storey County Nevada Profile, 1985 Edition). Labor force data includes those commuting workers while establishment based employment figures do not. Consequently, total employment is shown to be significantly greater in the labor force data than in the Storey County establishment based employment data.

In June 1990, there were 980 workers in the Storey County labor force (Table 3.1). 950 workers were employed and 30 were unemployed. 98% were occupied in non-agricultural positions. Unemployment according to the Nevada Employment Security Department, was 3.3%, the lowest figure for the previous three years. From June 1988 to June 1990 total employment increased from 900 to 950, or 5.6 %.

Since 1985, seasonally adjusted unemployment has declined steadily from an annual average rate of 10.6% to 5.0% in 1989. The highest seasonally adjusted monthly figure for this period was 12.7% in May 1985 while the lowest rate was 3.3% posted in June 1990. (See Table 3.2)

3.1.2 Employment and Wages

In 1989 total establishment based employment was 730 in Storey County (Table 3.3). This represents a 14% increase from the year before and a 26% increase from 1985. 150 new non-agricultural jobs were developed in the county during this period, the largest number, 50, occurring in the trade sector.

Mining continues to represent a significant proportion of non-agricultural industry based employment. However, employment figures indicate that tourism has replaced mining as the county's major economic activity. During the last decade, mining employment declined significantly from 290 (42%) in 1983 to approximately 130 (15%) of the work force in 1989. In the last decade, mining has played less of a role in the overall economic activity in terms of employment. However, it should be noted that with such a small total employment base, the reopening of even a single moderate sized mining operation would significantly impact employment.

In 1989 the largest percentage of the work force was employed in the wholesale and retail trades. The second largest category was the service trade with 210 employees. Combined, these two sectors accounted for 54% of non-agricultural employment in the county. Although less than the comparable statewide figure of 63%, this illustrates the development of tourism into the county's major economic activity.

During June 1989, Storey County employers paid an average weekly wage of \$591 (Table 3.4). The highest weekly wage of \$736/week was paid in the transportation, communication and public utility industry. This is considerably higher than the statewide average of \$477/week in this industry. The only other industry which exceeded the statewide average was manufacturing. In all other industries, Storey County average weekly wages were less than the Nevada average; the total figure for all industries was 11% less than the statewide average of \$666/week.

3.1.3 Business Firms

According to the Nevada Employment Security Department, in 1989 there were 88 firms operating in Storey County. (Table 3.5) This represents a 14% increase since 1987. The largest increase was reflected in the trade sector. In 1989 over 94% of the firms reporting to the Nevada Employment Security Department employed had less than 50 workers, the smallest reporting category. The remaining 6% firms employed between 50 and 99 workers. No firms reported employing 100 or more people. Even though the firms in the 50-99 category accounted for close to 40% of all establishment based employment, the average number of workers for all firms in the county was less than 10 employees. (Table 3.6)

3.1.4 Buying Income and Taxable Sales

In 1989 the household effective buying income in Storey County was comparable to the state average and slightly below the national average (Table 3.7). However, due to the greater number of residents per household, per capita buying income was almost 30% less in Storey County than either the state or national average. 35% of the county households had an effective buying income of less than \$20,000, compared to 44% in Nevada and 39% throughout the nation. The percentage of Storey County households with a buying income of \$35,000 and over was 38%, higher than either the state or national average.

For the past five years Total Taxable Sales in the county have ranged from \$1.4 million to \$1.8 million (Table 3.8). There is no definable trend in this indicator. The year to year percentage change has varied from -10.4% (1988 to 1989) to +15.1% (1987 to 1988).

3.2 Economic Development

The economic base of a county are those activities which provide basic employment and income. Storey County's economic base has shifted since World War II from mining to tourism. However, most of this economic activity has occurred in the Virginia City/Gold Hill area, where 35% of the county's population is located. Although the Mark Twain and the Virginia Highlands districts have about the same percentage of total county population they have no established business firms. Residents in these districts are primarily employed outside Storey County. The River District has a few businesses where employment opportunities exist. However, no area in this district can be said to have a developed economy.

For these reasons, Storey County's economy should be considered fragmented and underdeveloped. The four districts within the county are entirely separate and distinct; only two of them are connected by a paved road within the county. There are no supermarkets, furniture stores, department stores, motion picture theaters or pharmacies in the county. Two small grocery stores serve the community of Virginia City/Gold Hill.

In this situation, most land use planners and planning documents would stress the need for concerted community involvement in economic development. However, in Storey County, it must be asked if the local market is large enough to support the development of consumer retail and service businesses for residents. Ancillary to this is the question: would the resident voting population of the county support the use of scarce resources to develop an economic development and/or diversification program? Evidence suggests that development of such a plan would not be feasible without the same concerted community involvement. Limited existing resources would be used more effectively in developing roads and other public and semi-public facilities throughout the county.

However, there are two areas in the county which should be viewed for potential industrial development. One area close to Virginia City which merits consideration is American Flat to the east of Gold Hill. Previous development in this area, specifically two ore processing mills

which are presently abandoned, has been directly related to mining. There has been considerable surface disturbance as a result of these facilities which needs to be addressed in the future. A connecting road south to U.S. Highway 50 would provide direct access to Carson City. This area is prime for either industrial or residential development.

Considerable development has occurred in the River District and development is expected to continue. Planning officials should give serious consideration to development and zoning for an industrial park in this area. Several benefits to the community offered by industrial park development over land development by individual industries include:

- Full serviced site developed by an experienced industrial developer.
- Diversification of the economy through attraction of several industries or branch offices of larger firms. This negates the economic dependency often created by relying on one large industry.
- Broadens the tax base by permitting more equitable and efficient assessment and administrative practices by the county because of a common base.
- Permits more efficient and economic extension of municipal services (water, sewer, utilities, streets, etc.) through concentration of a number of industries in a specific area rather than scattered indiscriminately in separate locations.
- Provides a real measure of control over industrial operations, sounder land use relationships, environmental management and community compatibility.

An industrial park is a highly restricted, planned industrial district. Special emphasis and attention are given to aesthetics, environmental controls and community compatibility. The industrial park is developed according to a comprehensive plan, prepared by a developer and approved by the county. The comprehensive plan should include sufficient detail to illustrate circulation patterns, including rail if applicable, and all necessary utilities. The plan should discuss all services to be provided for a community of basic industrial and non-basic industrial oriented uses.

Adequate control of the land, buildings and industrial operations is provided through zoning, private restrictions incorporated as legal requirements in deeds of sale or lease and the provision of continuing management. This assures attractive and efficient uses within the park and the harmonious integration of the industrial area into the community in which it is located.

Several limitations of industrial parks include:

- Unsuitability for industries needing large acreage such as chemical plants, primary metal operators, ore mills, etc., which require total control of the land and surroundings.

-Initial high price of locating in an industrial park may exclude newly established or small firms.

-Loss of identity is a drawback, particularly for large firms wanting to construct unique buildings.

-Difficulties involved in future plant expansion.

-Development restrictions and performance standards which initially seemed reasonable may become burdensome as production processes change because of altered production systems.

-Transportation problems can occur unless the park is carefully situated, comprehensively planned and judiciously developed.

Whether or not industrial park development is pursued, the county zoning ordinance should require Special Use Permits to regulate environmental impacts, noise levels, site control, services, utilities and circulation. To ensure a sound economic future for Storey County, the Board of County Commissioners in 1979 commissioned a study to evaluate the County's industrial development potential and its impacts, both positive and negative. The report resulting from this study (S E A, 1979) is still relevant and is incorporated by reference as a part of this Master Plan.

LABOR FORCE DISTRIBUTION Storey County Table 3.1

	June 1990	June 1989	June 1988
Labor Force	980	990	950
Employment	950	960	900
Nonagricultural	930	940	880
Agricultural	20	10	20
Unemployment	30	70	50
Unemployment Rate	3.3%	3.9%	5.8%

Source: Nevada Employment Security Department, Carson City.

UNEMPLOYMENT RATES Storey County Table 3.2

5 Year Monthly Comparison (seasonally adjusted)												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1985				10.2	12.7	11.1	12.4	9.2	8.8	8.0	8.4	9.5
1986	9.7	7.5	6.0	5.0	5.2	5.5	4.8	5.5	5.9	7.7	8.1	8.3
1987	6.6	7.9	6.5	7.3	6.2	3.9	4.7	5.1	5.3	6.7	8.8	5.0
1988	6.6	8.0	8.9	7.9	7.5	5.8	5.9	3.5	5.2	4.4	5.4	4.8
1989	6.2	5.5	5.2	5.2	4.8	3.9	4.5	4.0	4.5	4.8	5.0	4.2
1990	4.8	5.1	6.6	4.8	3.8	3.3						

SOURCE: NEVADA EMPLOYMENT SECURITY DEPARTMENT.

ESTABLISHMENT BASED INDUSTRIAL EMPLOYMENT Storey County 1985-1989 Table 3.3

INDUSTRY	1985	1986	1987	1988	1989
Mining	130	70	100	80	130
Construction	-	-	-	-	20
Manufacturing	-	-	30	30	40
T.C.P.U. (1)	50	50	50	50	40
Retail Trade	140	150	170	180	190
F.I.R.E. (2)	-	-	-	-	-
Service	150	150	170	180	190
Government	100	100	110	110	130
TOTALS	580	550	630	640	730

Note: Data shows employment by place of work; includes multiple job holders.
Source: Nevada Employment Security Department, Carson City.

EMPLOYMENT & WAGES BY INDUSTRIAL GROUP

Storey County June 1989 Table 3.4

INDUSTRY	June 1989 Employment	Average Weekly Wage	
		Storey Co.	Nevada
Mining	130	\$591	\$666
Construction	20	\$368	\$521
Manufacturing	50	\$660	\$448
TCPU (1)	40	\$736	\$477
Trade	220	\$221	\$305
FIRE (2)	n/a	n/a	\$431
Service	210	\$212	\$364
Government	130	\$417	\$483
All Groups (3)	790	\$371	\$399

(1) Transportation, communication & public utilities.

(2) Finance, insurance & real estate.

(3) Totals may not add due to rounding.

Source: Nevada Employment Security Department, Carson City.

NUMBER OF FIRMS by INDUSTRIAL GROUP

Storey County June 1987-1989 Table 3.5

INDUSTRY	1989		1988		1987	
	#	% of Total	#	% of Total	#	% of Total
Mining	7	8.0%	5	6.3%	7	9.1%
Construction	7	8.0%	4	5.0%	4	5.2%
Manufacturing	4	4.6%	4	5.0%	5	6.5%
TCPU (1)	6	6.8%	5	6.3%	6	7.8%
Trade	40	45.5%	38	47.5%	32	41.6%
FIRE (2)	2	2.3%	2	2.5%	2	2.6%
Service	19	21.6%	19	23.8%	18	23.4%
Government	3	3.4%	3	3.8%	3	3.9%
All Groups	88	100.0%	80	100.0%	77	100.0%

(1) Transportation, communication & public utilities.

(2) Finance, insurance & real estate.

(3) Totals may not add due to rounding.

Source: Nevada Employment Security Department, Carson City.

SIZE OF BUSINESS FIRM BY EMPLOYMENT, STOREY COUNTY
Storey County, 1987-1989, October - December Quarter
Table 3.6

FIRM SIZE	1987	1988	1989	% Change
Less than 10 Employees	54	67	69	27.8
10 - 19 Employees	9	9	8	-11.1
20 - 49 Employees	7	4	6	-14.3
50 - 99 Employees	3	3	4	33.3
100 + Employees	0	0	0	0
Total Number of Firms	73	83	87	19.2

Source: Nevada Employment Security Department, Carson City.

EFFECTIVE BUYING INCOME 1989
Table 3.7

	Storey County	State of Nevada	United States
Average Household EBI	\$33,460	\$33,821	\$35,179
Median Household EBI	\$29,917	\$27,348	\$25,976
Per Capita	\$10,038	\$13,938	\$13,158
% of Household by EBI Group			
less than \$10,000	12.8%	20.0%	17.7%
\$10,000 - \$19,999	22.3%	24.0%	21.1%
\$20,000 - \$34,999	27.9%	27.8%	25.9%
\$35,000 - \$49,999	20.3%	15.1%	16.7%
\$50,000 - and Over	16.7%	13.1%	18.6%

Source: 1990 Survey of Buying Power, Sales and Marketing Management Magazine

TAXABLE SALES
Storey County, 1986 - 1990
Table 3.8

Fiscal Year	Total Taxable Sales	Change
1986	\$1,403,618	—
1987	\$1,536,961	+9.5%
1988	\$1,769,215	+15.1%
1989	\$1,585,608	-10.4%
1990	\$1,500,732	-5.4%

Source: Nevada Department of Taxation, Carson City.