



# ***Annual Report***

of the

**Oregon Economic and  
Community Development  
Commission**

**July 1, 2001 - June 30, 2002**

# Annual Report

Oregon Economic and Community Development Commission  
July 1, 2001 to June 30, 2002

*"Making Oregon a great place to live and do business"*

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## Economic and Community Development Commission



**Brett E. Wilcox, Chair**  
**The Dalles**

Appointed Sept 1997, Reappointed Sept 2001  
Term expires 2005

Brett Wilcox is president and owner of two aluminum companies, one in The Dalles, the second in Goldendale, Washington. A graduate of Princeton University and Stanford Law School, his experience includes work as an attorney specializing in energy and business matters.

Wilcox is involved in numerous civic and charitable activities including board memberships for Reed College, Oregon Business Council, Washington Roundtable and Bonneville Environmental. He has been honored with the U.S. Senate Productivity Award, the Council for Economic Development Award and the Job Training Partnership Award and is the vice chair of the Oregon Progress Board.

**Nancy L. Tait**  
**Medford**

Appointed Sept 2001  
Term expires 2003

Nancy L. Tait is President and CEO of Bear Creek Corporation. Her previous position with Harry and David was as Vice President of Marketing and Merchandising. Tait also has experience with the Eddie Bauer Company and Bon Marche department stores.

Tait is a member of the Oregon Shakespeare Festival Board of Directors. She is a member of the Direct Marketing Association and on its Catalog Council and was previously a member of the Oregon Internet Commission and Southern Oregon Public Television Board of Directors.



**Carl Talton**  
**Portland**

Appointed Sept 2000, Reappointed July 2001  
Term expires 2005

Carl Talton is the vice president of Community Business Development for Portland General Electric (PGE). Prior to joining PGE,

Carl served as General Business Director for PacifiCorp's electrical operations in Montana, Washington and northern Oregon.

Talton served as a board member of the Portland Development Commission from 1987-2002, and was board chair from 1995-1999. He now is a board member for several community organizations including Northeast Community Development Corporation, Oregon Association of Minority Entrepreneurs, United Way of Columbia-Willamette and the Mayor's Roundtable.



**Jean B. Tate**  
**Eugene**

Appointed Sept 2001  
Term expires 2005

Jean Tate is the founder and former owner of Jean Tate Real Estate. She is a Certified Commercial Investment Manager (CCIM) and a former high school teacher. Tate was a founding board member of the Metropolitan Affordable Housing Corporation, which builds affordable housing for families and individuals with low incomes, in 1992 and now serves as its immediate past president. In 1977 she was a founding board member of Centennial Bank and continued to sit on its board until 2001.

She was a member of the Willamette Valley Livability Forum and chaired the Vote by Mail Committee. She also chaired the State Commission on Women and the Capitol Planning Commission and served on the Government Standards and Practices Commission. She is a recipient of the Pioneer Award and Distinguished Service Award from the University of Oregon and the Harvey Clarke Award and Distinguished Alum Award from Pacific University.

**Dale White**  
**Burns**

Appointed Nov 1993, Reappointed Nov 1995, Reappointed Nov 1999  
Term expires 2003

Dale White served as Harney County Judge for 24 years, in addition to stints as both councilman and mayor for the city of Burns. A graduate of the University of Oregon, Judge White served on the boards of the Association of Oregon Counties (AOC) for more than 20 years, the Western Interstate Region for 18 years and the National Association of Counties (NACo) for 14 years.

In 1990, White received recognition as the nation's top elected county official who worked with public lands from Western Interstate Region of the National Association of Counties and the Dr. Robert K. Wood Award for Outstanding Devotion to Economic Development from the Ida-Ore Planning and Development Association. In 1993, Governor Barbara Roberts presented him with the Governor's Award of Recognition for Exceptional Contribution to State and Local Economic Development.



## Economic and Community Development Department Director



### **Marty Brantley**

Marty Brantley was confirmed by the Oregon Senate on Jan. 24, 2003 as director of the Oregon Economic and Community Development Department. He replaced Bill Scott, who retired in 2002.

Brantley is a longtime Portland television executive and business leader. He was president of KPTV-TV in Portland from 1983 until his retirement in 2000. During the last two years of his tenure, KPTV won 28 national and international awards including the prestigious Peabody Award.

His business and community ties are strong—he served six years as a Portland director of the Federal Reserve Bank of San Francisco and also served on the boards of the Association for Portland Progress, Jesuit High School, Lewis & Clark College, Sisters of Providence Health System, the Portland Art Museum and the United Way.

## Executive Summary

To a small town in eastern Oregon, economic development is a new water supply system to support additional business and provide for its citizens. To a major metropolitan area, economic development is redevelopment of a depressed downtown area that attracts visitors and new business. To a small business owner, economic development is a loan that helps the business grow and open new markets. And to a large corporation economic development is assistance with tax abatement in exchange for creating or retaining family wage jobs for Oregonians.

All of these activities must come together to make all of Oregon prosperous.

The Oregon Economic and Community Development Commission guides the work of the Oregon Economic and Community Development Department (OECDD) to make these events happen. Together they provide assistance with expansion and retention of existing companies, and the recruitment of new companies. They administer programs to help small and emerging businesses. They also assist cities and communities throughout the state in developing or upgrading the infrastructure necessary to attract and retain business and industry.

The commission's mission is: To assist Oregon businesses and governments to create economic opportunities and

build quality communities throughout Oregon. This report examines the progress made towards fulfilling that mission in fiscal year July 1, 2001 - June 30, 2002.

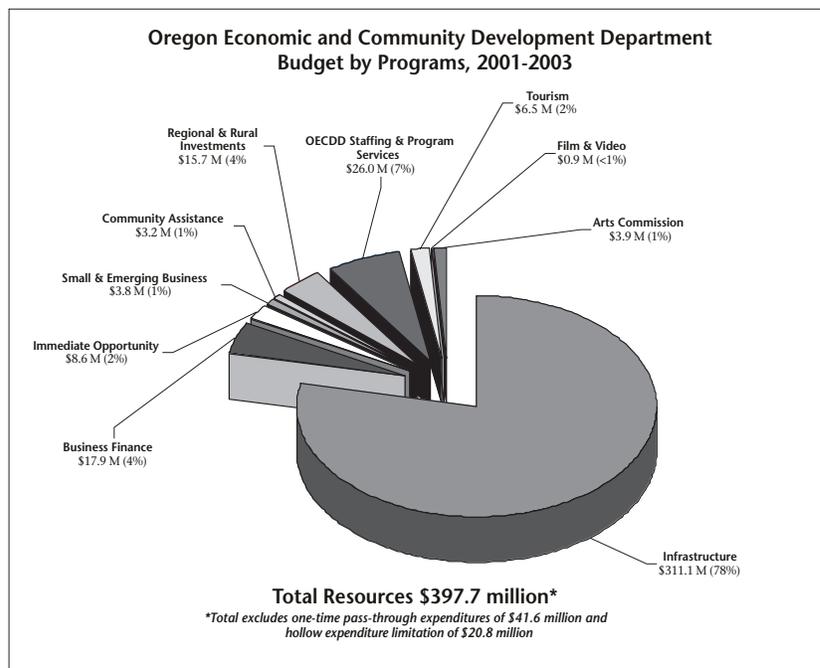
The Oregon Legislature approves OECDD's budget biennially. In the 2001-03 biennium, \$397.7 million is available for the department's work.

About 10 percent of this resource focuses on business retention, expansion and recruitment with short-term job impact. 2001-02 results includes more than 8,000 jobs created or retained with 85 percent of those earning wages above average for the county.

About 78 percent of this resource focus is on community development through financing water and sewer systems and community facilities such as senior centers. Infrastructure financing uses loans and bonds to leverage federal and state grants.

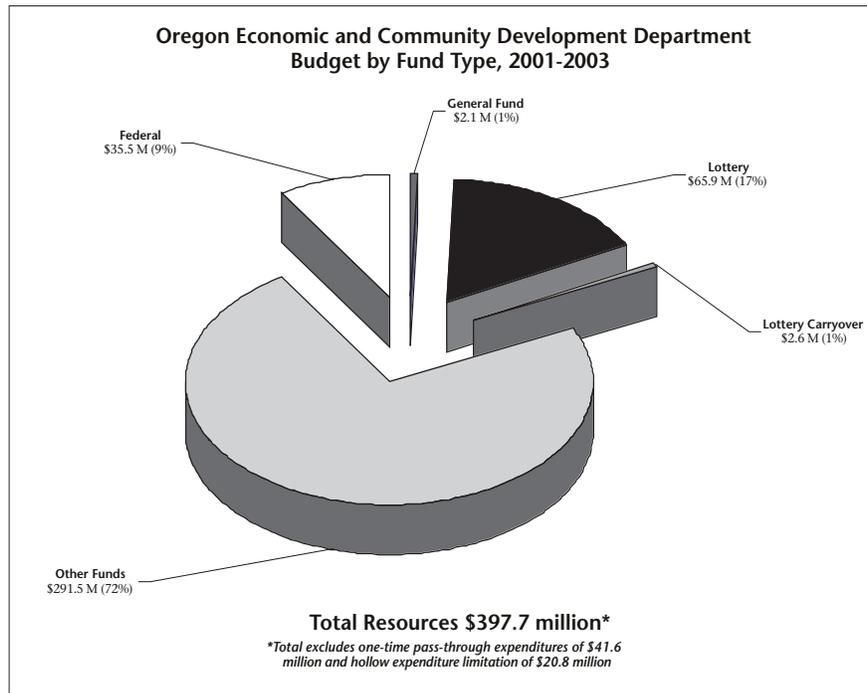
The rest of the department's budget consists of pass-through funds to the Oregon Tourism Commission, Oregon Arts Commission, the Oregon Film and Video Office and Regional/Rural Investment Funds. In addition, the budget contains \$41.6 million of one-time pass-through funds and approximately \$21 million hollow expenditure limitation.

More information on the department's resources is shown in graphs 1, 2 and 3.



Graph 1.

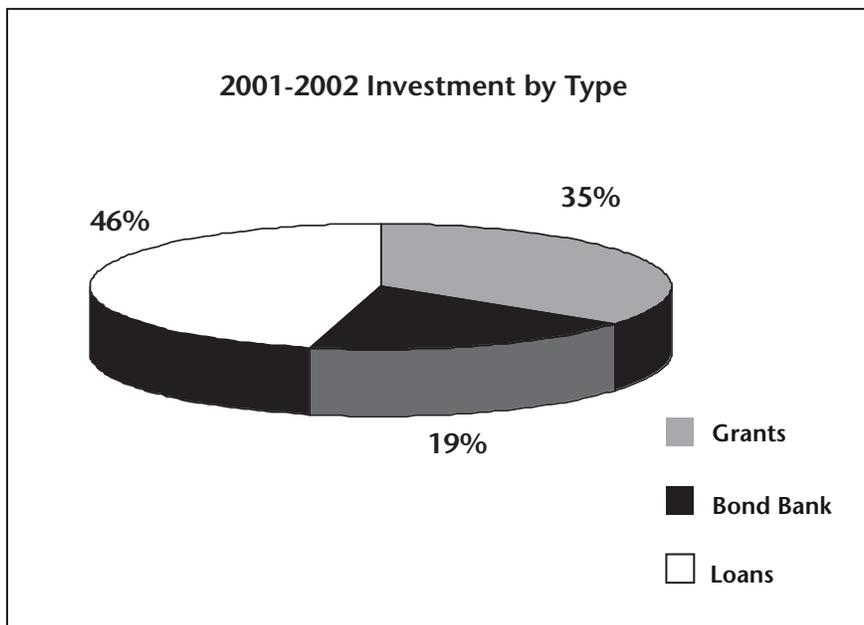
*Department resources are divided into three main components:*  
**10 percent** *business retention, expansion and recruitment*  
**78 percent** *water, sewer and other infrastructure financing*  
**12 percent** *pass-through funds to the Oregon Tourism Commission, the Oregon Arts Commission, the Oregon Film and Video Office and Regional and Rural Investment Funds.*



Graph 2.

*The department's two main funding sources are repayments for past loans and bonds (72 percent) and lottery funds (17 percent).*

*Repayments are restricted to infrastructure use; lottery funds pay for business development programs and staffing, the Oregon Tourism Commission, the Oregon Arts Commission, the Oregon Film and Video Office and debit service for Lottery Bonds.*

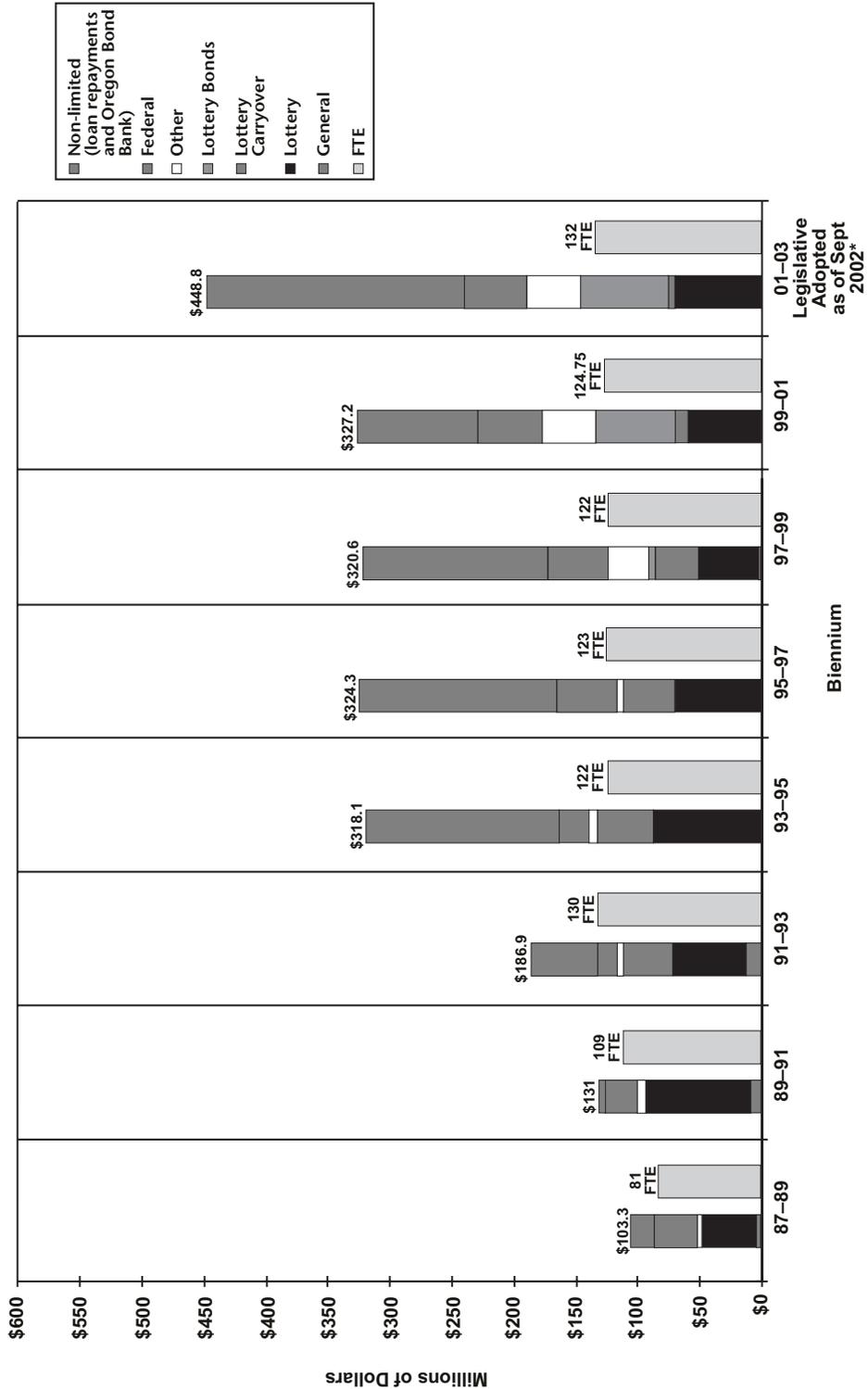


Graph 3.

*The department uses loans and bonds to leverage grant dollars. Grant funds come from Lottery funds and federal funds; loans are financed through repayments from previously funded projects. The Oregon Bond Bank packages projects for bond sale to achieve lower interest rates and savings for local jurisdictions.*

*In addition, the department's staffing and budget for 1987 - 2003 are shown in the following graph (Graph 4) for comparison.*

# Oregon Economic and Community Development Department Budget and Staff, 1987-2003



Budget and staff excludes Tourism, Film and Video, Arts, Progress Board, JTPA.  
\*Includes fund shift for 8 positions from Lottery Fund to Other Fund.

Graph 4.

*The department's non-limited funds have grown over the past decade as a result of revolving loans. Since 1999, Lottery Bonds have been the main source for infrastructure funding.*

## **New and retained jobs for Oregonians**

The Oregon economy has suffered more than other states in the current national economic downturn. Though the state's unemployment rate is gradually declining, it still is the highest in the nation. The commission and department have directed attention to this problem with good results.

In fiscal year 2001-02 the department, with business and community partners, was involved with the creation of 2,577 new jobs. The significant shift in the economy caused more concentration on retaining family wage jobs. In this same time period, 5,707 jobs were retained through efforts of the department. This number of jobs is projected at the onset of each project; the staff checks actual results after the project is completed.

More detail about these efforts can be found on page 12 in this report.

### **Business siting**

Department staff followed up on 283 leads with the potential of siting new businesses in Oregon during this time frame. Of those, 261 are still active and nine are now either open for business in Oregon or preparing to do so soon. For a detailed list of those who chose Oregon, see page 12 of this report.

### **Small business assistance**

The department contracts with a number of qualified organizations that provide direct service to Oregon's small businesses. In fiscal year 2001-02 small business development centers throughout the state assisted 5,710 customers. Contracted advisors work through the state to help small business owners meet challenges. A recent survey of business owners assisted shows a high approval rating. The survey revealed that department services were pivotal in creating 2,900 new jobs and increasing sales of nearly \$74 million in fiscal year 2001-02. More information about this survey and the services offered to small, emerging, women- and minority-owned businesses is on page 14.

### **International trade**

Oregon is a key player in international trade and the International Trade Division staff works to help businesses enter or expand efforts in this vital arena. In fiscal year 2001-02, the division assisted with more than \$16.2 million in sales to foreign markets. In addition, trade offices helped attract inbound investments that resulted in three businesses locating in Oregon. For a detailed look at the department's work in international trade, see page 17 of this report.

### **Focus on rural areas and distressed areas**

Oregon is a state divided by many natural wonders—mountain ranges, deserts, rivers and forestlands.

Oregon is also divided—as are many western states—into metropolitan and rural areas. Balancing and funding the divergent, and at some times competitive, needs of these two “Oregons” with limited resources has been an ongoing challenge. But the commission and the department have done just that following directives from the 1997 and 1999 Legislative Assemblies that special attention and resources be directed to rural areas and distressed areas—both urban and rural.

In this fiscal year, rural communities received 56 percent of the department's grants. Distressed communities garnered 38 percent of grants. On pages 21 to 23 you'll find details about these services. The methodology used to determine the state's distressed areas is also fully explained on page 22.

### **Building quality communities**

A central core to economic development and vitality is adequate infrastructure. Many of Oregon's communities desire further economic development but cannot offer the water, sewer, telecommunications and transportation systems that businesses must have to site or expand facilities.

The department also helps many communities with low-interest loans to upgrade their water or sewer treatment plants to help meet federal mandates.

Through a wide variety of funding and technical assistance tools (explained on pages 26-27) the department assisted 139 Oregon communities during the 2001-02 fiscal year. During this period, 32 water/wastewater systems were finished and 22 planning and design projects were completed.

### **Broadband Connectivity**

Connectivity to broadband is of increasing importance to business. The commission and department directed \$68 million of Qwest investment of its fiber-optic network to maximize benefits to businesses and Oregonians in Qwest service areas. These investments directly assisted 12 counties.

### **Working with the knowledge economy**

The department partnered with the Oregon University System and community colleges to staff the Oregon Council on Knowledge and Economic Development in its formation of a strategy to renew Oregon's economy.

In addition, the department initiated efforts to help Oregon's cybersecurity cluster and the biotechnology initiative.

### **Looking to the future**

The commission has set the course for the department's work today and in the future. A new strategic plan was adopted in December 2002 that commits commission and department energies to focus on job creation while continuing to help communities across Oregon.

The full plan is printed on page 9 of this report.

## **“Message from the Commission”**

### **A strategic plan for future prosperity**

*“Making Oregon a great place to live and do business.”*

Oregon’s economy has undergone fundamental shifts in recent years. Major factors affecting these shifts include rapid growth of high technology, effect of federal forest policy on timber output, increased adoption of technology in all sectors, impact of a global market and global competition.

During this period, the Oregon Economic and Community Development Commission through the Economic and Community Development Department has facilitated the expansion of high technology companies. It has also secured federal funding to help rural communities with their transition from a resource-based economy. Since 1997, the Oregon Legislature has directed the commission to focus the department’s efforts on rural and distressed areas of the state.

The current economic downturn creates an urgent need for an economic development strategy and a re-articulation of the department’s focus. The commission’s strategic plan, adopted December 12, 2002, clarifies the department’s roles, capabilities and responsibilities for both short-term economic stimulus and longer-term economic diversification.

The commission will persistently advocate for a competitive business climate in Oregon. The commission has charged the director and staff of OECDD to serve as “ombudsmen” with other state agencies in their interaction with Oregon businesses. Further, staff is to advocate for business interests and provide analysis of the potential impact on businesses of proposed policies. The commission members believe all of Oregon should participate in economic prosperity; thus, the strategic plan continues the legislative charge for the department to assist rural and distressed areas.

The commission and department strongly support Governor Ted Kulongoski and the Oregon Legislature in developing and implementing a statewide economic development strategy. Key elements of such a strategy would include access to capital, workforce productivity, regulatory reform, available industrial land, education funding, technology transfer, transportation infrastructure, tax structure, international trade and development of traded sector industry clusters to strengthen pioneering innovation. The commission and department stand ready to advance such an effort.

Although the department’s direct impact is limited, strong direction and support from Governor Kulongoski will ensure the commission and department have a greater voice in public policy and state programs affecting businesses. This heightened focus on business competitiveness will lead to more good jobs for Oregonians.

Oregon Economic and Community Development Commission

Brett Wilcox, Chair  
Carl Talton  
Nancy Tait  
Jean Tate  
Dale White

# Strategic Plan of the Oregon Economic and Community Development

## Vision

Oregon—a great place to live and do business.

## Mission

To assist Oregon businesses and governments to create economic opportunities and build quality communities throughout Oregon.

## Values

**Excellence:** We are dynamic and creative. We hold ourselves accountable to the highest standards, both professionally and ethically. We embrace change and welcome new challenges.

**Accountability:** We make responsible decisions that are in the best interest of Oregon. We look at all options and evaluate the consequences with a sense of purpose and a view to the future.

**Partnership:** We build strong coalitions that ensure all of Oregon participates in the state's economic vitality. When local capacity exists, we collaborate with partners to deliver services.

**Entrepreneurial spirit:** We value the entrepreneurial spirit that fuels our economy and support efforts to further foster this spirit.

**Diversity:** We appreciate all aspects of Oregon's economy. We hold all Oregonians and their communities in high regard.

**Results:** We continuously monitor our performance and outcomes to measure achievement of our mission and goals.

## Goals and Strategies

### Goal: Create Economic Opportunities

#### Strategy: Lead integration and coordination of Oregon's economic strategy.

##### Statewide strategy

- Develop and adopt a statewide economic development strategy.

##### Regional programs

- Support local partners in developing and implementing regional business retention and expansion programs.
- Continue to direct grant resources toward rural, distressed areas.

#### Strategy: Focus on business retention, expansion and recruitment.

##### Leadership

- Fully engage the governor and legislators in business recruitment and business development activities.
- Build stronger relationships with the business community.
- Focus on traded sector industry clusters which build competitive success for Oregon's economy.
- Partner with the Oregon Council on Knowledge and Economic Development to develop and implement a technology roadmap for commercialization of ideas in knowledge-based industries.
- Develop and implement a marketing plan for Oregon, communicating that it is a great place to live and do business.

##### Oregon companies

- Assist Oregon companies in adopting technology to improve productivity and competitiveness; focus on traded sector industries.
- Expand and diversify markets for Oregon products through assistance in international trade.
- Encourage sustainable practices that improve competitiveness of Oregon businesses.
- Develop and implement programs that support the success of Oregon companies, small businesses, as well as women- and minority-owned businesses.
- Partner with banks and other funding sources to provide a flexible menu of financing options to meet the financial needs of businesses.

##### Recruitment

- Develop new strategies to expand Oregon's core industries; apply the principles of industry clusters in these strategies.
- Grow Oregon's economy by identifying and recruiting companies from targeted industries; fund initiatives.
- Invest in business development programs to recruit new businesses; increase "deal-making" monies.
- Work with local communities to develop industrial land capacity and "shovel-ready" sites.

- Promote effective workforce training incentives that leverage Work Force Investment Act funding to attract and support business investments.

**Strategy: Be the catalyst for a competitive Oregon business climate, champion regulatory reform and a competitive tax structure.**

Competitive business climate

- Ensure the mix of incentive and tax programs is competitive for business retention, expansion and recruitment.
- Troubleshoot and help solve business problems through communication and company visits.
- Raise awareness of tax issues and their impact on business climate and business investment; focus efforts on state policy makers.

Regulatory reform

- Advocate for business interests with federal, state and local agencies to simplify regulatory processes and improve multi-jurisdictional coordination.
- Engage appropriate agencies with businesses to expedite approvals for permit and regulatory process.

**Goal: Build Quality Communities**

**Strategy: Deliver technical and financial assistance for essential community infrastructure.**

- Coordinate with federal, state and local partners to leverage limited funds.
- Provide loans and grants to develop infrastructure necessary for creation or expansion of jobs for Oregonians.

- Offer technical assistance, loans and grants to correct regulatory compliance problems at local level.
- Sell revenue bonds through the Oregon Bond Bank to generate additional resources and leverage existing ones.
- Obtain and deliver federal, private and other funds for community needs.

**Strategy: Actively facilitate local and regional solutions for economic and community development.**

- Build partnerships with private and public entities to maintain the necessary network for collaboration in economic and community development.
- Convene and coordinate state and federal agencies to find effective solutions for local needs.
- Provide expertise to local communities working to eliminate or overcome barriers to economic and community development.
- Support efforts to build local capacity for economic and community development.

*Adopted December 12, 2002*

## Achievements from July 1, 2001 to June 30, 2002

OECDD was created in 1973 as a cabinet-level agency directly accountable to the governor. It invests lottery, federal and other funds to help communities and businesses build a healthy business climate that stimulates employment, enhances quality of life and sustains Oregon's long-term prosperity. The commission and its department help provide the foundation for business growth and competition that supports workers, communities and the environment. They also work with local partners to help improve education, develop the workforce and manage natural resources.

Performance measurements are taken to determine the progress and success the department has experienced in attaining the commissions goals of:

- Create Economic Opportunities
- Build Quality Communities
- Manage for Results

This section highlights accomplishments of the commission and the department during fiscal year July 1, 2001 to June 30, 2002.

## Short-term job creation and retention results

From July 1, 2001 to June 30, 2002, the department helped to create 2,577 new jobs. In addition, 5,707 jobs were retained. The number of jobs is projected at the onset of each project; the department checks the actual result after the project is completed.

Of the 8,284 total projected jobs:

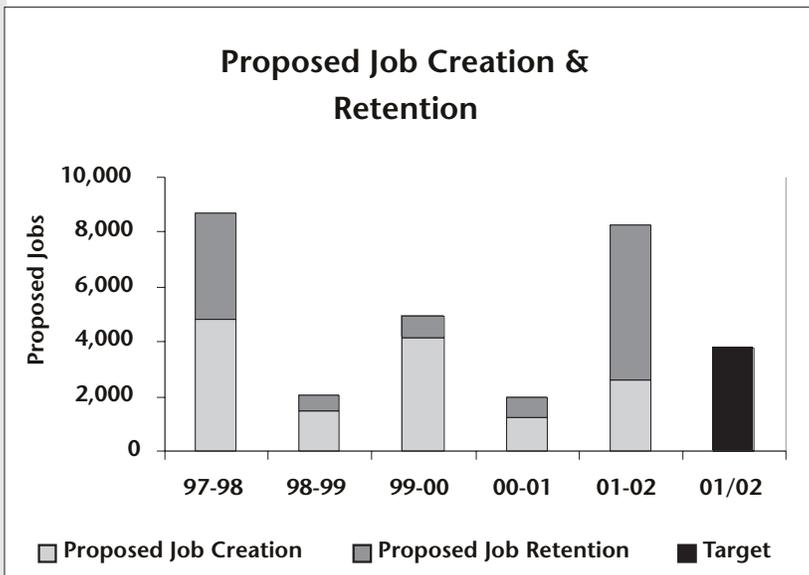
31.1 percent were new jobs and 68.9 percent were retained jobs,

30.5 percent were in distressed areas, both urban and rural,

32.6 percent were in rural areas, both distressed and non-distressed, and

85 percent of the jobs earn above average county wages; the target was 50 percent.

The goal of new and retained jobs for this time period was 3,750.



Graph 5.

*This graph compares the projected number of jobs created and retained for the past five fiscal years. In 2001-02 job retention as a percent of total was the highest in recent years.*

## Creating jobs statewide through industrial siting

During fiscal year 2001-02 the department followed up on 283 leads of businesses interested in siting facilities in Oregon. Successful business sitings during fiscal year 2001-02 included:

Bridgestone Sports, Tualatin - Japanese recreational equipment manufacturer that will create 30 jobs.

Cendant Call Center, Fairfield Resorts, Salem - Customer service call center that employed 125 to start and will more than double to 300 within the first year.

IMEX, Salem - The world's largest producer of recycled toner cartridges plans to invest \$10 million in the new Salem facility and hire 30 employees.

Intermountain RV, LaGrande - Manufactures aluminum, weld-frame slide-out campers. The company will create 13 jobs.

Microchip, Gresham - Semiconductor manufacturer will create 688 jobs over the next several years, rehiring more than 300 laid-off Fujitsu employees.

Natural Structures, Baker City - Manufactures playground equipment and other park and athletic equipment. The company created 30 jobs.

Regence Blue Cross Blue Shield, Medford - Northwest-based medical insurance provider purchased will create 200 jobs in the next three years.

Summitt Foods, McMinnville - food-processing manufacturer that will create 50 jobs.

### **Success Focus—**

***American Bridge brings much-needed jobs to Oregon's south coast (120 jobs created)***

American Bridge Company is constructing a \$10 million structural steel fabrication plant and offices on Bolon Island north of Reedsport that will eventually create 120 family wage jobs.

The company selected Bolon Island for its west coast headquarters after a three-year search for a location that would provide rail, water and interstate access. The 60,000 square-foot fabrication plant and 10,000 square-foot office complex was built on 35 acres purchased from Douglas County.

Governor John A. Kitzhaber released \$250,000 from the Strategic Reserve Fund administered by OECDD for the project. The money was used for modifications to a dock on the property to accommodate barge traffic. Additionally, the department made grants and loans to the city of Reedsport from the Special Public Works Fund to ready transportation and infrastructure systems needed to accommodate American Bridge's new facility.

"This project would not have been possible without the cooperation of local officials, representatives of American Bridge and the state of Oregon," said Governor Kitzhaber. "This is an excellent example of all levels of government working together to bring a much needed economic boost to the Reedsport area and to Oregon's south coast."

Pennsylvania-based American Bridge is one of the oldest and most successful bridge-building corporations in the United States, building many of the world's most famous bridges, including the San Francisco Bay Bridge and the Verrazano Narrows Bridge in New York.

### **Initiative Focus—**

***Oregon marketing campaign promotes state sites and lifestyle nationally***

The Oregon marketing campaign is a joint project of the Economic and Community Development Department and the Oregon Economic Development Association. The campaign, which began in 2001, helps promote Oregon nationally to generate business leads.

The campaign team has represented Oregon at various regional and international trade shows. A five-minute promotional video, developed for American Business Review and hosted by Morley Safer, was broadcasted on Public Broadcasting stations in 2002 nationwide. Articles on the campaign have appeared in national business

magazines, regional publications such as Oregon Business magazine and in numerous Oregon newspapers.

Nearly 800 businesses have been contacted and received materials about Oregon, thanks to this campaign.

## **Retaining jobs at Oregon companies**

Quality of life in Oregon starts with quality jobs. One of the top priorities of OECDD is to help existing Oregon businesses stay in business and remain viable to retain—and perhaps even expand—jobs supporting Oregon families.

The department provides a diverse menu of comprehensive business development services to expand and retain Oregon companies and to recruit new businesses. Expansion and retention occur through business outreach by regional development officers and local partners statewide. Companies are visited individually to assess business climate issues and needed service including financing, regulatory trouble-shooting and export assistance.

In fiscal year 2001-02 staff personally visited 476 Oregon companies.

### **Success Focus—**

***Freightliner stays, moves Western Star to Portland (3,000 jobs retained)***

In 2001, local and state officials learned that Freightliner might move its headquarters and manufacturing operations from Portland to North Carolina. But combined efforts of the city and OECDD provided \$2.25 million in training services that helped keep the company in Oregon.

Parent company Daimler-Chrysler had earlier outlined the need to cut \$300 million in costs and increase profits in Portland. Freightliner was ordered to slash 8,000 positions in North America by the end of 2001.

The company began reducing the work force in 2000, although many of the positions were said to be open positions or retirements, rather than layoffs. The massive downturn in the industry was attributed in part to a Freightliner policy in the late 1990s of guaranteed trade-in values, which encouraged new truck purchases, but created a glut of used trucks, which could not be absorbed by the softening market.

In September 2001, Governor John Kitzhaber, Portland mayor Vera Katz and staff of the city and state met with company officials to offer assistance. In the following month, these partners worked intensively with Freightliner and a proposal was crafted to assist the plant and headquarters operations in becoming more efficient.

The strategy involved the elimination of the parts manufacturing operation in Portland, the relocation of the Kelowna, B.C., Canada Western Star plant to Portland and the retraining of all salaried and wage employees in new lean manufacturing and other more efficient

practices. This program included two state grants through OECD D totaling \$1.25 million for workforce training, matched by \$1 million from the city of Portland.

In addition, the company will be receiving Enterprise Zone property tax abatements on the additional investment of \$16 million in plant and equipment.

As a result, 3,000 jobs have been retained, with average wages of \$50,000 and Freightliner trucks—and now Western Star as well—continue to roll off the lines in Portland.

## Helping small business create jobs and increase sales

To assist small businesses, the department provides statewide services through a network of Small Business Development Centers at colleges and universities statewide. Additionally, in specialized services targeting women, eight additional contract providers provide minorities and disadvantaged business owners.

The department provided \$1.1 million of funding for the Small Business Development Centers and approximately \$675,000 in funding for specialized service contractors and other initiatives, for a total small business development effort during fiscal year 2001-02 of nearly \$1.8 million.

OECD D assessed program effectiveness in two ways. First, individual grants and contracts were assessed for completion of contract terms and achievement of the department's service goals to-date. The department exceeded all its small business assistance targets for the fiscal year. A total of 5,710 clients were served. The target was 5,266. Women represented 48 percent of the total; the target was 35 percent. Minorities represented 13 percent of the total; the target was 10 percent.

Next, the department contracted with an outside firm to conduct a third-party assessment of program effectiveness, economic impact and client satisfaction. The contractor conducted 735 interviews with randomly selected small business owners who received assistance from department service providers during the fiscal year. Results showed that:

- 2,900 jobs were created by businesses that said the job creation was strongly related to the services received. These jobs added approximately \$50 million in new payroll
- assisted firms added \$74 million in sales due to the services they received and
- clients were highly satisfied with the services received, and said services had a major positive impact on their ability to improve or expand their businesses.

### Success Focus—

*Necktie design “micro” business keeps “Queen” Irene busy (1 job retained)*

“Queen” Irene makes clothing, purses and accessories from recycled men's ties. A “sideline” business that grew into full time when Irene lost her job, the ties became material for her fashions when her husband left her and 40 of his ties behind. By the time the divorce was final, she had disassembled one thousand ties as therapy.

Both the therapy and the business worked. Irene received support from Lane Micro-Business (through Oregon Economic and Community Development's Small Business Program) and the Oregon Employment Department's Self-employment Assistance Program. This assistance helped Irene to devote critical time to developing her business, her customers and her product line.

## Getting results in rural and distressed areas

Many of Oregon's rural communities and urban and rural distressed communities were not able to share in the good economic times of the early 90s because they did not have the resources to diversify their local economies.

There is a myth that economic development means recruiting “big business” into Oregon. The reality is that the vast majority of department investments support the infrastructure needs of many smaller, rural and distressed Oregon communities. Rural and distressed communities must be able to provide uncontaminated drinking water, proper waste water systems, safe community buildings and other basic elements to enable citizens to prosper and support business.

### Success Focus—

*Round Top Windows expands, adds new jobs (14 jobs retained; 16 - 18 jobs created)*

Round Top Windows manufactures high-quality vinyl and aluminum frame windows. The woman-owned Canadian business first expanded into the United States in 1994 with a 10,000 square-foot facility in Hood River with the help of \$10,000 from Oregon's Strategic Reserve Fund. By early 2002, the company employed 14 people and had grown out of its facility and the community was in danger of losing the business.

A local partnership effort between the Port of The Dalles, local development groups, the Mid-Columbia Economic Development District and the Oregon Investment Board helped secure funding and built a new 30,000 square-foot facility to be leased to Round Top to keep the business in the community. OECD D awarded a \$449,915 loan from the Oregon Business Development Fund to Chenoweth Creek Developers to construct the facility.

In the summer of 2002, the company moved into the \$1.1 million building, retaining the original 14 jobs and guaranteeing 16 to 18 new jobs to be created within the

next two years. Additional assistance through Columbia River Bank, Oregon Business Development Loan Fund and the Governor's Strategic Reserve Fund helped Round Top purchase new machinery and equipment required to move into the new facility.

Development at the port was made possible by a previous capacity-building award from the Special Public Works Fund. In 1999, OECDD awarded the port \$658,730 in loans, grants and bonds to develop the necessary infrastructure for 25 industrial lots at the Chenoweth Creek industrial subdivision. The lots, each between one to five acres, were ideal in size for businesses like Round Top.

### **Initiative Focus—**

***Business Development Funds assist Klamath County farms, ranches (79 jobs retained)***

Governor John Kitzhaber authorized \$1 million from the Oregon Business Development Fund to provide farm and business loans for drought relief efforts throughout the state during this period.

Farm and business loans for up to 40 percent of costs for any drought-related problem were made available. The department also provided guarantees to banks to extend loans and lines of credit to help businesses, farmers and ranchers survive the drought.

### **Success Focus—**

***Bear Creek, Seneca, to make precision wood products (4 jobs created)***

Grant County, which is surrounded by the Malheur, Umatilla and Wallowa-Whitman National Forests, has suffered through many catastrophic wildfires in the past decade. Millions of public and private dollars have been spent fighting these wildfires. It is critical to the health of the local forests to begin restoration projects that include the harvesting and removal of small logs from suppressed forest stands.

Bear Creek Timber Products partnered with Grant County Resource Enhancement Team (G.R.E.A.T.), a state certified non-profit organization, to purchase a doweling machine for small diameter wood to produce precision fence rail, log furniture, deck railing and dowels. The doweling machine was paid for with funds provided through the National Fire Plan.

The company will be processing small diameter wood in cooperation with private and public landowners to reduce hazardous fuel conditions in the forest.

OECDD provided \$24,200 through the Old Growth Diversification Fund to help purchase land from the city of Seneca and construct a building to house the equipment. At least four family wage jobs will be created at the facility. In addition, the operation will support contractor activities, with a facility to add value to small diameter wood.

The project provides much needed jobs for Grant County and may also serve as a model for other communities wanting to reduce fuel loading and develop markets for underutilized wood products.

### **Tools used for these projects:**

#### Business Development Services and Funds

- Strategic Reserve Fund
- Industry Sector Outreach Fund
- Business Retention Services
- Expansion and Recruitment Assistance
- Strategic Investment Program
- Oregon Marketing Campaign

#### Small Business Services

- Small Business Development Centers
- Specialized providers

#### Infrastructure Investment

- Special Public Works Fund

#### Community Assistance

- Old Growth Diversification Fund

***See details about these tools on page 25.***

## Intermediate job creation results

A critical indicator of success for OECD's efforts is Oregon's ability to create and retain jobs for its citizens. The department focuses its efforts on retaining and creating family-wage jobs and encouraging economic development in distressed areas of the state.

Most of the department's investments "set the stage" for future job growth and help put together the necessary infrastructure for existing and future businesses. But many programs can help create and retain jobs more quickly: such as helping Oregon businesses with international trade opportunities or funding workforce training to retain or create jobs.

### Industry capacity

OECD is responsible for several efforts that focus on improving the health and competitiveness of Oregon companies and industries. Industry Sector Outreach funds training necessary for business retention or expansion. It also funds initiatives to benefit a group of companies of the same industry by improving their competitiveness.

The department funded 42 projects from July 1, 2001 to June 30, 2002, seven of which are completed. The aggregate cost of all 42 projects is \$1,192,232

Projects completed include:

- Supported the Western Electronics Product Stewardship Initiative in its effort to engage a broad group of stakeholders in developing a shared strategy to address product stewardship in the electronics sector.
- A comprehensive profile was developed about the aerospace industry. The study allows the Oregon Economic and Community Development Department to become more knowledgeable about the issues facing the industry; staff will formulate strategies that will improve competitiveness and encourage creation and retention of long-term jobs for the sector.

Projects funded include:

- The department funded an employee-training curriculum for Medallion Cabinetry of Independence to upgrade the skills of its current workers and train new employees. The company produces high-quality, specialty and custom cabinetry. Medallion built a new 150,000 square-foot manufacturing facility with help from the department. The expansion will create 200 new jobs and retain 110.
- The American Electronic Association, Oregon Council, conducts an annual survey to monitor progress towards technology benchmarks and reports the results to its membership. The council develops strategies to address concerns that are raised in the survey. OECD sponsors the survey.

## Initiative Focus—

### *Farmer-Chef Connection adds value to agriculture products*

Ecotrust of Portland received a \$1,200 grant from OECD's Industry Sector Outreach fund to sponsor the Farmer-Chef Connection; a three-step process to enhance direct and local food markets. The first and second steps included a conference that brought together attendees from all sectors of the food economy as well as a survey that gauged the needs and issues of interested participants. At the conference speakers from several organizations including Ecotrust, Portland State University, New Seasons Restaurant and Oregon Country Beef discussed the many complex issues at play in encouraging the growth of a sustainable, community-based food economy.

The third step was the design and printing of the Connection's Guide to Local & Seasonal Products, a resource that connects food producers with chefs interested in buying their products. The guide has been well received among growers and restaurateurs alike, garnering favorable reviews for its ease of use and breadth of contacts listed.

"The Connection is critical to building smaller, independent regional food markets," says Eileen Brady, vice president of education and information services at Ecotrust. In a time of global consolidation, the Connection bonds food producers with consumers and creates a direct and local economic relationship.

The Connection has also been an inspiration for other like-modeled partnerships, says Brady. Since the original Connection's formation, a Fisher-Chef Connection linking coastal suppliers of sustainable seafood with restaurateurs has arisen, as well as a Wood Connection that puts local lumber producers in direct contact with general contractors.

## Initiative Focus—

### *Wallowa forest certification project increases product values*

Wallowa Resources of Enterprise received a \$50,000 grant from OECD's Industry Sector Outreach Fund to form an association of private family forest landowners. The landowners look to reap the benefits of mutual forest management certification and marketing of certified sustainable wood products.

So far, 15 landowners have either engaged in the project or have expressed strong interest in joining. However, the only local certified timber processing facility closed shortly after the association was formed.

The association is still viable and is exploring alternative business plans in partnership with GreenWood Resources, Sustainable Northwest and others. Market opportunities are being explored with Bronson Log Homes to build more small round wood structures similar to those used at the Salt Lake City Olympics.

## **Initiative Focus—**

### ***Department co-hosts White House national cyber security meeting in Portland***

Portland played host June 6, 2002 to one of four national “town hall meetings” on cyber security held by the White House.

Nearly 500 people attended the Portland event, twice as many as town hall events held in Denver and Chicago. Input from the meeting helps develop national strategy to secure cyberspace.

The Oregon Economic and Community Development Department brought together the local resources needed for the event, including Portland State University, which supplied the venue and logistical support, and the Software Association of Oregon, which helped advertise the event.

The department’s involvement grew out of its role in the Oregon Regional Alliance for Information and Network Security (RAINS), a multi-partner initiative to promote resources and help secure grants and contracts for Oregon businesses specializing in information security.

## **Initiative Focus—**

### ***Chemeketa viticulture center trains future wine and vineyard managers***

Chemeketa Community College in Salem received a \$50,000 grant from OECD’s Old Growth Diversification Fund to construct the Northwest Viticulture Center, a teaching vineyard and 6,000 square-foot viticulture facility in Polk County.

The center is the home of Chemeketa’s Vineyard Management/Winemaking Program that started fall term 1999. Three acres of teaching vineyard have been planted, including trellising, irrigation and deer fence. An additional 7.8 acres will be planted within the next two years.

An equipment building to store vineyard equipment has been completed. Construction on the main building began in August 2002. Completion is expected in the summer of 2003. This building will include a teaching winery, wine cellar, temperature control room, classrooms and student resource room.

This program and facility will support and provide training for students who aspire to be employed in the grape and wine industries. Because of the rapid growth of the industry, there is an increased demand for trained employees.

Vineyards have been expanding in Oregon at a rate of about 10 percent per year. There have been no formal training opportunities in the cool climate grape growing regions until Chemeketa’s program was developed. Chemeketa’s service district, which includes Marion, Polk and Yamhill counties, is home to 47 percent of Oregon’s wine grape production.

## **Assistance for international trade**

Exports create jobs, raise incomes and improve the quality of life for Oregonians. In an ever-expanding global economy, Oregon companies must continually increase activities in overseas markets to remain competitive and offset fluctuations in domestic demand.

The department’s International Division helps Oregon businesses compete in this global economy. In 2001-02, trade managers worked with more than 400 small- to medium-sized companies to develop and expand their presence in global markets, including Europe, China, Taiwan, Southeast Asia, Japan, Korea, the Americas and Africa.

Although this assistance leads to many successful sales, the department only tracks those made within the past 18 months.

Trade managers work closely with Oregon’s field offices in Tokyo and Taipei and contracted representatives in Europe, China, Mexico and South Korea. These offices provide trade information and assistance tailored to the needs of individual companies.

In total, the International Trade Division assisted with more than \$16.2 million in sales during fiscal year 2001-02. The division expects this assistance to generate additional sales in the future.

**Europe** - \$6,762,00 in Oregon export sales  
Europe is the top destination of Oregon companies. The division’s United Kingdom representative has been successful in locating distributors, agents and sales opportunities throughout Europe for Oregon companies.

Economic stagnation in Europe has decreased its demand for high technology products from Oregon. However, the market for a wide range of other products such as massage tables, yogurt, herbal teas, insurance services, market research technology, playground equipment, medical devices and security systems remain viable.

**China** - \$2,521,000 in Oregon export sales  
Oregon has renewed its contract with its trade consultant in China, ensuring continuing assistance for small- to medium-sized Oregon companies entering this market.

The market for Oregon products has grown faster in China than in other countries.

The increase in Oregon exports to China has been driven by demand for semiconductors and related products. China’s World Trade Organization, the pending 2008 Olympics games and the country’s emerging middle class have all impacted Oregon’s business growth in the country.

**Japan** - \$1,304,000 in Oregon export sales  
Despite a continuing recession, Japan remains a strong market for Oregon products and services. The Japan External Trade Organization (JETRO) maintains a senior trade advisor who works within the division in OECD’s Portland office.

Oregon exports to Japan include wood products and building materials, sportswear, tools, food products from wine to frozen vegetables, sports equipment, testing and measuring equipment and industrial supplies. The Japan trade manager has worked with 50 Oregon companies since January 2002, introducing 22 to the Japan market and helping 14 establish a Japanese network.

**The Americas** - \$1,012,000 in Oregon export sales Mexico is Latin America's most dynamic market. It has the most free trade agreements of any nation in the world and is a logical step for businesses seeking to enter or expand their market presence in Latin America.

In fiscal year 2001-02, more than 30 Oregon companies received market assistance in Mexico with trade missions and shows, general industry information and customs. Oregon's representative in Mexico City prepared industry studies for the high technology and forestry products industries.

The Americas trade manager organized an agreement the Municipality of Naucalpan de Juarez in Mexico to establish a benchmarks program. The municipality is the second largest in Mexico. This success is a direct result of both the benchmarks program and the trade delegation led by Governor Kitzhaber to Mexico in February 2001.

**Taiwan and SE Asia** - \$2,069,000 in Oregon export sales The trade manager for Taiwan and Southeast Asia and the Oregon Trade and Information Center (OTIC) have actively promoted Oregon's sustainable products, services and technologies, which include "green" architectural designs, building materials, energy efficiency-related equipment for home and industry and environmental equipment.

A highlight of this effort was a contract by the Taiwan Central Government to assist a team of Oregon companies draft a national sustainability strategy. This contract has led to many new opportunities.

### **International trade education forums popular in Oregon**

International educational outreach programs have assisted companies in 17 Oregon communities stretching from Portland to Medford and Astoria to Baker City. A new International Peer Mentoring Program has been implemented in Medford, Grants Pass, Eugene, Bend and Corvallis. The program brings local companies together to develop a statewide international trade network. Partners in this program include the Oregon Graduate Institute of Science and Technology, the City of Hillsboro and the Hillsboro Chamber of Commerce.

### **Success Focus—**

#### ***Freeman Marine Equipment competes internationally with OECD trade loan***

Freeman Marine Equipment, Inc., in Gold Beach, Oregon, designs, manufactures and distributes high quality marine closures worldwide. Since 1975, the company has grown from a garage-startup operation to a major employer on the southern Oregon coast. It has built export success on an old-fashioned foundation of face-to-face relationships and service, combined with today's technology and communication tools.

Freeman employees look for opportunities to provide products and services that meet national and international customers' needs. The company invests in high-speed Internet access as well as offering 24-hour, seven-day-per-week scheduling of technical staff in order to provide top-notch service. The international nature of its operations provides stability through varying seasonal cycles and ever-changing political and economic conditions.

The company's service philosophy and commitment to quality have earned high respect and recognition in the industry as well as enabling it to increase profit and sales in competitive international markets.

Grants from the Oregon Trade Promotion Program allowed the company to attend trade shows in Germany and The Netherlands. Corporate employees were also given training by staff from the Small Business International Trade Center and the International Trade Division.

### **Tools used for these projects:**

- Business Development Services and Funds
  - Industry Sector Outreach Fund
- Community Assistance
  - Old Growth Diversification Fund
- International Trade Assistance

See details about these tools on page 25.

### **Long-term job creation investments**

Out of every four dollars the department invests, more than three go toward infrastructure such as water treatment plants, sewer treatment plants and community centers. Some projects are needed for business growth and others enhance the quality of life. Projects are financed with Lottery Bonds and the Oregon Bond Bank. Lottery funds pay for the debt service of Lottery Bonds; loan repayments from participating municipalities are responsible for debt service of the Oregon Bond Bank.

Loans and bonds finance most of the infrastructure investments. Repayments, over time, build up a revolving fund for future projects. Examples of infrastructure projects funded during 2001-02 include:

**Baker County**

Baker City - revitalization of the city airport (Special Public Works Fund)

**Clatsop County**

Port of Astoria - breakwater restoration, hanger construction (Special Public Works Fund)

**Columbia County**

Port Westward, St. Helens - access road improvements, water system improvements and rail upgrades (Special Public Works Fund)

**Coos County**

Bandon - street paving (Special Public Works Fund)

**Curry County**

Port of Brookings - port improvements (Oregon Port Revolving Fund)

**Deschutes County**

Deschutes County - construction of East Fire Station regional training center (Special Public Works Fund)  
Redmond - water system improvements (Special Public Works Fund)

**Gilliam County**

Lonerock - for a water system master plan (Special Public Works Fund)

**Grant County**

John Day - water system improvements (Special Public Works Fund)

**Jackson County**

Rogue River - storm drain master plan (Special Public Works Fund)  
Ashland - building construction (Special Public Works Fund)

**Jefferson County**

Warm Springs Tribe - industrial lands assessment and master plan (Special Public Works Fund)

**Lake County**

Lakeview - infrastructure capacity building (Special Public Works Fund)

**Lincoln County**

Port of Alsea - construction of fire district cooperative building (Oregon Port Revolving Fund)

**Polk County**

Polk County - Falls City road project (Special Public Works Fund)  
Independence - construction of new city library (Special Public Works Fund)

**Tillamook County**

Wheeler - downtown sidewalk improvements (Special Public Works Fund)

**Umatilla County**

Umatilla Tribes - interstate industrial park engineering study (Special Public Works Fund)

**Union/Wallowa counties**

Union and Wallowa counties - purchase of the Idaho Northern and Pacific Rail Line (Special Public Works Fund)

Union County - improvements to Buffalo Peaks municipal golf court, (Special Public Works Fund)

**Washington County**

Washington County - developments to Tigard Cook Park (Special Public Works Fund)

**Yamhill County**

Newberg - construction of a water reservoir (Special Public Works Fund)

**Water/wastewater systems completed**

These projects are necessary either because the current facility does not meet federal standards or because they are needed for the expansion or location of businesses the city wishes to attract. There were 32 construction projects completed, falling short of the target of 37. In addition, 32 planning/design projects were completed, exceeding the target of 22 projects.

**Telecommunications improvements**

The department helps communities improve telecommunications connectivity needed for business location and expansion, especially those that use the Internet for transactions or for data or video transmission. In fiscal year 2001-02, the department directed Qwest investments to improve connectivity of 12 communities.

Communities receiving direct benefit of high-speed digital Internet access are on the southern fiber ring and in the mid-Willamette fiber ring. They include: Sutherlin, Roseburg, Rogue River, Gold Hill, Medford, Jacksonville, Phoenix, Talent, Woodburn, Dallas, Independence and Monmouth. Department staff is working on educating local users of the benefits of broadband access.

The target for the 2001-03 biennium is for 136 communities to improve connectivity. Based on the current construction schedule, another 122 communities are projected to benefit in telecom connectivity between July 1, 2002 and June 30, 2003.

**Success Focus—**

***Long-term investment by state, city pay off in Tualatin high-tech park***

How long does true economic development take? Once a project is financed, how much time elapses before it's completed and "bears fruit" in new or expanded businesses and jobs for Oregonians?

The answers vary. Some investments—like workforce training or loans that help businesses stay solvent and retain jobs—can be almost instantaneous. But other economic development investments can take years, even decades, to see results. Infrastructure is one such example.

It takes roads, water systems, sewers and telecommunications connections to support businesses. But these are all projects that take time and a great deal of up-front investment.

This was the case in the early 1980s when the city of Tualatin identified 900 acres of blighted, underdeveloped land west of the city as the future site of an industrial park that would provide a campus for leading firms in the high-technology research, development and state-of-the-art production businesses.

On a regional scale, the location was conveniently located near the I-84 and I-5 corridors and nearby I-205 provided access to the Portland International Airport.

But before the vision could be realized, the infrastructure had to be put into place. The then-Oregon Economic Development Department provided the city with a \$1 million Special Public Works Fund grant for street, sewer and water system improvements to get the project rolling.

During the next decade, the Tualatin Development Commission invested approximately \$8 million in public infrastructure development to attract high-technology businesses.

What was the long-term economic development result? In 2002, the campus was known regionally as a magnet for the very high-tech manufacturers city leaders envisioned 20 years earlier. The companies in operation there provide hundreds of family-wage jobs, which, in turn, provide millions in business and personal taxes to the city and county.

A major announcement was also made in the spring of 2002 when Novellus Systems, Inc., of San Jose, CA, announced expanding operations in Oregon at the Tualatin campus—a major coup for the city. Novellus is a leader in the semiconductor equipment manufacturing industry.

Novellus located to a 58-acre site that already included 74,000 square-feet of manufacturing, warehousing and administrative office space. Currently under construction is an additional 373,000 square feet and future development of the site is anticipated to total 1.4 million square feet. There are currently 400 employees at Novellus.

The Tualatin Business Campus is also the location of these international, national and regional companies:

- Japan Aviation Electronics (JAE Oregon, Inc.) - manufactures electronic connectors,
- Fujimi America, Inc. - manufacturer of abrasive polishing compounds for the electronics industry.

- Tofle USA, Inc. - manufacturer of specialty metal tubing.
- Sentrol Interlogix - manufacturer of electronic alarm systems.
- VWR Environmental and Scientific - a distribution company for medical supplies.
- Successful Money Management Seminars - a printing and publishing company.
- Eurobest Inc. - a repackager and distributor of processed food products.

## Community facilities

Twenty-one community facilities projects were assisted from July 2001 to June 2002. These projects included eight multiple purpose buildings, six general government facilities, five human service facilities and two public safety buildings. Of these projects, 60 percent were funded with Community Development Block Grants. The remaining projects financed with loans through the Special Public Works Fund.

### Success Focus—

#### *Social service facility makes “dream come true” in Wheeler County*

In 2001 OECD awarded Wheeler county a \$550,000 Community Development Block Grant for the construction of a facility to house the county’s family and social service agencies under one roof.

County social services were scattered before the award. Family and social service providers were housed in inferior facilities that could not fully meet clients’ needs. Counseling sessions had to be held in hallways or borrowed offices because the county had no facilities with private counseling space or a place for supervised family visitations. The county’s victim-witness coordinator worked from home, keeping files in boxes in her bedroom, and the county’s drug and alcohol counselor worked from his vehicle.

With the department’s assistance, Wheeler County has started construction on a new family resource center that will pull all these county providers, and others, in one building. State and federal services such as Veteran’s Affairs and Social Security Administration will be housed in the facility and the local Council of Governments plans to offer some job training courses there, too. The new facility is slated to open in June 2003. According to Wheeler County Judge Jeanie Burch “we’ve been working for 20 years to make this dream come true!”

## Brownfields redevelopment

Brownfields Redevelopment Loans were awarded to 10 projects and one Community Development Block Grant was made with a combined total of approximately \$725,000. These funds were used to conduct assessments, remove underground storage tanks, and remediate soil and groundwater. These environmental actions

supported redevelopment projects ranging from community facilities, affordable housing, and downtown revitalization.

The department provides direct technical and financial assistance to facilitate brownfield redevelopment. A brownfield is property where expansion or redevelopment is complicated by environmental contamination. This might include former mill sites, gas stations, scrap yards and dry cleaner locations.

Redeveloping brownfields benefits communities in a number of ways by using existing infrastructure and desirable locations, mitigating development pressure on open space and removing eyesores.

### 62 Oregon cities want industrial development but have no marketable land

The ability for cities to locate businesses and industries is vital to creating jobs. The department inventories those cities that have marketable industrial land and desire industrial development. This information is posted as a searchable database on the department's Web site for interested businesses and companies.

A recent department survey discovered that 62 Oregon cities want industrial development but lack marketable land. Some cities have contaminated land that require cleanup, others need to plan for rezoning. In response to SB 3557 of the 2001 legislative session, OECDD and the Department of Land Conservation and Development formed an Advisory Committee on Commercial and Industrial Development to provide recommendations to the legislature on ways to help "ensure that Oregon Communities are providing sufficient buildable commercial and industrial lands" that can spur short-term and long-term economic growth within the framework of Oregon's land use system. The advisory committee, made up of business and community representatives, developed policy recommendations for legislative consideration that include:

- a methodology and an interactive guidebook for local governments on how to determine land requirements

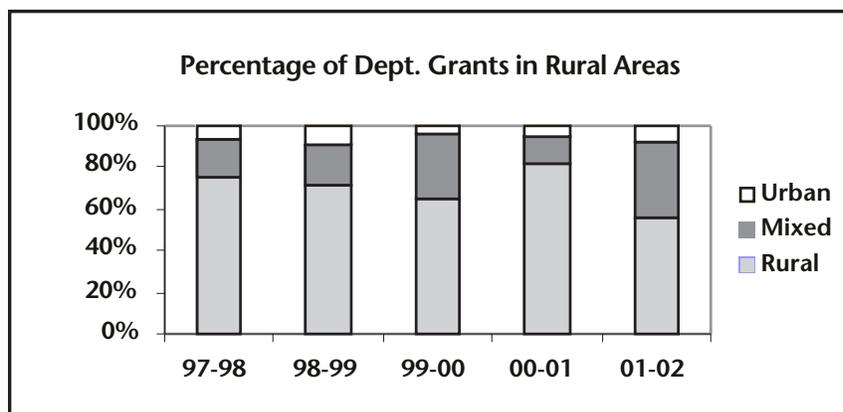
- technical assistance and grants to help jurisdictions address issues
- examination of state land use policies regarding short-term land supply, including legislative review and approval of improvements
- protection of strategic industrial sites
- creation of a site certification program with market ready industrial sites
- improve coordination among local, regional and state agencies
- requirement for Metro to prepare an economic development functional plan and
- allocation of adequate funding to agencies to support strategic economic development, including finding new sources that are stable to strengthen ongoing economic development efforts across the state.

### Planning and technical assistance for Oregon communities

OECDD helps communities define their goals and needs, through contracts with providers such as the Oregon Downtown Development Association and Rural Development Initiatives. Oregon Downtown Development Association assisted 20 communities and seven regions with technical assistance and completed 11 projects, including downtown planning and designs. In addition, Rural Development Initiatives, Inc., assisted 32 communities with technical assistance and completed 22 projects including leadership training, strategic planning, and capacity readiness assessment.

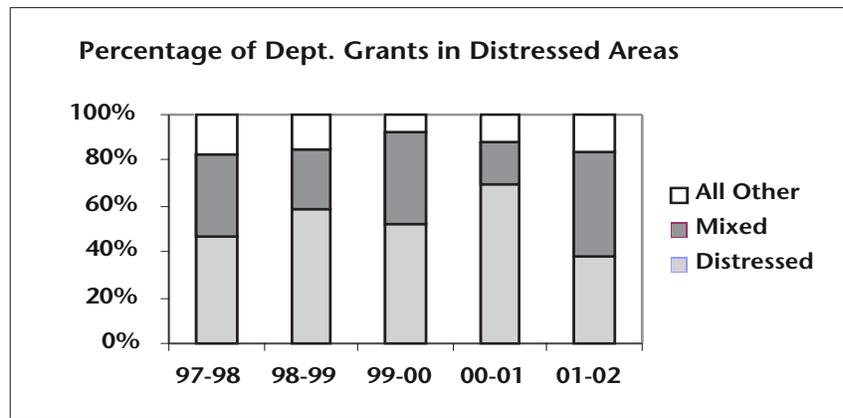
### Assistance to rural and distressed areas

The Oregon Economic and Community Development Department gives priority when funding technical assistance, programs and projects to geographic areas determined to be economically distressed.



Graph 6.

*This graph shows the percentage of department grants made to rural areas. Statute defines urban areas as that inside the Urban Growth Boundaries of cities with a population of 30,000 or more. All other areas of the state are rural.*



**Graph 7.** *This graph shows the percentage of department grants made to distressed areas. The department is charged by statute to maintain an index of distressed areas to determine which counties and cities are distressed.*

The law directing the department to give priority to distressed areas was passed by the 1997 legislature. The methodology used to determine distressed areas factors eight measures to gauge the economic conditions of Oregon's 36 counties and 240 incorporated cities. The measures are:

- unemployment rate
- per capita personal income
- average pay per worker
- population change
- percent of population receiving unemployment insurance benefits
- industrial diversity based on distribution of employment by industry
- percent of families in poverty
- employment change

Distressed areas, both urban and rural, received 38 percent of the department's grants in fiscal year 2001-02. This includes:

- 79 percent of \$14 million in Community Development Block Grant funds
- 67 percent of \$3.6 million of infrastructure grants—Special Public Works and Water/Wastewater Funds
- 16 percent of \$15 million in Rural and Rural Investment Funds
- 7 percent of \$3.1 million in Strategic Reserve Funds

Rural areas, according to Oregon statute, are those communities located entirely outside of the Urban Growth Boundaries of cities of more than 30,000 in population. The 1999 Oregon legislature directed OECD to give priority to rural communities.

Rural communities received 56 percent of the department's grants in fiscal year 2001-02. This includes:

- 95 percent of \$14 million total in Community Development Block Grant
- 87 percent of infrastructure grants—Special Public Works Fund and Water/Wastewater Fund
- 44 percent of \$15 million in Regional and Rural Investment Funds
- 13 percent of \$3.1 million in Strategic Reserve Funds

### Success Focus—

#### *OECD assistance revitalizes Baker City airport (5 jobs created)*

In March 2002 the city of Baker City received a \$100,000 loan to revitalize its municipal airport. The city owned the airport but not its hangars and office buildings, and had no commercial operations after its sole provider ceased services in May 2001. Without an established supplier of commercial service, the city was without a crucial economic link, as businesses would not relocate to a city without commercial air service.

OECD helped restore this connection with a loan from the Special Public Works Fund—Community Facilities account. The city used the money to purchase the airport's two hangars and an office building. Five jobs were created as a result of the loan, with three at or above family-wage levels.

Baker City now has an important tool to make itself attractive to prospective businesses. According to City Manager Gordon Zimmerman, the city hopes to add scheduled and non-scheduled air services, more hangar space and to develop the airport for viable industrial uses. "With three runways and 95 percent visual flight rules, you can land in Baker County almost anytime," says Zimmerman. He adds, "with only 10 inches of rain a year, the runways are usually dry!"

## Success Focus—

### *Independence downtown improvements encourage commercial activity*

The city of Independence received a \$300,000 Community Development Block Grant from the department to make improvements to its downtown area. From 1990 to 2000 Independence’s population grew by about 30 percent, but the downtown area did not see matching economic growth.

The key to greater economic activity was making the downtown area more accessible to visitors and shoppers. The city designed a downtown master plan that encouraged commercial activity with a pedestrian-friendly environment and an eye on maintaining its historic nature and unique quality of life.

With OECDD funds and assistance, Independence successfully completed necessary improvements to its downtown. Sidewalks were widened, allowing more pedestrian activity and improving ADA compliance. Crosswalk bulb-outs were added, calming traffic as well as providing shorter crossing distances and greater visibility for pedestrians.

The project had a “ripple effect” throughout the downtown sector. Shop owners are improving their facilities to fit with the improvements, increased pedestrian foot traffic has been observed and local artists have created works to enhance the area’s new mood. Business owners have also commented positively on the new vibrancy of the city’s downtown.

### Tools used for these projects:

- Infrastructure Programs
- Special Public Works Fund
- Community Development Block Grant

- Brownfield Redevelopment Loan Fund
- Community Assistance
- Oregon Downtown Development Association
- Rural Development Initiatives, Inc.

See details about these tools on page 25.

## Managing for results

### Productivity and efficiency

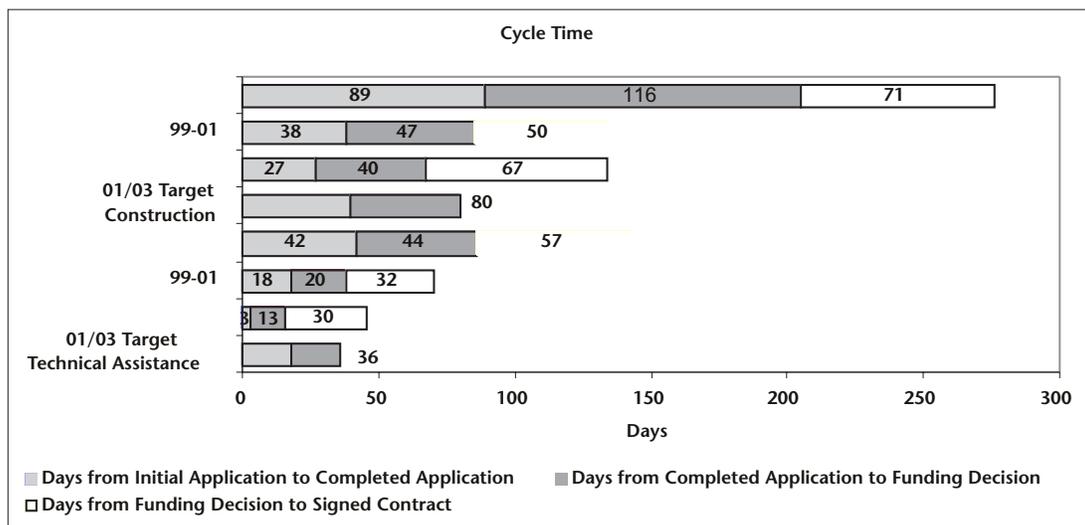
The department uses three measures to gauge performance in this area. They are:

- the number of projected jobs created and retained per full-time equivalent (FTE)
- the number of projects reviewed for funding decision per FTE and
- “cycle time” determined by the number of days for a completed application to reach a funding decision.

In fiscal year 2001-02, 62.3 jobs were created or retained per department full-time equivalent. The target was 27.8. Additionally, 4.9 projects were funded per department full-time equivalent. The target was 4.75 projects.

Services were delivered faster than targets set for the year. In fiscal year 2001-02, the cycle-time for construction projects was 67 days. The target was 80 days. The cycle-time for non-construction projects was 16 days. The target was 36 days.

Graph 8 (below) shows both actual and targeted cycle times for 1997-2003.



Graph 8. *Jurisdictions saved 44 cents for every \$1 of bond issued*

*The Oregon Bond Bank, administered by OECDD, helps local governments finance infrastructure projects such as water treatment plants and community centers.*

The department pools municipal projects into one bond issue to provide small communities affordable access to financial markets. The Bond Bank pays the cost of issuance and buys insurance to improve bond rating. This leads to lower interest rates that result in savings for all participants.

During the 2001-02 period, the department conducted one Oregon Bond Bank sale. Participating jurisdictions saved .44 cents for every \$1 of bond sale. These savings directly benefit communities by decreasing water and sewer bills or property taxes.

### **Returns to general fund**

In 2001-02, the department helped create and retain 8,284 jobs at an annual wage of \$36,560. Based on the department's return on investment model, this is an estimated \$1.80 return for every \$1 of cost to the state.

## Economic and community development tools

The department is committed to serving the needs of Oregon businesses and communities and takes pride in providing “one-stop” service to customers. We use a broad range of tools, which are organized into four main program areas: Business Development Services and Funds, Business Finance Programs, Community Assistance and Infrastructure Programs.

### Business Development Services and Funds

#### Business Retention Services

Traded sector businesses in distressed areas that need crisis intervention can receive help from private consultants with expertise in finance, marketing, manufacturing, turnarounds, restructuring and other areas.

#### Expansion and Recruitment Assistance

The department’s Business Development team provides full-service site location assistance for companies looking to locate new facilities in Oregon. This includes researching and presenting information to clients about interested communities with available sites, coordinating regulatory and permitting assistance, packaging both financial and non-monetary incentive programs and any other technical assistance requested or necessary to attract new investment and jobs.

#### Industry Sector Outreach and Targeted Training Fund

This fund provides resources to help Oregon businesses and industries compete and grow, build industry capacity and improve competitiveness. Targeted training funds can be used to help businesses with training needed to retain or create jobs.

#### International Trade Assistance

The International Trade Division helps Oregon business with sales to foreign countries. The Oregon International Trade Commission (formerly the International Trade Advisory Committee) provides advisory oversight to the division.

A complete report on the division is in this report on page 17.

#### Oregon Marketing Plan

The Oregon marketing campaign is a joint project of the Economic and Community Development Department and the Oregon Economic Development Association. The campaign, which began in 2001, helps promote Oregon communities nationally with a marketing and public relations campaign to general business leads.

#### Small Business Development Centers (SBDC)

Oregon’s Small Business Development Centers work in partnership with the Oregon Economic and Community Development Department, the U.S. Small Business Administration and 19 community colleges and state universities around the state.

The centers deliver high-quality training and counseling to owners of existing businesses and those considering starting a business. Clients can expect to receive one-to-one advising with such issues as developing a business plan, designing a marketing program and pursuing financing. Centers also offer classroom-based training in subjects as varied as use of various business software, human resources management and marketing via the Internet.

#### Small Business specialized providers

The department contracts with a variety of organizations to provide specialized services to owners of existing small businesses and those considering starting a small business.

While similar to the services offered through Small Business Development Centers, these services are targeted for and designed to be of particular value to woman- and minority-owned businesses and those who need specialized technical assistance in areas such as government contracting. These specialized services are often delivered in collaboration with Small Business Development Centers.

#### Strategic Reserve Fund

The Strategic Reserve Fund provides the state with a discretionary fund for loans and grants to assist with the gap financing needed to package business and community assistance projects where jobs may be created, investments made or long-term capacity building is important for a community or region.

### Business Finance Programs

#### Oregon Business Development Fund

The Oregon Business Development Fund is a statewide revolving loan fund that is targeted to manufacturers, processors, high technology, distribution and some tourism businesses. The program is designed to “fill a gap” in a financing package by providing subordinate financing. The maximum loan is \$500,000 and the interest rate is one percentage point more than U.S. Treasury rates for similar maturity periods. In distressed areas, the rate is two points under prime, with a floor of four percent.

#### Oregon Capital Access Program

The Oregon Capital Access Program provides a unique form of loan portfolio insurance to participating banks to help loan officers make somewhat higher-risk loans. The department provides a matching contribution to a fee paid by a loan applicant (between three and seven percent of the loan amount). The fee is double-matched in distressed areas of the state.

#### Oregon Credit Enhancement Fund

The Oregon Credit Enhancement Fund guarantees bank-originated loans to assist expanding Oregon businesses. The legislature granted the department the authority to guarantee up to \$75 million in outstanding loans.

Manufacturing, processing, technology and other traded sector firms qualify in all parts of the state. In distressed areas, all types of business qualify.

Generally, the maximum guarantee for a fixed asset loan is \$500,000. The maximum guarantee for a working capital loan is \$250,000.

### **Oregon Entrepreneurial Development Loan Fund**

The Oregon Entrepreneurial Development Loan Fund is targeted to start-up businesses that have developed business plans through Small Business Development Centers or other certified entities. The department may make initial loans of up to \$25,000, with a follow-on loan of \$15,000. The interest rate is set at two points above the prime.

### **Oregon Industrial Development Bond Program**

The Oregon Economic and Community Development Commission was granted in 1975 statutory authority to issue conduit revenue bonds to qualifying manufacturing companies. The major benefit of the program is that bonds can be issued on a tax-exempt basis, which lowers the interest cost to a company by approximately 75 percent. Generally, projects between \$1.5 million and \$10 million can benefit from the program.

## **Community Assistance Programs**

### **Old Growth Diversification Funds**

This federal grant is a flexible tool that helps communities diversify their economy.

### **Oregon Downtown Development Association**

The department contracts with the Oregon Downtown Development Association (ODDA) to provide a variety of services to communities statewide. The association helps with downtown business designs and serves as a resource for downtown developers.

### **Rural Development Initiatives, Inc. (RDI)**

The department contracts with RDI to provide economic and community development assistance to rural communities throughout the state. These services build the capacity of local citizens and organizations in very small communities to identify and implement economic revitalization. RDI services include assessments, strategic planning, project implementation assistance, organization development and community leadership training.

## **Infrastructure Programs**

### **Community Development Block Grant**

The Community Development Block Grant Program (CDBG) provides money from the U.S. Department of Housing and Urban Development to help communities address problems in providing public works, housing and community facilities. The department received \$15.7 million in fiscal year 2001-02.

Grants are awarded to non-metropolitan cities and counties and must benefit low- to moderate-income persons, help prevent or eliminate slums or blighted conditions, or help meet an urgent community need.

### **Oregon Bond Bank**

The Oregon Bond Bank helps municipalities finance

needed improvements both for jobs growth and to meet federal requirements for water treatment or sewer systems.

The department pools projects from various jurisdictions for a bond sale. This service helps small communities gain better access to the financial market. It also saves money for larger jurisdictions because the Bond Bank buys insurance to improve the bond rating and also pays bond issuance fees.

### **Oregon Port Revolving Loan Fund**

The Port Revolving Fund provides long-term loans to ports at lower-than-market interest rates for port business development and infrastructure projects on behalf of port-related businesses.

### **Regional/Rural Investment Fund**

Regional/Rural Investments are “pass-through” funds for regional economic and community development activities. Funds are allocated to regions statewide based on established guidelines and formulas.

Multi-county boards and regional partnerships receive these funds each biennium and administer the money locally. Boards partner with one another to pursue multi-region projects that support the needs of their combined area.

### **Safe Drinking Water Revolving Loan Fund**

The Safe Drinking Water Revolving Loan Fund is capitalized with federal funds and state match for water system improvement and technical assistance. The 1996 legislature authorized the fund as an amendment to the federal Safe Drinking Water and Clean Water Act.

### **Special Public Works Fund**

The Special Public Works Fund provides loans and grants to help local governments finance infrastructure projects such as public water and sewer systems, roads, rail lines, docks and airport facilities leading—in the long-term—to business location and expansion and the creation or retention of jobs.

### **Water/Wastewater Fund**

The Water/Wastewater Financing Program, created by the 1993 legislature, provides grants and low-interest loans to cities, counties and water and sewer districts for projects needed to meet the quality standards of the federal Safe Drinking Water and Clean Water acts to ensure healthy communities.

## **Other tools**

### **Electronic Commerce Zones**

The 2001 Legislature established an “electronic commerce” zone designation for four of Oregon’s existing enterprise zones to offer special benefits to companies utilizing or providing the services needed for electronic commerce. Benefits include a 25 percent tax credit on capital improvement costs of up to \$2 million per transaction.

The zones are intended to encourage establishment of electronic commerce business creation or expansion in Oregon's existing enterprise zones. The electronic commerce zone designation extends the benefits of the enterprise zone to an e-commerce business that might not normally qualify under regular zone rules.

The four areas designated electronic commerce zones in 2002 were Harney County (portions of Burns and Hines); Medford; Portland (portions of north and northeast); and Roberts Creek (portions of Roseburg, Winston and Dillard in Douglas County). In addition, North Plains in rural Washington County was designated an electronic commerce community.

### **Enterprise zones**

Enterprise zones can be designated to offer property tax incentives on new buildings, additions, machinery and equipment to bring new business to the area. The Oregon Legislature first established enterprise zones in 1985 to expand existing businesses and attract new investment within the designated zone.

The department is responsible for the designation, termination and amendments of all enterprise zones. In cooperation with the Oregon Department of Revenue and other state agencies, the department also provides administrative rules, information materials, training, legal advice, technical assistance and marketing support to local governments and county assessors for implementation of the Enterprise Zone Act as it relates to property tax incentives.

### **Strategic Investment Program**

The Strategic Investment Program exempts, upon local approval, a major portion of large capital investments of more than \$100 million from property taxes for 15 years. To offset the fiscal impacts to the community where the project locates, the manufacturer pays a community service fee equal to 25 percent of the abated taxes, up to a maximum of \$2 million annually.

### **Vertical Housing Zones**

The 2001 Legislature established Vertical Housing Development Zones to help bring housing to downtown areas and buildings, stimulating small business activity commercial revitalization and transit use in urban centers and rural communities.

The zones encourage mixed use of second story and higher downtown spaces in commercial buildings. Approved projects in the zones qualify for certain tax exemptions.

### **Partners**

The department works closely with federal and other state agencies, regional and local economic development entities to further outreach and leverage resources. Some of these partners are listed below.

### **Community Solutions Team**

Representatives of five state agencies participate statewide in the Community Solutions Team. Coordinators are located around the state to assist local citizens and government officials in solving complex development problems.

The five participating agencies are the Economic and Community Development Department, Environmental Quality, Housing and Community Services, Land Conservation and Development Department and the Department of Transportation.

Each agency has field staff around the state. The Community Solutions approach insures greater understanding of local issues and quicker, coordinated response to local concerns.

### **"One stop" meetings**

The department commences periodic meetings with USDA Rural Utility Services, the U.S. Forest Service, the U.S. Economic Development Administration, the Oregon Department of Environmental Quality, Oregon Office of Energy and Oregon Water Resources Department.

These meetings are held for interested community representatives to help coordinate funding solutions for county projects. This makes planning and financing easier for communities in need and stretch overall dollars.

### **Oregon Economic Development Association (OEDA)**

OEDA counts more than 100 local economic development entities in its membership. It focuses on business expansion, retention and recruitment activities and sponsors professional development opportunities. OEDA advocates for policies that grow Oregon businesses and is a valued partner in the Oregon marketing campaign.

### **Oregon Health Division**

The Health Division of the Oregon Department of Human Services passes \$25 million of federal grant money to OECD for water and wastewater financing.

OECD provides the required match money and manages the application process for projects utilizing this funding program.

### **Oregon Housing and Community Services**

The department receives about \$15 million from the Community Development Block Grant program per year for "non-entitlement" portions of the state. Three-million of this is transferred each year to the Housing and Community Services Department for housing rehabilitation.

This partnership allows OECD to utilize the expertise of housing staff in technical areas to better assist communities.

## State of the Oregon Economy

Oregon's economy has taken a beating during the recent recession. Non-farm employment peaked in 2000, posting 2.0 percent growth from 1999. However, 2001 saw job losses of nearly 36,000 jobs in the state. The job losses came disproportionately from the state's manufacturing sector. At the end of 2001 manufacturing accounted for one out of every seven existing jobs, but nearly 40 percent of overall job losses that year came from the manufacturing sector.

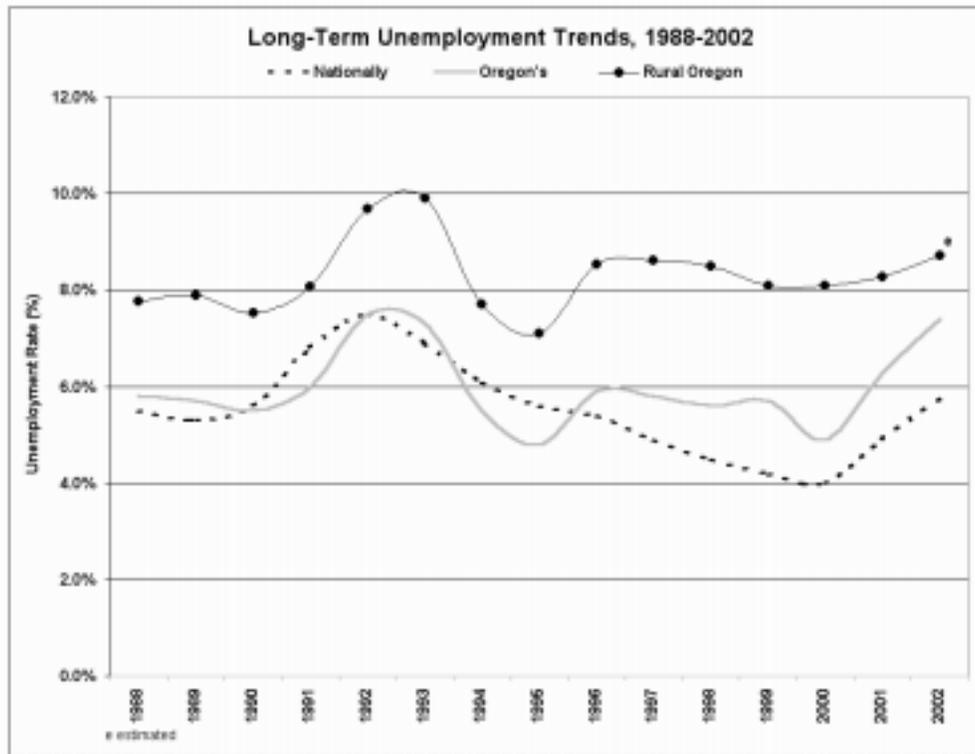
Oregon's poor economic fortunes were tied to those of the rest of the nation and world. The implosion of 'dot.com mania' on Wall Street dried up business spending on information technologies. States that had a higher-than-average share of these investments took a painful blow.

Energy prices increased for businesses due to California's disastrous attempt at electricity market deregulation as well as drought conditions throughout the Northwest. The simultaneous worldwide economic slowdown, joined with Japan's chronic economic ills, hurt states with strong export sectors.

The natural resource industry continues to be hampered by restrictions on timber harvests on federal lands, from weakened agricultural activity, changes in global markets, barriers to foreign market entry, the strength of the dollar in foreign exchange markets and persistent drought and uncertainties regarding federal water allocations. Both urban and rural Oregon felt the painful effects of all these external events.

Oregon's unemployment rate has worsened, increasing from 4.9 percent in 2000 to 6.3 percent in 2001 and to 8.1 percent in early 2002, the worst in the nation at the time. Throughout the 1990's Oregon's unemployment rate averaged 5.9 percent, only slightly higher than the national rate of 5.5 percent. The heavy solid line on the chart on Long Term Unemployment Trends reveals our unemployment history in comparison to the entire nation's. (Dashed line.)

The chart also highlights the job opportunity challenges confronting rural Oregon, which has average unemployment rates that are two to three percentage points higher than the state average. In the 1990s, nearly half of Oregon's 25 rural counties had unemployment rates averaging over nine percent. Each percentage point of unemployment translates to about 18,000 jobs.



Graph 9.



Graph 10.



Graph 11.

## Economic forces

Oregon's economy has been supported by increases in international trade, in-migration, a favorable quality of life, low cost of living and business diversification due to the attraction of many high technology firms and traded-sector industries.

This diversification reflects a wholesale change in the state's basic economic structure. Oregon has moved from an economy chiefly based on forest products and agriculture to a balanced mix of high technology and natural resource industries. However, this transformation has resulted in an income and opportunity gap between urban and rural areas. The state's industrial base remains oriented towards the production of capital goods rather than consumer goods and has also become more concentrated in the Portland metro area.

## Economic outlook

Oregon's economy may not immediately return to the robustness of the 1990s, but it appears to have survived the worst of the recent recession. The state's economy will likely grow at a rate similar to the rest of the nation. Strong population growth and productivity gains will also keep the state's unemployment rate above the national average.

There does not appear to be an imminent source of major business capital spending that would enhance growth beyond what is expected. The state must take immediate and aggressive action to attract a larger portion of the business expansion that will occur.

The state's economic vitality can be largely measured by examining the performance of its traded sector industries. These companies compete in national and international markets, bringing into Oregon revenues that recirculate in the form of employee payrolls, business-to-business transactions and consumer spending.

The department works directly with each sector, using tools such as the industry outreach initiative and involvement in industry associations to enhance each sector's competitive edge.

From 1991 to 2001, all traded sectors combined saw employment growth of 90,000 workers. This was a 26 percent overall gain, an average increase of 2.3 percent annually.

Today, as in 1991, traded sector jobs account for one of every three private sector positions. The greatest absolute gains occurred in high-tech manufacturing (21,600), tourism and travel (18,600), software (16,300), professional services (11,000), environmental services (10,800) and agriculture (9,700).

Considered by percentage, the largest increases came in film and video (329 percent), software (219 percent), high-tech manufacturing (61 percent), biotechnology (58 percent), environmental services (54 percent) and professional services (46 percent).

The forest products and fisheries sectors, two erstwhile pillars of Oregon's economy, continued to bleed jobs. Forest products lost nearly 11,000 positions (-15 percent) and fisheries shrunk by 1,300 jobs or nearly one of every two positions. The state's forest products sectors still experience the profound effects of changes in federal land management (approximately 53 percent of Oregon lands are under control of federal agencies, versus 28 percent nationally).

Global competition and ongoing industry restructuring have accentuated this decline. Oregon's ground fisheries have suffered due to restrictions placed upon nearly the entire west coast. The state's healthy gains in high-tech manufacturing and software outpaced most of the nation as Oregon's economy diversified its mix of natural resource, manufacturing and new economy industries.

## Overview of Oregon's 13 economic and community development regions

### **Central Oregon Region**

(Crook, Deschutes and Jefferson counties)

The economic base of the Central Oregon Region is strongly influenced by seasonal employment prevalent in the tourism and retail industries. Total employment grew 50 percent between 1991 and 2001 and population grew by 48 percent. In contrast, the state's employment and population grew by 29 percent and 18 percent, respectively.

Major growth sectors in the region included construction, transportation and public utilities, retail trade, combined finance, insurance and real estate and services. Much of the prosperity in this region has been a result of the development centered in and near Bend, located in Deschutes County. The forecast for the region calls for slower, but continued growth.

Central Oregon has a lower average annual wage than the Portland area, but income is at or above average for rural Oregon. The region has put together a plan to protect the region's quality of life while promoting new and dynamic companies. It is striving to combine its historical, present and potential strengths by focusing development efforts on the forest product, tourism and software industries. The region remains attractive due to its proximity to and accessibility of year-around recreational activities.

### **South Central Region**

(Klamath and Lake counties)

The economy of the South Central Region is based on the forest products and agriculture industries. The region's economy has suffered from the major decline in federal timber harvests. The region's total employment grew by 16 percent between 1991 and 2001. All of this growth occurred in Klamath County; Lake County's employment declined 4 percent between 1991 and 2001.

The outlook for the region is slow growth, with most growth occurring in Klamath County. An important factor in the economy is good access to rail and highway transportation. Current fiber optic expansion should further enhance the area's development potential. The region is focusing development efforts on the forest products, high-tech, and agriculture industries and on its smaller, but potentially significant tourism industry.

### **Lower John Day Region**

(Gilliam, Sherman, Wasco and Wheeler counties)

The Lower John Day Region has an economic base in agriculture, tourism and trade. Total employment grew 31 percent between 1991 and 2001. The region is expected to grow moderately over the foreseeable future.

Positive influences include its proximity to Oregon, Washington and Idaho markets by way of Interstate Highway 84, interstate rail lines, and river barges; the Columbia River basin's rich natural and cultural attractions; and a consistent moisture level that makes the region an ideal location for agricultural processing and climate sensitive manufacturing.

The region has a plan to build up its industrial infrastructure and is focusing its economic development efforts on value added agriculture, historical tourism, environmental services, wood products and professional services.

### **Baker - Morrow Region**

Baker and Morrow counties had a 16 percent increase in total employment from 1991 to 2001. The region's economy is highly seasonal, due to a strong agricultural presence that leads to fluctuating monthly unemployment rates. Morrow County has shown recent growth in wholesale trade and Baker County has shown strength in tourism and social services.

In addition to wholesale trade, an increase in service sector establishments has led to gains in employment, and with the trade industries, should be the areas of future growth for Morrow County. Baker County, which has a greater dependence on the forest products industry, is expected to see slower growth as a result of the continual decline of that industry.

### **Northeast Region**

(Umatilla, Union and Wallowa counties)

The economic base of the Northeast Oregon region is dominated by the agriculture and forest products industries. Total employment grew by 26 percent between 1991 and 2001.

Economic challenges facing the region include continued timber supply problems. The area should, however, be able to sustain slow-to-moderate-growth given its closeness to Interstate Highways 82 and 84, and access to recreational resources. There are also opportunities for increased investment in food processing in the region. Economic development efforts are focused on agriculture, forest products and tourism.

### **Southeast Region**

(Grant, Harney and Malheur counties)

The economy of the Southeast region is based heavily on agricultural industries. There is a large government presence in this region, centered at the Snake River Correctional Institution in Ontario. Overall, total employment grew 12 percent between 1991 and 2001.

The regional economy has suffered from the decline in accessibility of federal lands and near cessation of timber harvests. The regional employment outlook is for slow

growth due to a decline in manufacturing and moderate gains in the trade and services industries. The region is focusing development efforts on the forest products and agriculture industries and on its smaller, but potentially significant, tourism industry.

#### ***Multnomah - Washington Metro Region***

The metro region, the state's most populous, has an economic base in wholesale trade, high technology manufacturing and professional services. Employment increased 31 percent between 1991 and 2001.

The high technology sector has been a major growth factor in the region. However, employment growth is expected to slow considerably across all major industries. The recent economic downturn had an effect of a less than one-percent loss in employment for this region.

#### ***Clackamas - Hood River Region***

This region has a widely varied economic base. In addition to sharing the strengths of the Portland metropolitan area economy (manufacturing, services, retail and warehousing), the two counties have strong agriculture and tourism industries.

The region is growing fast. Between 1991 and 2001, employment grew 41 percent. The two counties have some striking economic differences: Clackamas county had the highest per capita income in the state while Hood River county had the 21st highest per capita income of Oregon's 36 counties in the year 2000.

The region's outlook includes continued growth due to economic strength in the Portland area and continued strength in agriculture and tourism in Clackamas and Hood River counties. The region has selected agriculture and tourism, two existing strengths, as well as software, as the keys to its economic future.

#### ***Northwest Region***

(Clatsop, Columbia and Tillamook counties)

Employment in the Northwest Region grew 13 percent between 1991 and 2001. This growth came despite a loss of jobs in 1993 that was due largely to the closure of Oregon's only nuclear power plant, located in Columbia County.

Parts of Tillamook County are growing as a result of increased tourism and immigration of retirees. The region is expected to recover from the recent loss of jobs and to grow moderately in the foreseeable future due to its proximity to Portland, its attractive tourism and retirement resources and its maturing harvestable timber.

The region is focusing its economic development strategy on large forest products and tourism industries and on the potential of environmental services.

#### ***Coos - Curry - Douglas Region***

This southwest Oregon region has an economic base in timber, software, tourism and retirement services. The region is moving away from the forest products industry as harvests have almost ceased on federal lands. Reduction in fish quotas has created a negative impact on the region as well.

The region is putting greater reliance on timber manufacturing, tourism and retirement income. Employment in the region increased 13 percent between 1991 and 2001. The region is expected to continue growing moderately due to its proximity to natural resources and its desirability as a retirement location. The regional economic strategy focuses on the growing tourism and forest products industries.

#### ***Jackson - Josephine Region***

The Jackson-Josephine Region's economy is experiencing strong employment growth primarily in the trades and services sectors. Employment in manufacturing outside of the timber and wood products industries also continues to increase. Growth has occurred in industries such as fabricated metal and machinery, electronic and other high tech equipment, transportation equipment and printing and publishing. Employment in the region increased 35 percent between 1991 and 2001. The region is focusing development efforts on software and technology, secondary wood products manufacturing, telecommunications and tourism. The outlook for this region is favorable due to its location along the Interstate 5 corridor, an available, highly motivated workforce and a positive business climate.

#### ***Benton - Lane - Lincoln - Linn Region***

This western Oregon region has an economic base in timber, agriculture, higher education and tourism. The wood products industry has shrunk and changed due to the almost complete cessation of federal forest harvests.

Employment of non-farm payroll employees in the region increased 24 percent between 1991 and 2001. The outlook for the region is buoyed by expanding high technology and software companies, access to education facilities that include two of the state's largest universities, location along interstate road and rail transportation corridors and recreation and tourism attractions.

#### ***Mid-Valley Region***

(Marion, Polk and Yamhill counties)

This Willamette Valley region includes Salem, one of the state's fastest-growing metropolitan areas. Spillover population from Portland and expanding agricultural and manufacturing activities has supported the region's strong growth.

Employment of non-farm payroll employees in the region increased 27 percent between 1991 and 2001. Growth is expected to continue for the foreseeable future due to the region's proximity to Portland and its location alongside interstate highway and rail corridors. The Mid-Valley region is focusing its economic development efforts on large agriculture and forest products industries and on expanding high technology industry.

## **Oregon Ports**

Oregon has 23 port districts located along the Columbia River and the Pacific coast. The river ports support shipping and agriculture while the coastal ports bolster commercial and recreational fishing and tourism. Ports provide jobs by diversifying local economies, developing industrial parks, siting businesses and

providing an important link to the statewide transportation system. Oregon ports invest millions of federal dollars on channel, jetty and harbor maintenance and construction.

Accomplishments for the year include:

### **Dredging funding restored**

Dredging allows the ports to maintain shipping channels at authorized depths. After first being taken off the list for federal funding, the shallow draft ports saw those dollars restored when they combined forces with the state and other stakeholders to influence congress. This allows maintenance dredging of the shallow draft ports to continue, which is critical to marine related economic activity in these coastal communities.

### **Dredge Study**

The U.S. Army Corps of Engineers operates two federal hopper dredges, the Essayons and the Yaquina. New federal policies had the undesirable effect of limiting the number of days these dredges are available, potentially increasing overall dredging costs, while reducing quality and timeliness. The department and Oregon ports partnered with other stakeholders to complete a study of the benefits of fully utilizing the federal dredges in the northwest. The study identified significant cost savings as well as quality and safety considerations. The federal government favorably received this information.

### **Columbia River Channel Deepening Project Status**

Maritime transportation on the Columbia River provides the region's farmers, ranchers and manufacturers access to worldwide markets. The Columbia River deep draft-shipping channel extends 105 miles inland to Portland and carried \$13 billion in cargo in 1999. To carry the larger ships in common use today, congress authorized deepening the channel by three feet, thereby maintaining the region's international trade competitiveness.

### **Ports marine activity recreational study**

Ports are leaders in diversifying the economies of their communities. A study that measures the local economic impact of port-related recreational activities will be out in early 2003 and will help guide strategic planning efforts. This pivotal study is a joint effort of the department, the Army Corps of Engineers and Oregon ports.

### **New authorities for the Marine Navigation Improvement Fund**

The Legislative Assembly approved an expansion of the Marine Navigation Improvement Fund. Previously this fund was only used to provide the state's matching funds for large federal dredging projects. The new law offers these funds to dredging projects that don't qualify for federal funding but are important in the local economy for either commercial or recreational purposes.

## **Oregon Tourism Commission**

Tourism is important to Oregon's economy and livability. As an industry that generates \$6 billion annually in visitor expenditures, tourism in Oregon directly employs more than 94,000 Oregonians with \$1.5 billion in payroll and earnings. The economic benefits of tourism are felt statewide and help communities and the state diversify their economies.

The Oregon Tourism Commission provides resources and marketing expertise for the statewide visitor industry, ranging from research and matching grants to rural development assistance and cooperative marketing programs. The commission's biennial budget and workplan are overseen by a nine-member commission composed of representatives from a wide variety of professional backgrounds and geographic locations in Oregon.

During the 2001-02 fiscal year, the commission continued its award-winning Brand Oregon marketing efforts, including consumer advertising, travel publications and outreach to the travel media that on "the Oregon experience" and continued to target efforts in Europe and Japan. The commission also focused on travel-generating niche markets, welcome center services and an aggressive Quality Service Initiative that raised the bar regarding the visitor information and services Oregon provides to visitors in communities across the state.

As one of Oregon's major growth industries, tourism generates direct spending and state and local tax revenues important to the health of Oregon's economy. The Tourism Commission's role in expanding these revenues is significant.

For example, independent research performed for the Tourism Commission shows that the commission's consumer advertising programs produce one new trip for every \$1.69 spent on advertising. A recent \$350,000 campaign generated 220,300 new trips with a \$40 million direct economic impact. The same research shows that for every \$1 the commission invests in its media advertising programs \$3.40 in state tax revenue and \$1.70 in local tax revenue is generated.

The commission used "Brand Oregon" approaches in its international promotions showcasing manufactured goods and agricultural products to create a comprehensive image of Oregon's quality as a destination and a producer.

The Quality Service Initiative, which has proved to encourage longer stays and increased visitor spending by improving visitor satisfaction with Oregon vacations, is available statewide through a tactical partnership with the Oregon Restaurant Education Foundation. The commission's work on behalf of the entire Oregon tourism industry is paying off in terms of direct, measurable impacts to the economy.

## Oregon Arts Commission

The Oregon Arts Commission continued to link the arts with community development, family and youth issues, education, tourism and creative services development through its grants, special initiatives and programming. During the past year, the Arts Commission increased its efforts to streamline program delivery and information services and ensured that art programs reached as many Oregonians as possible.

Support for Oregon's broad range of nonprofit arts organizations across the state continued to be an important focus for funding. Arts Industry Development Grant support invested roughly \$680,000 in 79 organizations ranging from major institutions, such as the Oregon Shakespeare Festival and Portland Art Museum, to summer festivals, like the Cascade Festival of Music and Sunriver Music Festival. In addition to providing nationally and regionally recognized arts programs to Oregonians and visitors, these organizations spent an estimated \$250 million, contributing to the state's overall economy.

The Arts Commission continued to support regional programming and local access to the arts through recognition of ten Regional Arts Councils, each serving one or more Oregon counties. These Regional Arts Councils, providing arts and cultural infrastructure and service, offer distinct programs focused on regional tourism efforts, cultural facility management and arts programs for children and youth at risk. With increased funds from the National Endowment for the Arts' Challenge America Initiative, the Commission's Arts Build Communities grants supported grassroots arts projects in 32 communities. The commission's Arts Build Communities technical assistance team of ten consultants provided on-site or distance consultations to an additional 40 underserved communities.

Arts education remains one of the Arts Commission's highest priorities. Its Regional Arts Education Network offered quality, professional arts education services, training and guidance as schools and districts implemented the arts content standards for the first time during the 2001-2002 school year. A collaboration involving the Arts Commission, the Oregon Alliance for Arts Education and the Oregon Department of Education produced the Summer Teacher Arts Institute providing weeklong residential training in the arts for 100 elementary classroom teachers. Building teaching capacity in the arts remains a long and short-term strategy for improving student achievement in the arts in Oregon.

Improved communication and access to information was another of the Arts Commission accomplishments during 2002. The commission's website, [HTTP://www.oregonartscommission.org](http://www.oregonartscommission.org), was completely redesigned, updated and reconfigured to ADA standards. Electronic listservs targeted around arts and culture issues were developed to distribute information on a rapid

basis. Access to the arts for all Oregonians remains a central theme for the Arts Commission. In September 2002, the commission convened a symposium addressing Accessibility Issues in the Arts, the first in a series of professional development workshops aimed at broadening participation in the arts in Oregon.

## Oregon Film & Video Office

The Film Office recruited three feature films and 40 other productions to the state from June 2001 to July 2002. These activities combined brought approximately \$9 million to our economy. This is considerably lower than our average of \$30 million per year in the past. The decline is linked to the nation's struggling economy that especially affected commercial production. Another factor was 'stockpiling' that occurred in preparation for possible strikes by both writers and directors. The strikes did not happen, but the stockpiled product forced a slowdown in ongoing production through mid-2002.

Film and Video received a grant from the Strategic Reserve Fund to provide an incentive to the feature film "The Dust Factory." The film hired nearly 50 local film workers, dozens of extras and spent close to \$2 million in Oregon. While the grant was approved during the 2001-02 fiscal period, the film did not shoot until July and August of 2002 so its economic impact will be included in the coming year's annual figures.

A new "custom folder" technology was launched on the Film and Video Office website, which allows staff to build folders of specific photos to meet client requests. No other film commission is offering this type of service. The new service ensures that clients are seeing the best that Oregon has to offer promptly.

An aggressive marketing campaign—that includes advertising in several industry directories and trade magazines, direct mail pieces, exhibiting at trade shows and an upgraded website—won first place honors in April 2002 at the Association of Film Commissions International competition. The campaign has also been featured in Ad Week and Ad Age magazines, providing free publicity for both the Film Office and Oregon's advertising industry. The campaign is building on these successes and continues today.

In the spring of 2002 the 'close to home' campaign was introduced. The campaign emphasizes that Oregon locations are just a two-hour flight from Los Angeles. Special electronic signs in the Burbank airport, an Oregon event at the American Film Institute Film Fest, direct mail pieces and advertisements with related editorial content in industry magazines all promote this message.

## Benchmarks

The commission is committed to using OECD resources to move Oregon towards achievement of its benchmarks. The department has links to 20 of the stated benchmarks with especially strong links to ten that are detailed here.

### Professional services exports

#### *Oregon is a net importer of professional services*

Professional services include accounting, finance, insurance, engineering, management, advertising/marketing/public relations and legal services. This sector traditionally supplies highly specialized services to business and industry. This benchmark measures the percent of professional services that are imported or exported relative to industry demand. Oregon continues to be a net importer of professional services, ranking in the middle for states nationwide.

The department has assisted in the formation of the Professional Services Coordinating Council of Oregon and maintains contact with the sector through an assigned staff member.

### Annual payroll per worker

#### *Average annual payroll outpaces inflation slightly*

This benchmark reflects the quality of jobs, worker standard of living and the impact of rising productivity. The annual dollar amounts are adjusted for inflation, expressed in constant dollars in terms of 1996 prices and encompass all workers (both private sector and government). It excludes self-employed income and those positions not covered by unemployment insurance.

The data generally shows a slow, steady rise in average covered payroll wages during the past ten years. This is consistent with the proliferation of higher-paying, knowledge-based jobs. Oregon's payroll per worker still remains at about 95 percent of the national average. The department helps businesses create and retain jobs at above-average wages through a variety of finance and workforce development programs.

### Wages more than 150 percent of poverty

#### *Oregon's steady progress in the creation of family-wage jobs slipped in 2001*

This measure tracks the extent to which individual jobs are capable of supporting a family at a level adequate to meet its needs at more than a subsistence level. In 2001, the state slide slightly from the progress made during the 1990s. While still better than the family-wage job creation in the early part of the past decade, it is anticipated that this benchmark will not materially improve until the 2003 timeframe at the earliest.

The department's focus on rural and distressed areas places special emphasis on creating and retaining above-average wage jobs in low-income communities

and on diversifying local economies by promoting investment from targeted sector industries.

### Employment dispersion

#### *Employment growth outside the Willamette Valley remains slower*

Measuring employment dispersion, or the percentage of Oregonians employed outside the Willamette Valley, is the goal of this benchmark. It underscores the importance of geographic diversity in the state's employment picture. Today's data reveals a slight deterioration when compared to 1999, but the employment share has hovered in the 25 percent range for the past ten years.

Employment dispersion is affected by changes in industry conditions, rural preparedness to attract replacement industries and availability of appropriate infrastructure, among other factors. The department has concentrated its resources on Oregon's rural and distressed areas, which includes most of the state outside the Willamette Valley.

### Economic diversification

#### *Oregon's economy is somewhat less diversified than other states*

This benchmark measures the stability of Oregon's economy by comparing the gross state product for Oregon and the nation for each major industry. Dependence on a few dominant industries could possibly make the economy more susceptible to industry-specific swings. The more diversified an economy, the better it may be able to withstand significant business fluctuations. Since 1990, more than half the states have been ahead of Oregon in terms of this benchmark.

The department attempts to encourage the growth of employment in less prominent sectors that can help stabilize the economy through its industry outreach program. The program involves contacting individual companies to inquire about any problems confronting them regarding workforce, regulations or siting issues.

### Per capita income

#### *Quest for income parity continues to languish*

Per capita income compares the various sources of income that Oregonians receive (such as wage/salary earnings, interest, dividend, capital gains income, sole proprietor and net farm incomes and pension incomes) to the U.S. as a whole. This measure is a major indicator of overall economic health. Despite very strong economic performance in the 1990s, Oregonian's per capita income hasn't been at or above the national level since 1980. It has largely been stuck at 94 percent to 95 percent of the national average since 1993.

The department dedicates its resources to:

- encourage new businesses and expansions,
- stimulate job creation for the under-employed and unemployed,
- invest in infrastructure,

- provide technical and financial assistance for business development,
- improve the business climate and facilitate business investment in communities that are earnestly seeking this key element of economic growth.

### **Net job growth**

#### ***Oregon's job growth has gone from bad to worse***

Job growth for 2000 belies considerably the current situation in the state. Although 2000 witnessed a significant gain in the absolute number of jobs created in 1998 - 1999, the year 2001 revealed a net loss of jobs and earned the state the 50th, or worse ranking among the states in job creation. Our durable manufacturing industries — particularly transportation equipment — were partly to blame, but non-manufacturing sectors also played a large part in the declines.

In the last fiscal year the department did not target total statewide job creation. Instead, it focused efforts on increasing jobs in distressed communities and in creating and retaining jobs in traded sector industries.

### **Formation of new companies**

#### ***New company formation in Oregon has stalled***

Entrepreneurial energy and economic robustness translate into a high rate of business formation. Oregon's rate of new business starts continues to be among the top 15 nationwide. A strong in-migration trend in the 1990s is largely the explanation, fueled partly by Oregon's strong appeal as a place to live.

Department programs that provide both technical and financial assistance for new business startups facilitate a strong entrepreneurial business climate in Oregon.

### **Unemployment rates**

#### ***Oregon's unemployment rate continues to be in excess of the nation's***

Unemployment is often used as a key economic indicator. After dropping to only 4.9 percent statewide in 2000—albeit still at 123 percent of that for of the nation at large—in 2001 unemployment rose to 6.3 percent, second highest in the nation. Moreover, high unemployment rates continue to plague the state's rural communities, with a number of counties incurring rates in excess of 10 percent.

The department maintains a distressed area index as one tool for identifying parts of the state that are priority for investment in infrastructure, workforce training, business development and technical assistance as ways of eliminating barriers to fuller employment.

### **National rank in traded sector**

#### ***Traded sector strength continues slow improvement***

Traded sector industries are those that compete in multi-state, national and international markets. These industries include agriculture, forestry, high technology, aerospace, professional services, biotechnology and many others. The more these sectors trade, the more money that flows into the state, serving to bolster our economy. Oregon's national ranking for this indicator has risen slightly over the past five years.

The department has staff liaison with each traded sector to work with industry associations and to keep abreast of industry trends, issues and partnering opportunities.



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