

Outcome Team Thriving Economy

FY 2008 Budget Priority Setting MULTNOMAH COUNTY OREGON

Updated: January 4, 2007

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I. Priority – *Result to be realized, as expressed by citizens –*

I want Multnomah County to have a thriving economy

II. Indicators of Success – *How the County will know if progress is being made on the result*

The indicators chosen for this priority reflect two aspects of how a Thriving Economy is traditionally defined – specifically jobs and wages. Indicators # 1 and # 3 reflect the job component in that they are measuring employment at an aggregate level as well as the annual change in the number of jobs within the county. Average annual wages, in theory, reflect the “quality” of the jobs that are held within the county.

The FY 2006 team came to the conclusion that there is no accurate and consistent way to identify the wages of county residents. The data are simply not reported at that level. All the measures that specifically relate to county residents are based on either income or earnings. Those two terms are problematic because they include more than wages/salaries and, thus, can skew the average.

Therefore, indicator # 2 was modified to reflect the average wages paid by Multnomah County employers. This will, naturally, include non-county residents (and it does not capture the self-employed) but was believed to be a valid way to measure the health of the Multnomah County economy. It is also a measure that is also reported by the Oregon Employment Department on an annual basis.

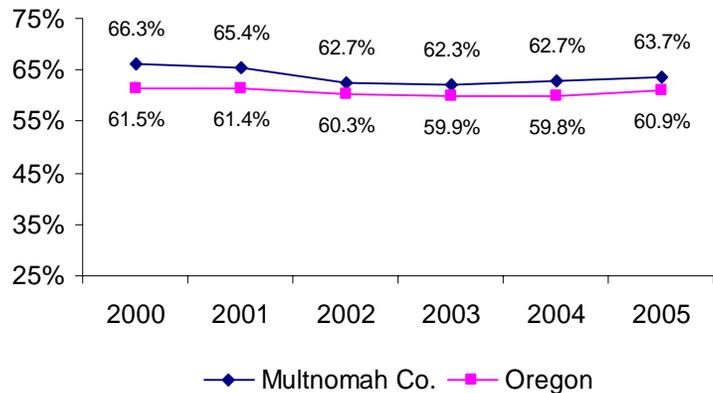
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1. Percent of working age Multnomah County residents who are employed.

This chart shows the rate of employment among Multnomah County residents who are 16 years and older. It includes those who are self-employed and who work part-time. The Census Bureau's annual American Community Survey is the source.

The rate of employment has been stable for the three most recent years of available data, but has dropped 3.8% since 2000. Multnomah County consistently employs a slightly higher percentage of residents than the state as a whole.

Percent of Working Age (16 yrs +) Residents who are Employed



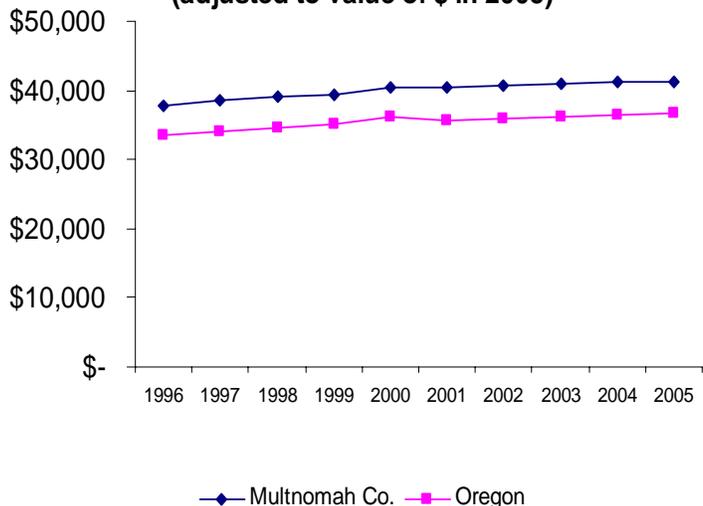
Source: Census Bureau's American Community Survey

2. Average wage paid by Multnomah County employers.

This chart shows the average annual wage per worker paid by employers, adjusted for inflation. In 2004, the average annual wage in Multnomah County was \$41,241. The calculation is based on jobs and wages paid only by employers in the county, so it excludes county residents who work elsewhere or are self employed. It is intended to be an indicator of the health of the economy in Multnomah County, rather than an indication of average wages earned.

The average annual wage has been relatively flat since 2000, but is up 9% over a decade ago. Multnomah County wages are, on average, about \$4,600 higher per year than statewide average wages.

Average Annual Wage (adjusted to value of \$ in 2005)



Source: Oregon Employment Department

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3. Number of jobs provided by Multnomah County employers.

These charts reflect the number of jobs provided by businesses in Multnomah County. They exclude individuals who are self-employed or work outside of the County and do not differentiate between part-time and full-time positions. They are intended to be an indicator of economic health rather than a complete picture of employment.

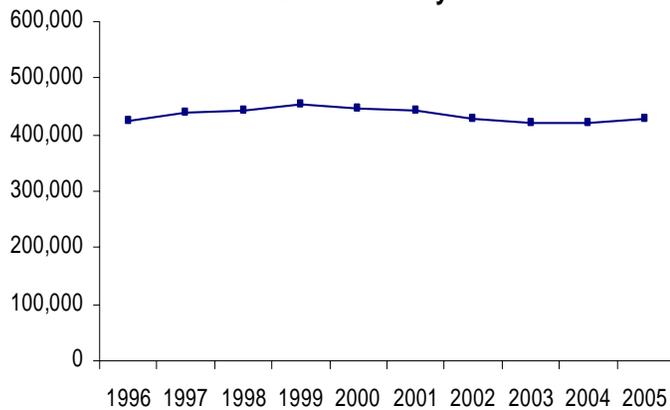
Total Jobs and Job Growth

Over the last decade, a total of 13,327 jobs were added in the aggregate. Between 2000 and 2003, 33,200 jobs were lost, but this trend was reversed in 2004.

Multnomah County employers lost jobs every year between 2000 and 2003, for a total loss of 33,200 jobs after years of gains. 8,115 jobs were added in 2005.

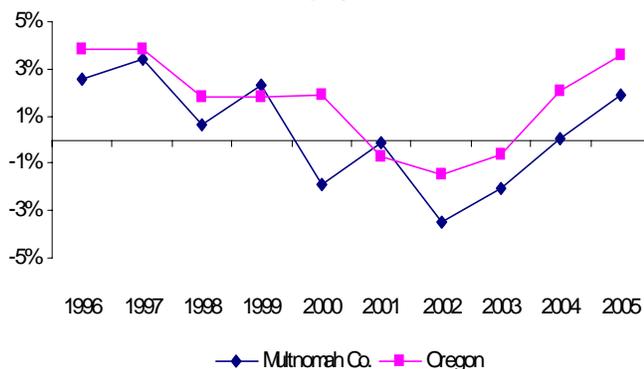
The percent change over the prior year in the number of jobs provided fluctuated more dramatically in Multnomah County than it did in the state as a whole, although the overall trend of job loss and gain mirrors that of the state.

Jobs Provided by Employers in Multnomah County



Source: Oregon Employment Department

Percent Change Over Prior Year in Jobs Provided by Employers

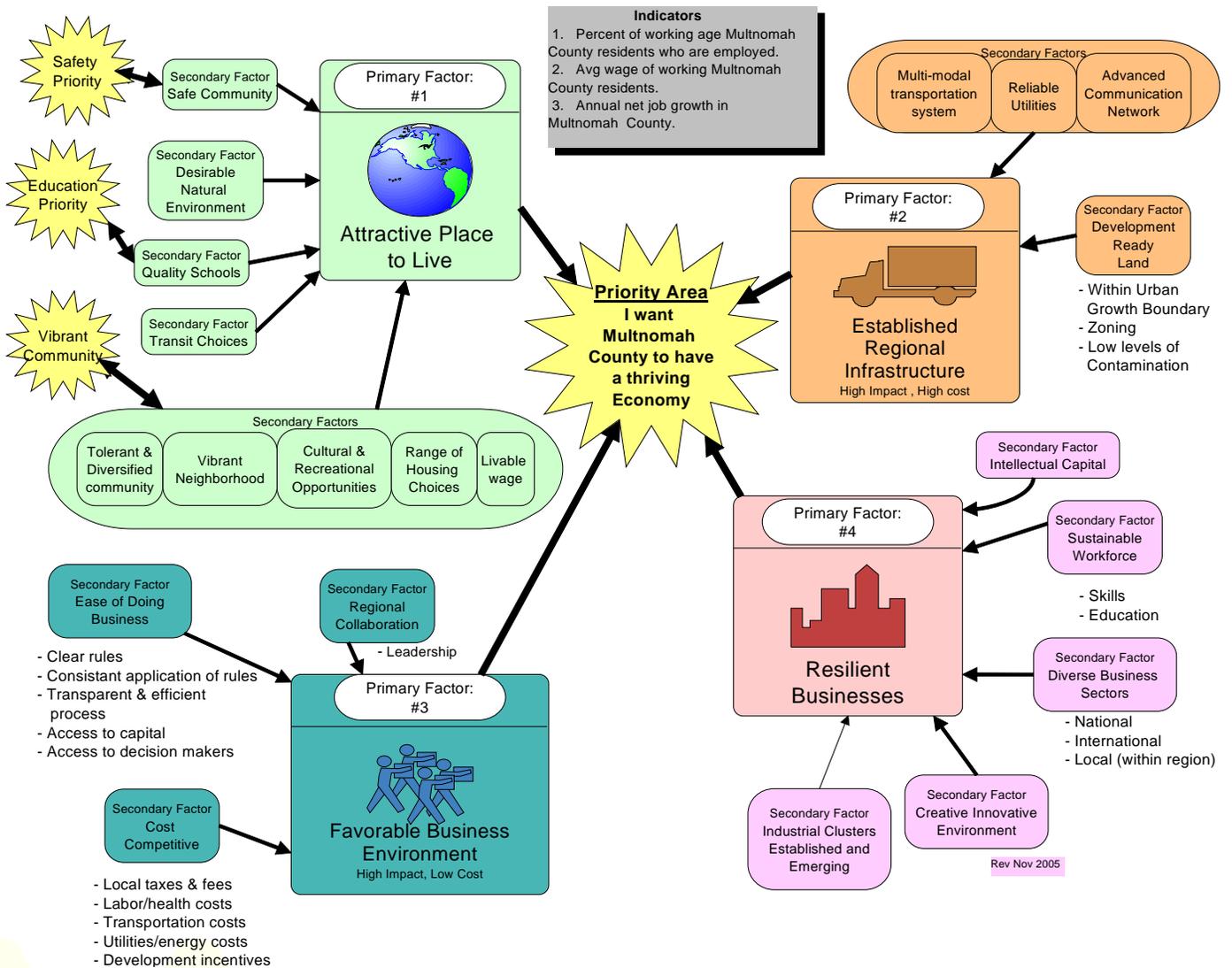


Source: Oregon Employment Department

The data to support these indicators are readily available from a number of sources. Primary data sources used are the Oregon Employment Department (OED) and the American Community Survey (ACS). These data sources are current, reliable, and considered to be the standard for reporting in almost every medium. It is interesting to note, as well, that each of these indicators is also a benchmark that is tracked by the Portland/Multnomah Progress Board.

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III. Map of Key Factors – Cause-effect map of factors that influence/produce the result



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The map identifies four primary causal factors we believe influence this priority. The ability of Multnomah County government to provide support for these factors may be limited in some cases. For example, we heard from two regional economists that the cost of doing business in Portland and Multnomah County is higher than it is in surrounding jurisdictions. This is a fact of being a central city that is not unique to Portland.

We have identified four primary causal factors and prioritized them as follows:

- 1) Attractive Place to Live
- 2) Established Regional Infrastructure
- 3) Favorable Business Environment
- 4) Resilient Businesses

1. Attractive Place to Live

Livability is a concept that permeates nearly every aspect of the priorities that citizens have expressed. It is so much a part of the social equation that we have incorporated a number of the other Multnomah County Priorities on our map. At first glance, it might not be readily apparent how livability contributes to a thriving economy.

Consider, though, the education priority area statement - "I want children to succeed in school." A review of the evidence highlighted education as a critical factor in attracting and retaining businesses and innovative entrepreneurs. A good education system plays an important role in supplying the region with a sustainable, skilled workforce. Equally important, though, is the contribution that quality schools make in attracting new employees and their families to the region.

The State's economy began the shift in the 1980's from resource extracting to value added manufacturing (high tech). The economy has continued to shift since that time and the emerging industries are increasingly knowledge- rather than resource-based.

Regional economist Joe Cortright states, "Almost overlooked, metropolitan Portland's chief advantage in the competition among metropolitan regions has been its ability to attract and retain a group we call 'the young and the restless' –well-educated 25-34 year old adults. The regions principal assets for attracting this key group center on quality of life, and embrace everything from our natural resource inheritance to the urban amenities of a walkable, bikeable city, great transit, and a culture open to newcomers and new ideas."

2. Established Regional Infrastructure

Infrastructure consists of the transportation and communication networks, utilities, and land resources that are necessary for business attraction, retention, and expansion. The evidence from various economic development reports suggests that there are two key components associated with the regional infrastructure.

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First, there needs to be an adequate supply of development-ready land within the region. A number of studies have highlighted the fact that there is a scarcity of land available for industrial development inside the Urban Growth Boundary (UGB). This is seen as a weakness in the region's attempts to attract new or expand existing businesses. Obviously, the need for development-ready land is more critical for manufacturing industries than it is for knowledge-based industries. Since it is difficult for the County to effect supply of development-ready land, the Outcome Team felt that it would be important to target creative sector industries which generally require less land while continuing to support regional efforts to insure an adequate supply of industrial land.

Second, it is equally important that governments within the region commit to the maintenance and enhancement of existing transportation systems. Adequate transportation options (road networks, air freight, railways, and shipping ports) are crucial for businesses because an efficient, multi-modal system allows for quick delivery of products to markets both in and out of the metropolitan area.

Another, increasingly important, consideration is the contribution that communication networks make to the economy and the importance of being "wired." A report titled *"The Internet Backbone and the American Metropolis"* stresses how important the Internet is to the economics of regional areas. According to the authors, there is "...a strong relationship between the concentration of information industries and physical and virtual telecommunications infrastructure."

Technology, in general, has been cited as critical to economic development. We heard about local governments that have developed innovative programs in technology. For example, the City of Ashland recently developed a plan to provide broadband access to all businesses and residents. A similar approach is currently under consideration by the City of Portland. Initiatives such as this tend to separate those jurisdictions and regions from their competitors.

3. Favorable Business Environment

The ease of doing business, and the time it takes to get through regulatory "red tape", were cited consistently as aspects of creating a favorable business environment. There are many recent examples where businesses chose to expand or locate outside of Multnomah County because it takes too long to get a project from the drawing board to completion. In the literature we reviewed, the concept that the development process should be efficient and transparent is stated in terms of improving customer service. As stated by Bob Whelan, an economist with ECONorthwest, the notion that government can play a role in establishing a favorable business environment can be summarized in the following three points:

- Establish clear rules;
- Enforce those rules consistently; and
- Stand back - allow businesses to succeed/fail of their own accord.

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To further elaborate, the City of Portland's "Strategy for Economic Vitality" states, "(the) creation of a good business climate is a top priority that the City needs to address if it wants to facilitate economic development."

We also had discussions regarding the relevance of the "Price of Government" (POG) concept to this priority. Here is how the equation is stated:

$$\text{POG} = \frac{\text{Sum of Fees, Taxes, Other Revenues}}{\text{Personal Income}}$$

There are two ways to lower the price. One way would involve a reduction in the total amount of revenue collected for County services. The other way the price can be lowered is through an increase in personal income. We submit that in a thriving economy, with plentiful job opportunities, personal income would tend to increase at a faster rate than tax and revenue collections. Viewed from that perspective, the County could influence this priority area by considering program offers that contribute to it in even minor ways.

4. Resilient Businesses

The Portland metropolitan statistical area (PMSA), an area that includes Clark County, WA, has an existing business inventory that employs roughly one million people. There are more than 50,000 businesses with payroll expenses. This business base is very diverse - ranging from firms that employ a handful of people to multi-national corporations, such as Intel, with thousands of employees.

The evidence suggests the national and international businesses (the so-called "traded sector") drive the majority of economic growth within a region. A number of existing and emerging industry clusters dominate the regional economy. "Clusters" exist when a number of similar and related firms are concentrated in a small geographic area. The high technology cluster is one that most of us are familiar with. Harvard business professor Michael Porter notes "a cluster generates a dynamic process of ongoing improvement and innovation that can sustain . . . success for a prolonged period." Put another way, successful traded sector clusters bolster and support the local sector.

An example of a rapidly growing sector cluster in the region is sustainable industries. A 2003 report to the Portland Development Commission found that 1,247 businesses self-identified as fitting into this sector, supporting the green building, recycled products, and renewable energy businesses.

Workforce development, and the ability of the region to attract and retain a sustainable workforce, is also a key aspect of the business base. As noted above, the identification of industry clusters can help guide strategies designed to foster a sustainable workforce. It is also important for the region to develop strategies to tailor educational programs, including vocational training, to the needs of both sectors of the economy.

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IV. Selection Strategies and Request for Offers – *Focused choices to realize results*

The team feels strongly that the county needs to focus its efforts on three areas that have an impact on the Thriving Economy:

- 1) Represent the County's interest by taking a seat at the regional economic table;
- 2) Do the county's business right. In those services and programs where the County can influence the health of the regional economy—lead by example; and,
- 3) Actively attract and recruit new business to the region.

Other factors are certainly important, but we believe these three strategies will have the greatest impact on this priority.

1. Champion the county's economic interests: "a seat at the regional table!"

The County has a significant stake in the health and vitality of the region's economy. County leaders can exert influence as a stakeholder to create, shape and advocate for a shared vision and strategies for realizing a thriving and sustainable economy in the region.

For the region to compete, we believe we need to emphasize and market the number one reason people and businesses seek out the Portland metro area—"it's an attractive place to live."

With representation in both regional and local economic development efforts, the County will expand its impact and will move from an isolated to a collaborative approach and from a reactive to a proactive perspective.

Many of the economic issues which this community must address can only be addressed effectively at a regional level. For example, land availability, taxing, permitting, urban renewal, industry recruitment, and legislation are all topics that cross political boundaries. In addition, other governments and agencies (e.g., the Portland Development Commission) are organized and funded to play a lead role in supporting and growing business in our community. The County's purpose should be to influence, leverage, and supplement the efforts of these organizations by acting as a full partner with these organizations.

We are looking for Program Offers that:

- Strengthening the County's participation in public and private economic efforts
- Develop economic partnership strategies.

Thriving Economy

2. Do County business right!

The County has control and responsibility over several important activities that contribute to the thriving economy priority area. Doing business “right” means the County leads by example to make Multnomah County a good place to do business. For example, the County owns and maintains six of the major bridges in downtown Portland that span the Willamette River. These bridges are vital links in the regional transportation network which move people and freight. These regional assets are in need of significant maintenance and/or replacement and carry substantial financial liability. The County should, therefore, be proactive in its efforts to ensure the long term viability of these structures.

The County’s Strategic Investment Program (SIP) is an example of a partnership between business and government that strengthens workforce development and training programs. A quality workforce has been identified as being critical to business expansion and retention.

When Land Use Planning processes are consistent and predictable we contribute to the ease of doing business, which helps to make the county a good place to do business.

We are looking for Program Offers that:

- Leverage federal, state, local and private funds to improve the county’s physical and technological infrastructure that will in-turn help businesses operate efficiently.
- Provide innovative solutions to address major infrastructure liabilities rather than just programming current available funding.
- Streamline County business processes and provide innovative solutions to enhance business success.
- Leverage the County’s role to strengthen regional workforce development and training programs.

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3. Retain existing and recruit new business

All of the stakeholders in the region need to develop every opportunity to market the number one reason people and businesses seek out the Portland metro area—“it’s an attractive place to live.” The quality of life in the area is often the primary factor motivating people to come and stay in the region. All of the other priority areas are interconnected with the quality of life. The region’s natural environment, safe communities, quality schools, transit choices, vibrant neighborhoods and living wage jobs are a wonderful enticement for the young, mobile, educated workforce—and emerging industries. These are the key components of a thriving economy.

We are looking for Program Offers that:

- Support the efforts of lead agencies, such as **Business Associations, Chambers, and** the Portland Development Commission (PDC), in marketing Multnomah County and the Portland Metro area to new businesses. Offers in this area should consider what makes this area unique and target the businesses and individuals who would find these attributes most appealing.
- Create incentives to attract small businesses to the region, since much of the growth in our economy comes from smaller scale businesses.
- Propose ways to mitigate costs to make Multnomah County more competitive and attractive to new and existing business.

Thriving Economy

Acknowledgements

Experts:

Joe Cortright, Impresa Consulting
Bob Whelan, ECONorthwest
Tom Weldon, Gresham Area Chamber of Commerce
Sandra McDonough, Portland Business Alliance
Rob Fussell, Former Gresham City Manager

Evidence:

“Progress Of A Region: The Metropolitan Portland Economy In The 1990’s”
(Regional Connections Project, 1999)

“Regional Economic Strategy: Four Questions for Metropolitan Portland”
(Joe Cortright, 2002)

“Comparative Analysis of the City of Portland Business Operating Costs”
(Portland Development Commission, 1999)

“A Framework for Creating Shared Economic Priorities for the Portland-Vancouver
Metropolitan Area”
(Regional Economic Development Partners, 2003)

“Multnomah & Washington County Regional Investment Plan”
(Multnomah-Washington County Regional Investment Board, 2001)

“Mayor’s Economic Development Forum – A Community Action Plan”
(City of Gresham, 2000)

“Multnomah County Priorities Focus Group Report”
(The Metropolitan Group, 2004)

“Regional Industrial Land Study: Phase III”
(OTAK, 2001)

“Strategy For Economic Vitality”
(Portland Development Commission, 2002)

“Changing the Deal on Economic Development”
(Connie Nelson, Public Strategies Group, 2003)