

Comprehensive Economic Development Strategy for the Portland-Vancouver Metropolitan Region

June 2005

prepared for

The Regional Partners for Business
and the
CEDS Strategy Committee

by

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Executive Summary

DEVELOPING A REGIONAL BUSINESS PLAN

WHY THINK REGIONALLY ABOUT ECONOMIC DEVELOPMENT?

Regions—not states or cities—are the essential geography for economic development and competition. Within regions, a few clusters of industrial activities (e.g., high-tech, metals, transportation equipment) provide specialized goods and services that are in high demand outside the region, nationally and internationally. Purchases of those goods brings money into the regional economy and fuels economic development: the growth of businesses, jobs, and income.

The economy of the Portland-Vancouver region is changing; globalization of economic activity and new technologies have accelerated the rate of that change. Leaders in both the public and private sectors realize they must work together to keep the region competitive. Public and private investments across the region to create a strong and prosperous economy should support one another and aim for common objectives.

WHAT'S NEW ABOUT THIS EFFORT?

Twenty years ago, economic change proceeded more slowly, and global competition was less fierce. Economic development agencies, where they existed, operated in cities or counties. Those agencies communicated occasionally with business groups, but had few strong or long-term partnerships.

That changed gradually. Economic development agencies saw the need to coordinate at a regional level. That coordination was at first informal. In the Portland-Vancouver region, the Portland Regional Partners for Business formed as a public-private partnership focusing on shared economic priorities for the six-county region.

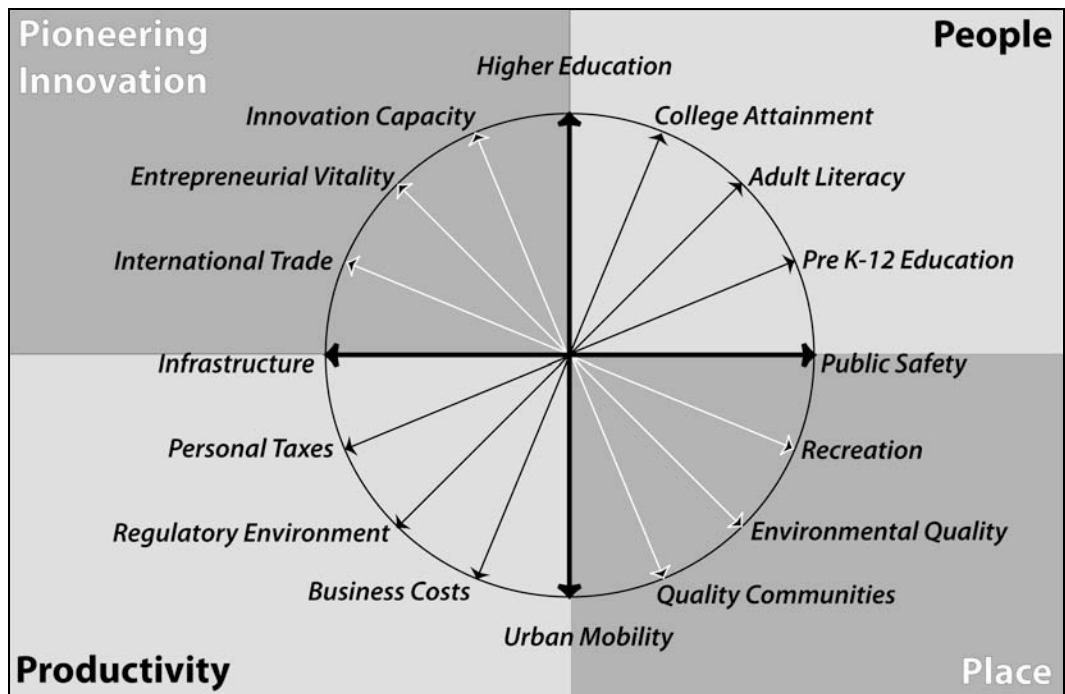
Now businesses in the region are organizing to create a *Regional Business Plan* as the next step in getting a regional strategy for private and public investment. In support of that effort, the public sector is simultaneously preparing a *Comprehensive Economic Development Strategy* (this document) that will provide technical and policy information to the Regional Business Plan process.

THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDS)

The CEDS is a planning effort that is led by the public-sector and is focused on assembling information relevant to making choices about public-sector actions on economic development. The CEDS process leads to a document that describes economic conditions for the Portland-Vancouver metropolitan region, captures

the essential elements of previous economic development plans around the region, and discusses broad strategies and specific actions of importance to the regional economy. The CEDS document is organized along the lines of the Oregon Business Plan—it aims to increase economic prosperity by improving performance in four areas: *Pioneering Innovation*, *Productivity*, *People*, and *Place* (referred to as “the four Ps of Prosperity”). Figure 1 provides detail.

Figure 1. The Four Ps of Prosperity



Source: ECONorthwest, 2005, based on the Oregon Business Plan, 2002.

The CEDS effort is funded in large part by a grant from the Economic Development Administration (EDA) of the U.S. Department of Commerce. The CEDS process ran from February to June 2005, and ended in a CEDS document approved by a diverse steering committee that consisted of public- and private-sector leaders from around the region. Having a CEDS document has some potential advantages to the region for federal money; more important, however, is the information this evaluation provides toward the preparation of the Regional Business Plan.

THE REGIONAL BUSINESS PLAN

The Regional Business Plan is being developed through a public-private partnership to build on the information and framework in the CEDS. The initial efforts of developing the Regional Business Plan are being led by the region’s private-sector business organizations. Their effort will be expanded to include the region’s public sector leaders, who are viewed as important partners in any effort to address the region’s economic future.

The Regional Business Plan is scheduled to be completed at the end of 2005. Table 1 shows the schedule for the CEDS and the Regional Business Plan, and illustrates that the CEDS process and document is completed before and feeds into the Regional Business Plan.

Table 1. CEDS and Regional Business Plan schedules

Date	CEDS	Regional Business Plan
Jan – Mar 2005	Organization of Committee Preliminary data collection	Outreach to business leaders
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July – Sept 2005	Local adoption Federal application	Regional meetings
Oct – Dec 2005	Formation of a board for the Economic Development District Integration into the Regional Business Plan	Task force report Regional Business Plan Public Meeting
2006		Implementation of the Regional Business Plan

Source: ECONorthwest, 2005

WHAT HAPPENS NEXT?

The region's future economic success depends heavily on the capacity of its traded-sector industries to innovate. A theme of both the CEDS and the forthcoming Regional Business Plan is to bolster the creative efforts of the firms in the region by creating a supportive environment in each of the four P categories. The Regional Business Plan can't create that supportive environment without broad based support (from business and government representatives as well as the general public) for the implementation of its actions. Broad participation is necessary not just for the success of the Regional Business Plan, but also for the ultimate success the Portland-Vancouver regional economy.

In July, the CEDS project team will ask the Clark, Clackamas, Multnomah, and Washington County Commissions and the Portland City Commissioners to adopt (by resolution) the CEDS and request the designation of an Economic Development District (EDD) by the Economic Development Administration. A successful EDD application will make the region eligible to apply for certain planning grants.

Once the Regional Business Plan is complete at the end of 2005, there will continue to be ways to be involved. The plan will be updated regularly, and will involve the public and private sectors at each step along the way.

WHAT IS THE CURRENT AND LIKELY FUTURE ECONOMIC CONTEXT FOR THAT STRATEGY?

The Portland-Vancouver region's economy is robust and changing. Over the last 25 years, the aggregate size of the metropolitan economy almost doubled. In the late 1970s, the region had fewer than 500,000 workers; by 2005, it had nearly a million workers. From the early 1980s through 2000, the region enjoyed 17 years of uninterrupted employment growth. The national recession that struck the nation in 2001 hit metropolitan Portland harder than many other US metropolitan areas; after three successive years of employment declines in 2001, 2002, and 2003, employment growth has resumed in the Portland metropolitan area.

The Portland-Vancouver region is the 25th largest metropolitan economy in the United States with a gross metropolitan product of approximately \$75 billion annually. The metropolitan region's industrial structure is characterized by the presence of a number of traded sector industry clusters, particularly in durable goods manufacturing. The region's largest traded sector industry cluster is high technology and electronics manufacturing followed by metals machinery and transportation equipment manufacturing the products for processing sporting-goods/apparel, creative and professional services and other industry clusters. Growth in high technology industry cluster, particularly in semiconductors during the 1990s, contributed to the region's export, income, and employment growth.

STRENGTHS

Many factors affect the productivity of businesses and the efficiency of economic activity in the metropolitan area. The following factors differentiate Portland-Vancouver from other regions in the country, making the region an exceptional place to live and work. The action plan in this document seeks to protect and build upon these strengths.

- The region is known for its quality of place and livability. The region is rated particularly high in environmental quality, health insurance coverage, recreation, and leisure opportunities.
- The Portland-Vancouver region's existing businesses are highly innovative.
- The Tax Foundation ranks both Oregon and Washington among the top 10 states for business climate.
- Over the past decade, the region has been particularly successful in attracting well-educated young adults to move to the region from elsewhere in the United States.
- Portland-Vancouver region has an extensive transportation, communications, and public utilities infrastructure system. While the region is relatively distant from most other US metropolitan areas it is adequately served by air, rail, highway, and international shipping connections.
- The region's workforce is highly educated.

- The region's per capita income is higher than the US average, but by a smaller margin than during most of the last decade.

AREAS FOR IMPROVEMENT

While some factors make the region an attractive location for new businesses or residents, the following do little to differentiate Portland-Vancouver from other metropolitan areas and may even discourage relocation.

- The local system of K-12 education is roughly average. Higher education enrollment as a fraction of the young adult population is smaller than in most U.S. metropolitan areas.
- Portland and Multnomah County have higher personal and business income taxes than the rest of the region and many other metropolitan areas.
- The region ranks above average on a per capita basis in venture capital funding, although venture capital funding has declined since its peak in 2000.
- The region's cost of business is roughly similar to other US metropolitan areas; a comparison of 33 metropolitan areas with 1 to 4 million population, showed metropolitan Portland ranked 13th lowest in typical business costs.

WHAT GOALS AND ACTIONS SHOULD THE REGION PURSUE?

Consistent with conclusion about the importance to economic development of regional coordination, the traded sector, and clusters with comparative advantages relative to other regions, the broad goal for the CEDS is:

The economy of the Portland-Vancouver region should develop to have multiple traded-sector clusters containing businesses that are global leaders in innovating new products and processes.

Consistent with that goal are actions in five categories:

PIONEERING INNOVATION

- **Cluster innovation.** Work with the region's industry cluster organizations to develop cluster-specific innovation activities.
- **Capital availability.** Encourage greater availability of the early-stage risk capital for new business formation and expansion.
- **Entrepreneurial culture.** Promote the role of local entrepreneurs and measure their impact on the regional economy.

- **Knowledge creation.** Strongly align the region’s higher education resources to improve the competitiveness of the region’s traded-sector cluster businesses.
- **High-performance work organization.** Promote widespread adoption of high performance work organization in the manufacturing techniques in the region’s private sector firms. Encourage the adoption of these practices within the public sector.

PRODUCTIVITY

- **Industry clusters.** Focus economic development efforts on established and emerging traded sector industry clusters.
- **Land supply.** Assure that there is sufficient land supply for the region’s economy; emphasize the needs of traded sector industry clusters.
- **Transportation and other infrastructure.** Assure that the region’s transportation and other infrastructure systems are adequate to efficiently meet the needs of the region’s economy.
- **Tax and regulatory environment.** Work to reduce the tax and regulatory burdens imposed on the region’s businesses, consistent with maintaining an adequate level of public service and a high quality of life.

PEOPLE

- **K-12 and higher education funding.** Advocate for secure funding for K-12 and higher education to ensure high-quality educational opportunities.
- **Workforce training.** Continue to seek additional funding for the development of workforce training opportunities and one-stop training centers.
- **Awareness of existing opportunities.** Enhance awareness of existing educational and workforce training resources.
- **Skills gap analysis.** Conduct annual skills gap analyses to determine training and skills needs.
- **Basic skills.** Increase the availability of remedial education and ESL programs.

PLACE

- **Branding the region.** Encourage collaborative marketing of the area to create a “brand” that appeals to the workforce the region is trying to attract in key clusters.
- **Land use balance: green spaces and economic opportunity.** Implement programs that enhance green spaces and recreational opportunities in the region while considering the importance of land for economic development opportunities.

- **Workforce housing.** Seek opportunities to develop workforce housing.
- **Neighborhoods: safety and improvements.** Support the formation of neighborhood associations and similar groups throughout the region that focus on neighborhood safety and other improvements.
- **Engaging younger workers.** Encourage the 25-35 year-old demographic to become more active in the region's civic and political life.

PROCESS

- **Market as a region.** Organizations should continue to market together to expand the region's markets.
- **Coordinate with Regional Business Plan efforts.** The CEDS should become part of the Regional Business Plan, with the EDD board operating as a subcommittee of the Regional Business Plan.
- **Monitor progress.** Continue to evaluate progress toward benchmarks on priority actions.

Acknowledgments

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Building a Better Economic Future for the Portland-Vancouver Region

Chapter 1

This document, the *Comprehensive Economic Development Strategy* (CEDS), describes economic conditions for the Portland-Vancouver metropolitan region, the essential elements of previous economic development plans around the region, and broad strategies and specific actions of importance to the regional economy. It meets the requirements of the Economic Development Administration (EDA) of the U.S. Department of Commerce, which funded much of the work necessary to prepare this document.

Meeting those requirements makes the region eligible for some potential federal funding. More importantly, the purpose of this document is to provide technical information that can contribute to the preparation of a *Regional Business Plan* for the Portland-Vancouver region, which public and private groups hope to have ready by the end of 2005. This chapter describes the relationship of the CEDS to the Regional Business Plan in more detail.

This introductory chapter has four sections:

- **Why create a regional economic development strategy?** describes the reasons for pursuing a Regional Business Plan, and how this document contributes to that effort and other objectives.
- **The CEDS report and process** describes the overall purpose and framework for the report, and the role of the Strategy Committee and the subcommittees in completing the CEDS report.
- **Framework for the economic analysis** describes the steps taken to develop the CEDS, and describes the organization of the action plan.
- **Organization of this report** describes the chapters and appendices in this report.

This report is organized in a logical way (from Vision, to Facts, to Actions), and in a way that meets EDA requirements for a CEDS. Details are contained in appendices. Readers with less time will probably wish to jump to or focus on Chapter 3 and 4: the facts about the regional economy, and the actions recommended by the CEDS Strategy Committee.

WHY CREATE A REGIONAL ECONOMIC DEVELOPMENT STRATEGY?

Over the past few years, several significant economic changes have affected the Portland-Vancouver metropolitan region; these changes include the globalization of economic activity, the explosion of new technologies, and a recent economic recession. The region faces new challenges and opportunities for achieving and sustaining economic prosperity.

The region need not view these challenges with fear and in desperation. If businesses and governments in the region are intentional and forward looking about economic prospects, and if they make the right choices and investments, then the Portland-Vancouver region can be among the most prosperous and livable in the world.

A paradox of globalization is that it makes local place characteristics more important, rather than less important. The Portland-Vancouver metropolitan region has always had a strong sense of its distinctiveness, an independent streak that leads it to pioneer its own ways of doing things rather than simply following the crowd. There are now several such pioneering efforts coming together to build a better regional economic future.

Those efforts are building on previous work in an attempt to more fully integrate economic considerations with all of the other planning activities taking place in the region. Such integration is not only possible; it is essential. Increasingly, a region's chief economic assets are its people, its knowledge base, its distinctive quality of life, and its infrastructure. A successful economy depends on a talented, innovative populace; vibrant, desirable communities; and well-functioning transportation and other public facilities and services.

Metropolitan areas are the critical geographies for economic activity in the global marketplace. The lowering of trade barriers and the growth of international trade have lessened the importance of national boundaries. Most states are too large and diverse to create truly integrated strategies for economic development; most cities are too small to be able to provide or coordinate all the economic activity of a regional economy. Metropolitan regions, and the different industry clusters that give a region a comparative advantage over other metropolitan areas, are the critical drivers of economic success.

Regional coordination makes economic sense, because economic activities do not follow political boundaries. People, goods, services, and resources move across the region, indifferent to local boundaries. The Cities of Portland and Vancouver and their surrounding suburbs are economically interdependent.

Both businesses and governments are increasingly interested in improving the quality and use of the resources that allow a regional economy to perform and compete well. There is a growing agreement that businesses have to coordinate with each other, governments have to coordinate with each other (across state, city, county, and special-district boundaries), and business and government have to coordinate with each other.

Such coordination does not necessarily require new regional agencies or organizations. It probably does require, as a starting point, institutional arrangements to facilitate communication between private and public entities.

Other regions in the country and in the world have the institutional structures in place to work together to achieve a globally competitive regional economy. In such regions, existing agencies and organizations (both public and private) have some common ideas about economic conditions, opportunities, and strategies.

Appendix G describes what these other regions are doing and details the institutional structures that make their planning efforts successful.

THE REGIONAL BUSINESS PLAN

Leaders in both the public and private sectors of the Portland-Vancouver region have realized that, to be competitive in this environment, they too must develop the institutional arrangements that allow them to discuss and agreed upon a set of priorities for business organizations and government agencies.

Getting to agreement about the ideas requires both fact finding and evaluation. For agreement to be reached and remembered, ideas must be written down. That reasoning lead business and government leaders in the region to attempt to create what is now referred to as *the Regional Business Plan* for the Portland-Vancouver metropolitan region.

The Regional Business Plan is being developed through a public- private partnership. It will build on the economic strategies and analysis undertaken by the City of Portland, the City of Vancouver, Clackamas County, the Westside Economic Alliance, and other statewide efforts like the Oregon Business Plan. The initial efforts of developing the Regional Business Plan are being led by the region's private-sector business organizations. Their effort will be expanded to include the region's public sector leaders, who are viewed as important partners in any effort to address the region's economic future.

The public sector is assembling a document that describes economic conditions for the Portland-Vancouver metropolitan region, captures the essential elements of previous economic development plans around the region, and discusses broad strategies and specific actions of importance to the regional economy. This report is that document. It is called the *Comprehensive Economic Development Strategy* (CEDS) to comply with the requirements of the Economic Development Administration (EDA) of the U.S. Department of Commerce, which funded much of the work necessary to assemble the information in this document. Meeting those requirements has some potential funding advantages, but more important is the information this evaluation provides toward the preparation of the Regional Business Plan.

The Regional Business Plan is scheduled to be completed at the end of 2005. Table 1-1 shows the schedule for the CEDS and the Regional Business Plan, and illustrates that the CEDS process and document is completed before and feeds into the Regional Business Plan.

Table 1-1. CEDS and Regional Business Plan schedules

Date	CEDS	Regional Business Plan
Jan – Mar 2005	Organization of Committee Preliminary data collection	Outreach to business leaders
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Source: ECONorthwest, 2005

The CEDS and the Regional Business Plan address economic and community development problems and opportunities at a critical juncture in the region's economic growth cycle. The timing is right to create a strategy to guide the region's future growth. A changing global economy and the need to respond to recession contribute to the need to develop an approach to economic development that recognizes the unique characteristics of the Portland-Vancouver metropolitan region. Developing, getting agreement on, and documenting that approach is the goal of the Regional Business Plan.

Both public-sector and private-sector activities are essential to the development of the Regional Business Plan. Many people from organizations in both sectors are working in close collaboration to develop the plan. The Regional Business Plan is expected to be complete by the end of 2005.

THE CEDS REPORT AND PROCESS

PURPOSES AND PARTICIPANTS

The purpose of this report is to provide businesses, governments, and residents of the Portland-Vancouver metropolitan area with a comprehensive analysis of the region's economic health, and to outline a strategy for an economic future that people and organizations throughout the region will embrace, refine, and implement in the years ahead. More importantly, the CEDS is the cornerstone on which the Regional Business Plan will be built.

In addition to its local use, this report will be provided to the Economic Development Administration (EDA) as part of an application for further federal assistance to help develop the metropolitan economy. Because the Portland-Vancouver region has some of the highest unemployment rates in the nation, it has become eligible for federal economic assistance through the EDA. That

eligibility, however, is contingent on having a plan and organizational structure (Economic Development District (EDD)) consistent with EDA guidelines. A key purpose of this project is to do the work required to apply for and receive an EDD designation.

The technical and institutional work that the CEDS comprises would not have been possible without a grant from the EDA for Community and Regional Economic Development Capacity Building grant. The EDA awarded this grant to the Portland Regional Partners for Business¹ in early 2004. With this grant, the Regional Partners contracted a consultant team, lead by ECONorthwest, to complete the analysis and manage the process of developing the CEDS. Other members of the consultant team include Impresa Consulting, the Institute of Metropolitan Studies at Portland State University, and FutureWorks.

One of EDA's requirements for the development of a CEDS is that an advisory committee—a CEDS *Strategy Committee*—be formed.² The Strategy Committee is the primary vehicle for public involvement in the creation of the CEDS. EDA guidelines ask that the composition of the Strategy Committee be generally representative of the region, and include representatives of governments, interest groups, and industry sectors. The purpose of the Strategy Committee is to oversee the development and provide final approval of the CEDS. The Strategy Committee members and consultant team are listed in Appendix A.

FRAMEWORK FOR THE CEDS REPORT

THE FOUR P'S

The CEDS builds on the findings of many existing business and economic development plans. Its organizational framework, however, draws from the Oregon Business Plan.³ The Strategy Committee concluded that the Plan's focus on a few key *initiatives* (actions), on a broad and long-range strategies, and on a few key categories of actions and strategies made sense in general and would make sense for the Portland-Vancouver region. The Plan is structured around the "Four Ps for Prosperity," described as follows:

To create the uniquely supportive environment needed by competitive Oregon businesses, Oregon should focus on what might be called the Four Ps for Prosperity—*Pioneering innovation, People, Place, and Productivity*. All industries

¹ The Regional Partners is a public-private partnership composed of organizations from six counties in the Portland-Vancouver region. It focuses on shared economic priorities, and works to implement business retention, expansion and recruitment, as well as marketing strategies and recommendations for policy development.

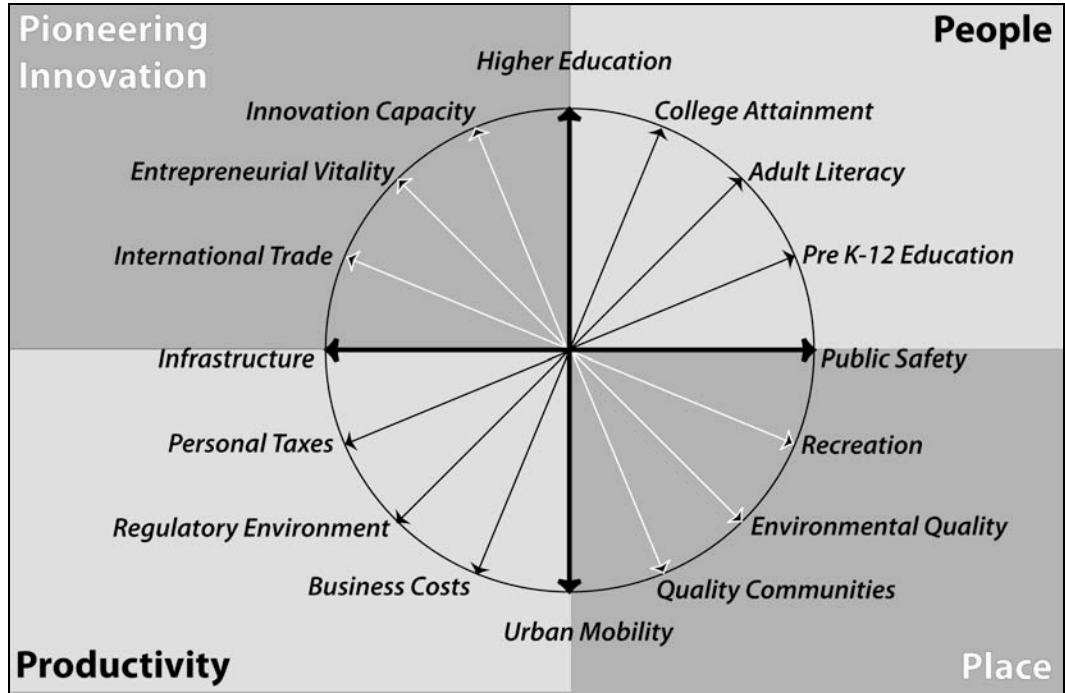
² The term *Steering Committee* would more accurately describe the Committee, because the group looks at more than just the strategies that emerge toward the end of the CEDS process. This report is, however, a CEDS study, and EDA has defined the terms of its requirements. Thus, throughout this report, the term *Strategy Committee* refers to the group that monitors the process and provides approval of the CEDS.

³ The Oregon Business Plan was developed by key public and private decisionmakers from throughout Oregon, along with extensive public involvement.

need these supportive conditions in different degrees and ways.⁴

Figure 1-1 provides an overview of the Four-P framework.

Figure 1-1. The Four Ps for prosperity



Source: Oregon Business Plan, 2003

The Oregon Business Plan describes the Four Ps as follows⁵:

- **Pioneering Innovation.** Oregon’s economic vitality is propelled by knowledge-based industries; providing support for these innovative industries is critical. Necessary infrastructure for knowledge-based industries includes critical mass in ideas, research, product and process innovation, and market creation.
- **People.** Skilled and talented people are key to the success of knowledge-based industries and, consequently, are prerequisites for successful pioneering innovation. Education and training are essential infrastructure for this aspect of our economy because they help develop, attract, and retain knowledge workers.
- **Place.** Quality of life helps to attract and retain talented people who drive our economy and enrich our communities with ideas, knowledge, skills,

⁴ Oregon Business Plan, “Executive summary: Stepping up: A plan for growing quality jobs and statewide prosperity” January 20, 2003.

⁵ Summarized from: Oregon Business Plan, “Executive summary: Stepping up: A plan for growing quality jobs and statewide prosperity” January 20, 2003.

and investment. In short, a quality place helps to attract quality people, who drive pioneering innovation.

- **Productivity.** The cost and availability of a range of public and private services influence the competitiveness of Oregon businesses in national and international markets. The infrastructure that helps businesses increase efficiencies, hold down costs, and attract investment and expansion includes reliable transportation and port facilities, energy at competitive rates, adequate access to natural resources, and manageable costs in taxes and regulatory compliance.

The Strategy Committee adopted this framework for the CEDS document.

GOALS, STRATEGIES, AND ACTIONS

A standard organization for a plan of any type is to start with broad goals and work to specific actions. Plans vary in how they define the terms used for describing the continuum from broad to narrow. Table 1-1 shows the definitions used in this document:

Table 1-1. From a broad vision to specific actions

WHAT IS DESIRED	
Vision	The broadest statement of desired outcomes. Often only a sentence or a paragraph. In corporate planning, the vision is similar to the mission statement.
Goals / Objectives	Specific components of the vision that are logically related to the vision. For example, a broad vision for economic development may have more specific statements about desired outcomes for jobs, infrastructure, educations, and so on. Some plans use the term objectives to be synonymous with goals; others define it as a subset of goals.
GETTING THERE	
Strategies	The broadest statements about what will be done to achieve the desired outcome. One good way to make the link the desired outcomes is to have strategies that cover each of the categories of goals.
Actions / Initiatives	Specific actions to be taken. In public sector planning, the actions are adopted policies (which may regulate or provide incentives) and public investments (particularly in infrastructure and public facilities.)

The rest of this document simplifies Table 1-1 by using the following terminology:

- **Desired outcomes**
 - Broad: **Vision** (Chapter 2)
 - Specific: **Goals** (Chapter 4)
- **Ways of achieving the desired outcomes**

- Broad: **Strategies** (Chapter 4)
- Specific: **Actions** (Chapter 4)

THE PORTLAND-VANCOUVER REGION

The region is defined as all of Multnomah and Clackamas Counties along with portions of Washington County and Clark County in Washington State. The rest of this study refers to this four-county metropolitan area as “the Portland-Vancouver metropolitan region,” or just “the region.”

The data sources used in this analysis do not always define the region in exactly the way described above. This report notes the geography covered by each data source, and, if different from the regional definition above, the report describes how that difference may or may not impact the conclusions in the analysis.

STEPS IN DEVELOPING THE CEDS

The research plan for this CEDS consisted of the following tasks:

- **Compile existing data.** Much has already been written about the Portland-Vancouver regional economy. The consultant team reviewed existing reports, extracted relevant data, and compiled it into this CEDS document.
- **Conduct surveys and interviews.** The consultant team conducted an internet survey and conducted 20 in-depth interviews to determine the perceived economic development opportunities and challenges to respondents organization, and proposed strategies to address those challenges.
- **Review existing economic development plans.** The consultant team reviewed other plans within the Portland Metropolitan region to identify opportunities for coordination and to eliminate duplication of efforts.
- **Review CEDS with Strategy Committee and subcommittees.** The consultants and PDC staff met with the Strategy Committee in four work sessions. Staff presented the analysis to the Committee, and the Committee worked to identify regional economic development vision, goals, objectives, and action items, both as a full committee and in subcommittee meetings.
- **Incorporate public opinion.** The consultant team and PDC staff worked with Strategy Committee members to disseminate information about the process to member organizations and receive feedback. A full description of the public involvement process is in Appendix I.

Appendix B provides a description of how this document meets the EDA requirements.

SUBCOMMITTEE WORK

The Strategy Committee created three subcommittees composed of Strategy Committee members to develop strategies and action for the CEDS. The subcommittees were able to provide insight on community and business issues, policies, and programs related to economic development activities. The three subcommittees were:

- Institutional arrangements. The composition of the Economic Development District Board (an EDA requirement for federal funding), and how that Board might interact with whatever institutional arrangements come out of the Regional Business Plan.
- People / Place. Goals, strategies, and actions related to these economic factors.
- Productivity / Pioneering Innovation. Goals, strategies, and actions related to these economic factors.

In addition, the CEDS Strategy Committee and its consultants worked closely with the organizations involved in the Regional Business Plan. The Regional Business Plan is led by business associations and chambers of commerce. Staff working on the Regional Business Plan are coordinating with staff working on the CEDS so that the Regional Business Plan can take advantage of information in the CEDS about vision, past and likely future economic conditions and performance, public opinion, and possible strategies and actions. The Regional Business Plan will be completed after the CEDS (the Regional Business Plan is scheduled to be completed by November 2005, the CEDS was completed in August 2005).

ORGANIZATION OF THIS REPORT

This report provides a vision for the future for the regional economy, a broad set of strategies the region should pursue, and specific initiatives that regional and industry leaders can undertake.

A CEDS is a plan for economic development aimed at creating jobs, diversifying and strengthening the economy, and improving quality of life. It provides a mechanism for coordinating the resources of individuals, organizations, local governments and private industry concerned with economic development. It contains an analysis of economic and community development problems and opportunities, a history of the economic development situation, and a plan of action (including vision, goals/objectives, strategies, and actions/initiatives).

This report is organized in a logical way (from Vision, to Facts, to Actions), and in a way that meets EDA requirements for a CEDS. Details are contained in appendices. Readers with less time will probably wish to jump to or focus on Chapter 3 and 4: the facts about the regional economy, and the actions recommended by the CEDS Strategy Committee. The rest of this report is organized as follows:

- **Chapter 2: A vision for the regional economy.** This chapter provides a broad vision and goals for the Portland-Vancouver metropolitan region. It also describes economic development issues that could impact the region's ability to achieve that vision.
- **Chapter 3: How the Portland-Vancouver region competes in a global economy.** This chapter provides an assessment of Portland's existing economy, including challenges to success and opportunities for growth. This chapter groups the region's comparative advantages and disadvantages into four themes: pioneering innovation, people, place and productivity.
- **Chapter 4: Action plan.** This chapter describes the strategic framework, focusing on the health of traded-sector industry clusters and improvement on key metrics of economic health such as income, wages, and jobs. This chapter describes the action steps aimed at implementing the strategies.
- **Chapter 5: Where we go from here.** This chapter describes next steps in the process of implementing the CEDS. This chapter describes how elected officials, professional economic developers, business people, citizens, and educators can be involved in this effort as it proceeds over the next several years.
- **Appendix A: Strategy Committee members and consultant team.** This appendix lists the Strategy Committee members who participated in the development of the CEDS.
- **Appendix B: Compliance report: How this document meets EDA requirements.** This appendix describes the requirements outlined by the EDA and explains how the CEDS meets.
- **Appendix C: Process for developing a vision, goals, strategies, and actions.** This appendix provides additional detail about the action plan, and documents the process the Strategy Committee used to develop the action plan.
- **Appendix D: Analysis of the regional economy.** This appendix provides additional analysis and background data to support the summary in Chapter 3: How the Portland-Vancouver region competes in a global economy.
- **Appendix E: Summary of interviews and surveys.** This appendix summarizes findings from the interviews and the web survey conducted as part of this process.
- **Appendix F: Full list of actions considered.** This appendix provides all of the strategies and actions drafted by Strategy Committee members.
- **Appendix G: Institutional trends in regional economic development.** This appendix describes the institutional arrangements that other regions have used to forward an economic agenda.
- **Appendix H: Economic Development District Structure.** This appendix outlines institutional structure for the Economic Development District board and describes the responsibilities of the

- **Appendix I: List of public involvement activities.** This appendix documents the public involvement process that occurred as part of the development of the CEDS.

Chapter 2 **A Vision for the Regional Economy**

This chapter describes a vision for the future of the Portland-Vancouver metropolitan area economy. It has two sections:

- **Thinking long run** describes the need for and problems with trying to forecast what will happen with the regional economy in light of all the global and local factors that could potentially affect its performance.
- **Vision for the economy and economic development policy for the Portland-Vancouver region** presents the vision for the desired characteristics of the future regional economy, and the direction for strategies and actions to achieve the vision.

Appendix C: Process for developing a vision, goals, strategies, and actions provides additional context for this chapter. The appendix provides a detailed description of how the Strategy Committee drafted and approved the vision described in this chapter.

THINKING LONG RUN ABOUT THE REGIONAL ECONOMY

Developing and maintaining a regional economy is a long-run proposition. Some aspects of technological advance and of developing public infrastructure take 10 to 20 years. Decisions made now in both the public and private sectors are investments in the future. Developing for the wrong future is inefficient: examples of that inefficiency abound around the world.

The future is, of course, uncertain. When dealing with social systems (like a regional economy) in the long-run, uncertainty increases. Given that uncertainty, is long-run thinking of any value? The practical evidence is that both business and government use a mix of long-run and short-run thinking, or strategies and tactics, to plot a course of action. The long-run thinking sets a broad framework; the short-run thinking and actions are generally consistent with the long-run strategy, but (because the future is uncertain) they are not completely bound by it. Monitoring allows organizations to assess whether the variance of short-run actions from the long-run strategy suggests a need for better short-run tactics, or a need for a change in the long-run strategy.

One way to illustrate the inherent uncertainty of economic forecasting and planning is with this question: If you had been asked in 1955 to predict what the Portland-Vancouver regional economy would look like in 2005, how well would you have done? Consider some of the features of the landscape at the time:

- The U.S. and Russia were the dominant world powers, both economically and politically. Asia, including Japan and China, was insignificant, as was the Mideast. The U.S. dominated in manufacturing.

- The U.S. was building an extensive interstate highway system; there was little congestion and little belief that it could not be contained by continued construction.
- Few people had ridden in a commercial aircraft; almost none had traveled by jet.
- Computerization had just started, but miniaturization had not: no cell phones, no personal computers, no faxes, no voice mail. Information was transferred, if at all, mainly by mail, with text written on typewriters. The average American did not watch nine years of TV in his lifetime, because most households had gotten their first TV—a blurry little black and white tube in a giant wooden cabinet—just a few years earlier.
- The traditional family—mom, dad, kids—dominated. Citizens had faith in government and a belief in public purpose.
- There was no Environmental Protection Agency; no DEQ, LCDC, or GMA. The terms global warming, AIDS, federal deficit, and homeland security did not exist.

The list, of course, could go on and on. The point is simply that (1) the changes in the last 50 years have been tremendous, and many would have been difficult to predict, (2) even if *someone* had been able to predict *some* of the changes, there is little likelihood that institutions in a region could have agreed on predictions of many of the most important changes, and the implications of those changes for investment and action, (3) being right about the direction of some changes is not the same as being right about the direction and magnitude of the most important changes, and (4) it is not enough to be right about changes in key economic factors—one needs to be right about the implications of those changes for public and private investment.

In that context, what can be said about the most important factors that will affect the economic success of the Portland-Vancouver region over the next 20 to 50 years? In the game of long-run forecasting, anyone can play, and a lot do. Nonetheless, for this project, the task of trying to describe these factors fell to the project team. Here are some observations about some of the big forces for economic change, and their possible implications for the Portland-Vancouver regional economy:

- The process of globalization will continue; the U.S. and its economic regions will face ever more challenging international competitors. But at the same time, growing incomes in other countries will create new markets for Portland-area businesses. People in this region will travel more frequently to other nations and welcome more tourists and migrants from throughout the world.
- Technological change will continue at an increasingly fast pace: over the next two decades it is likely that advances in information and communication technology, materials science, and life science will fundamentally change many aspects of daily life. Some technologies will be the source of new jobs and new businesses in the regional economy.

- Unlike technological change, demographic change gives a lot of warning. The bulge of the baby-boom has influenced social and economic conditions for 50 years. That group is moving into retirement: the number of seniors will increase dramatically, and their collective wealth will influence all types of goods and services. The region's quality of life and wide range of services and amenities makes the Portland-Vancouver region an attractive community for increasingly active and relatively well-off retirees. Another demographic trend is the change in cultural composition. California is forecast to be over 50% Hispanic within 20 years; interchange with the Asian economies will increase; the characteristics of our population will change.
- Recent trends and the underlying causes of those trends suggest that energy prices will be considerably higher in the years ahead. Higher prices coupled with our limited ability to substantially increase the highway capacity of the region is likely to prompt new thinking about urban transportation. For both technological and fiscal reasons, congestion pricing will become a key way that we deal with traffic congestion: many highways will be metered as are other utilities now.
- Together, an aging population (with different mobility requirements), higher energy prices, and changing tastes in housing are likely to lead to increased urban densities, a great percentage of multifamily housing, and the greater emphasis on transit and other alternatives to the conventional automobile. The sheer amount of population and employment growth in the region, however, will mean that the urban area will expand at its edges.
- Much of the region's economic growth will come from the growth and evolution of the industries that are its economic base today. But, just as it was difficult in the 1950s to imagine that makers of shoes or microchips would become the region's biggest employers, we will find it difficult to conceive of the businesses that will propel our economy two or more decades from now. It is likely though, that the seeds of our next industry cluster are already here in the form of distinctive local knowledge and clever (and probably young) entrepreneurs.
- The globalization of the economy and the continuing march of technology will continue to escalate the value of education to economic success. It seems likely, as Bill Gates suggests, that we will need to fundamentally rethink institutions of education like our high schools that were simply designed for another world. The key to future prosperity will be our ability to provide a solid education to all of our citizens and to offer them, throughout their lifetimes, the ability to continuously upgrade their skills.

What are the implications for the regional economy, and for public and private action?

- Proud as we are of our region, we should be willing to admit that the Portland-Vancouver region will not be the best in everything. To be economically successful with limited resources we will have to choose to focus on those things that this region now does or is likely to be able to do

better than others. We will have to specialize, particularly in those industry clusters where we have a competitive advantage.

- As the economy becomes increasingly globalized, the steps involved in producing any good or service are commonly divided among several countries. Our region should develop its capability to undertake the highest value steps in the production process: research, design, marketing, engineering, and higher-order finance, management and logistics functions. It is unlikely that we will continue to be a cost-competitive location for the routine mass production of goods and, increasingly, many services. Our best opportunities will be to develop a strong capacity for continuous innovation and learning to enable our businesses and workers to compete at the high end of the market, and to move nimbly in response to what will be increasingly rapid changes in technologies and markets.
- We have developed a strong understanding of the importance of certain kinds of infrastructure to the successful functioning of an economy driven primarily by natural resources and goods production. As we increasingly move to an economy driven by knowledge, we will need to expand our definition of critical infrastructure to include those things that enable the creation of economically valuable new ideas. Our education system, our research institutions, venture capital, and attitudes towards entrepreneurship as well as our ability to attract talented workers from throughout the nation and around the world will be critical assets in our efforts to build a knowledge economy.

VISION FOR THE ECONOMY AND ECONOMIC DEVELOPMENT POLICY FOR THE PORTLAND-VANCOUVER REGION

The information in the previous section provides a context for the vision and goals of this Comprehensive Economic Development Strategy. But that information, by itself, is not sufficient. The vision must also be consistent with current and likely future realities of the regional economy (discussed in Chapter 3), and with the desires of the people in the public and private sectors who have obligations to or interest in planning for regional economic development (Appendix E summarizes the results of stakeholder interviews and a web-based survey. Other outreach conducted as part of this project is described in Appendix I).

The vision described in this section was adopted by the CEDS Strategy Committee *after* they had reviewed all the technical information summarized in this report.

The CEDS Strategy Committee wants the region to pursue an economy that has the following characteristics:

- Provides jobs with good wages for all its citizens
- Provides opportunities for advancement for all its citizens

- Protects and enhances our distinctive quality of life, especially our environment and urban amenities are critical to our long term economic success
- Makes our region a recognized leader in innovation

To help achieve an economy with those characteristics, the CEDS Strategy Committee recommends that long-run strategies and investments focus on:

- Building on our region's comparative advantages
- Existing and attainable traded-sector clusters containing businesses that are global leaders in innovating new products and processes.
- Encouraging innovation and entrepreneurship in business, education, and in public policy

Consistent with that broad vision are goals and strategies that make the vision more specific.¹ These are described in Chapter 4.

¹ Early versions of these goals were developed by project staff based on a review of many economic development documents in the Portland-Vancouver region. The Strategy Committee gave suggestions on how to amend them. The amended versions were part of the survey that was available on the project website for comment: 169 people (the largest percentage of whom (23%) were representatives of the professional or business services sector) or provided comments. The final version, as listed in this document, was approved by the Strategy Committee at its meeting on May 23, 2005.

How the Portland-Vancouver Region Competes in a Global Economy

Chapter 3

This chapter provides an assessment of the region's existing economy, including challenges to success and opportunities for growth. Additional data and analysis that support the conclusions in this chapter are in Appendix D: Analysis of the regional economy. The chapter has the following sections:

- **Economic context** provides an overview of the Portland-Vancouver regional economy.
- **Economic performance in the region** provides an overview of the region's economic position related to jobs and income.
- **The region's competitive position** describes four categories (themes) of factors that differentiate the Portland-Vancouver regional economy from other regional economies: *People*, *Place*, *Productivity*, and *Pioneering innovation* (the four Ps). It provides an overview of the key factors that could improve or present impediments to the Portland-Vancouver regional economy.
- **Conclusions** summarizes the key strengths and weaknesses in the Portland-Vancouver regional economy.

ECONOMIC CONTEXT

THE PORTLAND-VANCOUVER METROPOLITAN AREA ECONOMY

The Portland-Vancouver metropolitan area had a 2000 population of about 1.8 million¹, and total nonfarm employment of nearly 1 million persons.² The total economic output of the region was almost \$77 billion in 2002.³

Total output in the region expanded from \$38.7 billion in 1992 to 76.9 billion in 2002, an annual rate of increase of 7.1% per year over the decade; Portland was the tenth fastest growing of the nation's 50 largest metropolitan areas during this decade.

Over the past economic cycle, beginning with the national recession that started in 2001, the Portland-Vancouver region experienced a more severe economic decline than Oregon, Washington, or the national economy. After two years of job losses totaling over 50,000, however, the region is beginning to

¹ U.S. Census Bureau, 2000 (Clark County in Washington, Multnomah County, Clackamas County, Washington County).

² Portland Metro Labor Trends, Oregon Employment Department, April, 2005 estimates for February 2005. Note that employment numbers here include Yamhill and Columbia Counties, and therefore overstate employment in the region for the CEDS.

³ Global Insight, http://www.usmayors.org/metroeconomies/0703/metroecon_appendix_0703.pdf

recover. While all major industries will add jobs over the next 10 years, most are forecast to grow more slowly than in the past.

TRADED-SECTOR CLUSTERS

Economists, geographers, and business strategists are increasingly coming to appreciate the distinctive role that regions play in the competitive processes that produce economic growth. The primary drivers behind the boom include obvious forces, like the rapid growth of the high technology industry located primarily in Washington County, to smaller and less visible elements of success: a diverse metals and machinery cluster that has grown at an annual rate of nearly 3%, the nation's leading concentration of microbreweries, steadily expanding nursery trade, and so on.

Growth in these industries triggers corresponding changes in other parts of the regional economy in two ways, one that we understand automatically and the other that is less intuitive. The obvious effect of growth is the direct employment impact of new hiring at the firms that are growing and in the construction sector of the economy. The second effect is often ignored, simply because we lack the data to see it: growth in certain key sectors of the economy triggers additional spending, not just on wages for the workers these firms employ, but on additional supplies of goods and services. While high tech companies are growing and increasing their payrolls, they are also increasing their purchases of wiring, electronic components, metal cases, plastic injection molded parts, chemicals, wholesaling and shipping, engineering and legal services, advertising and everything else.

Far from being the exception, the clustering of industries in particular metropolitan areas or regions is the norm, both in high-tech and low-tech industries. This section briefly describes the clusters that have the largest impact on the Portland-Vancouver regional economy.

- **Apparel and sporting goods.** The Portland-Vancouver region is home to one of the nation's largest concentrations of firms involved in the design, marketing and distribution of sports apparel. The industry is led by Nike, and also includes Adidas America and Columbia Sportswear. All these firms manufacture and distribute their products on a global basis. Important related industries include advertising and public relations and logistics services.
- **Creative services.** Creative services consists of advertising, public relations, film and video, and some related multi-media software production. The industry is composed mainly of smaller firms, and many independent, freelance entrepreneurs. Closely related industries include printing and publishing, commercial photography, theatrical production and broadcasting.
- **Distribution and logistics.** Included in this industry cluster are operations involving trucks, trailers, containers, intermodal transport, warehousing, distribution centers, reloading facilities, ocean-going vessels, barges and air carriers—all of which are components of the complex supply chain

network that is fundamental to the movement and distribution of goods for manufacturing, processing, wholesale and retail sectors. The distribution and logistics cluster experienced significant growth between 1990 and 2002 and is forecasted to grow in the future. Because of this supply chain role, distribution and logistics cluster provides an important benefit to other industry clusters, providing critical and competitive transportation services.

- **High technology.** One of metropolitan Portland's largest traded-sector industry cluster is high technology, including firms that produce electronics, computers, instruments and software. The core of this cluster is firms producing electronic devices. The industry has experienced a strong economic cycle since the national economic peak in 2001; overall the decline in electronics manufacturing in the region has been about half of the decline experienced by the industry nationally.
- **Food processing.** The region's food processors include a wide range of activities including the packing and processing operations associated with locally grown produce, relatively large-scale production. The region has a significant concentration of microbreweries and wineries. Much of the growth in the food processing industry has been in the specialty food, organic and natural food sector. Related and supporting industries include the region's farmer's markets, restaurants, and specialty grocery stores. Approximately 8,000 persons work in the region's food processing industry.
- **Forest products.** The region's forest products industry consists of firms that manufacture paper and other forest products. This industry is strongly connected to the Pacific Northwest's forest resource base. The region is a center for distribution of wood products produced in the region and elsewhere in the state. There are a number of firms in the region that produce machinery used in the forest products industry. Forest products manufacturing employment has been declining over most of the past three decades.
- **Metals, machinery, and transportation equipment.** The metals, machinery, and transportation equipment industry consists of firms that produce primary and fabricated metals, a variety of non-electrical industrial machinery, and transportation equipment. Approximately 26,000 people work in the region's metals, machinery, and transportation equipment industry cluster area.
- **Nursery products.** The largest single segment of the region's agricultural sector is devoted to the production and sale of nursery products. The region is home to one of the nation's largest concentration of commercial nurseries producing trees and shrubs for commercial and residential landscaping. Important supporting industries include providers of agricultural services and equipment, plastics (for containers and labels), and transportation services. The industry is composed of a large number of very small firms.

- **Professional and business services.** While many professional and business services are non-traded (i.e. are provided only to local businesses) a growing segment of the region's professional and business service firms are tapping national and international markets. Examples include engineering, architectural, planning and design firms that undertake projects for clients in other states and nations. Overall, the region is less specialized in these activities than is the nation's economy as a whole.
- **Food services and accommodation.** This industry cluster encompasses the provision of a variety of services to business and pleasure travelers to the region, including transportation, accommodation, food and beverages and entertainment and recreation. Except for accommodation, the bulk of the demand for these services in the region comes from the region's residents, and consequently most of the employment in related sectors is part of the local sector of the economy. In the region, approximately 9,000 persons work in accommodations and approximately 65,000 persons work in food services.

Table 3-1 summarizes the average employment, number of establishments, total wages, and average annual wages for each of the clusters in the Portland-Vancouver metropolitan region.

Table 3-1. Cluster employment and wages, Portland-Vancouver metropolitan region, 2004

Cluster	Average Employment	Number of establishments	Total wages	Average annual wages
<i>Traded-sector clusters</i>				
High technology	54,960	2,253	\$3,990,127,643	\$72,601
Metals, machinery, and transportation equipment	37,780	1,263	\$1,792,468,923	\$47,444
Forest products	12,576	549	\$627,594,183	\$49,906
Food processing	10,847	324	\$410,110,770	\$37,807
Creative services	9,260	1,192	\$420,861,543	\$45,451
Apparel and sporting goods	8,694	171	\$687,325,998	\$79,058
Nursery products	6,450	300	\$144,801,864	\$22,449
<i>Partially traded-sector clusters*</i>				
Professional and business services	75,236	7,091	\$2,666,006,698	\$35,435
Food services and accommodation	67,922	4,352	\$963,997,906	\$14,193
Total	874,220	63,883	\$33,953,046,124	\$38,838

Source: ES-202 data from the Washington and Oregon

*Note: These industry clusters are primarily local, but certain portions of them are traded-sector. More analysis is needed to determine which how much of the employment listed in Table 3-2 can be considered to be in traded-sector industries.

Note: This table does not include distribution and logistics. The scope of this project did not allow for the analysis necessary to calculate the traded sector employment in this cluster.

ECONOMIC PERFORMANCE IN THE REGION

The main issues of concern to most citizens when they think about the economy are *jobs* (number, type) and *income*. The ability of a regional economy to measure jobs and income can be measured in different ways, some of which are

described below. Jobs are a relevant indicator of economic performance for business people also, though they also are concerned about gross revenues and profitability.

JOBS

Since the economic downturn that began in 2001, The Portland-Vancouver metropolitan region has had higher unemployment than the rest of the country. The Portland-Vancouver PMSA was hit harder than the state during the downturn, but has also recovered more quickly. The Portland-Vancouver metropolitan area's unemployment decreased from 8.2% in January of 2004 to 6.6% in January of 2005. While these numbers show a marked improvement, nonetheless unemployment in the region remains much higher than other west coast cities. Seattle's January 2005 unemployment was 5.6%, San Francisco's was 5.3%, and Los Angeles' was 5.7%.⁴

INCOME

Table 3-2 shows the median family incomes for various areas. The median family income in the region was \$56,856 in 1999, which is higher than both the Oregon and United States income figures.

Table 3-2. Median family income, various areas, 1999

Area	Median family income
Oregon	\$48,680
Washington	\$53,760
United States	\$50,046
<i>Portland-Vancouver region</i>	<i>\$56,856</i>

Source: U.S. Census Bureau, 2000

Note: In this table, the Portland-Vancouver region includes Clark County, Multnomah County, Clackamas County, and Washington County. The boundaries for the CEDS Economic Development District include only part of Washington County. This difference in geography may affect median family income numbers slightly, if at all.

The Portland-Vancouver region is less economically segregated than other regions. Of the top 50 metropolitan areas in the United States, the Portland-Vancouver region ranks 37th in the difference between central city and suburban incomes (i.e., 36 other areas have a greater income variation between suburbs and center city). The average level of income in Portland's central city is about 96% of the average income in the suburbs. The region also has the one of the smallest levels of income disparities among its suburbs of any metropolitan area in the country.⁵

⁴ Bureau of Labor Statistics, Civilian labor force and unemployment by state and metropolitan area. Available on-line at <http://www.bls.gov/news.release/metro.t01.htm>. Accessed April 21, 2005.

⁵ Brookings Institution, 2004: https://www.brookings.edu/dybdocroot/metro/pubs/20041018_econsegregation.pdf

THE REGION'S COMPETITIVE POSITION

The success of the region's traded-sector relies on innovation, talent, and entrepreneurship. The quality of life in the region helps to attract and retain the people who can drive successful innovation. Within this context, this section focuses on the four Ps that lead to regional economic success: *Pioneering innovation, Productivity, People, and Place.*

This section assesses the region's economic competitiveness relative to the other 50 largest metropolitan areas in the United States (metropolitan areas with a population of a million or more as of the 2000 Census). This analysis is based on the observation that this metropolitan area competes chiefly with other similar metropolitan areas for economic activity. Ideally, we would expand our comparison to consider similar metropolitan areas in other developed countries in North America, Europe and Asia, but data limitations generally preclude making precise statistical comparisons.

PIONEERING INNOVATION

Pioneering innovation has become a cornerstone of the Portland-Vancouver regional economy. Knowledge creation is a central feature of today's economy; the region is generating more ideas than it did in the past and more than other regions.

Individual inventors and firms in the Portland-Vancouver metropolitan region constantly work on cutting-edge technology and they develop new products and process. Within this process, intellectual property is key to protecting new knowledge and these inventors and firms register patents with the U.S. Patent and Trademark Office. The number of patents issued in a metropolitan area is a good indicator for regional innovation activity.

The Portland-Vancouver metropolitan region is a highly innovative region. In 1999, the region ranked 28th among U.S. metropolitan areas in the total level of patents issued by the Patent and Trademark Office. That ranking has increased rapidly; by 2003, it ranked fifth.⁶ Over the past two decades, patenting in the Portland-Vancouver metropolitan area has increased by 6% per year as compared to 2% in the nation. This was acceleration was especially rapid during the 1990s. Generally, high technology firms have been more prolific patent holders than other firms.

One likely reason for the increase in patent activity in the metropolitan area has been the accelerating levels of research and development spending. Statewide, industrial R&D spending in Oregon has been increasing more than two and one-half times faster than it has nationally.⁷

⁶ The Center for Economic Development, Cleveland State University, Business and Innovation Climate Indicators, August, 2004. available online at: <http://urban.csuohio.edu/research/pubs/bic%20report%20final.pdf>

⁷ National Science Foundation, Science and engineering indicators, 2004.

Venture capital is a critical ingredient in starting a new business. The Portland metropolitan region has seen different phases of venture capital investment. During the mid 1980s, investment in Oregon peaked at about \$82.7 million. Until 1996, Portland's high tech community experienced a severe drought in venture funding. Only with the beginning of the dot.com investment boom in the late 1990s have levels of venture capital investments in the region increased (1999: \$482 million, 2000: \$1,034 million).

PRODUCTIVITY

The ability of a region to efficiently produce and distribute goods and services is a second crucial component of its economic success. Transportation infrastructure, communications infrastructure, the cost of doing business, and tax structure can all impact productivity.

TRANSPORTATION INFRASTRUCTURE

The transportation network is important to the Portland-Vancouver metropolitan region because it is relatively isolated from most major markets. The region is served by major interstate highways, public transit, intercity and freight rail, an international airport, and upriver barge system and deep-water navigation channel.

Average commute times in Portland are shorter than in most other large metropolitan areas in the United States. According to the 2000 Census, average journey to work times in Portland were 24.3 minutes. Portland ranked 37th of the 50 largest metropolitan areas in average commute times (i.e. 36 other metropolitan areas had longer average commuting times than did Portland).⁸

The region has an extensive public transit system, served by busses and light rail. Metropolitan Portland's residents report that they are among the nation's best served by transit, and a majority of the region's residents served by transit report that they are at least occasional users of the transit system. According to the American Housing Survey, 76 percent of the region's population report that they live in neighborhoods served by transit, and 57 percent of this population report that they are weekly (25%) or occasional (32%) users of the transit system.⁹

Portland is, as its name implies, a port City with water-based cargo service and passenger and cargo air service. Portland has unprecedented nonstop international air service to Europe, Mexico and Asia despite its relatively small population base. Portland is the 28th largest port in the United States, measured by total volume of freight moved by water in 2003¹⁰, and is the 15th largest port in the nation measured by container volume. Portland is the largest wheat exporter in

⁸ *Economic Development Strategy for the City of Portland*. Portland Development Commission. October 2002. Appendix 2-4, p. 19.

⁹ American Housing Survey, 2002 results available on-line at: <http://www.census.gov/hhes/www/housing/ahs/02selectedmetrodata.html>

¹⁰ Bureau of Transportation Statistics, Tonnage of Top 50 U.S. water ports, 2004. Available online at: http://www.bts.gov/publications/national_transportation_statistics/2004/html/table_01_51.html

the United States, the largest volume auto handling port on the West Coast, and the largest mineral bulks port on the West Coast. Portland boasts the third largest export tonnage on the West Coast. Volumes in auto, mineral bulks, and grain have all increased through Portland in the past several years. The marine port has experienced decreased container volumes and steamship service due to its trade imbalances and the trend toward load centering in containerized cargo. However, congestion in other West Coast ports may shift container cargo to Portland where congestion is less of a problem and there is good inland rail access.

COMMUNICATIONS INFRASTRUCTURE

Like every other metropolitan area in the United States, Portland has the full panoply of wired and wireless communications infrastructure, including wireline and cellular telephones, internet service providers, cable television and other services. In many areas, Portland residents and businesses are leaders in the adoption of these technologies.

According to the Beacon Hill Institute, Portland ranks 18th of the 50 largest metropolitan areas in the United States in the number of Broadband access lines per capita.¹¹ Portland is reported to rank fifth in the nation in Internet household adoption¹², with 76% of households connected. Another study¹³ ranks it fifth for wireless Internet adoption.

Portland is ranked 10th of the 50 largest metropolitan areas in the rate at which businesses deployed enhanced uses of the Internet (requiring complex technical support or third party servicing). The same study ranked Portland 14th for participation, or the adoption of simpler Internet applications to business uses.¹⁴ Together, these high ranking suggest that Portland region residents have better access to the Internet and use the Internet for more complex business tasks.

COST OF DOING BUSINESS

Costs of doing business in the Portland-Vancouver region are roughly comparable to those of most other US cities. Cleveland State University's Center for Economic Development ranked 33 of the nation's metropolitan areas with between 1 and 4 million residents according to Economy.com's index of business costs. The Portland-Vancouver region ranked 13th lowest in business costs with costs about 5% lower than the national average. (Costs ranged from a low of 17% below the national average (in Oklahoma City) to more than 13% above the national average (San Diego).

¹¹ <http://www.beaconhill.org/Compete04/PRCompete04FINAL.pdf>

¹² ClickZ stats, U.S. market penetration, June 16, 2003. Available online at: <http://www.clickz.com/stats/sectors/professional/article.php/2222631>

¹³ Sperling's Best Places, Unwired cities survey, 2004. Results reported on MSN at: <http://houseandhome.msn.com/Move/AmericasMostUnwiredPlaces0.aspx>

¹⁴ Forman, Chris, Avi Goldfarb and Shane Greenstein, How did location affect adoption of commercial internet? Global Village, urban leadership, and industry composition, April, 2004.

The estimated cost of a particular high tech facility in Portland is similar to other US metropolitan areas. The Boyd Company estimated the annual cost of operating a 100-person biotechnology company in 27 of the nation's 50 largest metropolitan areas. Annual costs ranged from a high of \$11.3 million in San Jose, California to a low of \$8.9 million in Memphis, Tennessee. The cost for Portland was \$9.7 million annually, ranking the region 12th most expensive of the 27 areas considered.¹⁵

Traditionally, the Pacific Northwest has enjoyed lower than average electricity costs than other regions of the country, but recently, rates have been increasing. Increases in electric rates could impact the cost of doing business, especially for heavy industry or manufacturing. For other industries and clusters, rising energy costs will probably not present a major burden.

In addition, oil and natural gas prices have been driving up energy costs for many businesses, including electric utilities. This is true for businesses across the country.

STATE AND LOCAL TAXES

Overall, Oregon has one of the lowest state and local tax burdens—measured as total taxes as a percentage of personal income—in the United States. Washington also ranks well in comparison to other states.

Tax Foundation rankings for business in the United States determine Oregon and Washington to be relatively business friendly. Tax Foundation uses an index composed of five tax system components: the corporate income tax, the individual income tax, the sales or gross receipts tax, the unemployment insurance tax, and the state's fiscal balance. On this scale, Oregon ranks 10th out of 50 metropolitan areas (i.e. most areas have a less beneficial business climate). Washington ranks slightly higher at ninth¹⁶. Both states rank in the top quarter of states for corporate income tax burden.

Personal income taxes are relatively more burdensome. A 2004 study completed by the government of the District of Columbia¹⁷ compared major U.S. cities according to the tax burden placed on families in various income brackets. Portland ranked high on this list; in 2003, Portland had either the 5th or 6th highest tax burden in every income category studied. The Tax Foundation ranks Oregon 43rd out of the 50 states for individual income tax burden, while Washington (which has no state income tax) ranks 1st. Taxes are higher in some parts of the region: Portland and Multnomah County charge a business license tax and a temporary personal income tax.

¹⁵The Boyd Company, Inc. The cost of operating a biomedical facility in selected North American and European locations, February 11, 2005. http://www.ssti.org/Publications/Onlinepubs/Boyd_Biomedical_Facility_Study.pdf

¹⁶ Tax Foundation, State business tax climate index, October, 2004.

¹⁷ Government of the District of Columbia, Tax rates and tax burdens in the District of Columbia – a nationwide comparison, issued August, 2004.

PEOPLE

The people who live in a region are a crucial component of its economic success. Regions that attract an educated population or do an exceptional job of educating their existing workforce will have a workforce that is more prepared to innovate.

POPULATION GROWTH

The people who live in a region are a crucial component of its economic success. Portland is continuing to attract new people. The Portland-Vancouver metropolitan area has grown faster than the national average, resulted primarily from migration. Between 1990 and 2004, the Portland-Vancouver metropolitan region grew 3% on an average annual basis. This rate was faster than the averages of Washington, Oregon, and the nation.¹⁸

The Portland-Vancouver region has been especially attractive to talented young migrants. Between 1990 and 2000, the region ranked eighth among the 50 largest metropolitan areas in the rate of increase in its 25 to 34 year old population. The region also ranked fourth of the 50 largest metropolitan areas in the increase in the number of college-educated 25 to 34 year olds.¹⁹

EDUCATION

As knowledge and skills have come to play an increasing role in the economic success of individuals and businesses, the overall educational level of the population has become a more important indicator of economic success. While we lack precise measures of human skills and abilities, economists commonly use data on educational attainment—years of schooling completed or degrees attained—as an indicator of human capital. One good benchmark for comparison is the share of the adult population—those aged 25 years and older—who have completed a four-year degree or further education.

Metropolitan Portland's level of college attainment is higher than the national average: 36% of the region's adult population (those aged 25 and over) have a four year college degree or higher level of education, compared to about 30% of the United States population.²⁰

This level of attainment results largely from the migration of highly educated workers to the region; compared to other metropolitan areas, the region does not perform well in measures of higher education access and quality. The Portland-Vancouver metropolitan area has fewer higher education establishments compared to other large metropolitan areas in the United States. About 27% of Portland's 18 to 24 year old population is enrolled as students in colleges and universities.

¹⁸ U.S. Census Bureau, 2000.

¹⁹ Joe Cortright and Carol Coletta, *The Young and the restless: How Portland competes for talent*, 2004.

²⁰ U.S. Census Bureau, 2000.

Portland ranks 42nd among the 50 largest metropolitan areas in the share of its population in this age group enrolled in college. Additionally, Portland State University is ranked as a fourth tier doctoral degree granting institution, the lowest ranked category in the US News and World Report rankings. The university's academic reputation is 2.5, which is lower than the reputation of every other institution in the nine metropolitan areas included in our analysis. While these rankings are subjective and debatable, they nonetheless point toward the quality of institutions.

PLACE

Many factors can influence the place characteristics that define a region. Two of the more important, quality of life and natural environment, are discussed here.

QUALITY OF LIFE

The Portland-Vancouver region is widely recognized as having an exceptional quality of life. In an international ranking of cities for quality of life by Mercer Human Resources, Portland ranked fifth among all United States cities in quality of life.²¹ In another study, Portland averages a rank of about 22nd in ten different indicators of quality of life: affordable housing, cost of living, home ownership rate, air and water quality, mobility and traffic congestion, recreation and leisure, crime, school quality, health insurance coverage, and health care access.²² The region ranks the highest in indicators of health insurance coverage (11th), crime (13th) and recreation and leisure (14th).

NATURAL ENVIRONMENT

The Portland-Vancouver region ranks very high in measures of environmental quality. Beacon Hill Institute reports that the metropolitan area ranked third best of the nation's 50 largest metropolitan areas for the fewest number of days with high levels of ozone.²³ Cleveland State University reported that the Portland-Vancouver metropolitan area ranked second among 36 similarly sized metropolitan areas national in its composite measure of air quality, a weighted index considering number of days with good air quality and various degrees of unhealthful air quality, and 27th for a combined measure of air and water quality.²⁴

Despite these high marks, there are some areas of environmental concern in the Portland-Vancouver region. There are 11 superfund sites in the cities of Portland

²¹ Available online at: <http://www.mercerhr.com/pressrelease/details.jhtml/dynamic/idContent/1173105>

²² Center for Economic Development, Cleveland State University, Regional economic indicators: Affordability and quality of life, April 2005. Available online at: http://urban.csuohio.edu/economicdevelopment/reports/quality_of_life_report.pdf.

²³ Beacon Hill Institute at Suffolk University, Metro Area and State Competitiveness Report, November 17, 2004. Available on-line at: <http://www.beaconhill.org/Compete04/PRCompete04FINAL.pdf>

²⁴ Center for Economic Development, Cleveland State University, Regional economic indicators: Affordability and quality of life, April 2005. Available online at: http://urban.csuohio.edu/economicdevelopment/reports/quality_of_life_report.pdf.

and Vancouver.²⁵ In many of these sites, remediation work is underway to improve the sites. In the City of Portland, water quality can be an additional issue because of capacity shortage in the combined sewer and stormwater management system. Portland is more than halfway through its 20-year program to improve Portland's sewer system, but some combined sewage still overflows into the Willamette River when it rains.²⁶

Ultimately, however, there are no serious constraints to development or redevelopment imposed by environmental concerns or non-compliance with the U.S. Environmental Protection Agency's requirements.

CONCLUSIONS

The Portland-Vancouver region's economy is robust and changing. Over the last 25 years, the aggregate size of the metropolitan economy has approximately doubled. In the late 1970s, the region had fewer than 500,000 workers; by 2005, it had nearly a million workers. From the early 1980s through 2000, the region enjoyed 17 years of uninterrupted employment growth. The national recession that struck the nation in 2001 hit metropolitan Portland harder than many other US metropolitan areas; after three successive years of employment declines in 2001, 2002, and 2003, employment growth has resumed in the Portland metropolitan area.

The Portland-Vancouver region is the 25th largest metropolitan economy in the United States with a gross metropolitan product of approximately \$75 billion annually. The metropolitan region's industrial structure is characterized by the presence of a number of traded-sector industry clusters, particularly in durable goods manufacturing. The region's largest traded-sector industry cluster is high technology and electronics manufacturing followed by metals machinery and transportation equipment manufacturing the products for processing sporting-goods/apparel, creative and professional services and other industry clusters. Growth in high technology industry cluster, particularly in semiconductors during the 1990s, has contributed greatly to the region's export, income, and employment growth.

STRENGTHS

Many factors affect the productivity of businesses and the efficiency of economic activity in the metropolitan area. The following factors differentiate Portland-Vancouver from other regions in the country, making the region an exceptional place to live and work. The action plan in this document seeks to protect and build upon these strengths.

- The Portland-Vancouver region is highly innovative—it ranks fifth overall among large US metropolitan areas in patents issued per capita.

²⁵ U.S. Environmental Protection Agency, Region 10, superfund site index, 2005.

²⁶ City of Portland, Bureau of Environmental Services,

- The Portland-Vancouver region has a highly-educated workforce.
- Over the past decade, the region has been particularly successful in attracting well educated young adults; between 1990 and 2000, the Portland-Vancouver region ranked fourth among the top 50 U.S. metropolitan areas for attracting this demographic.
- The region also gets high marks for its quality of place and livability. In an international comparison of cities, Portland ranked fifth in among all US cities in its aggregate quality of life. The region is rated particularly high in environmental quality, health insurance coverage, recreation, and leisure opportunities, in addition to low crime rates.
- Portland-Vancouver region has an extensive transportation, communications, and public utilities infrastructure system. While the region is relatively distant from most other U.S. metropolitan areas, it is well served by air, rail, highway, and international shipping connections.
- The region's per capita income is higher than the US average, but by a smaller margin than during most of the last decade.
- The Tax Foundation ranks both Oregon and Washington among the top 10 states for business-friendly climates.

AREAS FOR IMPROVEMENT

While some factors make the region an attractive location for new businesses or residents, others do little to differentiate Portland-Vancouver from other metropolitan areas and may even discourage relocation. This subsection lists those factors.

- The local system of K-12 education appears to be roughly average. Higher education enrollment as a fraction of the young adult population is smaller than in most U.S. metropolitan areas.
- Portland and Multnomah County have higher personal and business income taxes than the rest of the region, and than the country as a whole.
- The region ranks slightly above average on a per capita basis in venture capital funding, although venture capital funding has declined since its peak in 2000.
- The region's cost of business is roughly similar to other U.S. metropolitan areas; in a comparison of 33 metropolitan areas with a population of 1 to 4 million people, the Portland-Vancouver region's typical business costs were in the mid-range.

To be successful, the Portland-Vancouver metropolitan region needs to distinguish itself in the four areas described in Chapter 3. It needs to foster pioneering innovation, help develop talented people, distinguish itself as an exceptional place for businesses and the kind of workforce they want to attract, and maintain and increase the efficiency of its productive capacity. If the region can do all of these things (given no major external shocks), its economy will thrive.

The chapter has the following sections:

- **Priority goals and actions: a summary** recaps the priority items for easy reference. More detail on priority actions is provided in the sections that follow.
- **Pioneering innovation** describes the goals, strategies, and actions that foster a culture of innovation in the region.
- **Productivity** describes the goals, strategies, and actions that focus on improving the region's overall production capacity.
- **People** describes the goals, strategies, and actions that focus on attracting and retaining talented people and assuring the availability of a quality workforce in the region.
- **Place** describes the goals, strategies, and actions that assure that the region will continue to have an exceptional quality of life.
- **Process** contains actions for coordinating and monitoring the plan, and future institutional arrangements: how the Economic Development District Board will be formed, and how the Board will coordinate with other economic development and business organizations in the region.

PRIORITY GOALS AND ACTIONS: A SUMMARY

PRIORITY GOALS

The Strategy Committee evaluated statements of goals from many sources: (1) prior economic development strategies developed in the Portland-Vancouver region over the last 5 – 10 years; (2) a web-based survey conducted as part of the CEDS project; (3) in-depth interviews with 14 government and business leaders in the region; and (4) discussions among the Strategy Committee members at their general and subcommittee meetings. A review and discussion of that material led to the following priority goals.

Overarching goal. The economy of the Portland-Vancouver region should develop to have multiple traded-sector clusters containing businesses that are global leaders in innovating new products and processes.

- **Pursue a regional economic agenda.** The leaders and citizens understand that the Portland-Vancouver metropolitan area competes economically as a multi-state region, and that it is more marketable as a region than as individual neighborhoods, cities, and counties. At the same time, leaders and citizens understand that the diversity of the regional community lends to its competitiveness. The region cooperates and competes simultaneously.
- **Foster a strong entrepreneurial culture.** Entrepreneurs are supported by their peers and recognized as a vital part of the business community.
- **Promote innovation that creates economic sustainability.** The region's research and innovation efforts encourage companies to embrace economic evolution and the challenges of global competition by testing new ideas, creating new products, and exploring new markets.
- **Promote traditional and emerging traded-sectors.** The region's traded-sector lubricates the economic engine and supports the contributions of non-traded-sectors to the success of the key industrial clusters.
- **Promote economic diversity.** The Portland-Vancouver region spans two states and numerous communities with a regional skilled labor pool. This diversity of tax and regulatory structure, housing opportunities, and business locations assures that all businesses can find a profitable location in which to succeed and improves the region's comparative advantage.
- **Provide and market sustained quality educational and workforce training opportunities.** A sustained quality education system (K-post-secondary) provides training for skilled workers, harnesses talent, promotes civic engagement, and offers rewarding career and lifelong learning opportunities for citizens throughout the region.
- **Cultivate quality communities to attract and retain talented, creative, and innovative people.** Business and civic leaders appreciate the role of a healthy environment, engaged citizenry, recreation opportunities, public safety, and affordable housing opportunities to create livable communities to attract talented workers and businesses.
- **Monitor and adapt the economic development plan.** Leaders and citizens monitor success with indicators that reflect progress toward economic, environmental and social goals. We adapt our strategies to respond to changing conditions and emerging opportunities.

PRIORITY ACTIONS

The CEDS is, first and foremost, an action plan. It describes what the region should do now to improve its future economic outlook. Ultimately, it seeks to protect the region's strengths and improve any areas of weakness.

It is organized around four dimensions that can distinguish this region from other regions: *Pioneering innovation, Productivity, People, and Place* (the Four Ps). This chapter adds a fifth P (*Process*) to accommodate actions that provide direction for implementation of the CEDS action plan.

For each P category, the Strategy Committee prioritized the strategies and actions that they deemed most likely to create a regional economic environment that encourages business expansion and growth. This chapter contains only those priority actions. For the full list of actions that the Strategy Committee considered, see Appendix F.

This section simply lists the actions for easy reference. Details about the actions are in the sections that follow the list.

Pioneering innovation

- Cluster innovation
- Capital availability
- Entrepreneurial culture
- Knowledge creation
- High-performance work organization

People

- K-12 and higher education funding
- Workforce training
- Awareness of existing opportunities
- Skills gap analysis
- Basic skills

Productivity

- Industry clusters
- Land supply
- Transportation & other infrastructure
- Tax and regulatory environment

Place

- Branding the region
- Land use balance: green spaces and economic development
- Workforce housing
- Neighborhoods: safety and improvements
- Engaging younger workers

Process

- Market as a region
- Coordinate with Regional Business Plan efforts
- Monitor progress

The action items in this chapter have been developed through an iterative process, and will continue to become more specific in future versions of the regional economic strategy developed through the Regional Business Plan. More detailed actions with specific, measurable outcomes will be developed in coordination with the Regional Business Plan.

Chapter 3 describes the clusters that contribute to the Portland-Vancouver regional economy. They are listed here for reference because many of the actions and strategies in this action plan refer to them.

- High technology
- Metals, machinery, and transportation equipment
- Distribution and logistics
- Forest products
- Food processing
- Apparel and sporting goods
- Nursery products

- Creative services
- Professional and business services
- Travel and tourism

PIONEERING INNOVATION

Priority Action 1: Cluster innovation

Description. *Work with the region's industry cluster organizations to develop cluster-specific innovation activities.* Individual clusters have identified research and innovation agendas that should be supported as part of efforts to improve the regional economy, including OCKED (the Oregon Council of Knowledge and Economic Development), RAINS (the Regional Alliance for Network Security), SEMI, American Electronics Association, the Washington Technology Center, Washington Manufacturing Service, and the 21st Century Manufacturing Engineering Center and the Pacific Northwest Defense Coalition.

Rationale. Many of the best opportunities to grow the region's economy will come from innovations and knowledge related to established industry clusters. The region should work with groups of firms in its established industry clusters to identify promising opportunities for research that would benefit a range of firms in each industry cluster.

Who does it. Industry cluster organizations

Possible funding sources. Federal government, private industry.

When. Ongoing

Benchmarks. Amount of funding for cluster related research; patents for new cluster related research.

Priority Action 2: Capital availability

Description. *Encourage greater availability of the early-stage risk capital for new business formation and expansion.* Align state and local tax policy with incentives for new capital formation, particularly early-stage investment in new firms.

Rationale. Access to startup capital, particularly risk equity, can be critical to starting new businesses especially in traded-sector clusters. The ready availability of a range of startup capital—including venture capital, angel investments, and other forms of early-stage investment—will enable more businesses to form locally and may keep some entrepreneurs from taking their ideas elsewhere.

Who does it. Oregon Entrepreneurs Forum

Possible funding sources. Private investors, commercial banks, venture capital funds, Oregon growth account, Portland Family of Funds.

When. 1 to 3 years.

Benchmarks. Amount of venture capital funding for new firms; number of new firms established in the region in traded-sector industry clusters.

Priority Action 3: Entrepreneurial culture

Description. *Promote the role of local entrepreneurs and measure their impact on the regional economy.* Business organizations, the news media, educational institutions, and local governments should identify and celebrate entrepreneurial success stories. In addition to promoting the importance of entrepreneurship within the Portland-Vancouver regional economy, publishing such stories creates an opportunity for successful entrepreneurs to provide role models for future entrepreneurial activities. In addition, the region should work to create a dashboard of indicators to measure (among other things) current entrepreneurial activity. Incorporate the theme of entrepreneurial culture into the region's marketing efforts; emphasize that the metropolitan area is a world leader in the development of new and better problem-solving methodologies in applications ranging from high technology to land-use planning. Expand entrepreneurial training programs in the education system and work to make informal networking among entrepreneurs a more common practice. Recognize that entrepreneurship objectives will be met in part by reducing regulatory and tax burdens to new business formation, an issue addressed under improving productivity.

Rationale. The formation of new businesses is a key factor in driving the long-term success of the regional economy. Everyone benefits if the region supports and encourages entrepreneurs to try new ventures.

Who does it. Regional business organizations, higher education and selected local governments. These efforts should be coordinated with the work of the Governor's Small Business Council.

Possible funding sources. Business Associations and chambers of commerce.

When. 1-3 years

Benchmarks. Number of new startup firms in the region; metropolitan areas rank in number of self-employed individuals; numbers of participants in entrepreneurship education and mentoring programs.

Priority Action 4: Knowledge creation

Description. *Strongly align the region's higher education intellectual resources to further the competitiveness of the region's traded-sector cluster businesses.* Build on existing efforts such as the Oregon Nanoscience and Microtechnologies Institute (ONAMI), the Oregon Center for Advanced Technology Education

(OCATE), 21st Century Manufacturing Engineering Center, Washington State University Engineering and Technology Institute, and the Washington Technology Center. Encourage academic researchers to become more aware of current unsolved problems and market opportunities in private sector industry clusters. Increase awareness among private sector firms of the research capabilities of metro area researchers. Target incremental research resources to high priority, cluster-related research activities with strong private sector support.

Rationale. The region's economic future depends on its ability to increase its stock of distinctive knowledge and both the public and private sectors have important roles to play. Better connecting the region's higher education intellectual resources with the region's principal established and emerging industry clusters can promote a better understanding of the opportunities to use research to improve the region's economic competitiveness.

Who does it. Higher education and research institutions; cluster business organizations and individual cluster businesses, labor leaders, support from state and local economic development entities.

Possible funding sources. CEDS funding, existing organization resources.

When. Begin establishing efforts immediately.

Benchmarks. Number of firms participating in research collaboration networks; dollar value of cluster related research undertaken at area research institutions; dollar value of cluster related research undertaken at private businesses; dollar value of research grants; number of science related graduate students, PhDs, and post-doctorates.

Priority Action 5: High-performance work organization

Description. *Promote widespread adoption of high performance work organization in the manufacturing techniques in the region's private sector firms. Encourage the adoption of these practices within the public-sector.* Work with existing organizations like the Northwest High-Performance Consortium, Washington Manufacturing Service, and the Oregon Manufacturing Extension Program to promote awareness and adoption of high-performance techniques. High performance work organizations are characterized by a flexible job assignments, employee involvement in problem solving and continuous improvement, and continuous training of employees. Everyone involved in these organizations, from line worker to CEO, is encouraged to ask questions about the activities they perform to assure efficiency and innovation. Those three questions are: (1) Why am I doing this activity? (2) Does it meet our mission? (3) How could I do it better?

Rationale. High-performance work organization methodologies give greater decision-making responsibilities to frontline workers, and encourages their participation in continuous innovation. This methodology enables firms to produce better products and services more quickly; it has broad applicability

throughout the private sector and potentially could be adapted to many public-sector organizations. High-performance enables firms to compete at the high end of the market.

Who does it. Northwest High-Performance Consortium, Washington Manufacturing Service, Oregon Manufacturing Extension Program, Zero Waste Alliance, business associations, labor organizations.

Possible funding sources. Job training funds, Washington Manufacturing Service, OMEP technical support, CEDS financing, PDC (for urban renewal areas in the City of Portland), and Pollution Control Tax Credits.

When. 1-3 years

Benchmarks. Number of firms participating in high-performance work organization activities; number of employees working for high-performance work organizations.

PRODUCTIVITY

Priority Action 1: Industry clusters

Description. *Focus economic development efforts on established and emerging traded-sector industry clusters.* Identify and continuously refine the definition of the region's established and emerging industry clusters. Established industry clusters are those with substantial current levels of employment and economic activity. Emerging clusters are generally much smaller, but represent areas in which the region has an apparent market area or technological edge, a number of fast-growing firms, and a substantial potential for future growth. To identify emerging clusters, rigorously and objectively test the relative competitive strength of the region as a location for the each cluster.

Focus the economic development efforts of private and public sector organizations on activities that will encourage the competitiveness and growth of these identified traded-sector industry clusters. It is especially important to develop industries with high wage jobs. Marketing, recruiting, job training, research, trade promotion, infrastructure investments, and other resources and activities relevant to economic development should be assessed for opportunities to better support identified clusters. The Portland Development Commission, the Ports of Portland and Vancouver, and other public/private organizations in Washington have taken a lead in this area; they have developed a Target Industry Plan designed to engage cluster representatives in a dialogue to better understand their competitiveness needs.

Rationale. The region's established and emerging traded-sector industry clusters are the key drivers of our long-term economic prosperity. Their ability to successfully compete with similar businesses in other parts of the nation and the world will profoundly shape the region's standard of living. The remainder of the economy – the local service sector – depends on the success of these traded-sector

clusters for its long-term economic health. As a result, our highest priority in economic development should be to assure that these clusters are healthy.

Who does it. Economic development organizations, ports, private businesses, labor organizations, industry cluster organizations, and Worksystems, Inc.

Possible funding sources. Economic development organizations

When. 1-3 years

Benchmarks. Sales, employment, total and average payroll and investment of identified established and emerging industry clusters, reported by industry cluster.

Priority Action 2: Land supply

Description. *Assure that there is sufficient land supply for the region's economy; emphasize the needs of traded-sector industry clusters.* Recognize that land supply and cluster needs often require careful analysis. Build from existing studies such as the Regional Industrial Lands Study completed in 2001. Work with identified traded-sector industry clusters to identify cluster-specific site needs.

Rationale. Expanding and new businesses in traded-sector industry clusters may require the availability of sites with specific characteristics, including access to labor force or transportation infrastructure, proximity to other similar firms, parcel size, or other features.

Who does it. Industry cluster organizations, local governments with land-use planning responsibilities, economic development organizations, Metro

Possible funding sources. State and local governments

When. 1-3 years.

Benchmarks. Estimates of likely demand for land by industry cluster and analysis of adequacy of land supply.

Priority Action 3: Transportation and other infrastructure

Description. *Assure that the region's transportation and other infrastructure systems are adequate to efficiently meet the needs of the region's economy.* The region should identify transportation improvement project with particularly high benefits to the region's traded-sector industry clusters. Transportation projects include projects that provide for the movement of freight, workers and customers. A key step in this process is to create a rationale for funding transportation projects that is based on what is best for the regional economy rather than what is best for an individual jurisdiction. A successful regional transportation infrastructure benefits the entire region. Identify transportation improvement projects that are particularly important to the region's traded-sector industry clusters, and elevate such projects in priority for funding.

Rationale. Transportation infrastructure is important for connecting the region's traded-sector industry clusters to markets and suppliers in other parts of the United States and the rest of the world. Other forms of infrastructure—such as communications, water supply, energy, and waste disposal—must also be provided to avoid creating a competitive disadvantage with firms in other locations. In addition, a well functioning transportation system and efficient public services, including infrastructure, are important to the quality of life of the region's citizens.

Who does it. State and regional transportation planning and funding agencies. Bi-state Committee on the Columbia Crossing, Columbia Pacific Building & Construction Trades, Oregon and Washington State Building Trades Councils

Possible funding sources. Gas taxes, federal funds, infrastructure fees, Public/private partnerships and tolls (user fees).

When. 1-3 years

Benchmarks. Identified transportation projects

Priority Action 4: Tax and regulatory environment

Description. *Work to reduce the tax and regulatory burdens imposed on the region's businesses, consistent with maintaining an adequate level of public service and a high quality of life.* Recognize the marketing advantage that stems from differences in the regional tax structures: the region gives businesses a choice of tax structures.

Rationale. Taxes and regulatory systems can create disincentives to private sector investment and can reduce the competitiveness of businesses in the region's traded-sector industry clusters.

Who does it. Oregon, Washington, and local governments throughout the region.

Possible funding sources. Public sector

When. 1-3 years

Benchmarks. Ranking of Portland Vancouver Metropolitan region among US metropolitan areas in average level of business taxation, average length of time to obtain a permit for a new business development or expansion.

PEOPLE

There is an obvious overlap between People and Place. If the goal is *developing the skills* of the region's existing and future workforce, then education and training programs are the appropriate focus of public policy. If, however, the goal is broadened to include *attracting and retaining* a talented workforce, then

the quality of the public and private education system becomes one of several regional attributes that are of value to the kinds of high-skilled and creative workers that the region wants to attract. Those attributes are dealt with more logically under the Place category that follows.

For example, in our increasingly mobile society, the quality of K-12 education is important not only because the youth educated in the region will be better prepared to work or succeed in higher education in the region, but also because the younger, talented workers that the region wants to attract and retain will place a high value on the education of their children.

Some of the issues for People / Education are similar across large areas of the region, but some are not. In particular, the part of the region in Washington seems to be in better shape on funding for all levels of education than the part of the region in Oregon.

Priority Action 1: K-12 and higher education funding

Description. *Advocate for secure funding for K-12 and higher education to ensure high-quality educational opportunities.* Explore a range of funding options, including a dedicated tax for education. This issue is more applicable to Oregon schools than to Washington schools.

Rationale. Secure funding is a necessary prerequisite to providing quality educational opportunities through the public school system.

Who does it. School districts, business associations, local and state governments, Worksystems, Inc. Youth Council and Connected by 25, the public.

Possible funding sources. State and local governments, tax revenue, private philanthropy, federal grants, business contributions, social enterprise.

When. 1-3 years

Benchmarks. Process benchmark (short-run): Documented communication between regional leaders and the legislature regarding the security of school funding.

Outcome benchmark (long-run): Changes in the state school finance system to increase funding security.

Priority Action 2: Workforce training

Description. *Continue to seek additional funding for the development of workforce training opportunities and one-stop centers.* There are many organizations involved in the provision of workforce training in the region, some of which have dedicated funding sources and some of which do not. These organizations might all benefit from the formation of a funding advocacy group. An informal workgroup or other collaborative effort could be helpful.

Rationale. An educated workforce is key to innovation and success in the workplace; additional programs are needed to provide adequate access to workforce training opportunities in the region.

Who does it. Business associations and cluster representatives, labor organizations, local governments, Worksystems, Inc; Southwest Washington Workforce Development Council, area colleges and universities, Bureau of Labor and Industries.

Possible funding sources. Business associations and cluster representatives, State and local governments, Workforce Investment Act funds, grants, tuition.

When. 1-3 years

Benchmarks. Evidence of coordination among organizations. Evidence of increased workforce training programming in the region.

Priority Action 3: Awareness of existing opportunities

Description. *Enhance awareness of existing educational and workforce training resources through advertising campaigns and public outreach.* Consider creating a clearinghouse or informal organization to promote programs and increase inter-organizational communication.

Rationale. Many programs already exist to provide education and training opportunities, but without outreach, businesses and the public may not be aware that these opportunities exist. Raising awareness of existing programs is a low-cost way to increase access to training and education. Some efforts are underway through Worksource Portland Metro Region.

Who does it. All organizations that host such programs, including colleges and universities, economic development organizations, media, Worksystems, Inc; Southwest Washington Workforce Development Council, Bureau of Labor and Industries, Worksystems, Inc; Southwest Washington Workforce Development Council.

Possible funding sources. State, local governments, economic development organizations, Workforce Investment Act funds, state funds through Worksource Oregon, Bureau of Labor and Industries.

When. 1-3 years

Priority Action 4: Skills gap analysis

Description. *Conduct annual skills gap analyses to determine training and skills needs.* Such an analysis would mediate labor supply with demand for current and future needs.

Rationale. An annual gap analysis will provide real-time information to allow the public and private workforce development systems as well as educators and

training institutions to anticipate employer needs and to respond by developing skills training and job placement programs. The anticipation of labor shortages and skills gaps over the next decade is critical for the economic development and growth of the region. The analysis will also provide valuable information to high schools in career counseling and guiding students to in-demand, high-growth occupations.

Who does it. Worksystems, Inc. Southwest Washington Development Council, Clackamas Workforce Investment Board, Portland Community College Center for Business and Industry, Oregon Employment Department, Portland Development Commission, PSU Institute for Portland Metropolitan Studies, Connected by 25.

Possible funding sources. Workforce Investment funds, Portland Development Commission or Regional Economic Development Partners funds, state Employer Workforce Training Funds, state and local funds, corporate contributions.

When. Ongoing

Priority Action 5: Basic skills

Description. *Increase the availability of remedial education and ESL programs.* These should target foreign language speaking workers as well as other workers who do not have the skills necessary to contribute to work in traded-sector clusters and other industries. In particular, focus on improving science and mathematics education.

Rationale. An increasing portion of the region's workforce is made up of non-English speakers. Additionally, many people, both English speaking and non-English speaking, lack the necessary science and math skills to gain work or advance in the jobs that they have.

Who does it. High schools, BOLI, Worksystems, Inc, Southwest Washington Workforce Development Council.

Possible funding sources. State and local governments, Workforce Investment Act funds, Employer workforce Training Funds for incumbent worker training, federal grants, and private philanthropic foundations.

When. 1-3 years

Benchmarks. Evidence of new programs or improved accessibility in existing programs.

Benchmarks. Process benchmark: Evidence of increased communication and coordination among educational and workforce training program providers. Outcome benchmark: Measuring awareness is difficult at best. One possible way to do this is with a user survey; the goal of the benchmark, however, would be to find out why people don't know that the programs exist. A user survey necessarily targets those who have accessed the services.

PLACE

In this section the focus is on what attributes make the region a good place to live, and thus help attract and retain workers and businesses.

Broadly, place issues are the ones about quality of life. Quality of life is a function of the quality of built space, the natural environment, and social institutions. Those attributes can be affected through public policy primarily by policies and investments related to land use and urban design, environmental protection, infrastructure (especially transportation, water / wastewater, and recreation), and social services (especially education). [The quality of education is *not* included among the attributes because it is addressed in the section on People.]

The previous section noted the overlap between People and Place on the issue of education. Place also overlaps with Productivity on the issues of infrastructure.

Priority Action 1: Branding the region

Description. *Encourage collaborative marketing of the area to create a “brand” that appeals to the workforce the region is trying to attract in key clusters.* The State of Oregon and the State of Washington have begun initiatives to recruit new businesses and residents by marketing the business environment and quality of life available in Oregon. The Portland-Vancouver region could build on existing recruitment efforts to create a similar initiative that proposes and promotes a unified vision (or brand) of the region’s benefits.

Rationale. The region has many marketable characteristics: its quality of life, diversity of recreational opportunities, and diversity of tax structures across state lines all are attractive to potential business recruits. The region’s image as a clean, green, innovative region should be used to attract new businesses in key industry clusters.

Who does it. Area economic development groups, jurisdictions, chambers of commerce, the Regional Partners for Business, Brand Oregon.

Possible funding sources. Chambers of commerce, local jurisdictions

When. Ongoing

Benchmarks. Evidence of efforts to create and distribute a brand for the region.

Priority Action 2: Land use balance: green spaces and economic opportunity

Description. *Implement programs that enhance green spaces and recreational opportunities in the region while considering the importance of land for economic development opportunities.* Both open space and industrial/commercial land are necessary for a thriving community and economy. Balancing open space with

industrial land needs not only improves quality of life but gives this region a marketable comparative advantage over others.

Rationale. The Portland-Vancouver region's parks and open spaces are an important contributor to quality of life, and have attracted many new residents to the area over the years. Improving these spaces and the recreational opportunities that they provide will enhance the appeal and marketability of the region. At the same time, open space must be balanced with industrial lands to be used productively for the economic benefit of the region.

Who does it. Metro, local governments, parks departments

Possible funding sources. Metro, state and local governments

When. Ongoing

Benchmarks. Programs focused on defining and implementing balanced land use programs.

Priority Action 3: Workforce housing

Description. *Seek opportunities to develop workforce housing.* Workforce housing is affordable housing that targets people in the workforce. Affordability is typically defined by a ratio of housing cost to income (the 30% rule). Despite this definition, it can be difficult to measure housing affordability, because people seek affordable housing from a range of income levels and compete for what is available. Because it is difficult to measure, it is difficult to determine whether an adequate supply is available. One approach is to remove any obstacles to developing affordability. Another is for jurisdictions to be certain that they have adequate land available for all housing types. This is a requirement of comprehensive planning in Oregon.

Rationale. In general, the region's supply of affordable housing does not meet the demand for it. Providing those housing options in proximity to jobs reduces strain on regional transportation systems and can add to the diversity of neighborhoods.

Who does it. Local governments, developers, Metro, public development authorities, private banks, community development corporations.

Possible funding sources. Community land trust; Habitat for Humanity. Home builders associations, redevelopment and public housing authorities.

When. Ongoing

Benchmarks. Number of first-time homebuyers in the lower income brackets. Number of new housing units that will sell or rent for 30% of the income of lower income workers.

Priority Action 4: Neighborhoods: safety and improvements

Description. *Support the formation of neighborhood associations and similar groups throughout the region that focus on neighborhood safety and other improvements.* Provide incentives for networks (both new and existing) to operate effectively.

Rationale. All of the region's neighborhoods could benefit from the sustained advocacy of a neighborhood group. Some neighborhoods have immediate needs, such as a need for community policing and improved safety. Others would benefit from sidewalk improvements and pedestrian-scale developments, or the provision of workforce housing. Local-level advocates are well-positioned to identify neighborhood needs and work with governments and other entities to create change.

Who does it. Existing neighborhood associations and coalitions, local governments, community organizations.

Possible funding sources. Grants

When. 4-10 years

Benchmarks. Process benchmark: evidence of new organizations forming throughout the region.

Priority Action 5: Engaging younger workers

Description. *Encourage the 25-35 year-old demographic to become more active in the city's civic and political life.* Maintain a dialogue with the group to keep them engaged and make them feel welcome. Connect these workers to the public workforce system and its resources; offer microenterprise workshops.

Rationale. The Portland-Vancouver region has been successful at attracting the 25-35 year old demographic; this group will contribute to business innovation and economic vitality in the region for years to come. Many of these residents moved to the region because of the quality communities and ample possibilities to become involved in community decision-making processes. Keeping this demographic involved will not only invigorate the region's civic life and help to maintain the quality communities that attracted them to the region, but it could add to the likelihood that these residents will stay in the region.

Who does it. Neighborhood associations, community groups, local governments, churches, cultural organizations, established existing organizations, worksystems, Inc., Southwest Washington Workforce Development Council, Clackamas Workforce Investment Board.

Possible funding sources. Little funding is needed for this action, but neighborhood associations, community groups, local governments, churches, cultural organizations can all contribute something.

When. Ongoing

Benchmarks. Evidence of increased involvement among this demographic.

PROCESS

This section describes actions necessary to develop the institutional arrangements for implementing and monitoring the plan. Many of these are considered by the Strategy Committee to be critical to implementing the priority actions for Pioneering Innovation, Productivity, People, and Place, and are considered things that must be done to support the priority actions for the other categories of actions.

Priority Action 1: Market as a region

Description. *Economic development agencies should continue to market together to expand the region's markets.*

Rationale. Industries are drawn to the Portland-Vancouver region, rather than to just one city within it. Potential business recruits benefit from this because they have a choice of locations and tax structures within the region.

Who does it. CREDC and PDC

Possible funding sources. Little (if any) additional funding will be required for this action.

When. Ongoing

Benchmarks. Continued partnerships, evidence of increased joint activity.

Priority Action 2: Coordinate with the Regional Business Plan

Description. *The CEDS should become a seamless part of the Regional Business Plan, with the EDD board operating as a subcommittee of the Regional Business Plan steering committee.*

Rationale. The CEDS document is intended to provide important background information and a framework for a larger public-private initiative (described in greater detail in Chapter 5 and Appendix F).

Who does it. EDD board and the Regional Business Plan steering committee.

Possible funding sources. Regional business organizations and economic development organizations, EDA's partnership planning program.

When. Ongoing

Benchmarks. Evidence of coordination.

Priority Action 3: Monitor progress

Description. *Continue to evaluate progress toward benchmarks on priority actions.*

Rationale. An important step in any planning process is to assure that progress is being made toward goals. In this case, the CEDS has included benchmarks for priority actions that can be used to measure progress.

Who does it. EDD board and the Regional Business Plan steering committee.

Possible funding sources. Regional business organizations and economic development organizations, EDA's partnership planning program.

When. Ongoing

Benchmarks. Evidence of monitoring activities.

Next Steps and Getting Involved

The development and publication of the CEDS is just one step in a continuing effort to address the region's economic future. This chapter describes the next steps in the process of implementing the CEDS and explains how the region's residents can be involved in future economic development efforts. It has two sections:

- **Next steps** describes the connection between the CEDS and the Portland-Vancouver Regional Business Plan, and explains in general terms how the Regional Business Plan will be updated.
- **Getting involved** describes how business and government representatives as well as the general public can become involved in the Regional Business Plan process.

NEXT STEPS

The CEDS is a technical document that takes the first steps toward creating a regional economic development strategy. With some help from federal government funding, the public sector lead the development of the CEDS. This document captures the essential elements of previous economic development plans around the region, and organizes them in the format of the Oregon Business Plan. The completion of the CEDS has some potential funding advantages, but more important is the information the CEDS provides toward the preparation of the Regional Business Plan.

The Regional Business Plan is a larger, related effort under way in the Portland-Vancouver metropolitan region through a public-private partnership. The Regional Business Plan's objective will be to create regional agreement about a few key strategies and initiatives that are most important to making the region's economy successful in the 21st century.

The initial efforts of developing the Regional Business Plan are being led by the region's private-sector business organizations. Their effort will be expanded to include the region's public sector leaders, who are viewed as important partners in any effort to address the region's economic future. Both public-sector and private-sector activities are essential to the development of the Regional Business Plan. Many people from organizations in both sectors are working in close collaboration to develop the plan.

The CEDS is an initial framing work that is largely technical in nature. It will feed into the evolving Regional Business Plan process, which will produce its results in Fall of 2005.

The Regional Business Plan's steering committee will update the plan regularly, and with it, the initial work of the CEDS Strategy Committee. The Economic Development District Board, formed as a part of the CEDS process,

will function as a subcommittee of the Regional Business Plan steering committee to provide input into the plan updates as well as to serve the functions required by the Economic Development Administration for the maintenance of eligibility for federal funding. Appendix H provides additional information about the structure of the EDD board.

GETTING INVOLVED

The region's future economic success is contingent upon the capacity of its traded-sector industries to innovate. This is the driving force behind the CEDS and the Regional Business Plan: to bolster the creative efforts of the firms in the region by creating a supportive environment in each of the Four P categories. The Regional Business Plan can't create that supportive environment without broad based support (from business and government representatives as well as the general public) for the implementation of its actions. Broad participation is necessary not just for the success of the Regional Business Plan, but also for the ultimate success the Portland-Vancouver regional economy.

As the Regional Business Plan is created, there will be many opportunities for business leaders, local government representatives, and the general public to contribute to the economic development strategies suggested in the Regional Business Plan.

Representatives of the Regional Business Plan steering committee will be visiting chambers of commerce and business associations around the region to describe the planning process and gather input about initiatives that are important at the local level. These meetings are designed to gather broad public input and will be widely advertised.

Once the Regional Business Plan is complete in Fall of 2005, there will continue to be ways to be involved. The plan will be updated regularly, and will involve the public and private sectors at each step of the way. A website is under development to provide information regarding the Regional Business Plan.

Strategy Committee Members and Consultant Team

Appendix A

This appendix lists the Strategy Committee members that participated in the development of the CEDS document. It also describes the consultant team.

STRATEGY COMMITTEE MEMBERS¹

- Charlie Allcock, Portland General Electric and Vice-Chair, Regional Partners
- Bob Alexander, Economic Development Director, Portland Development Commission
- David Bragdon, President, Metro, represented at some meetings by Michael Wetter and Lydia Neill
- Gale Castillo, Executive Director, Hispanic Metropolitan Chamber, and chair of the People/Places subcommittee for this project
- Rob Drake Mayor, City of Beaverton, and Chair of CEDS Strategy Committee
- Diane Linn, Chair, Multnomah County Commission, represented at some meetings by Rob Fussell
- David Marks, Clackamas County Business Association and Marks Metal Technology, and co-chair of the Pioneering Innovation/Productivity subcommittee for this project
- Sandra McDonough, President, Portland Business Alliance, represented by Greg Peden and Duke Shepard
- Wally Mehrens, Executive Secretary, Columbia Pacific Building Trades
- Randy Miller, President, The Moore Company, and Portland Ambassadors, and co-chair of the Pioneering Innovation/Productivity subcommittee for this project
- Wilda Parks, Executive Director, North Clackamas Chamber of Commerce, and Vice-Chair of the CEDS Strategy Committee
- Bart Phillips, Columbia River Economic Development Council

¹ The Economic Development Administration suggests that the Strategy Committee should represent all major interests of the community so that all components of the community are considered. The Portland-Vancouver CEDS Strategy Committee contains representatives of public leadership, economic and business development organizations, employment and training sector, community organizations, and minority organizations. It is also geographically representative, with participants from all parts of the region. About 15% of the Strategy Committee are members of a minority ethnic group. About 25% of the Strategy Committee is female.

- Tom Potter, Mayor, City of Portland, represented at some meetings by Rochelle Lessner
- Preston Pulliams, President, Portland Community College
- Doug Rux, Chair, Regional Partners and City of Tualatin
- Jonathan Schlueter, Executive Director, Westside Economic Alliance
- Martha Schrader, Commissioner, Clackamas County, represented by Renate Mengelberg
- Steve Stuart, Commissioner, Clark County
- Eric Underwood, East Metro Economic Alliance
- Duncan Wyse, President, Oregon Business Council

CONSULTANT TEAM

- Joe Cortright, Impresa Consulting
- Erin Flynn, FutureWorks
- Sarah Heinicke, Institute of Portland Metropolitan Studies, Portland State University
- Lorelei Juntunen, ECONorthwest
- Sheila Martin, Institute of Portland Metropolitan Studies, Portland State University
- Terry Moore, ECONorthwest
- Becky Steckler, ECONorthwest

Compliance Report: How This Document Meets EDA Requirements

Appendix B

This CEDS document has been written in part to comply with the requirements of the Economic Development Administration (EDA). A CEDS is required to qualify for EDA assistance under its public works, economic adjustment, and most planning programs; a CEDS is also a prerequisite for designation by EDA as an economic development district (EDD). Once the CEDS is adopted and the region becomes eligible for funds, the EDA will direct its investments based on strategies resulting from the planning processes established to develop and maintain the CEDS.¹

This appendix describes how the CEDS meets the requirements outlined by the EDA, and explains how the CEDS relates to regional economic development activities. It has two sections:

- Overview of requirements for CEDS
- Summary check-off on content and process

OVERVIEW OF REQUIREMENTS FOR CEDS

The following requirements are summarized from the CEDS Guidelines published November, 2002. The specific requirements are listed in the next section of this appendix.

- In general, the CEDS emerges from a continuous planning process developed with broad based and diverse community participation that addresses the economic problems and potential of an area. The EDA guidelines state that the strategy should “promote sustainable economic development and opportunity, foster effective transportation systems, enhance and protect the environment, and balance resources through sound management of development.”
- The CEDS should be overseen by a diverse Strategy Committee that includes public leadership, economic and business development organizations, employment and training sector representatives, community organizations, and representatives of traditionally underrepresented groups (women, minorities, aged, and disabled).
- The CEDS document should contain an analysis of the regional economy that includes current demographic and economic data. The analysis should give a clear understanding of the local economic situation, including external economic impacts, existing partners for economic development, and resources for future work. Existing plans and planning processes in

¹ U.S. Department of Commerce, Economic Development Administration, Comprehensive Economic Development Strategy Guidelines, November 2002.

the region should be researched and considered. These plans might pertain to areas outside of economic development, such as transportation, land use, housing, air and water quality, and welfare reform.

- The CEDS must contain a vision statement, goals, and objectives that respond to the analysis of the regional economy. The goals should be prioritized as the basis for decisions on the use of available resources. Together, the vision, goals, and objectives will provide a framework for public and private decision making and serve as the basis for the formulation of the action plan.
- The action plan is based on the prioritized goals. It describes the specific activities that should be undertaken to achieve the desired results. The CEDS guidelines describe the action plan as “the link between the up-front analysis of the area’s economy and development potentials and the resulting programs, activities, and projects that are the product of the CEDS process. It is a multi-year strategy that includes activities and programs to take advantage of opportunities for the economic development of the area.”
- The action plan has two components: the prioritization of programs and activities and an implementation schedule. The Strategy Committee has the central role of overseeing development and implementation of the action plan.
- After the EDA has approved the CEDS, EDA-funded planning grantees are required to submit annual reports that document the progress achieved on the economic development activities identified in the CEDS. A new, updated, or revised CEDS is required at least every five years, or sooner if the EDA or the planning organization determines that the CEDS is inadequate due to change circumstances.

SUMMARY CHECK-OFF ON CONTENT AND PROCESS

Table B-1 describes how the CEDS document and the process used to create it have met each of the EDA requirements. The requirements are outlined in the November 2002 CEDS Guidelines.

Table B-1. EDA requirement compliance summary

EDA requirement	How the requirement is met	Where the requirement is met or described
Requirements for preparing a CEDS		
The region should establish and maintain a Strategy Committee.	The first step in the development of the Portland-Vancouver CEDS was to develop a Strategy Committee.	Chapter 1
The Strategy Committee should represent all major interests of the community to ensure that all components of the community are considered.	<p>The Strategy Committee contains representatives of public leadership, economic and business development organizations, employment and training sector, community organizations, and minority organizations.</p> <p>About 15% of the Strategy Committee are members of a minority ethnic group. About 25% of the Strategy Committee is female.</p>	Appendix B contains a list of Strategy Committee members
Ensure that adequate staff resources are available to develop the CEDS.	A consultant project team was hired to assist with the analysis and coordination needed to complete the CEDS.	Chapter 1 describes the consultant team
The committee should adopt a work program.	The Strategy Committee adopted a work program at its first meeting.	March 7 Strategy Committee meeting (see Appendix I)
Requirements for analysis of the regional economy		
The analysis should use current demographic and economic data.	The analysis uses data from the Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics, the Oregon Department of Employment, the Washington Department of Employment, and many other sources.	Chapter 3 and Appendix E
The analysis should be presented in a clear and concise manner, and be easily understood by non-specialists in the general public.	While this criterion is largely subjective, the document was produced with non-specialist readers in mind. Much of the technical information is contained in appendices to keep the document itself short and readable. The document contains an executive summary that uses simple language to describe the information contained in the CEDS.	N/A
Identify elements that affect the local economy.	The planning team considered the following impacts on the regional economy: demographic and socioeconomic changes (especially population growth), environmental and natural resource quality and availability, traded-sector cluster growth, state and federal economic changes, state and local tax and regulatory impacts, and educational system's quality and accessibility.	Chapter 3 and Appendix E

The analysis should address the state of the local economy.	The CEDS document identifies economic strengths and weaknesses and growth sectors and clusters. It describes what is driving the economy currently, and where it might go in the future.	Chapter 3
The analysis should identify the important partners for economic development in the region, and identify the resources available for economic development.	Many of the important partners were involved in the development of the CEDS. For each action, the action plan describes the important partners and identifies potential funding sources. The Strategy Committee also suggested business and public leaders to be interviewed as part of the development of the CEDS.	Chapter 4 See also Appendix B for a list of partners involved in the process and Appendix H for a summary of interviews
Requirements for developing a vision		
The CEDS should contain a vision statement. A draft vision statement that includes goals should be circulated widely for review and comment. The Strategy Committee should review and approve the vision and goals.	The Strategy Committee developed draft vision and goals based on the work of existing economic development documents in the region. The draft vision and goals were the focus of the web-based survey of the general public and of the interviews conducted with business leaders. Once all input was gathered, the Strategy Committee approved the vision and goals.	Chapter 4 contains the vision and goals. The process for developing them is described in Appendix D. Appendix H summarizes the interviews and surveys.
Priorities should be established during the goal-setting stage to provide a basis for decision on the use of available resources.	The Strategy Committee evaluated statements of goals from many sources: (1) prior economic development strategies developed in the Portland-Vancouver region over the last 5 – 10 years; (2) a web-based survey conducted as part of the CEDS project; (3) in-depth interviews with 14 government and business leaders in the region; and (4) discussions among the Strategy Committee members at their general and subcommittee meetings. A review and discussion of that material led to the list of priority goals contained in the action plan.	Chapter 4 contains the priority goals and describes the process of selecting them.
Requirements for developing an action plan.		
Identification of activities [to implement the goals] should be broad-based; priority actions should be identified.	The Strategy Committee members are broadly representative of the economic development professional and the general public in the region. They developed and prioritized the actions in the action plan.	Chapter 4 contains the priority actions and Appendix D describes the process of creating and prioritizing them.
The action plan should contain a schedule for implementation.	The action plan describes a timeframe for implementation of each of the priority actions.	Chapter 4

Requirements for evaluation		
An outline of an evaluation process should be included in the CEDS	For each priority action, a benchmark (measure of success) is described. The action plan gives the EDD primary responsibility for assuring the successful implementation of the CEDS.	Chapter 4
Requirements for documentation		
The CEDS document should serve as a record of all the steps of the process followed and of the broad and diverse participation of the community in the development of the strategy.	The CEDS documents each meeting attended, the survey and interview process, the process for developing the Strategy Committee, and the process for developing the action plan.	Chapters 1, 4 and 5, and Appendices B, C, D, F, G, H, and I.

Process for Developing a Vision, Goals, Strategies, and Actions

Appendix C

This appendix supplements Chapters 1 and 2 of the CEDS; it provides additional detail about the process used to develop the vision, goals, strategies and actions contained in the CEDS document. It has the following three sections:

- **Process for defining a vision and goals for the CEDS.** This section describes the process the CEDS Strategy Committee completed to create the vision and goals.
- **Framework for thinking about a regional economic development strategy.** This section presents a framework for thinking about a regional economic development strategy; it describes some of the economic development issues that could impact the region's ability to achieve the vision.
- **Goals in local economic development documents.** This section describes common goals among economic development plans regarding vision and strategies.

PROCESS FOR DEFINING A VISION AND GOALS FOR THE CEDS

Many techniques are available and have been used to develop visions and goals for regional plans.¹ Whole projects have been dedicated to “visioning,” with many workshops with different groups in different areas of the region.

For the development of this Comprehensive Economic Development Strategy, the CEDS Strategy Committee chose a limited process for vision- and goal-setting based on its belief that:

- There is already a lot of agreement about general goals.
 - Economic development plans around the country have broadly common goals: they are in favor of increasing efficiency, growth of jobs and income, and fair distribution of economic costs and rewards; they are against the opposite.
 - A review of many plans in the Portland-Vancouver metropolitan area² suggests a common vision and goals.

¹ Not only economic development plans, but plans for land use, transportation, other infrastructure, education, and so on.

² Work referenced later in this chapter by Portland State University for the Metropolitan Economic Policy Task Force.

- More important than agreement about general goals is agreement about strategies and actions.
- The budget for the CEDS process is limited.

Thus, the process for creating a vision and goals for the CEDS that the Strategy Committee recommended is to:

- **Think about factors—international, national, and regional—that will have big effects on the regional economy.** Those ideas are contained in Chapter 3.
- **Create a framework for thinking about the broad goals of a regional economic development plan** by reviewing plans in other regions, and the literature of economic development; the project team completed this task. The framework that resulted from that investigation is summarized in a later section of this appendix.
- **Summarize goals from existing plans in the Portland-Vancouver region, consistent with the framework.** This work is summarized in a later section of this appendix.
- **Create a draft vision statement and supporting goals for review and preliminary approval by the Strategy Committee.** A subcommittee of the Strategy Committee completed this task in collaboration with the project team..
- **Adjust the goals based on comments received** (via web-based survey and interviews) from a wide range of interests. The Strategy Committee completed this task.

The rest of this appendix provides more information about the components of the process.

FRAMEWORK FOR THINKING ABOUT A REGIONAL ECONOMIC DEVELOPMENT STRATEGY

The research for this plan looked at a lot of economic development plans around the region and around the country. It found a lot of similarity among the broad goal statements of those plans.

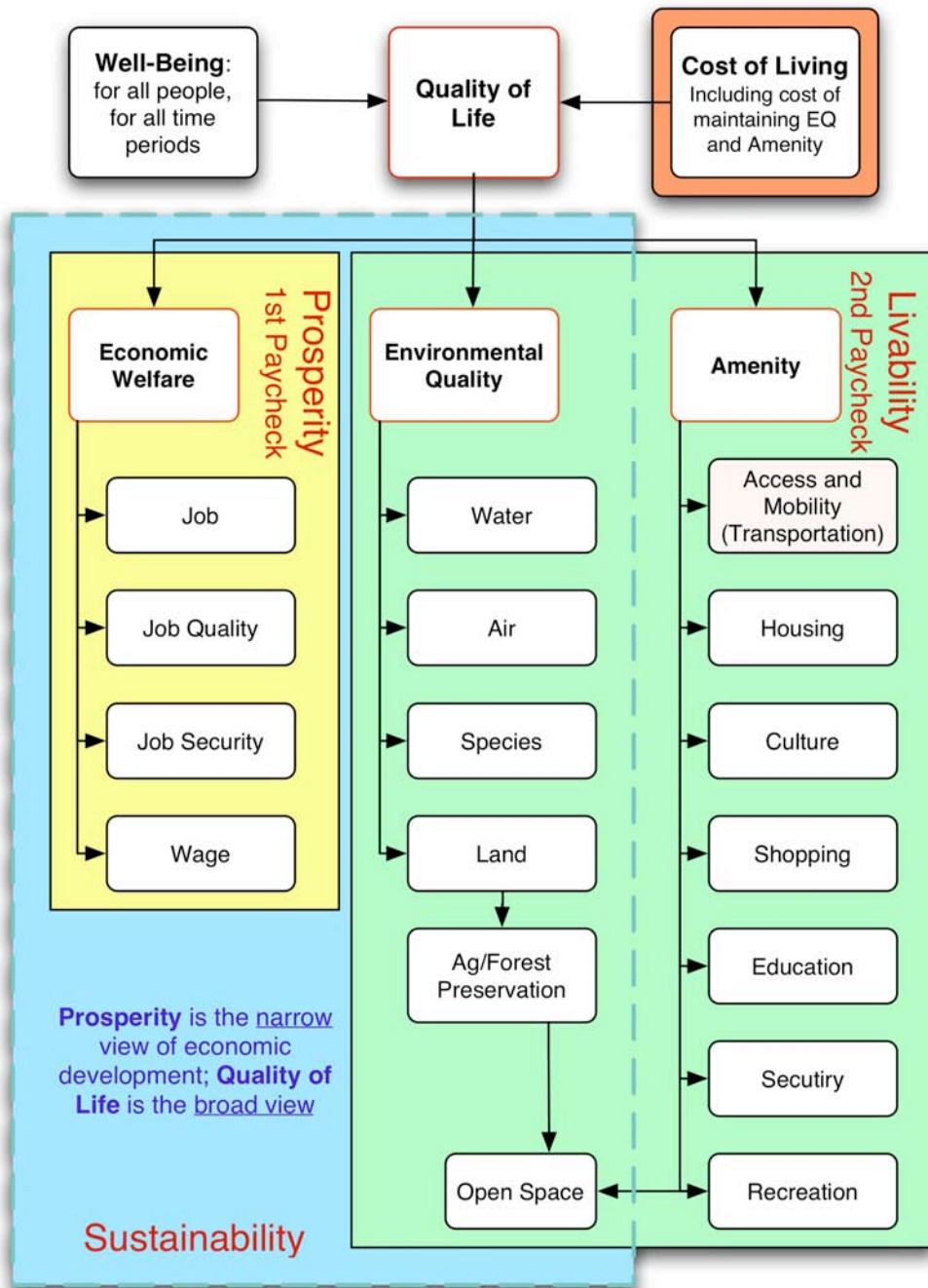
That is not surprising. There is a lot of agreement among economic development professionals and policymakers about what they are trying to achieve with economic development policy, what they are trying to achieve in other policy areas, and how those policies relate.

At the broadest level, local governments are trying to take actions for people in their jurisdiction that make all of them (current and future), in all places, better off over the long run.

That broad goal cannot be achieved through economic development policies alone. It requires addressing the many aspects of people's lives from which they

derive their sense of wellbeing. Figure C-1 provides a structure for thinking about those many aspects.³

Figure C-1. A broad view (Everything) and narrow view (Prosperity) of the goals and purview of economic development policy



Source: ECONorthwest ©

³ It does not imply that government must necessarily adopt policy addressing all these aspects (though, in fact, it does); rather, it is meant to convey that government has to choose which of these aspects of quality of life to address, and the relative emphasis of its efforts.

The impacts in Figure C-1 are categorized in a way that is roughly comprehensive, mutually exclusive, and consistent with theories of economic development. The main points:

- While economists talk about the big picture as economic welfare or well-being, planners are more apt to talk about it as quality of life.
- Quality of life is a function of four main forces: economic well-being (Prosperity), the quality of our natural environment (Environmental Quality), the quality of our built and social environment (Amenity), and the cost of achieving those benefits (Cost of Living). Collectively, these forces constitute a simple model of regional growth.

Though economic development policy can and does affect aspects of all four of these forces, Prosperity (jobs and incomes) is its special domain. Other agencies of government have more direct responsibility for Environmental Quality and Amenity.

The most direct metric of Prosperity (economic wellbeing) is *income* (and wealth). Other things being equal, the assumption is that if household incomes and business incomes are growing, economic progress is being made.

For most households, income is related to the types of *jobs* its wage-earners have available and can qualify for. Thus, in addition to income, economic development policy usually aims at increasing the amount, quality, and pay of jobs.

From a regional economic perspective, the best way to strengthen the economy so that it provides well-paying and stable jobs that provide good income is to get other regions to transfer money to that region by buying its goods and services. Thus, a region wants to make sure that it does things that make many of its industrial sectors competitive enough that people outside the region will buy their goods and services.

For many reasons—natural resources, historical development patterns, historical public investments, national and global market conditions—no region can have a competitive advantage across all industrial sectors. Regions are better (more competitive; have a comparative advantage) in producing some goods and services over others. Where they have gained such comparative advantage, for whatever reasons, one can observe *clusters* of business that have grown to take advantage of those advantages, and in doing so have contributed to reinforcing those advantages.

Thus, if a region wants to leverage its investment in economic development, it should focus on doing things that *create, expand, or otherwise reinforce the traded-sector clusters in which it has a comparative advantage.*

There are many categories of subsidiary goals that support that goal; that help make it achievable. Thus, in the context of Figure D-1, the relevant traded-sector clusters may benefit from public policies that deliver better education, transportation, infrastructure, and so on. The extent to which a business benefits

depends on how important a particular good or service is to its production, either directly or indirectly. An example of direct importance is transportation facilities (which affect transportation costs) and taxes. An example of indirect importance are services that are important to the labor force that the business is trying to attract: things like housing cost and the quality of K-12 education.

There are also other high-level goals that could be on a par with the goals of promoting the development of businesses in traded-sector clusters. Some of those have some direct connection with the overall health of the regional economy (for example, helping small businesses), though the impact may be small at the regional level. Other goals are more about the distribution of benefits and costs in the economy (for example, providing a safety net and opportunities for advancement for those the economy leaves behind).

In summary:

- The overarching goal of economic development policy is to increase the wellbeing of the region's people (as workers, business owners, residents, and citizens).
- That wellbeing is multi-dimensional for a given person, and a region has millions of people. It derives from many factors related to economic prosperity and other aspects of quality of life, like environmental quality and urban amenities. No policy evaluation can hope to measure individual welfare and add it up to get a regional index.
- Thus, policy must make some assumptions about things that will, in some general way, make people better off.
- Though a regional economic development strategy should pay attention to other aspects of quality of life, it should focus on those aspects directly related to economic prosperity: income and jobs. Economic development specialist assume that, other things being equal, if people have more income they are better off. (Other things may, however, not be equal. If increasing income is achieved at the expense of urban and environmental amenity, many people may not feel better off).
- On the one hand, "Increasing income" is too general a statement to serve as a vision for a regional economy. On the other hand, listing goals for all the factors that contribute to wellbeing is too broad in the other a direction. An economic vision for an economic development plan should focus on a few things that would lead to a healthy (strong, stable, diverse) economy, which would then contribute (by definition) to the wellbeing of its residents and workers.
- Though all businesses and jobs are important, from a regional perspective some depend on others. Much research supports the idea that businesses that sell goods and services outside the region (that export) bring money into the region that supports many other jobs in the economy. These businesses are referred to as *the traded sectors*.
- Research also supports the idea that regions tend to have national or international comparative advantages certain *clusters* of economic activity.

The Portland-Vancouver metropolitan area specializes in, among other things, certain types of high-technology equipment and in metal fabrication, among other things.

These ideas are part of the foundation for the vision and goals described in the CEDS document.

GOALS IN LOCAL ECONOMIC DEVELOPMENT DOCUMENTS

The CEDS has built upon the recent efforts of jurisdictions throughout the region to define an economic development vision and strategies. With the goal of understanding how the region's jurisdictions might coordinate economic development efforts, the Metropolitan Economy Policy Task Force (MEPTF) collected and consolidated information about local efforts to formulate economic development strategies. Their work formed the starting point for the CEDS vision and goals process.

The MEPTF was formed in the fall of 2002, with support from the Institute of Portland Metropolitan Studies at Portland State University. The MEPTF was created to respond to concern for the region's economy and several key developments in the Portland-Vancouver metropolitan area. In essence, the MEPTF accomplished much of the work that a CEDS process requires, including identifying common goals, themes, and strategies. The final report of the MEPTF (June 2003) describes common themes among the jurisdictions of the Portland metropolitan region.

Five areas of commonality emerged:

- **Clusters.** Most of the jurisdictions expressed the importance of clusters as an organizing concept for economic development, and the need to focus on traded sectors or knowledge-based clusters.
- **Livability.** Most plans also recognized livability as a key component of economic development strategy and as a local and regional asset.
- **Talent.** Most plans discussed the importance of a skilled workforce as a component of attracting and retaining companies and the need to integrate workforce and economic development policy.
- **Land/Infrastructure/Business Climate.** Most of the local government economic development plans are focused on the need to provide land and infrastructure for industry and to streamline business permitting processes.
- **Vision.** Several plans expressed the need for a vision of the economy that includes diversified, knowledge based industry, regional cooperation, and the balance between quality jobs, environmental quality, and quality of life.

The common themes were generated from a comprehensive assessment of existing plans and follow-up interviews with economic development authorities, organizations and jurisdictions within the region.

Analysis of the Regional Economy

Appendix D

This appendix provides data and analysis to support the conclusions in Chapter 3, an assessment of Portland's existing economy. The appendix is organized into sections that are similar to those in Chapter 3, to facilitate comparisons between the conclusions in Chapter 3 and the background data in this appendix.

Like Chapter 3, this appendix groups the region's comparative advantages and disadvantages into four themes: people, productivity, pioneering innovation, place. The chapter has the following sections:

- **Economic context.** This section describes the Portland-Vancouver regional economy and the external (U.S. and state) factors that influence it.
- **Economic performance in the region.** This section describes the region's economic position related to jobs and income.
- **The region's competitive position.** This section describes four categories (themes) of factors that differentiate the Portland-Vancouver regional economy from other regional economies: people, place, productivity, and pioneering innovation.

ECONOMIC CONTEXT

THE PORTLAND-VANCOUVER METROPOLITAN AREA ECONOMY

The Portland-Vancouver metropolitan area had a 2000 population of about 1.8 million¹, and total nonfarm employment of nearly 1 million persons.² The total economic output of the region was estimated to be nearly \$77 billion in 2002.³

The region's principal traded-sector industry clusters are high technology (particularly semiconductors), metals, machinery and transportation equipment, apparel and sporting goods, creative and professional services, and nursery products. The region also has significant concentrations of firms in food processing and forest products. Metropolitan Portland serves as a commercial and service center for northwest Oregon and southwest Washington. It provides retail shopping, wholesale distribution, and business, financial, and health services.

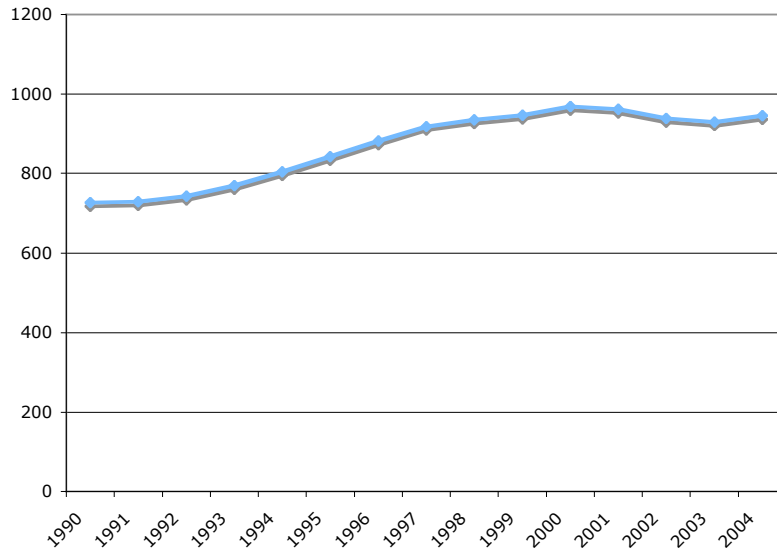
¹ U.S. Census Bureau, 2000 (Clark County in Washington, Multnomah County, Clackamas County, Washington County).

² Portland Metro Labor Trends, Oregon Employment Department, April, 2005 estimates for February 2005. Note that employment numbers here include Yamhill and Columbia Counties, and therefore overstate employment in the region for the CEDS.

³ Global Insight, http://www.usmayors.org/metroeconomies/0703/metroecon_appendix_0703.pdf

During the 1990s, the Portland-Vancouver metropolitan area was one of the fastest growing metropolitan areas in the United States. The region's total nonfarm employment grew from 727,000 to 969,000 in the year 2000 (see Figure D-1).

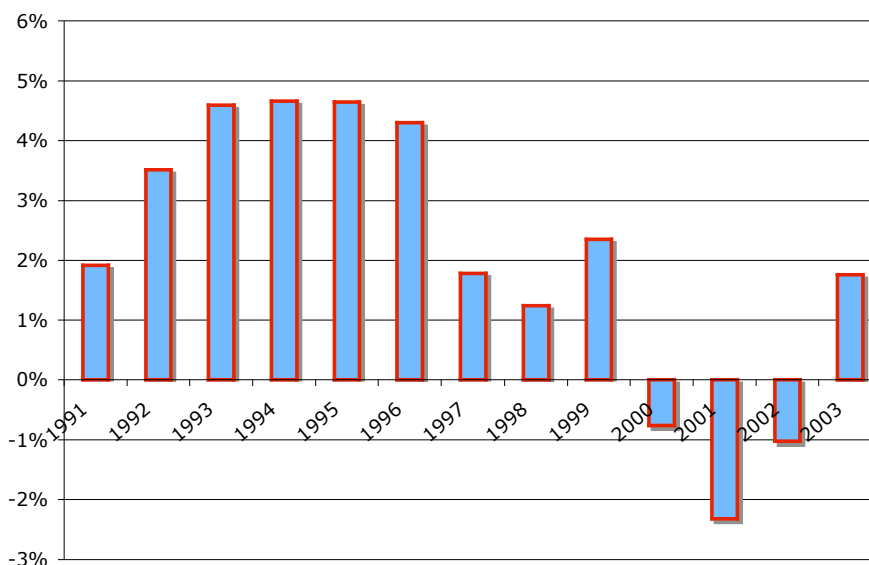
Figure D-1. Employment (000s) Portland-Vancouver metropolitan area, 1990-2004



Source: Oregon Employment Department, Total Nonfarm employment in thousands
Note: Data not seasonally adjusted

Figure D-2 shows that, though overall employment increased by about 33% (or 2% per year on average) between 1990 and 2004, the rate of increase has varied. From 1993-1995, employment grew by almost 5% per year, followed in 2001 by declines of about 2%.

Figure D-2. Annual rate of change for employment, Portland-Vancouver metropolitan area, 1990 – 2004



Source: Oregon Employment Department, Total Nonfarm employment in thousands
Note: Data not seasonally adjusted

Total output in the region expanded from \$38.7 billion in 1992 to 76.9 billion in 2002, an annual rate of increase of 7.1% per year over the decade; Portland was the tenth fastest growing of the nation's 50 largest metropolitan areas during this decade.

That kind of growth is only possible if the industries producing the goods and services that the region specializes in are growing nationally and internationally. Like a stock portfolio, where investing in the right stocks at the right time means a high rate of return, the regional economy had a high rate of return on employment. But the high returns from specializing in a few industries with high growth rates can become negative returns if those industries hit a down cycle for any number of reasons. Over the past economic cycle, beginning with the national recession that started in 2001, the Portland-Vancouver region experienced a more severe economic decline than Oregon, Washington, or the national economy.

After two years of job losses totaling over 50,000, however, the region is beginning to recover. While all major industries will add jobs over the next 10 years, most are forecast to grow more slowly than in the past. There are some indications that, as the recovery progresses, the economy will take a new shape. The services sector and retail are forecast to grow quickly, while manufacturing job growth is forecast to be slow. Manufacturing employment may not reach pre-recession levels.⁴

⁴ Summarized from Sheila Martin and Amy VanderVliet, *Portland's Regional Economy: The Dynamics of Change*, Metropolitan Briefing Book, 2005.

LARGER INFLUENCES ON THE PORTLAND-VANCOUVER REGIONAL ECONOMY

THE UNITED STATES ECONOMY

The Portland-Vancouver region is the 23rd most populous metropolitan area in the United States.⁵ The United States has 50 metropolitan economies with a population of more than 1 million persons (Census Bureau, 2000).

Most indicators point toward a national economic recovery from the recent recession. 2004 saw the strongest growth in the U.S. economy since 1999 (4.4%); the economy is projected to continue to expand in 2005 (3.6%), though somewhat less quickly. Much of 2004's expansion was based on increased consumption and home starts, slower growth in consumption, housing, and government spending will contribute to somewhat slower growth in 2005. More expansion is expected due to business investment and exports. Interest rates are likely to continue to increase in response to increases in core inflation.⁶

PACIFIC NORTHWEST ECONOMY

Vancouver is more closely tied to the Portland economy than to the other economic centers in Washington State; this discussion therefore focuses on Oregon's economy. The Portland-Vancouver region accounts for about half of the economic activity in the State of Oregon and is the state's principal center for professional and financial services. It is also the primary location of the several of the state's most important industry clusters including high technology, apparel and sporting goods, metals, machinery and transportation equipment, and nursery products. In addition, metropolitan Portland functions as the state's principal hub for national and international transportation linkages, especially air transportation. The region but does not play as large a role in the Washington economy, primarily because Washington's employment and population centers are further to the north in the Seattle metropolitan area.

In general, the metropolitan Portland economy has outperformed the economy of the State of Oregon. Non-metropolitan areas have been hard hit by structural change in the forest product industries, and have generally been less well positioned to benefit from the growth of knowledge-based industries during the expansion of the 1990s. Over the past economic cycle, however, (since 2001) Portland's economic performance has been weaker than in the rest of the state. The metropolitan area's unemployment rate—which was generally 2 percentage points less than the statewide average in the 1990s—actually rose above the state average for most of 2002 and 2003.

⁵ U.S. Census Bureau, 2000, Ranking Tables for Metropolitan Areas, 1990 and 2000

⁶ Newport, Patrick, and Michael Montgomery, March 2005, Economic Forecast. Available online at: <http://www.oea.das.state.or.us/DAS/OEA>

Portland is the major city in Oregon; counting the Willamette Valley that it serves, it has direct access to about 70% of Oregon's population. Seattle is the major city in Washington, and it is distant from Vancouver. Thus, the influence of the Washington economy on the Portland-Vancouver region is small relative to the influence of the Oregon economy. While both Washington and Oregon have been hard hit by the recent recession, in general, Washington has fared somewhat better. Washington has experience lower unemployment rates and a somewhat quicker recovery.

ECONOMIC PERFORMANCE IN THE REGION

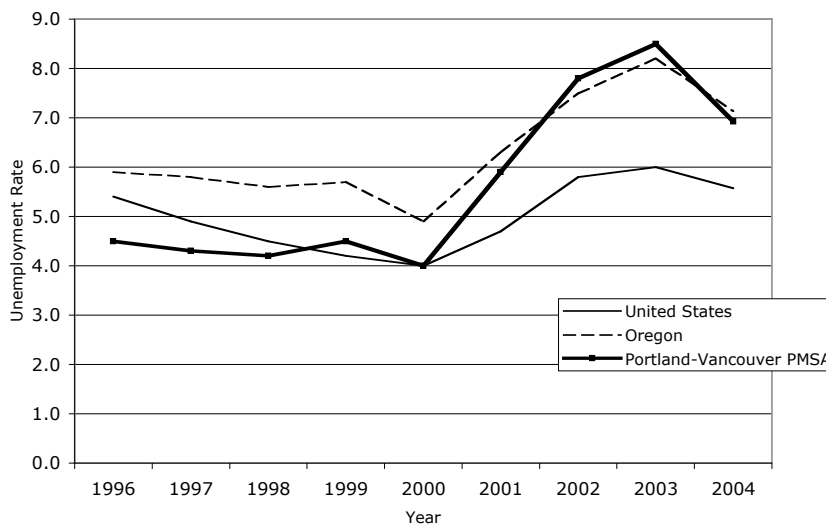
The main issues of concerns to most citizens when they think about the economy are *jobs* (number, type) and *income*. The ability of a regional economy to measure jobs and income can be measured in different ways, some of which are described below. Jobs are a relevant indicator of economic performance for business people also, though they also are concerned about gross revenues and profitability.

JOBS

UNEMPLOYMENT

Since the economic downturn that began in 2001, the Portland-Vancouver metropolitan region has had higher unemployment than the rest of the country. Figure D-3 shows unemployment rates for the Portland-Vancouver Primary Metropolitan Statistical Area (PMSA), Oregon, and the U.S. Oregon's unemployment rate ranks with Alaska's as the highest unemployment rates in the country. The Portland-Vancouver PMSA was hit harder than the state during the downturn, but has also recovered more quickly.

Figure D-3: Unemployment rates in region, Oregon, and U.S., 1995-2004



Source: Oregon Employment Department (<http://www.qualityinfo.org/olmisj/OlmisZine>).

In 2004, the unemployment rate decreased as the region began its economic recovery. As of February, the Portland-Vancouver unemployment rate (not seasonally adjusted) was 6.9%, about one full percentage point higher than the comparable unemployment rate for the nation as a whole.⁷ Oregon's unemployment rate stands at 6.6%, and Washington's unemployment rate was 6%⁸, compared to 5.4% for the nation.⁹

The Portland-Vancouver metropolitan area's unemployment decreased from 8.2% in January of 2004 to 6.6% in January of 2005. While these numbers show a marked improvement, nonetheless unemployment in the region remains much higher than other west coast cities. Seattle's January 2005 unemployment was 5.6%, San Francisco's was 5.3%, and Los Angeles' was 5.7%.¹⁰

INCOME

AMOUNT

Table D-1 shows the median family incomes for various areas. The median family income in the region was \$56,856 in 1999, which is higher than both the Oregon and United States income figures.

Per capita personal income in the Portland-Vancouver metropolitan area was \$32,167 in 2002, about 4% higher than the national average per capita income.¹¹

⁷ Amy Vandervliet, available online at <http://www.qualityinfo.org/pubs/llt/htm/04-05/pdx/0405-pdx.html>

⁸ Bureau of Labor Statistics

⁹ Oregon Employment Department.

¹⁰ Bureau of Labor Statistics, Civilian labor force and unemployment by state and metropolitan area. Available online at <http://www.bls.gov/news.release/metro.t01.htm>. Accessed April 21, 2005.

¹¹ Bureau of Economic Analysis, <http://www.bea.doc.gov/bea/regional/reis/drill.cfm>

Table D-1. Median family income, various areas, 1999

Area	Median family income
Oregon	\$48,680
Washington	\$53,760
United States	\$50,046
<i>Portland-Vancouver region</i>	<i>\$56,856</i>

Source: U.S. Census Bureau, 2000

Note: In this table, the Portland-Vancouver region includes Clark County, Multnomah County, Clackamas County, and Washington County. The boundaries for the CEDS Economic Development District include only part of Washington County. This difference in geography may affect median family income numbers slightly, if at all.

INCOME DISTRIBUTION / POVERTY

The Portland-Vancouver region ranks low in relative economic segregation. Of the top 50 metropolitan areas in the United States, the Portland-Vancouver region ranks 37th in the difference between central city and suburban incomes. The average level of income in the central city is about 96% of the average income in the suburbs. The region also has the one of the smallest levels of income disparities among its suburbs of any metropolitan area in the country.¹²

Table D-2 compares the distribution of family incomes in the Portland-Vancouver metropolitan area to that of Oregon, Washington, and the United States. For all four geographies, the largest percentage of families have incomes in the middle income range (\$35,000 to \$75,000) and the lowest percentage of families earn incomes in the poor and near poor range (less than \$15,000). However, the Portland-Vancouver region has 5% - 6% fewer poor or low income families than either Oregon or the United States, and about 2% fewer than Washington State. At the same time, the region has more upper mid income and upper income families.

¹² Brookings Institution, 2004: https://www.brookings.edu/dybdocroot/metro/pubs/20041018_econsegregation.pdf

Table D-2: Distribution of family incomes, Portland-Vancouver region, Oregon, Washington State, and the United States, 2000

	Portland-Vancouver region		Washington	Oregon	United States
	Families	% of total	% of total	% of total	% of total
Annual family income range:					
Poor & near poor (less than \$15,000)	31,098	7%	8%	9%	10%
Low income (\$15,000 to \$25,000)	37,430	8%	9%	11%	11%
Lower mid income (\$25,00 to \$35,00)	48,324	11%	11%	13%	12%
Middle income (\$35,000 to \$75,000)	190,442	42%	42%	42%	39%
Upper mid income (\$75,000 to \$100,000)	66,887	15%	14%	12%	12%
Upper income (over \$100,000)	78,575	17%	16%	13%	15%
Total poor or low income families	68,528	15%	17%	20%	21%

Source: U.S. Census Bureau, 2000

Note: In this table, the Portland-Vancouver region includes Clark County, Multnomah County, Clackamas County, and Washington County. The boundaries for the CEDS Economic Development District include only part of Washington County. This difference in geography may affect median family income numbers slightly, if at all.

THE REGION'S COMPETITIVE POSITION

This section assesses the region's economic competitiveness relative to the other 50 largest metropolitan areas in the United States (all those metropolitan areas with a million or more population as of the 2000 Census). This analysis is based on the observation that this metropolitan area competes chiefly with other similar metropolitan areas for economic activity. Ideally, we would expand our comparison to consider similar metropolitan areas in other developed countries in North America, Europe and Asia, but data limitations generally preclude making precise statistical comparisons.

PIONEERING INNOVATION

PATENTS

Knowledge creation is a central feature of today's economy. Individual inventors and firms in the Portland-Vancouver metropolitan region constantly work on cutting-edge technology and they develop new products and processes. Within this process, intellectual property is key to protecting new knowledge and these inventors and firms register patents with the U.S. Patent and Trademark Office. The number of patents issued in a metropolitan area is a good indicator for regional innovation activity.

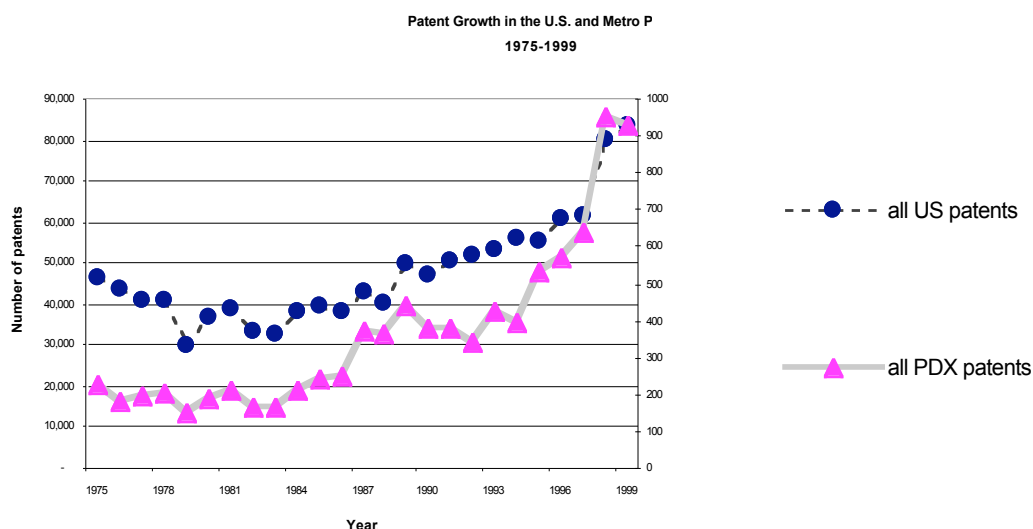
Table D-3 and Figure D-4 show that the Portland-Vancouver metropolitan area has experienced a higher annual patent growth rate than the nation during the last decade. Patenting in the Portland-Vancouver metropolitan area has increased by 6% per year as compared to 2% in the nation in the period between 1975 and 1999. Especially in the 1980s and 1990s, regional patent activity has outperformed the nation.

Table D-3: Patent growth rates, United States and the Portland-Vancouver metropolitan area, 1975-1999

	Average Annual Growth Rate		
	1980 -		25 year average:
	1989	1990-1999	1975-1999
United States	3%	6%	2%
Portland-Vancouver metro area	8%	9%	6%

Source: U.S. Patent and Trademark Office, United States patent grants by state, county, and metropolitan area: utility patents, 1990 – 1999. April, 2000.

Figure D-4: Patent Growth in the U.S., Metro Portland, and Washington County, 1975-1999



Source: U.S. Patent and Trademark Office, United States patent grants by state, county, and metropolitan area: utility patents, 1990 – 1999. April, 2000.

The Portland-Vancouver metropolitan region is a highly innovative region. In 1999, the region ranked 28th among U.S. metropolitan areas in the total level of patents issued by the Patent and Trademark Office. That ranking has increased rapidly; by 2003, it ranked fifth.¹³ Generally, high technology firms have been more prolific patent holders than other firms. This trend is reflected in the Portland-Vancouver metro-area statistics for top patent holders (see Table D-4).

¹³ The Center for Economic Development, Cleveland State University, Business and Innovation Climate Indicators, August, 2004. available online at: <http://urban.csuohio.edu/research/pubs/bic%20report%20final.pdf>

Table D-4: Top 10 patent holders in the Portland-Vancouver metropolitan area, 1975-1999

Rank	Company Name	Total patents
1	Individually owned patent	2,474
2	Tektronix, Inc.	1,413
3	Intel Corporation	1,298
4	Hewlett-Packard Company	290
5	Esco Corporation	82
6	Oregon Health Science University	67
7	Sharp Microelectronic Technology, Inc.	63
8	Nike, Inc.	62
9	Crown Zellerback Corporation	61
10	Seiko Corporation	57

Source: U.S. Patent and Trademark Office, 2005

R&D SPENDING

One likely reason for the increase in patent activity in the metropolitan area has been the accelerating levels of research and development spending. Table D-5 shows data reported by the National Science Foundation. Statewide, industrial R&D spending in Oregon has been increasing more than two and one-half times faster than it has nationally.

Table D-5. Research and development spending (million of dollars), Oregon, Washington, and the U.S., 2000

	Industry-performed R&D		Change	
	1995	2000	%	AAGR
Oregon	741	1,651	123%	17%
Washington	4,294	9,265	116%	17%
United States	130,322	187,544	44%	8%

Source: National Science Foundation, Science and engineering indicators, 2004.

Only about one in six Oregon high tech companies reports having a research and development agreement with an Oregon higher education institution (although the number rises to one in two for firms with gross sales over \$100 million).¹⁴

VENTURE CAPITAL

Venture capital is a critical ingredient in starting a new business. The Portland metropolitan region has seen different phases of venture capital investment. During the mid 1980s, investment in Oregon peaked at about \$82.7 million. Until 1996, venture capital declined and for a couple of years Portland's high tech community experienced a severe drought in venture funding. Only with the beginning of the dot.com investment boom in the late 1990s have levels of

¹⁴ Cortright, Joseph and Heike Mayer, Portland's Knowledge-Based Economy, Regional Connections Working Paper 2, February 2000.

venture capital investments in the region increased (1999: \$482 million, 2000: \$1,034 million).

None of 2004's most active venture investors were located in the region nor in Oregon, though one was in Seattle.¹⁵ Though data are not available at the regional level, in Oregon in 2004, roughly \$155 million were invested in venture capital in Oregon while \$864 million were invested in Washington.¹⁶

PLACE

LOCATION

The Portland-Vancouver metropolitan region's location in the Pacific Northwest is an important part of its regional economy and identity. The region's location influences its climate and geography, which in turn influence the agricultural and natural resource products that the region produces. The proximity to the ocean (along with its port) make it a center for trade along the Pacific Rim. Furthermore, the mountains, beaches, and rivers in and near the region make it a destination for outdoor recreation.

AMENITIES

The Portland-Vancouver region is widely recognized as having an exceptional quality of life. In an international ranking of cities for quality of life by Mercer Human Resources, Portland ranked 5th among all United States cities in quality of life.¹⁷

In one study, Portland averages a rank of about 22nd in ten different indicators of quality of life: affordable housing, cost of living, home ownership rate, air and water quality, mobility and traffic congestion, recreation and leisure, crime, school quality, health insurance coverage, and health care access.¹⁸ The region ranks the highest in indicators of health insurance coverage (11th), crime (13th) and recreation and leisure (14th).

Another measure of cultural and recreational amenities is the "bohemian index," or a measure of the number of creative and innovative people (authors, designers, musicians, actors, artists, etc.) within an area. In general, bohemians tend to be attracted to urban areas with high cultural and recreational amenities; in turn, they contribute to innovations in industry in the cities they choose. A recent study found evidence of significant and positive relationships between the high scores on the bohemian index and concentrations of talented work force (high

¹⁵ Price Waterhouse Coopers Money Tree Survey, Full Year & Q4 2004 results.

¹⁶ Price Waterhouse Coopers Money Tree Survey, Historical Trend Data, 2004.

¹⁷ Available online at: <http://www.mercerhr.com/pressrelease/details.jhtml/dynamic/idContent/1173105>

¹⁸ Center for Economic Development, Cleveland State University, Regional economic indicators: Affordability and quality of life, April 2005. Available online at: http://urban.csuohio.edu/economicdevelopment/reports/quality_of_life_report.pdf.

human capital) and high-technology industries. On this scale, Portland ranks near the top, with more than eight bohemians per thousand people.

ENVIRONMENTAL QUALITY

The Portland-Vancouver region ranks very high in measures of environmental quality. Beacon Hill Institute reports that the metropolitan area ranked third best of the nation's 50 largest metropolitan areas in the fewest number of days with high levels of ozone.¹⁹ Cleveland State University reported that the Portland-Vancouver metropolitan area ranked second among 36 similarly sized metropolitan areas national in its composite measure of air quality, a weighted index considering number of days with good air quality and various degrees of unhealthful air quality, and 27th for a combined measure of air and water quality.²⁰

PEOPLE

GROWTH

The 2000 Census reports about 1,918,000 lived in the Portland-Vancouver Primary Metropolitan Statistical Area (PMSA).²¹ Multnomah County has about one-third of the region's population, followed by Washington County with 25%, and Clackamas and Clark counties about 20% each.

The Portland-Vancouver metropolitan area has grown faster than the national average, caused primarily by migration. Between 1990 and 2004 the Portland-Vancouver metropolitan region grew 3% on an average annual basis (Table D-6). This rate was faster than the averages of Washington, Oregon, and the nation.

Table D-6: Population growth, various areas, 1990 – 2004

	Portland-Vancouver region	Washington	Oregon	United States
1990	1,412,344	4,866,692	2,842,321	248,709,873
2000	1,789,457	5,894,143	3,421,399	281,421,906
2004	1,905,700	6,167,800	3,582,600	293,655,404
<i>% change</i>	35%	27%	26%	18%
<i>AAGR</i>	3.0%	2.4%	2.3%	1.7%

Source: 2000 Census, 1990 Census. For 2004 regional population, Oregon population from the Center for Population Research July 1, 2004 certified estimates and Clark County and Washington State population from the Washington Office of Financial Management April 1, 2004 Population of cities,

¹⁹ Beacon Hill Institute at Suffolk University, Metro Area and State Competitiveness Report, November 17, 2004. Available on-line at: <http://www.beaconhill.org/Compete04/PRCompete04FINAL.pdf>

²⁰ Center for Economic Development, Cleveland State University, Regional economic indicators: Affordability and quality of life, April 2005. Available online at: http://urban.csuohio.edu/economicdevelopment/reports/quality_of_life_report.pdf.

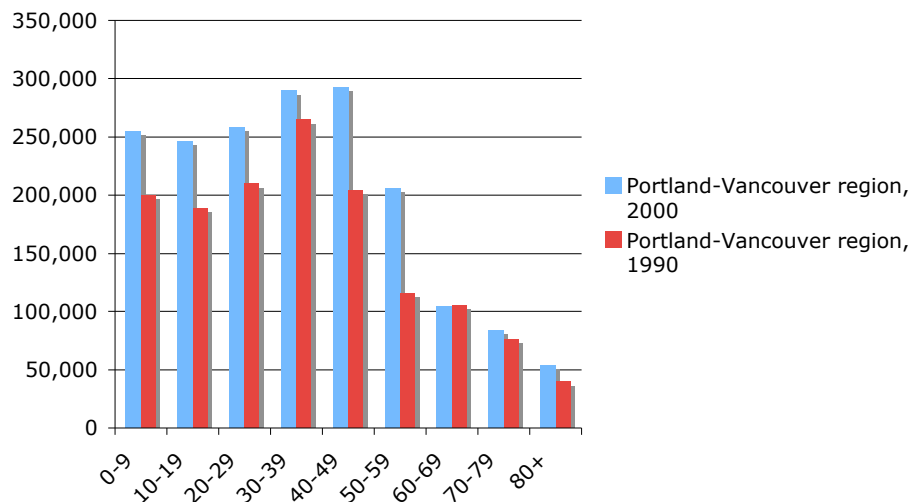
²¹ The Portland-Vancouver PMSA, which we refer to as the "PMSA" throughout this chapter comprises six counties: Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in Oregon plus Clark County, Washington. Because the PMSA differs from the four-county area considered in this CEDS, we have subtracted Columbia and Yamhill counties from the census information whenever possible.

towns, and counties used for allocation of state resources.
 Note: AAGR = average annual growth rate

AGE, RACE, AND ETHNICITY

Figure D-5 shows how the population in the Portland-Vancouver metropolitan area grew by age category between 1990 and 2000. In the region and elsewhere in the country there was a large increase in the residents ages 45 to 64—a result of the aging of people born during the post-World War II baby boom.

Figure D-5. Percent change in population by age, Portland-Vancouver metropolitan area, 1990 - 2000



Source: 2000 U.S. Census and 1990 U.S. Census.

The region showed gains in the 5 to 24 and the 44 to 64 age groups at rates that were higher than their overall population growth. The region’s population is forecasted to continue growing, but at a lower rate. Based on a forecasted annual growth rate of 1.5%, the regional population will grow to nearly 2.1 million by 2010, a 15.7% increase from 2000. From 2010 to 2025, the regional population will grow at an annual rate of 1.4% to over 2.5 million, a 41.6% increase from 2000.²²

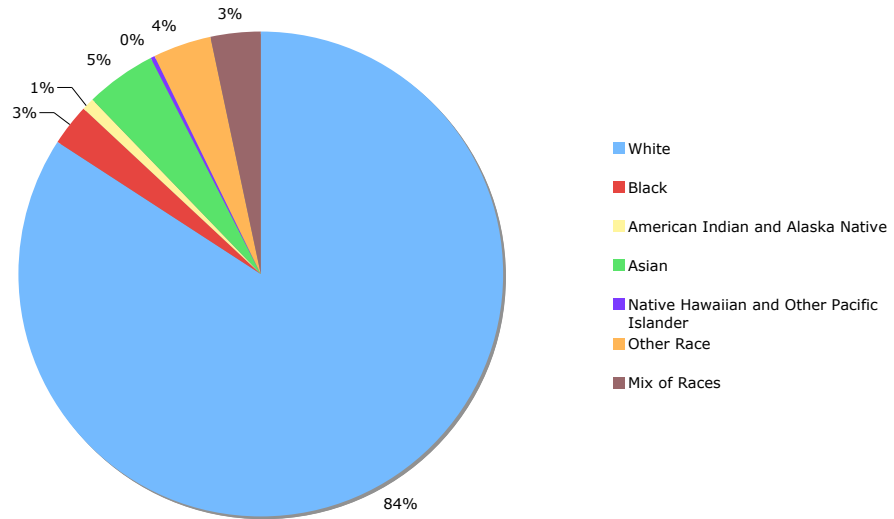
The Portland-Vancouver region has been especially attractive to talented young migrants. Between 1990 and 2000, the region ranked eighth among the 50 largest metropolitan areas in the rate of increase in its 25 to 34 year old

²² Multnomah County, Clackamas County, and Washington County, Oregon forecasts prepared by the Office of Economic Analysis, Department of Administrative Services, State of Oregon. Clark County, Washington forecast prepared by the Office of Financial Management, State of Washington.

population. The region also ranked fourth of the 50 largest metropolitan areas in the increase in the number of college-educated 25 to 34 year olds.²³

Figure D-6 describes the ethnic composition of the Portland-Vancouver metropolitan area. About 84% of the population is white; Asians make up the next largest portion of the population.

Figure D-6. Ethnic composition of the Portland-Vancouver metropolitan area, 2000



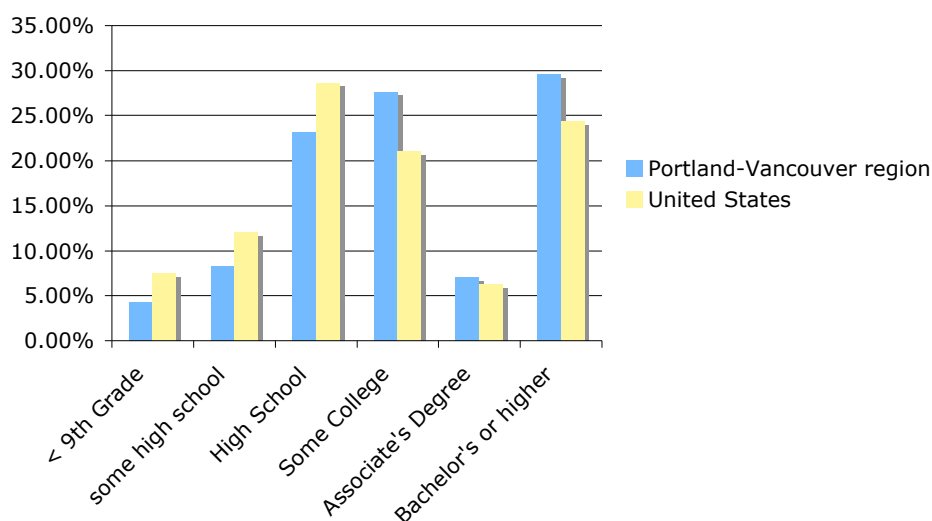
Source: 2000 U.S. Census

HUMAN CAPITAL AND EDUCATIONAL ATTAINMENT

As knowledge and skills have come to play an increasing role in the economic success of individuals and businesses, the overall educational level of the population has become a more important indicator of economic success. While we lack precise measures of human skills and abilities, economists commonly use data on educational attainment—years of schooling completed or degrees attained—as an indicator of human capital. One good benchmark for comparison is the share of the adult population—those aged 25 years and older—who have completed a four-year degree or further education, shown in Figure D-7.

²³ Joe Cortright and Carol Coletta, *The Young and the restless: How Portland competes for talent*. 2004.

Figure D-7. Adult population with a four-year degree, Portland-Vancouver metropolitan area and the United States, 2000



Source: U.S. Census Bureau, 2000

Metropolitan Portland’s level of college attainment is higher than the national average: 36% of the region’s adult population (those aged 25 and over) have a four year college degree or higher level of education, compared to about 30% of the United States population.

K-12 EDUCATION

Metropolitan Portland ranks relatively poorly in the student/teacher ratio; of the 100 largest school districts in the United States, Portland’s school district ranks 88th with an average ratio (K-12) of 18.4.²⁴

The same report also offers comparative rankings on per pupil expenditures (\$7,941 per student). These, however are both input measures rather than measures of outputs or educational quality.²⁵ Directly comparable data on student attainment is difficult to obtain at the regional level, but it is available at the state level.

One such state-level measure is the National Assessment of Educational Progress (NAEP). Table D-7 and D-8 show how Oregon and Washington students have fared in comparison to national averages. Both states’ students consistently perform slightly above the national average in all subject areas, with notable strengths in reading. Overall, Washington’s students score slightly higher than do Oregon’s students.

²⁴ Young, Beth Aronstamm, National Center for Education Statistics, Characteristics of the 100 largest public elementary and secondary school districts in the United States, 2000-2001. September 2002.

²⁵ http://urban.csuohio.edu/economicdevelopment/reports/quality_of_life_report.pdf

Table D-7. NAEP performance history, Oregon, various years

Subject	Grade	Year	Scale Score		Achievement level	
			State Avg.	Nat Avg.	Percent at or above proficient	Advanced
Mathematics (scale: 0-500)	4	1996	223	222	65	2
		2000	224	224	65	2
		2003	236	234	79	4
	8	1996	276	271	67	4
		2000	280	272	71	5
		2003	281	276	70	7
Reading (scale: 0-500)	4	1998	212	213	26	5
		2002	220	217	31	6
		2003	218	216	31	7
	8	1998	266	261	35	3
		2002	268	263	37	4
		2003	264	261	33	3
Science (scale: 0-300)	4	2000	150	148	28	3
	8	1996	155	148	32	3
		2000	154	149	33	3
Writing (scale: 0-300)	4	2002	149	153	22	2
	8	1998	149	148	27	1
		2002	155	152	33	3

Source: National Center for Educational Statistics, State Profiles, 2005

Table D-8. NAEP performance history, Washington, various years

Subject	Grade	Year	Scale Score		Achievement level	
			State Avg.	Nat Avg.	Percent at or above proficient	Advanced
Mathematics (scale: 0-500)	4	1996	225	222	21	1
		2003	238	234	36	5
	8	1996	276	271	26	4
		2003	281	276	32	6
Reading (scale: 0-500)	4	1998	213	213	30	6
		2002	224	217	35	8
		2003	221	216	33	7
	8	1998	264	261	32	2
		2002	268	263	37	4
		2003	264	261	33	3
Science(scale: 0-300)	8	1996	150	148	27	2
Writing (scale: 0-300)	4	2002	158	153	30	3
	8	1998	148	148	25	1
		2002	155	152	34	3

Source: National Center for Educational Statistics, State Profiles, 2005

HIGHER EDUCATION

The Portland-Vancouver Metropolitan area has many colleges and universities that provide for the higher education needs of the region's residents. These universities include community colleges, four-year institutions (both private and public), and universities focused on specialized skills (such as medicine or art). These colleges and universities not only provide educational services to the region, but attract students from across the Pacific Northwest to the Portland-

Vancouver region. They also provide crucial research services to the region through publications and partnerships with local governments and industries.

A partial list of colleges and universities follows:

- Portland State University
- University of Oregon (Branch campus in Portland)
- Reed College
- Lewis and Clark College
- University of Portland
- Washington State University (Branch campus in Vancouver)
- Oregon Health Sciences University
- Portland Community College
- Pacific Northwest College of Art

The Portland-Vancouver metropolitan area has fewer higher education establishments compared to other large metropolitan areas in the United States. Measured as a fraction of the area's 18 to 24 year old population, 27% of Portland metropolitan residents are enrolled as students in colleges and universities. Portland ranks 42nd among the 50 largest metropolitan areas in the share of its population in this age group enrolled in college.

Institutions of higher education are, of course, the source of four-year and higher degrees. Table E-9 provides some indicators of the overall size and quality of higher education institutions in Portland and nine competing metropolitan areas. Quality rankings are subjective and debatable. The rankings shown in Table E-9 are taken from the national analysis prepared by US News. US News rates individual institutions according to their academic reputation on a scale of 1 (low) to 5 (high). It also ranks institutions within categories. For example, doctoral degree ranking institutions are ranked as being in one of four tiers, with the top tier consisting of the 50 highest ranking higher educational institutions in the nation.

As Table E-9 shows, Portland State University is ranked as a fourth tier doctoral degree-granting institution, the lowest ranked category in the US News analysis. The university's academic reputation is 2.5, which is lower than the reputation of every other institution in the nine metropolitan areas included in this analysis. (Neither Oregon Graduate Institute nor Oregon Health and Science University (OHSU) was included in OGI's ranking because they don't award undergraduate degrees).

Table D-9. Overall ranking of higher education institutions selected metropolitan areas, 2001

Metro Area	Institution	U.S. News Rankings		Undergraduate Students
		Reputation	Rank/Status	
Portland	Portland State University	2.5	4th Tier/Doctoral	13,625
	Oregon Graduate Inst.			na
Austin	OHSU			na
	University of Texas	4.1	48th , Top Tier Doctoral	38,162
Denver	U.C. Boulder	3.7	2nd Tier Doctoral	23,342
Phoenix	University of Denver	2.6	2nd Tier Doctoral	3,432
	Arizona State University	3.3	3rd Tier/Doctoral	33,985
Raleigh/Durham	Duke*	4.6	8th , Top Tier Doctoral	6,325
	UNC-Chapel Hill	4.2	28th , Top Tier Doctoral	15,608
Sacramento	NC State University	3.2	2nd Tier Doctoral	21,990
	UC Davis	3.9	41st , Top Tier Doctoral	20,388
Salt Lake	CSU Sacramento	3.1	2nd Tier Masters	20,342
	University of Utah	3.2	2nd Tier Doctoral	20,963
San Diego	UC San Diego	3.9	31st , Top Tier Doctoral	16,496
Seattle	CSU San Diego	2.8	4th Tier Doctoral	25,658
	University of Washington	4	45th , Top Tier Doctoral	25,982
<i>Note: For Comparison</i>				
	University of Oregon	3.4	2nd Tier Doctoral	14,676
	Oregon State University	3	3rd Tier Doctoral	13,776

Source: U.S. News and World Report College Rankings

Note: Reputation ranked on a scale of 5.0 (best) to 1.0 (worst). Rankings divided into four tiers, the top fifty in the first or top tier, and approximate groups of fifty in subsequent tiers; the fourth tier is the lowest. Only institutions with undergraduate enrollment are ranked. Enrollment data for 2000 is reported by US News. *- Duke University is a private institution. Source:

The Portland-Vancouver region's competitors generally have larger and more highly rated four-year higher educational institutions. Five metropolitan areas—Austin, Raleigh-Durham, Sacramento, San Diego and Seattle—all have educational institutions ranked among the top fifty in the nation, the top tier of the US News rankings. Salt Lake and Denver both have second tier institutions. The scale of undergraduate higher education in Portland is far smaller than in other metropolitan areas. Raleigh-Durham, Sacramento and San Diego all count more than 40,000 undergraduates in their two or three largest institutions. Austin has nearly 40,000 undergraduates; Seattle and Denver more than 25,000. Portland State University has fewer than 14,000. (This analysis excludes undergraduates at smaller private universities that do not offer graduate science and engineering degrees).

TRADED-SECTOR CLUSTERS

Economists, geographers and business strategists are increasingly coming to appreciate the distinctive role that regions play in the competitive processes that produce economic growth.

Economic prosperity is not an isolated phenomenon; it reverberates throughout the metropolitan region. The primary drivers behind the boom include obvious forces, like the stunning growth of the high technology industry, located primarily in Washington County, to smaller and less visible elements of success: a diverse metals and machinery cluster that has grown at an annual rate of nearly 3 percent, the nation's leading concentration of microbreweries, steadily expanding nursery trade and so on.

Growth in these industries triggers corresponding changes in other parts of the metro economy in two ways, one that we understand automatically and the other that is frequently concealed from view. The obvious effect of growth is the direct employment impact of new hiring at the firms that are growing and in the construction sector of the economy. The economic multiplier effect associated with new jobs and income produces additional consumer spending in the local economy that propels growth in the retail and personal services sectors—grocery stores, banks, dry cleaners, barber shops, movie theaters, restaurants—and all manner of businesses that make their trade selling to local households.

But there is a second effect that is often ignored, simply because we lack the data to see it: growth in certain key sectors of the economy triggers additional spending, not just on wages for the workers these firms employ, but on additional supplies of goods and services, the inputs these companies use to make their end products. So while high tech companies are growing and increasing their payrolls, they are also increasing their purchases of wiring, electronic components, metal cases, plastic injection molded parts, chemicals, wholesaling and shipping, engineering and legal services, advertising and everything else. And, the total amount a company spends on purchased parts and services is often many times larger than its total payroll.

Much of what companies spend on inputs for their production go outside the region. Microbreweries buy barley, aluminum smelters import bauxite, nurseries ship in fertilizer and so on. A sizable portion of the inputs to many industries in the Portland-Vancouver region, however, comes from purchases from other local businesses. Microbreweries buy ad services here or the nurseries spend locally on shipping and wholesaling.

The growth in basic sectors of the economy drives growth among suppliers in two ways. The first is simply size: as an industry grows, the market for its local suppliers grows as well. The second is more subtle, but equally important: As the local production of a product increases, the opportunities increase for very specialized firms to find enough of a market to support a local niche. In the high tech industry, a growing number of specialist supplier firms to the electronics industry have moved into the Portland-Vancouver area because of the large number of local firms that can use their services or products.

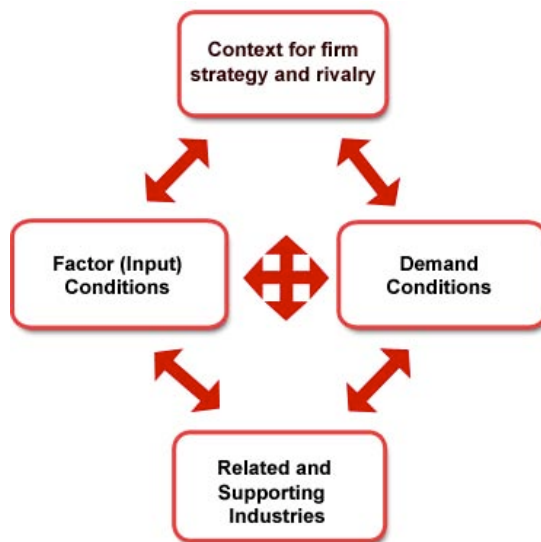
There are three sources of growth in the regional economy. They are:

- Firms that are increasing their share of national and international markets for goods and services, by successfully selling more of their product primarily outside the region
- Firms that sell inputs and services to these firms, and firms that sell goods and services to households in the Portland region.
- Businesses with common markets, with similar technological needs, with related workforce skills, that form a buyer-seller linkage and a value-added chain between raw materials and end users characterize an industry.

In some cases, a number of such businesses are located or clustered in a small geographic area. In these cases, proximity and interconnections among firms can produce dramatic and sustaining business advantages that stimulate the further development of the cluster.

While some may assume that the emergence of the global economy has diminished or reversed the importance of such localized processes, careful studies have shown the reverse is true. Harvard Business School's Michael Porter, one of the most influential business scholars of the past decade, documented in a wide variety of industries in every developed country that the creation and maintenance of competitive advantage hinges most critically on clusters of highly competitive firms, typically in a single urban region.

Figure D-7: Porter's diamond of competitive advantage



Source: Porter, Michael. The Cluster Competitiveness Report, available on-line at: <http://www.fundacio-clusters-competitivitat.org/overview>.

Paul Krugman has shown that, far from being the exception, the clustering of industries in particular metropolitan areas or regions is the norm, both in high-tech and low-tech industries. He notes that one of the most famously clustered industries—the US auto production complex in Southern Michigan and the

adjacent portions of Ohio and Indiana—is only slightly above the median level of spatial concentration for all US industries. From jewelry in Providence, Rhode Island to recreational vehicles in Elkhart, Indiana to medical devices in Minneapolis-St. Paul, Minnesota, such clustering is a common phenomenon.

DISTRIBUTION AND LOGISTICS

Included in this industry cluster are operations involving trucks, trailers, containers, intermodal transport, warehousing, distribution centers, reloading facilities, ocean-going vessels, barges and air carriers—all of which are components of the complex supply chain network that is fundamental to the movement and distribution of goods for manufacturing, processing, wholesale and retail sectors. The distribution and logistics cluster experienced significant growth between 1990 and 2002 and is forecasted to grow in the future. Because of this supply chain role, Distribution and Logistics cluster provides an important benefit to other industry clusters, providing critical and competitive transportation services.

HIGH TECHNOLOGY

One of metropolitan Portland's largest traded-sector industry cluster is high technology, including firms that produce electronics, computers, instruments and software. The core of this cluster is firms producing electronic devices and software. The largest firms in the region include Intel, the world's leading producer of microprocessors, Tektronix, LSI Logic, HP, and others. The region's technological specializations include semiconductors, semiconductor manufacturing equipment and electronic design automation software, silicon wafers, printers and display technology. The cluster also includes technical and supporting industries in metals, engineering, distribution and construction. Many of the firms in the industry cluster are members of the American Electronics Association or the Software Association of Oregon (AeA).

The Portland-Vancouver region accounts for about 10% of all US semiconductor output. The region has a location quotient for electronic manufacturing of 3.4. The industry has experienced a strong economic cycle since the national economic peak in 2001; overall, the decline in electronics manufacturing in the region has been about half of the decline experienced by the industry nationally.

About 55,000 people work in the high tech industry in the Portland-Vancouver region in a total of about 2,250 establishments. Average annual wages in this sector are relatively high, at about \$72,500 per year.²⁶ Wages in this sector total nearly \$4 billion.

²⁶ ES-202 data from Washington and Oregon for the Portland-Vancouver metropolitan area. Average wages include management and corporate positions.

METALS, MACHINERY & TRANSPORTATION EQUIPMENT

The metals, machinery and transportation equipment industry consists of firms that produce primary and fabricated metals, a variety of non-electrical industrial machinery, and transportation equipment. Some of the region's principal firms are Freightliner (a designer and manufacturer of over the road trucks), Gunderson (manufacturer of railcars), ESCO and Oregon Steel, Precision Castparts (a manufacturer of titanium castings). Other specialist firms include Columbia Machinery, Leatherman Tool, Blount, and WARN Industries, principal firms, products, related and supporting industries, associations/trade groups.

About 38,000 people work in about 1,200 establishments in the metals, machinery, and transportation equipment industry. Average wages are about \$47,000 per year.²⁷

FOREST PRODUCTS

The region's forest products industry consists of firms that manufacture paper, and manufacture and distribute forest products. Principal employment in this industry is forestry and related services, wood products manufacturing, paper products manufacturing and distribution. This industry is strongly connected to the Pacific Northwest's forest resource base. The bulk of raw materials for paper manufacturing come from mill wastes from throughout the region. The region is a center for distribution of wood products produced in the region and elsewhere in the state. There are a number of firms in the region that produce machinery used in the forest products industry.

Forest products manufacturing employment has been declining over most of the past two decades. About 12,500 people work in the region's forest products industry in a total of about 549 establishments. Average wages are about \$50,000.

FOOD PROCESSING

The region's food processors include a wide range of activities including the packing and processing operations associated with locally grown produce, relatively large-scale production. Some of the region's largest firms include Reser's and Nabisco. The region also has a significant concentration of microbreweries and wineries. Much of the growth in the food processing industry has been in the specialty food, organic and natural food sector. Some firms such as Tazo Tea and Pacific Foods market their products nationally. Related and supporting industries include the region's farmer's markets, restaurants and specialty grocery stores (which are a key source of local demand for new product development).

Approximately 11,000 persons work in the region's food processing industry in a total of about 325 establishments. Average wages are about \$38,000.²⁸

²⁷ ES-202 data from Washington and Oregon for the Portland-Vancouver metropolitan area. Average wages include management and corporate positions.

APPAREL & SPORTING GOODS

The Portland-Vancouver region is home to one of the nation's largest concentrations of firms involved in the design, marketing and distribution of sports apparel. The industry is led by Nike, and also includes Adidas America and Columbia Sportswear. All these firms manufacture and distribute their products on a global basis. Most of the firms in this industry are classified as part of apparel wholesaling. Important related industries include advertising and public relations and logistics services.

About 8,700 people work in this traded-sector cluster, in a total of about 170 establishments. Average wages are about \$79,000.²⁹

NURSERY PRODUCTS

The largest single segment of the region's agricultural sector is devoted to the production and sale of nursery products. The region is home to one of the nation's largest concentration of commercial nurseries producing trees and shrubs for commercial and residential landscaping. Most of the firms in this industry are classified as Greenhouse, Nursery and Floriculture production. Important supporting industries include providers of agricultural services and equipment, plastics (for containers and labels), and transportation services. The industry is composed of a large number of very small firms; most are members of the Oregon Association of Nurserymen.

Almost 6,500 people work in this cluster, in a total of about 300 establishments. Average annual wages are about \$22,500.

CREATIVE SERVICES

Creative services consists of advertising, public relations, film and video, and some related multi-media software production. The industry includes firms in advertising, motion picture and sound recording, and other portions of information. The industry is composed mainly of smaller firms, and many freelance entrepreneurs. Some of the larger firms in the region include Weiden and Kennedy, and Vinton Studios. Closely related industries include printing and publishing, commercial photography, theatrical production and broadcasting. Firms and workers in this industry are organized into a variety of professional and industry associations.

Over 9,000 people work in this sector in over 1,000 firms. Average annual wages are about \$45,500.

²⁸ ES-202 data from Washington and Oregon for the Portland-Vancouver metropolitan area. Average wages include management and corporate positions.

²⁹ ES-202 data from Washington and Oregon for the Portland-Vancouver metropolitan area. Average wages include management and corporate positions.

PROFESSIONAL & BUSINESS SERVICES

While many professional and business services are non-traded (*i.e.*, are provided only to local businesses) a growing segment of the region's professional and business service firms are tapping national and international markets. Examples include engineering, architectural, planning and design firms that undertake projects for clients in other states and nations. This cluster includes some businesses Architectural, Engineering and Related Service), as well as some specialist firms in law, accounting and management consulting. Leading firms in the region include CH2M-Hill, Industrial Design Corporation and others.

Approximately 75,000 persons work in these categories, making it the largest cluster in the region. It is important to note however, that not all of the workers in this industry are part of the traded-sector. Average wages are approximately \$35,500 annually.

The region's location quotient for professional and technical services (the broader category of which these firms are a part) is .91, indicating that overall, the region is less specialized in these activities than is the nation's economy as a whole.

FOOD SERVICES AND ACCOMODATION

The travel and tourism industry encompasses the provision of a variety of services to business and pleasure travelers to the region, including transportation, accommodations, food and beverages and entertainment and recreation. Except for accommodations, the bulk of the demand for these services in the region comes from the region's residents, and consequently most of the employment in related sectors is part of the local sector of the economy. About two-thirds of tourism spending flows into accommodations and food services.

In the region, approximately 68,000 people work in this cluster. Average wages in this industry are \$14,000 annually. Wages may appear low in part because much of the work in this sector is seasonal.

The location quotient for accommodations in the region is .68, indicating that the region is far less specialized in this activity than is the nation as a whole.

OTHER TRADED-SECTOR INDUSTRIES

The preceding list of traded-sector industries indicates the largest contributors to the region's economic base, but is not exhaustive. The region has firms engaged in a variety of endeavors in other fields, including life sciences research, financial services, energy management, sustainability and other activities that are actually or potentially part of the region's traded-sector.

PRODUCTIVITY

TRANSPORTATION INFRASTRUCTURE

The transportation network is important to the Portland-Vancouver metropolitan region because it is relatively isolated from most major markets. The region is served by major interstate highways, public transit, intercity and freight rail, an international airport, and water transportation.

Two major interstate highways, Interstates 5 and 84, intersect in the Portland-Vancouver region. I-5 runs north-south from British Columbia to Mexico, connecting the region to Seattle to the north and Los Angeles and San Diego to the south. I-84 connects the region to points east, via Salt Lake City. National, regional, and local trucking companies serve the region.³⁰ Congested roads are part of America's metropolitan areas, although some cities suffer much more congestion than others.

Average commute times in Portland are shorter than in most other large metropolitan areas in the United States. According to the 2000 Census, average journey to work times in Portland were 24.3 minutes. Portland ranked 37th of the 50 largest metropolitan areas in average commute times (i.e. 36 other metropolitan areas had longer average commuting times than did Portland). Portlanders, on average, are estimated to each lose 34 hours a year to delays caused by traffic congestion, much less than the 53 hours a year lost by Seattle residents.³¹

The region has an extensive public transit system, served by busses and light rail. Metropolitan Portland's residents report that they are among the nation's best served by transit, and a majority of the region's residents served by transit report that they are at least occasional users of the transit system. According to the American Housing Survey, 76 percent of the region's population report that they live in neighborhoods served by transit, and 57 percent of this population report that they are weekly (25%) or occasional (32%) users of the transit system.³²

C-Tran serves Clark County with local and bus lines that connect many of the cities in Clark County and Portland to one another. C-Tran runs 26 routes as well as door-to-door services for those who cannot access regular route services.³³ TriMet provides public transit to the three Oregon counties. It operates a comprehensive transit network including a 44-mile, 64-station MAX light rail system, 93 bus lines, and service for seniors and people with disabilities. The MAX light rail system connects downtown Portland with Hillsboro in the west,

³⁰ *Portland Metropolitan Region Fact Book*. Portland Development Commission, p. 14.

³¹ *Economic Development Strategy for the City of Portland*. Portland Development Commission, October 2002. Appendix 2-4, p. 19.

³² American Housing Survey, 2002 results available on-line at: <http://www.census.gov/hhes/www/housing/ahs/02selectedmetrodata.html>

³³<http://www.c-tran.com/>

Gresham in the east, and the Portland airport.³⁴

Amtrak provides intercity passenger rail to the Portland-Vancouver region, connecting the region to cities along the west coast, and to points east. Union Pacific and Burlington Northern Santa Fe railroads provide rail service to Portland and Vancouver, connecting the region to points north, south, and east.³⁵

The Portland International Airport (PDX) provides passenger and cargo service. PDX is served by 14 passenger airlines and 13 cargo carriers. PDX accounts for 90% of the passengers in Oregon and 90% of the state's air cargo.³⁶ Portland International Airport is the 31st most active airport in the United States measured by total passenger boardings. About 5.9 million persons boarded passenger aircraft in Portland in 2003.³⁷

Portland is, as its name implies, a port city with water-based cargo service and passenger service. The marine port is experiencing decreasing competitiveness with other West Coast ports due to its trade imbalances and the trend toward load centering in containerized cargo. In terms of ocean-based containers, it exports more than it imports; in terms of river-based barges (as well as truck and rail), it imports more than it exports. The larger population base of Southern California, coupled with much more frequent service make the Ports of Los Angeles and Long Beach much more attractive for shippers utilizing container service.

Portland is the 28th largest port in the United States, measured by the total volume of freight moved by water in 2003.³⁸ Portland is the 15th largest port in the nation measured by container volume. Portland accounts for about 1.9% of West Coast container traffic; Portland's share of West Coast container traffic has declined from about 2.2% in 2000, to 1.9% in 2003.³⁹ The Port of Vancouver, on the Columbia River, remains a key grain exporter for the entire Pacific Northwest Region.

³⁴ "Facts about TriMet". TriMet. <http://www.trimet.org/inside/index.htm>, accessed January 7, 2005.

³⁵ *Atlas of Oregon*, 2nd Edition. William Loy, ed. University of Oregon Press. 2001. p. 108-109.

³⁶ *Atlas of Oregon*, 2nd Edition. William Loy, ed. University of Oregon Press. 2001. p. 110-111; Port of Portland. <http://www.portlandairportpdx.com/SERVING.aspx>, accessed January 7, 2004.

³⁷ Bureau of Transportation Statistics, Passengers Boarded at the top 50 use airports, ranked by passenger enplanements, 2003. Available online at: http://www.bts.gov/publications/national_transportation_statistics/2004/html/table_01_41.html

³⁸ Bureau of Transportation Statistics, Tonnage of Top 50 U.S. water ports, 2004. Available online at: http://www.bts.gov/publications/national_transportation_statistics/2004/html/table_01_51.html

³⁹ Intermodal Association of North America, Industry statistics, Annual intermodal volume figures, 2000 – 2004. available online at: <http://www.intermodal.org/fact.html>

OTHER INFRASTRUCTURE

Communications infrastructure

Like every other metropolitan area in the United States, Portland has the full panoply of wired and wireless communications infrastructure, including wireline and cellular telephones, internet service providers, cable television and other services. In many areas, Portland residents and businesses are leaders in the adoption of these technologies.

According to the Beacon Hill Institute, Portland ranks 18th of the 50 largest metropolitan areas in the United States in the number of Broadband access lines per capita.⁴⁰ Portland is reported to rank fifth in the nation in Internet household adoption⁴¹, with 76% of households connected. Another study⁴² ranks it fifth for wireless Internet adoption.

Portland is ranked 10th of the 50 largest metropolitan areas in the rate at which businesses deployed enhanced uses of the Internet (requiring complex technical support or third party servicing). The same study ranked Portland 14th for participation, or the adoption of simpler Internet applications to business uses.⁴³

Together, these high rankings suggest that Portland region residents have better access to the Internet and use the Internet for more complex business tasks.

Energy

Traditionally, the Pacific Northwest has enjoyed lower than average electricity costs than other regions of the country, but recently, rates have been increasing. Increases in electric rates could impact the cost of doing business, especially for heavy industry or manufacturing. For other industries and clusters, rising energy costs will probably not present a major burden.

In addition, oil and natural gas prices have been driving up energy costs for many businesses, including electric utilities. This is true for businesses across the country.

COSTS OF DOING BUSINESS

Costs of doing business in the Portland-Vancouver region appear to be roughly comparable to those of most other US cities. Cleveland State University's

⁴⁰ <http://www.beaconhill.org/Compete04/PRCompete04FINAL.pdf>

⁴¹ ClickZ stats, U.S. market penetration, June 16, 2003. Available online at: <http://www.clickz.com/stats/sectors/professional/article.php/2222631>

⁴² Sperling's Best Places, Unwired cities survey, 2004. Results reported on MSN at: <http://houseandhome.msn.com/Move/AmericasMostUnwiredPlaces0.aspx>

⁴³ Forman, Chris, Avi Goldfarb and Shane Greenstein, How did location affect adoption of commercial internet? Global Village, urban leadership, and industry composition, April, 2004.

Center for Economic Development ranked 33 of the nation's metropolitan areas with between 1 and 4 million residents according to Economy.com's index of business costs. The Portland-Vancouver region ranked 13th lowest in business costs with costs about 5% lower than the national average. (Costs ranged from a low of 17% below the national average (in Oklahoma City) to more than 13% above the national average (San Diego).

The estimated cost of a particular high tech facility in Portland is similar to other US metropolitan areas. The Boyd Company estimated the annual cost of operating a 100-person biotechnology company in 27 of the nation's 50 largest metropolitan areas. Annual costs ranged from a high of \$11.3 million in San Jose, California to a low of \$8.9 million in Memphis, Tennessee. The cost for Portland was \$9.7 million annually, ranking the region 12th most expensive of the 27 areas considered.⁴⁴

STATE AND LOCAL TAXES

Overall, Oregon has one of the lowest state and local tax burdens—measured as total taxes as a percentage of personal income—in the United States. Tax Foundation rankings for business in the United States also determine Oregon to be relatively business friendly. Tax Foundation uses an index composed of five tax system components: the corporate income tax, the individual income tax, the sales or gross receipts tax, the unemployment insurance tax, and the state's fiscal balance. On this scale, Oregon ranks 10th out of 50 metropolitan areas.⁴⁵ Taxes are higher in some parts of the region: Portland and Multnomah County charge a business license tax and a temporary personal income tax.

Personal income taxes are relatively more burdensome. A 2004 study completed by the government of the District of Columbia⁴⁶ compared major U.S. cities according to the tax burden placed on families in various income brackets. Portland ranked high on this list; in 2003, Portland had either the 5th or 6th highest tax burden in every income category studied.

⁴⁴The Boyd Company, Inc. The cost of operating a biomedical facility in selected North American and European locations, February 11, 2005. http://www.ssti.org/Publications/Onlinepubs/Boyd_Biomedical_Facility_Study.pdf

⁴⁵ Tax Foundation, State business tax climate index, October, 2004.

⁴⁶ Government of the District of Columbia, Tax rates and tax burdens in the District of Columbia – a nationwide comparison, issued August, 2004.

Summary of Interviews and Surveys

This appendix summarizes the results of the web-based survey and stakeholder interviews conducted as part of this project. The interviews, surveys, and analysis were all conducted by the Institute of Portland Metropolitan Studies at Portland State University in collaboration with the CEDS project team. The Institute of Portland Metropolitan Studies provided the contents of this appendix. It has the following three sections:

- **Survey summary** provides each question and the frequencies of responses. The section is organized to follow the structure of the survey.
- **Interview summary** describes the characteristics of the interviewees and summarizes their responses to interview questions.
- **Observations from survey and interviews: support for the action plan** describes how the surveys and interviews support the actions and strategies in Chapter 4, Action plan.

SURVEY SUMMARY

PART 1. VISION STATEMENT/ASSUMPTIONS

The vision statement that the survey asked respondents to evaluate is:

The economy of the Portland-Vancouver region should develop to have multiple traded-sector clusters containing businesses that are global leaders in innovating new products and processes.

QUESTION: Do you agree with this logic and the accompanying assumptions? To what extent do you agree with the draft vision statement?

Table E-1. Agreement with the assumptions and vision, CEDS web-based survey results, 2005

	Assumptions	Vision
Strongly agree	21%	27%
Agree	66%	46%
Neither agree nor disagree	9%	15%
Disagree	4%	10%
Strongly disagree	1%	3%
Total	100	100

Source: Institute of Metropolitan Studies, Portland State University

Table E-2. Agreement by sector, CEDS web-based survey results, 2005

	Assumptions		Vision	
	Agree or strongly agree	Disagree or strongly disagree	Agree or strongly agree	Disagree or strongly disagree
Public	85%	3%	71%	15%
Private	88%	5%	74%	11%
Total	87%	5%	73%	13%

Source: Institute of Metropolitan Studies, Portland State University

COMMENTS ABOUT THE VISION

Supporting Comments

- Add importance of development of new clusters.
- Don't forget the importance of import substitution as well as exporting.
- Make environment conducive to innovation.

Negative comments

- Too much jargon/too complex
- Doesn't speak to the future
- Too vague or broad/needs to be more specific
- Misses opportunity to discuss sustainability/green industries/healthy communities
- Too directive or narrow. Shouldn't try to pick winners.
- Too focused on large global businesses—don't forget about existing local businesses

PART 2. RESPONDENT PRIORITIES

QUESTION: What are the three attributes of most importance to the economic success of your business or organization?

Table E-3. Valued attributes, CEDS web-based survey results, 2005

Attribute	First Choice N=168	Second Choice N=168	Third Choice N=167	Total Mentions ¹ N=503
Job opportunities	21%	5%	5%	11%
Skilled workforce	18%	16%	12%	15%
Educational opportunities	13%	20%	10%	14%
Reasonable costs for business	10%	12%	10%	11%
Creativity/innovation	7%	10%	10%	9%
Small business opportunities	7%	3%	4%	5%
Other 1	7%	5%	2%	5%
Public services (library, water/sewer, roads, etc)	4%	7%	7%	6%
Reasonable cost of living	4%	5%	7%	5%
Political leadership	2%	4%	8%	5%
Openness to newcomers	1%	1%	2%	1%
Racial and cultural diversity	1%	1%	1%	1%
Public safety	1%	2%	1%	1%
Leisure and cultural opportunities	1%	1%	3%	1%
Community Participation	2%	2%	3%	2%
Natural environment	1%	3%	10%	5%
Other 2	1%	3%	4%	3%
Other 3	1%	1%	2%	1%
Total	100%	100%	99%	100%

Source: Institute of Metropolitan Studies, Portland State University

Note 1. This column measures the number/percent of times the item was listed as one of the top three attributes.

FREQUENTLY MENTIONED “OTHER” RESPONSES

- Commitment to sustainability
- Transportation access/freight mobility
- Energy
- Financial resources
- Commitment to equity/concern for needy
- Sense of place/neighborhood diversity

- Civic infrastructure/approachable government

OBSERVATIONS

- Among those living in Portland and in Clackamas County, the most important attribute is skilled workforce
- Among those living in Washington County, the most important attribute is job opportunities.
- Among those living in Clark County, the most important attributes are reasonable costs for business and creativity/innovation.
- Among those *working* in Clackamas County, the most important attribute is reasonable costs for business.
- Those in the public sector chose job opportunities most often; those in the private sector chose skilled workforce most often.

QUESTION: What are the three most important challenges or threats to your business organization's economic success in the region?

Table E-4. Challenges and Concerns, CEDS web-based survey results, 2005

Challenge/Concern	First Choice N=167	Second Choice N=166	Third Choice N=165	Total Mentions¹ N=498
Declining Quality of K-12 schools	22%	12%	7%	14%
Lack of jobs/prolonged recession	18%	8%	7%	11%
Availability of skilled workers	7%	8%	4%	6%
High taxes	7%	6%	3%	5%
Burdensome regulations	6%	10%	6%	7%
Other 1	6%	1%	4%	4%
Lack of political leadership	6%	5%	9%	7%
Growing inequality between rich and poor	5%	7%	6%	6%
Traffic congestion	4%	1%	7%	4%
Insufficient land for homes and industry	4%	4%	5%	4%
Lack of college and University opportunities	3%	5%	7%	5%
Increasing cost of living	3%	6%	7%	5%
Lack of Affordable Housing	2%	3%	2%	3%
Sprawling land use patterns	2%	4%	5%	3%
International competition	2	3%	3%	3%
Freight congestion	1%	2%	1%	1%
Degradation of the environment	1%	4%	1%	2%
Crime	1%	3%	2%	2%
Declining public services	1%	4%	6%	3%
Lack of cultural opportunities	0%	0%	2%	1%
Lack of racial and cultural diversity	0%	1%	1%	1%
Other 2	0%	2%	2%	1%
Other 3	0%	0%	2%	1%
Total	100%	100%	100%	100%

Source: Institute of Metropolitan Studies, Portland State University

Note1: This column measures the number/percent of times the item was listed as one of the top three concerns.

FREQUENTLY MENTIONED “OTHER” RESPONSES

- Anti-business attitude
- Anti-government attitude
- Big-box retail impact on local business
- Lack up support for emerging businesses

OBSERVATIONS

- Those employed in the public sector chose declining quality of schools as top concern; those employed in the private sector chose the prolonged recession slightly more often.
- Those working in Clackamas County chose high taxes as a concern more often by than those working in other areas.
- Residents of Washington County chose the declining quality of K-12 schools as their most important concern more often than residents of other areas.

QUESTION: What are the three most important strategies that would be of the greatest benefit to your organization's future success in the region?

Table E-5. Strategies and Initiatives, CEDS web-based survey results, 2005

Strategy	First Choice N=165	Second Choice N=164	Third Choice N=163	Total Mentions ¹ N=492
Improve K-12 education	28%	12%	13%	18%
Invest in post-secondary (college/university) education	12%	12%	8%	11%
Reduce healthcare costs	10%	11%	7%	9%
Support the development of key economic sectors	10%	10%	15%	12%
Reduce business taxes	7%	4%	6%	5%
Make more land available for industry	6%	3%	4%	4%
Streamline regulations and permitting	5%	8%	9%	7%
Market the region more aggressively to outside businesses	4%	9%	5%	6%
Other 1	4%	4%	3%	4%
Reduce taxes that individuals have to pay	3%	2%	1%	2%
Increase research opportunities	2%	4%	2%	3%
Reduce traffic congestion and cost	2%	4%	12%	6%
Other2	2%	2%	2%	2%
Provide early childhood education	1%	1%	2%	1%
Increase the availability of capital (through loans or grant	1%	7%	5%	4%
Improve port access	1%	1%	1%	1%
Safeguard the future of our energy assets	1%	2%	5%	3%
Supply water for critical uses	0%	1%	0%	0%
Enhance Telecommunications	0%	1%	0%	0%
Other 3	0%	1%	2%	1%
Total	100%	100%	100%	100%

Source: Institute of Metropolitan Studies, Portland State University

Note 1: This column measures the number/percent of times the item was listed as one of the top three concerns.

Frequently Mentioned “Other”:

- Infrastructure funding from state/federal government
- Affordable housing
- Assistance for business startups/entrepreneurial networks

Observations

- Those working in the private sector and those working in the public sector agree that the most important strategy for improving our economy is to improve K-12 education.
- Reducing healthcare costs and reducing business taxes are a higher priority for those in the private sector than those in the public sector.

PART 3. RESPONDENT CHARACTERISTICS

Table E-6. Respondents by Age and Gender, CEDES web-based survey results, 2005

Age	Overall Percent	% Within Age		% Within Gender	
		Male	Female	Male	Female
19 and younger	0%	0%	0%	0%	0%
20 to 24 years	1%	50%	50%	1%	2%
25 to 34	11%	58%	42%	11%	12%
35 to 44	13%	57%	43%	12%	13%
45 to 54	42%	66%	34%	47%	36%
55 to 59	19%	52%	48%	16%	22%
60 to 64	8%	64%	36%	9%	8%
65 to 74	4%	43%	57%	3%	6%
75 to 84	1%	50%	50%	1%	2%
Total	100%	60%	40%	100%	100%

Source: Institute of Metropolitan Studies, Portland State University

QUESTION: In what sector of the economy do you work?

Table E-7. Respondents by Sector, CEDS web-based survey results, 2005

Sector	Percent N=167
Professional or business services	23%
Other	11%
Non-profit	10%
Education	7%
City government	7%
Manufacturing	6%
Transportation, communication, utilities	5%
Finance, insurance, real estate	5%
Wholesale and retail trade	5%
County government	5%
State government	5%
Personal or health services	3%
Federal government	3%
Creative services (e.g. advertising, multimedia software)	2%
Special district government	2%
Total	100%

Source: Institute of Metropolitan Studies, Portland State University

QUESTION: In what part of the region do you live? In what part of the region do you work?

Table E-8. Respondents by location of home and business, CEDS web-based survey results, 2005

Area	Residence N=168	Business N=165
City of Portland	38%	43%
Multnomah County, not in Portland	10%	8%
City of Vancouver	4%	5%
Clark County, not in Vancouver	4%	1%
Washington County	13%	7%
Clackamas County	28%	29%
Yamhill County	1%	1%
None of the above	4%	7%
Total	100%	100%

Source: Institute of Metropolitan Studies, Portland State University

QUESTION: How many years have you lived in the Portland-Vancouver Region?

Table E-9. Respondents by years of residence, CEDS web-based survey results, 2005

Years of Residence	Percent (N=166)
0 to 5	16%
6 to 10	10%
11 to 20	16%
Over 20	58%
Total	100%

Source: Institute of Metropolitan Studies, Portland State University

QUESTION: How did you learn about this survey?

Table E-10. Respondents by source of information about the survey, CEDS web-based survey results, 2005

Source	Percent N=166
Regional Partners	32%
Other (please specify)	29%
Local chamber of Commerce	21%
Friend	9%
Portland Development Commission	5%
Portland Business Alliance	2%
Local Union	1%
Media	1%
Total	100%

Source: Institute of Metropolitan Studies, Portland State University

FREQUENTLY MENTIONED “OTHER”:

- PSU/IMS
- email
- Clackamas County Business Alliance

INTERVIEW SUMMARY

INTERVIEWEE CHARACTERISTICS

The Institute of Metropolitan studies conducted a total of fourteen interviews with key informants. Five of these key informants are leaders in globally and/or nationally competitive industries. Five informants are leaders of locally or regionally focused private enterprises. We also interviewed four public sector leaders. Of the leaders interviewed, five were located in Portland, and three were located in Vancouver. The others included businesses located in Gresham, Camas, Beaverton, Hillsboro and Washington County, and Tualatin.

The interviewees represented the following sectors: sports apparel; distribution; local government, real estate development; public higher education, software development, telecommunications; research and testing services; port operations; professional services, and one elected public official.

The interview respondents worked in organizations that had between 22 and 5,800 employees. Their businesses generated revenue ranging from under \$5 million to \$10.3 billion.

RECENT EXPERIENCE

Two companies or organizations are experiencing decline in revenue or employees; the other twelve are growing. Of those that are growing, eight experienced declines in the past five years but have managed recent improvements.

Three CEOs mentioned **mergers and acquisitions** as a growth strategy. Others re-tooled operations to focus on a specific **product or service**, which allowed them to develop a specific market niche in order to remain competitive. One company has had to emphasize a portion of the business which takes advantage of **larger national economic trends**, while maintaining position in the other business lines.

COMPETITION

Of the companies interviewed, five compete internationally or nationally, three regionally, and two compete only locally. How does the region give them a competitive advantage?

Common Themes:

- **quality of life**
- **good workforce**
- **transportation access**

INTERVIEWEE COMMENTS:

*We work primarily in the affordable housing market. The **growth boundary** helps retain value for our properties, which are primarily within the growth boundary. We also do infill development. The problem with the land value being so high is that it makes it harder to do affordable housing, especially rentals, so we've been doing more condos.*

*Our competitive advantage is our **transportation access**: water, airport (direct flight to Europe and Asia), cargo*

*This region is a **good place to live**. This is critical in terms of recruitment.*

Public education is good despite the warts (i.e. K-12 education in Portland)

Quality of life has remained the same but we need to invest in infrastructure to keep it healthy or we will lose our advantage. Specifically, we must invest in water, sewer, and transportation.

Small business people can still get to us—we are well situated to our local customers. If we were to relocate, we would risk losing good workers. Our competition does not really compete with us for talent.

REGIONAL OPPORTUNITIES AND ASSETS

What are the region's advantages?

Common Themes:

- 9 out of 14 CEOs mentioned **quality of life** or livability as key advantages to doing business in this region.
- The **quality of work force** or access to intellectual capital was also mentioned four times as a competitive advantage.
- Other themes: **proximity to global markets, affordability.**

INTERVIEWEE COMMENTS:

*We have a very **competitive workforce, quality of life, proximity to global markets** (we have a nonstop flight to Japan and Germany), geographic advantage (the region does not adequately take advantage of that. And we also have more experience working in Asia than other regions.*

***Livability** is our strongest competitive advantage.*

This is a "cool urban village in the wilderness"

*Oregon is a small business state. One of the most important assets we have is the ethics and values by which people do business here. The **shared sense of values** allows small businesses to work together to collectively compete with the rest of the world. **Relationships among people are very important** to the success of this strategy. At the same time, this is our weakness. Because Oregon businesses tend to be provincial, and look inwardly for answers instead of looking outward, we don't trust outsiders. And the lack of the cut-throat competitiveness attitude can limit our competitiveness.*

*Quality of life in Portland **attracts talent to the firm at lower cost** than we might have to pay if we were in a less attractive area.*

CHALLENGES AND CONCERNS

Concerns about the future of their business or organization in the future

Common themes:

- **Education**
- **Taxes, including bi-state tax structure**
- **Public sector anti-business attitude**
- **Lack of leadership**
- **Dwelling on the problems**

INTERVIEWEE COMMENTS:

*The **capital gains tax and other tax issues** are pushing people to move to Vancouver. The public finance system generally does not make sense to people. It is a waste of resources to have people and businesses moving among communities within the region.*

*Portland seems **unwelcoming to business**, especially compared to outlying communities, like Hillsboro. No one wants a hollowed out Portland. Maybe we need to balance the dialogue a little and tone down the anti-business rhetoric.”*

K-12 has to be the highest priority.

*The press has been very bad lately. The **press is worse than the reality**.*

Our employees originally wanted to locate downtown, but we had to push back because the costs were so much higher.

I am worried about the innovation potential of the region’s clusters, for example metals. Are we really encouraging them to innovate?

*We are **isolated from major markets** due to our location, and the time difference is a challenge.*

Oregonians have a reputation for being a little crazy among business people in other areas.

*The **initiative process** takes away the ability for leaders to make decisions.*

REACTION TO THE VISION STATEMENT

Common Themes:

- **Not a lot of strong opinion about the vision statement.**
- Many thought it was **watered down or not specific enough** (although there was some contradiction on this).
- Half of the CEOs felt the **education piece was missing.**
- Where is the support for traditional infrastructure?

INTERVIEWEE COMMENTS

Need education in the mix, pre K -12

*These statements seem very **watered down**. Like Mom and apple pie, it's hard to argue with them.*

*The vision should mention core competencies. Drill down and be specific. **Mentoring** new business would be a good feature—Portland is very generous in this respect because ego does not get in the way as much as it does in most metro areas.*

*Support for high tech is good but don't forget the **traditional industries; freight, infrastructure** etc.*

*It is **not specific enough**.*

*This is **too specific**. The vision statement should be broader. This is confusing because it gets too far into strategy. The vision should just focus on principles like education, environment, government partnership with business, workforce, and recognize the importance of business in the community.*

*We must **have the courage to define the desired outcomes** and figure out how we are different. Need to define which sectors we can excel in. Can we really excel? If so, let's go after it and build a workforce ladder.*

Diversification of clusters is important. What about bio technology, possibly nano-tech? Attract companies who will support the quality of life issue.

*There is a **serious lack of political will and leadership** around these issues—no one wants to pay to change anything. (For example, in my community, a parcel that was set aside for high tech is now going for a NASCAR track.)*

Capital investment needs to be encouraged. Planning should take market forces into account. For example, plan for industrial lands where businesses want and need it.

We need to focus on quality of life—it will be really important in the future. Given that, places that have a good quality of life will be in demand in the future. The US will be like the Portland of the World—people will choose to be here, retire here because this is good place to live

Research is also missing. A recent study of the world's best universities shows that Oregon is nowhere near the top.

We should emphasize sustainable wellbeing, not just wellbeing

Replace “urban” amenities to “community” amenities;

Focus on sustainable wealth generation, not just income and jobs

REACTION TO STRATEGIES

CEOs were asked to rank the strategies from previous district economic development planning efforts in terms of priorities.

Common Themes:

- 11 out of 14 supported K-12 as a number one priority strategy.
- 12 out of 14 supported post secondary ed as a number on strategy
- Supporting key economic clusters, Pre- K education and reducing health care costs followed.

INTERVIEWEE COMMENTS:

If you screw up kids in preschool, you can't fix them later.

*All of the **education items are important**. The business community backed the income tax because they know how important funding education is. This is our future workforce; we have to invest for the long run and focus on what we can control.*

Commercialization of research is important for the overall competitiveness of region. It helps my company make knowledge connections within the community - sharing information, collaborating locally.

Streamline regulations and permitting. The city of Portland is especially bad—too many extra requirements. Set a benchmark for permitting processes and get the bureaus out of their silos

***Freight mobility** is important because transportation represents an important opportunity for this region. Other ports of entry are running out of land for distribution centers. Rte. 26 needs freight mobility improvements. We need public support for the I-5 bridge from the Canadian border down through California.*

Table E-11. Frequencies of rankings of interviewees for strategies/initiatives, CEDS interview results, 2005

RANK	1	2	3	4
Invest in post-secondary education	12	1	1	0
Improve K-12 education	11	3	0	0
Support the development of key economic clusters	6	5	2	0
Reduce healthcare costs	5	3	3	2
Provide early childhood education	5	3	4	1
Reduce traffic congestion	4	2	6	1
Increase the availability of capital for businesses	3	5	3	2
Make more land available for industry	3	4	6	1
Streamline regulations and permitting	3	5	4	1
Safeguard the future of our energy assets	3	7	2	0
Increase commercialization of research	2	8	3	0
Market the region more aggressively to outside businesses and tourists	1	4	6	0
Supply water for critical uses.	1	7	4	1
Enhance telecommunications	0	10	3	0

Source: Institute of Metropolitan Studies, Portland State University

Note: The table presents frequencies of rankings; in other words, 12 interviewees ranked Investment in post-secondary education as the most important strategy or initiative for the economic development of the region. None of the interviewees felt that it was not important.

1 = most important, 2 = important, 3 = Less important, 4= not important

OBSERVATIONS FROM SURVEY AND INTERVIEWS: SUPPORT FOR DRAFT ACTION PLAN

PRIORITY GOALS

- The overarching goal in the Draft Action Plan is the same as the vision statement that was tested in the survey and interviews.
- There was reasonably strong agreement among the survey respondents with the vision statement—73 percent agreed or strongly agreed with the vision statement (see Tables 1 and 2 attached).
- There was no significant difference between the public and private sector survey respondents with respect to agreement with the vision.
- Interviewees were generally in agreement with the vision but did offer some revisions.

Comments from survey:

- Add importance of development of new clusters.
- Don't forget the importance of import substitution as well as exporting.
- Make environment conducive to innovation.
- Too much jargon/too complex
- Too vague or broad/needs to be more specific
- Misses opportunity to discuss sustainability/green industries/healthy communities
- Too directive or narrow. Shouldn't try to pick winners.
- Too focused on large global businesses—don't forget about existing local businesses

Comments from Interviewees:

- Should include education
- We must support traditional infrastructure

SUB GOALS

- There was significant agreement among the survey respondents that the items listed in your priority goals are important to the economic success of the region.
- The survey respondents strongly agreed that entrepreneurship, innovation, education and workforce training are important components of the goals.
- Interviewees noted the importance of quality of life for attracting talent, as mentioned in your sub goals.

PRIORITY ACTIONS

PIONEERING INNOVATION

- **Cluster-based strategy and innovation** is supported by both the interviewees and the survey respondents. Ten percent of the survey respondents chose cluster-based strategy as the most important initiative; most of the interviewees listed this as a very important priority.
- **Entrepreneurial culture** was supported by many survey respondents who listed assistance to small business and the development of entrepreneurial networks as an important “other” strategy (See table 5). Lack of support for emerging businesses was one of the concerns cited in the open ended responses. One of the key informants talked about the importance of the small business culture as both a strength and a weakness in Oregon.
- **Knowledge creation** was not one of the highest priorities among survey respondents. However, interviewees often listed commercialization of research as an important strategy (see Table 1 in interview summary

document). Some of the open ended comments noted the importance of the application of innovation in all sectors, not just high-tech industries.

- **Capital availability** was not a key issue for either the interviewers or the survey respondents. It was often listed as important but rarely among the most important strategies.

PRODUCTIVITY

- **Increasing the land supply for business and industry** was chosen as the most important strategy for six percent of the survey respondents. Seven of the 14 interviewees chose this is very important or important. One interviewee noted that it is important to make industrial land available where industry wants and needs it.
- **Transportation and other infrastructure** was not a key concern for either survey respondents or most interviewees. Several interviewees discussed the importance of freight mobility and our access to Asia as important competitive advantages that we must continue to strengthen and market. Although traffic congestion was not noted as a particularly important concern, some interviewees noted that the lack of congestion is an important quality of life issue that we must keep pace with to retain the quality of life advantage.
- **Tax and regulatory environment** are concerns for many survey respondents and interviewees. Seven percent of the survey respondents noted that high taxes are their most important concern; burdensome regulations were noted by six percent. One interviewee suggested that it is the differences in the structure of the tax system among different parts of the region that is the main problem because it is a waste of resources of businesses and residents to move to escape taxes.

PEOPLE

- **K-12 funding** was the most often mentioned concern and the most popular strategy for improving the economic future for the region. 28 percent of the survey respondents mentioned it as their most important strategy, and eleven of the 14 interviewees chose it as one of the most important strategies. One interviewee noted that problems with the schools distract his employees from being as productive as they can be. Other interviewees noted that K-12 education “must be our highest priority” because the quality of K-12 schools affects recruitment as well as the quality of the workforce in the future.
- **Workforce training** was not specifically addressed as a strategy in the survey. However, eighteen percent of respondents noted that a skilled workforce is one of the most important contributions to the economic success of this region.

PLACE

- **Affordable housing** was only listed among the three most important concerns three percent of the time.
- **Branding was mentioned in the interviews.** One interviewee noted that the region does not sufficiently market the unique niches in which this region excels. Another respondent noted that much progress can be made through joint marketing among producers.
- **Safety and crime** concerns were practically nonexistent in the survey and interview responses.
- **Young workers** were mentioned only tangentially as an appreciation of community participation, civic infrastructure, and openness to newcomers. This could be a result of the low participation rate among young people—only twelve percent of the survey respondents were younger than 34.
- **Green spaces and the natural environment** were mentioned rarely as an important strategy by survey respondents; however, the natural environment was mentioned as an important asset by five percent of the survey respondents. Many of the interviewees mentioned natural environment as an important asset in recruiting.

PROCESS

- **Marketing the region** was listed as one of the most important strategies by four percent of the survey respondents and was second most important for nine percent.

Appendix F Full List of Actions Considered

This appendix contains the complete list of actions that the Strategy Committee considered when developing the action plan in Chapter 4.

This appendix has five sections:

- Pioneering innovation actions
- Productivity actions
- People actions
- Place actions
- Process actions

PIONEERING INNOVATION ACTIONS

Table F-1. PIONEERING INNOVATION: full list of potential actions

<i>Strategy 1.1</i>		<i>Ensure a strong entrepreneurial environment for traded sector start-up and innovators.</i>	
Action	Who Does It	Funding	Schedule
Encourage greater availability of early-stage risk capital for new business formation and expansion.	Oregon Entrepreneurs Forum	Private investors, commercial banks, venture capital funds, Oregon growth account, Portland Family of Funds	1-3 years
Promote the role of local entrepreneurs and measure their impact on the regional economy.	Regional business organizations, higher education and selected local governments. Coordinate with the Governor's Small Business Council.	Business associations and chambers of commerce	1-3 years

Strategy 1.2		Develop institutional arrangements that support entrepreneurship.	
Action	Who Does It	Funding	Schedule
Strongly align the region's higher education intellectual resources to further the competitiveness of the region's traded-sector cluster businesses.	Higher education and research institutions; cluster business organizations and individual cluster businesses. Support from state and local economic development entities.	CEDS funding, existing organization resources.	1-3 years (Begin establishing effort immediately)
Increase support for intermediary organizations that provide support for start-ups, i.e. entrepreneurs forum	Business, State, local government	States, Businesses	1-3
Establish forums between education and business to address each other's needs.	Business and cluster leaders, colleges and universities, NW Oregon labor council	Business associations and educational institutions	1-3 years
Align with Oregon and Washington innovation councils to encourage an entrepreneurial environment in the region.	Oregon and Washington innovation councils, business organizations	States, Business associations	4-10 years
Strategy 1.3		Encourage movement toward high performance work organization methodologies.	
Action	Who Does It	Funding	Schedule
Promote widespread adoption of high performance work organization in the manufacturing techniques in the region's private sector firms. Adapt these practices, where appropriate, for the public-sector.	Northwest High-Performance Consortium, Washington Manufacturing Service, Oregon Manufacturing Extension Program, Zero Waste association, business associations, labor organizations.	Job training funds, Washington Manufacturing Service, OMEP technical support, CEDS financing. PDC (for urban renewal areas in the City of Portland), Pollution Control Tax Credits	1-3 years

Strategy 1.4	Encourage innovation and entrepreneurship in the region's industry clusters.		
Action	Who Does It	Funding	Schedule
Work with the region's industry cluster organizations to develop cluster-specific innovation activities.	Cluster organizations	Federal government, private industry resources	ongoing

PRODUCTIVITY ACTIONS

Table F-2 PRODUCTIVITY: full list of potential actions

Strategy 2.1	Maximize the impact of limited resources by focusing on existing and emerging clusters.		
Action	Who Does It	Funding	Schedule
Focus economic development efforts on established and emerging high wage and/or high growth traded sector industries.	Economic development organizations, ports, private businesses, labor organizations, industry cluster organizations, Worksystems, Inc.	Economic development organizations	1-3 years
Clearly identify existing and emerging clusters and prioritize support to clusters with the greatest potential impact on the regional economy.	Business driven, with support from state, local, and academia	Business, with some government	1-3 ongoing
Encourage OECD to market the region's clusters.	OECD	OECD	ongoing
Strategy 2.2	Assure that our land use system supports the regional economy.		
Action	Who Does It	Funding	Schedule
Assure that there is sufficient land supply for the region's economy; emphasize the needs of traded sector industry clusters.	Industry cluster organizations; local governments with land-use planning responsibilities, economic development organizations, Metro	State and local governments	ongoing

More closely align the region's land use planning efforts across state lines.	Local governments	State and local governments	Ongoing
Establish connections between land supply decisions and regional economic development strategies.	Local governments, Metro	Local governments, Metro	Ongoing
Re-tool our land-use system to efficiently and effectively respond to the changing needs of targeted strategic industry clusters and the traded-sector capabilities of a vibrant urban region.	Local governments, Metro	Local governments, Metro	Ongoing
Distinguish between rural and urban areas when making land use policies.	Local governments, Metro	Local governments, Metro	ongoing
Encourage broader development opportunities around major transportation corridors.	Local governments, Metro	Local governments, Metro	ongoing
Encourage balance between the goals of land use regulations and the goals of economic development.	Local governments, Metro, economic development organizations	Local governments, Metro, economic development organizations	ongoing
Strategy 2.3	Assure that the region's infrastructure can support the local economy.		
Action	Who Does It	Funding	Schedule
Assure that the region's transportation and other infrastructure systems are adequate to efficiently meet the needs of the region's economy.	State and regional transportation planning and funding agencies, Columbia Pacific Building & Construction Trades, Oregon and Washington State Building Trades Councils.	Gas taxes, federal funds, infrastructure fees, public/private partnerships and tolls (user fees)	1-3 years

Work with clusters to identify high priority transportation system improvements.	Business associations and clusters, WASDOT, ODOT, Metro, Clark County Regional Transportation Council, Columbia Pacific Building & Construction Trades, Oregon and Washington State Building Trades Councils	ODOT	1-3 years
Work closely with the congressional delegation to increase transportation funding dollars.	Business associations, Columbia Pacific Building & Construction Trades, Oregon and Washington State Building Trades Councils	Business associations	Ongoing
Support tolling for new construction.	Columbia Crossing Task Force, regional governments, public/private partnerships	regional governments, public/private partnerships	ongoing
Link all transportation modes when considering improvement projects.	Metro, local governments, ports,	Metro	Ongoing
Strategy 2.4	Assure that tax and regulatory systems are conducive to cluster activity.		
Action	Who Does It	Funding	Schedule
Work to reduce the tax and regulatory burdens imposed on the region's businesses, consistent with maintaining public safety and a high quality of life.	Oregon, Washington, and local governments throughout the region.	Public sector	1-3 years
Encourage the Oregon legislature to recognize necessary tax shifts at the state level.	Business associations, chambers of commerce	Business associations, chambers of commerce	1-3
Encourage business organizations and local government to support the Governor's industrial land policies.	Chambers of Commerce		

Work toward a more consistent regulatory and tax environment within the region (i.e. City of Portland compared to other cities within region). Support current efforts at streamlining the state's permit process.	Local government w/business assist.	NA	1-3 and ongoing
Explore the impact that tax shifts at the state level have on local revenues.			
Strategy 2.5	<i>Environmental stewardship assures that we will have a diversity of economic opportunities in the future. Support balance between prosperity and stewardship.</i>		
Action	Who Does It	Funding	Schedule
Educate the community about value of balance between environmental stewardships and economic development.			
Encourage sustainable methodologies in business practices and production.			
Establish a sustainability institute at PSU.	PSU	PSU	4-10
Strategy 2.6	<i>Assure that physical and human infrastructure is conducive to economic growth and diversity.</i>		
Action	Who Does It	Funding	Schedule
Ensure transportation infrastructure is adequate to meet freight, workforce needs, both for work and life	Governments with business	State, Federal	1-3 ongoing
Strategy 2.7	<i>Implement a regional business recruitment program that builds on the economic and political diversity of the region.</i>		
Action	Who Does It	Funding	Schedule
Expand regional advertising campaigns to target a national, as well as international audience.	Regional Partners	RIB/Federal	4-10 years
Develop and fund a multi-year economic development and marketing campaign that brands the region as a competitive region for investment.	Regional Partners, PBA	Public and private sector	Implement immediately
Give the Regional Partners strong support.	Business associations	NA	ongoing

PEOPLE ACTIONS

Table F-3 PEOPLE: full list of potential actions

Strategy 3.1	Expand or improve educational and training programs		
Action	Who Does It	Funding	Schedule
Offer incentives to businesses to train and promote their employees, and to be on-site training grounds for workers.	Worksystems, Inc; Southwest Washington Workforce Development Council, community colleges, BOLI	WIA, Consider use of unemployment funds for workforce training	1-3 years
Continue to seek additional funding for the development of workforce training opportunities and one-stop centers.	Worksystems, Inc; Southwest Washington Workforce Development Council Area colleges and universities, BOLI	Grants, contracts, fees, tuition	Ongoing
Increase funding for technical skill centers and magnet schools like arts magnets.	School districts, BOLI	State legislature	4-10 years
Continue to support PSU's engineering program and expand its output.	PSU, cluster representatives, BOLI	PSU, grants, research funds	Ongoing
Expand the access to baccalaureate and post-graduate education for the residents of Southwest Washington: increased FTE's at Washington State University Vancouver and expansion to a full four-year metropolitan research university.	WSUV and community	Washington university system and legislature	Ongoing
Recognize and encourage private sector trades training.	Area colleges and universities, BOLI	Tuition, grants, contacts with businesses	Ongoing
Strategy 3.2	Increase access to and awareness of existing educational opportunities in the region.		
Action	Who Does It	Funding	Schedule
Increase the availability of accessible remedial education and ESL programs.	High schools, Worksystems, Inc, Southwest Washington Workforce Development Council, BOLI	State and local governments, Workforce Investment Act funds, Employer workforce Training Funds for incumbent worker training, federal grants, and private philanthropic foundations.	1-3 years

Enhance awareness of educational and workforce training resources through advertising campaigns and public outreach.	BOLI, Colleges and universities, economic development organizations, media, Worksystems, Inc; Southwest Washington Workforce Development Council,	BOLI, Economic development organizations, Workforce Investment Act funds	1-3 years
Strategy 3.3		Increase support and funding for key educational issues	
Action	Who Does It	Funding	Schedule
Advocate for secure funding for K-12 and higher education to ensure high-quality educational opportunities.	Business community, local, state, governments, general public, Worksystems Inc. Youth Council and Connected by 25, school districts	State legislature	1-3 years
Continue funding industry-related training facilities in which an industry panel designs and delivers curricula through community colleges or high schools. These programs should meet pre-established performance standards for workforce-related training.	State, industries	State	4-10
Provide financial incentives for students participating in key industry training (e.g., paid internships).	State, business clusters	Grants, businesses	
Support the formation of the Northwest Center for Advanced Manufacturing and Infrastructure Engineering to train both existing workers and new entrants to the workforce.	Metals industry consortium, Regional Partners	Private industry, state and federal grants, possible URA funds	1-3 years
Conduct annual skills gap analyses to determine training and skills needs.	Worksystems, Inc. Southwest Washington Development Council, Clackamas Workforce Investment Board, Portland Community College Center for Business and Industry, Oregon Employment Department, Portland Development Commission.	Economic development agencies	1-3 years
Develop the educational system's capacity to deliver seamless K-16 education.	School districts, colleges and universities	School districts, colleges and universities	4-10 years

Strategy 3.4	Improve communications between educators and businesses.		
Action	Who Does It	Funding	Schedule
Establish partnerships with local school districts, colleges, and universities. Continue to develop strong partnerships with K-12 throughout the area	Business alliances, colleges and/or school districts, Business Education Compact	State, Regional Investment Board, Private interests	1-3 years
Develop public-private partnerships to fund scholarships, laboratory space and equipment, and faculty for education related to high-demand occupations.	Washington Technology Center/WSU, PSU	Public/private	4-10 years

PLACE ACTIONS

Table F-4 PLACE: full list of potential actions

Strategy 4.1	Support programs aimed at improving neighborhoods, place making, and housing opportunities		
Action	Who Does It	Funding	Schedule
Support the formation of neighborhood associations and similar advocacy groups throughout the region that focus on neighborhood improvements such as sidewalks, community policing, workforce housing, etc. Provide incentives for networks to operate effectively.	Existing neighborhood associations and coalitions, local governments, community organizations.	State/Fed. grants	4-10 yrs
Seek opportunities to develop workforce housing.	Local governments, developers, Metro, public development authorities, private banks, community development corporations.	Community land trust, Habitat for Humanity. Home builders associations, local governments, redevelopment and public housing authorities.	Ongoing
Encourage mixed use development while protecting the region's supply of industrial land.	Metro, Developers, retailers, jurisdictions (zoning), PDC, Business Associations		Ongoing
Provide an adequate jobs/housing mix when examining comprehensive plans.	Metro, local governments	Metro, local governments	Ongoing

Strategy 4.2		<i>Foster the “place” characteristics that attract the 25-35 year old demographic: ethnic diversity, interesting neighborhoods, public transportation, open space, and independent businesses.</i>	
Action	Who Does It	Funding	Schedule
Maintain a multiple-use river system; the river should function for both river-related transportation and industry uses as well as recreational and scenic uses.	Jurisdictions Chambers of commerce River Renaissance project	Columbia River Coalition	ongoing
Encourage the 25-35 year-old demographic to become more active in the city’s civic and political life.	Neighborhood associations, community groups, local governments, churches, cultural organizations, worksystems, Inc., Southwest Washington Workforce Development Council, Clackamas Workforce Investment Board.	Neighborhood associations, local governments, churches, cultural organizations	Ongoing
Maintain a culture that welcomes to new residents with different viewpoints and ethnic backgrounds.	Local governments, general public	None needed	Ongoing
Implement programs that enhance green spaces and recreational opportunities in the region while considering the importance of land for economic development opportunities.	Metro, parks departments, local governments	Metro, state and local governments	Ongoing
Encourage collaborative marketing of the area to create a “brand” that appeals to the workforce the region is trying to attract in key clusters	Area economic development groups, jurisdictions, chambers of commerce, the Regional Partners for Business.	Jurisdictions, chambers	Ongoing

PROCESS ACTIONS

Table F-5 PROCESS: full list of potential actions

<i>Strategy 5.1</i>	<i>Monitor economic development efforts in the region and adjust the regional plan accordingly.</i>		
Action	Who Does It	Funding	Schedule
Continue to develop and improve Regional Partners as a coordinating organization to ensure strategic cooperation among public and private organizations	All	All	1-3 and then ongoing
The CEDS should become a seamless part of the Regional Business Plan, with the EDD board operating as a subcommittee of the Regional Business Plan steering committee	EDD board and the Regional Business Plan steering committee	Regional business organizations and economic development organizations, EDA's partnership planning program.	Ongoing
Continue to evaluate progress toward benchmarks on priority actions.	EDD board and the Regional Business Plan steering committee.	EDA's partnership planning program, regional business organizations and economic development organizations.	Ongoing
Conduct a survey annually or biennially, reiterating the current strategy and requesting new or additional input for purposes of enhancement and/or modification.	Regional Partners	RIB, Partners, State/Fed grant	1-3 yrs
Conduct an annual region-wide open public forum in order to solicit input.	Regional Partners	RIB, Regional Partners	1-3 yrs
Create a task force that focuses specifically on regional economic progress, trends, and legislation. This task force would provide first-hand feedback on such issues.	Regional Business Plan Steering Committee	Regional Partners, local governments	1-3 yrs
Publish an annual monitoring report that tracks the progress on both the CEDS and indicators of regional prosperity.	EDD Board	CEDS	Ongoing

Strategy 5.2	Encourage CREDC and PDC to work more closely together.		
Action	Who Does It	Funding	Schedule
Economic development agencies should continue to market together to expand the region's markets.	OEDA, CREDC, PDC	NA	Ongoing
Continue to market internationally.	Economic development agencies	Economic development agencies	Ongoing
PDC should not market to companies that are being recruited by CREDC, and vice versa.	PDC, CREDC	NA	Ongoing
Strategy 5.3	Give broad support to Regional Partners and the Ambassadors program		
Action	Who Does It	Funding	Schedule
All communities in the region should help finance the Regional Partners and Ambassadors.	Local governments	Local governments	Ongoing
Business leaders should be trained as ambassadors.	Business and labor leaders, Ambassadors programs	Ambassadors program	Ongoing
Use the Regional Partners and Ambassadors to help CREDC attract business opportunities to Clark County	Regional Partners, Ambassadors, CREDC	Regional Partners, Ambassadors	Ongoing

Institutional Trends in Regional Economic Development

Appendix G

This appendix contains a memorandum that provides background information about institutional coordination and structure for regions undertaking economic development activities. Erin Flynn, FutureWorks, provided it to the Economic Development District (EDD) subcommittee, which was charged with making recommendations about the institutional arrangements that should be used in the Portland-Vancouver region to bolster the economy. This information, however, is also important background for the CEDS document as a whole.

Specifically, the memorandum in this appendix details the importance of having a regional perspective for economic development. It describes the challenges and opportunities for institutional coordination in the Portland-Vancouver region. It also provides examples of institutional arrangements that have been used in other regions in the United States.

MEMORANDUM

To: EDD Subcommittee
From: Erin Flynn/FutureWorks

Date: April 7

Re: Institutional Coordination for Regional Economic Development in the Portland-Vancouver region

OVERVIEW

This memo is provided to EDD Subcommittee members to stimulate thinking and discussion regarding the most effective design of an Economic Development District for the Portland-Vancouver region. It provides a national perspective on emerging institutional arrangements for regional economic growth and development.

The information presented below is based on FutureWorks' research and consulting work. The ideas draw from two national initiatives designed and managed by FutureWorks over the past several years. The first initiative *MetroBusinessNet*, is a national network of business-civic leadership groups working to develop and implement business practices and public policies that support sustainable regional growth and development patterns in metropolitan regions. The second initiative *Minding Their Civic Business*, is a survey of the practices and priorities of regionally focused business leadership organizations in 29 metropolitan regions of North America.

The memo is organized into the following five sections:

- I. The Importance of a Regional Perspective
- II. The New Economic Development Paradigm
- III. Institutional Coordination for Regional Growth and Development
- IV. Challenges and Opportunities in the Portland-Vancouver Region
- V. Examples of Institutional Arrangements

I. THE IMPORTANCE OF A REGIONAL PERSPECTIVE

Regional thinking and action are essential to successful economic development in our increasingly global economy. Metropolitan regions reflect how we live and work today in the United States. The 2000 Census revealed that 8 out of 10 Americans now reside in the nearly 300 federally designated metropolitan regions of the country. Our daily patterns—in both work and social life—are regional: we live in one municipality, work and run errands in another, visit our friends in another, and dine out in yet another. Our identities are often wrapped up in the region we live in as well. Ask metropolitan dwellers away from home where they live and they will most always tell you the region from which

they come, not the individual municipality (e.g. the San Francisco Bay Area, not Redwood City or Mill Valley; the Boston area, not Waltham or Wellesley).

Regions also reflect how the market operates. Metropolitan regions produce more than 85 percent of the nation's economic output and provide 84 percent of America's jobs. As such, metropolitan regions—as opposed to cities—are now the central unit of economic activity in the global economy. Businesses tend to cluster in metropolitan areas where they can draw upon resources provided at the regional level such as transportation infrastructure, research and technology, skilled labor, and supplier networks. The business management guru Michael Porter describes this tendency in terms of industry clusters – i.e. concentrations of related and complementary businesses that utilize the resources of a region that are particularly well suited to it.

Economists view metropolitan regions as geographic areas whose size is large enough to achieve low-cost economies of scale. At the same time, metropolitan regions are considered small enough for business leaders in related sectors to network, build trust and share information which can lead to collaboration, new technologies, innovation and growth. Working relationships are created at a regional level among business partners that can be difficult to achieve on a global, national or even state level. The growth of the computer and software industry in northern California's Silicon Valley is often cited as testament to the success of a cooperative, network model fostered by geographic proximity.

II. A NEW ECONOMIC DEVELOPMENT PARADIGM

Until quite recently, the top priorities of business recruitment and economic development organizations in the United States had been lowering taxes and easing the regulatory environment. Under the traditional, post-war economic development paradigm, business and civic leaders, often operating within municipal and county lines, sought to lower production costs (i.e. land, labor and buildings) in order to woo business. The overarching goal was to recruit companies by offering financial incentives and a low-cost environment.

Over the last two decades, the economy has undergone dramatic changes that call for a more sophisticated and complex approach to economic development. With the rapid acceleration of global competition, regional assets and liabilities have become more and more central to economic development. As mass production industries seek out low-cost environments in other countries, the United States increasingly relies of knowledge-intensive industries and technological innovation to generate wealth. These knowledge intensive industries gain comparative advantage from a healthy regional economy that:

- Produces and attracts educated, skilled and creative people
- Fosters innovation and accelerates its rapid diffusion throughout the region
- Offers a rich network of qualified suppliers and contractors
- Moves people and good efficiently

- Offers affordable housing choices near employment centers
- Maintains and invests in an urban core
- Works to reduce disparities of income and opportunity

In marked contrast to the traditional cost-centered paradigm, the new economic development paradigm builds regional assets by investing in innovation, learning and placemaking. This represents a fundamental shift in the way business and civic leaders think about economic growth and development and requires a corresponding shift in economic development leadership and practice.

A distinguishing feature of the new economic development paradigm is its emphasis on nurturing, growing and retaining distinctive industry clusters as opposed to a strict emphasis on recruiting companies from outside the region. There is growing recognition that distinctive, industry clusters are likely to spawn additional companies thereby generating a positive cycle of innovation and growth that reinforces a region's reputation as a hotbed for certain types of firms (e.g. think Cambridge, MA and biotechnology).

In addition to this focus on indigenous business development, there are three additional features of the new economic development paradigm that distinguish it from the old. These are: a focus on human capital/education; a focus on placemaking (or quality of life); and a focus on reducing social and economic disparities.

- **Human capital/education**

Wealth generating industries such as biotechnology, advanced manufacturing and high tech depend on technological innovation to grow and prosper. Technological innovation, in turn, requires a highly skilled labor force.

For knowledge economy firms, "talent" is the number one input into the production process. Traditional business costs still matter, but access to educated, skilled workers matters a great deal more. In the new economy, a rich and continuous supply of human capital (education, skills, creativity, drive) has emerged as the single most important aspect of regional, competitive advantage.

- **Placemaking**

There is increasing emphasis in economic development on *how* metropolitan regions grow and a recognition that growth patterns have important implications both for *business efficiency* and *quality of life*. In most metropolitan regions, land use, transportation, and economic development policies are not well coordinated. The result is that employment centers are often far from affordable workforce housing and inaccessible by public transportation. Municipal competition for business development in a region can exacerbate these patterns leading to a spatial

mismatch between jobs and housing, long commutes, congestion, sprawl and unruly growth patterns that cut into business productivity. The business led civic organization, *Chicago Metropolis 2020*, for example, has concluded that the jobs-housing mismatch in the Chicago region costs employers \$300 million annually in lost productivity.¹

Poor coordination among land use, transportation and economic development also impacts quality of life: long commutes cause stress and cut into family/personal time; sprawling business location patterns sap vitality from urban centers; suburban office parks foster auto dependency and minimize physical activity throughout the work day (e.g. no opportunity to run errands/conduct personal business by foot during day in downtown environment).

Because highly educated, skilled workers are mobile and have many choices regarding where they live, quality of life and quality of place issues are becoming more and more central to their decision-making. Forward thinking metropolitan business and civic leaders recognize this and are working to more closely coordinate land use, transportation and economic development policies on a regional scale in order to create efficient, compact growth patterns that foster vital downtowns, transit-oriented, mixed-use real estate and business development, and open space preservation.

- **Reducing social and economic disparity**

Another key aspect of the new economic development paradigm is an emphasis on combating growing social and economic disparity. Increasingly, business and civic leaders recognize that growing spatial segregation by race and income has the potential to polarize metropolitan regions leading to political instability and social unrest. In addition, there is growing recognition that a generation of young people (including the much sought after 25-34 year old “creatives” and entrepreneurs) places a strong value on diversity and tolerance and actively seeks out regions with vital central cities, integrated urban neighborhoods and authentic street culture.

In response, business and civic leaders in many metropolitan regions are utilizing market-based strategies to develop urban core neighborhoods and link residents to economic opportunity. Importantly, these efforts are not regarded as philanthropy; rather, they are viewed as critical investments in the social and economic fabric of the region that ultimately benefit the business community. Urban revitalization, affordable housing, and workforce development for low-income residents are no longer the sole province of community advocates. Today, powerful business

¹ See FutureWorks report *Imagine a Region* for a summary of Chicago Metropolis’ efforts to stem the jobs-housing mismatch (www.futureworks-web.com) or visit the Chicago Metropolis 2020 website at www.chicagometropolis.org

organizations and metropolitan level economic development agencies engage in these policy areas as well.

III. INSTITUTIONAL COORDINATION FOR REGIONAL GROWTH AND DEVELOPMENT

By nature of its complexity and multi-pronged focus, the emerging regional growth and development agenda requires new forms of public-private collaboration and new levels of institutional coordination.

In FutureWorks' consulting work across the country, we have observed that emerging institutions for regional growth and development typically display the following features:

- A high level of coordination and collaboration between private, public and policy-advocacy groups
- An explicit focus on *regional economic performance* as opposed to city or individual jurisdictions
- An explicit focus on traded sector (or wealth generating) industries
- Concerted efforts to foster a regional perspective among local economic development practitioners in order to limit jurisdictional competition for business development
- Concerted efforts to better coordinate land use, transportation and economic development policy and planning on a regional scale
- An emphasis on compact, transit-oriented development and urban core vitality
- An explicit focus on urban-suburban disparities and the policy mechanisms (i.e. tax policies) that reinforce this inequality

We have observed two major trends regarding institutional form:

First, Business leadership organizations (i.e. Chambers of Commerce, CEO leadership groups, and business councils) are increasingly focused on regional competitiveness. This focus is leading to changes in existing business-led organizations and to the creation of new business-led organizations with an explicit regional focus.

Second, "multi-sector" regional alliances for sustainable growth and development are taking root in metropolitan regions across the country. Regional alliances for growth and development typically involve a region's leading business organization, planning agency and community advocacy organization. These alliances are often "virtual" meaning that they rely on staff support from the partnering organizations.

FutureWorks' survey of business-civic organizations across North America revealed that many business leadership groups now take regionalism and regional cooperation seriously. This new orientation is driven by the fact that the top

priorities of metropolitan business leadership groups are themselves, regional in nature. According to the survey, the top priorities of these business-civic leadership groups are: transportation and physical infrastructure, building and retaining worker talent, and technology-based economic development. Business leadership groups recognize that municipal or county focused institutions cannot get the job done when it comes to these core competitiveness issues. Coordination and collaboration among jurisdictions across the region are key.

Another key trend is multi-sector collaboration. Private and public leaders know that issues such as transportation, workforce development and technology-based economic development require coordination and collaboration between universities, employers, local governments, and community groups. There is growing recognition that no single sector can effectively tackle these complex, systemic issues alone. Accordingly, metropolitan leaders are forming multi-stakeholder coalitions that enable coordinated decision making and action on issues of regional importance.

IV. CHALLENGES AND OPPORTUNITIES IN THE PORTLAND-VANCOUVER REGION

The Portland-Vancouver metropolitan area (PVMA) is well known for regional collaboration around land-use issues. The region is considered a national leader in the areas of public transportation and smart growth and Portland-Vancouver enjoys a well earned reputation as a well planned, livable metro. When it comes to issues of economic development, however, the region has been less forward thinking.

Throughout the Portland-Vancouver region, economic development is generally associated with incremental, physical development. The emphasis over the past 10-15 years on land use has locked PVMA into a somewhat narrow definition of economic development – i.e. a physical definition involving land, building, industrial development etc. As earlier sections of the memo indicate, the theory and practice of economic development has become much more complex over the past decade. Regional competitive advantage is now the name of the game and achieving it requires creative and collaborative thinking and action on multiple fronts. Because of PVMA's strong focus on land use and physical economic development, regional leaders have not focused as much on the connections between innovation, learning and placemaking in the past several years as leaders in some other metro regions. Accordingly, it is now time for PVMA's regional leaders to bring the same innovative spirit they brought to land use issues to the workings of the economy.

Business and civic leaders across Portland-Vancouver are aware that other regions are working to organize themselves as globally competitive regions. There is also growing awareness that PVMA must move away from jurisdictionally focused economic development to regionally focused economic development. This awareness provides an important basis for developing leadership consensus on the need to think and act regionally with respect to economic development.

PVMA faces both challenges and opportunities with respect to a regional competitiveness agenda. To date there is no common language or focus on PVMA as a globally competitive region. In addition, public and private leadership and coordination for regional economic development is under-developed – e.g. there exists no public-private entity to advocate an agenda and action plan on this set off issues.

LEVERAGING CEDS/EDD TO INSTITUTIONALIZE MULTI-SECTOR COLLABORATION FOR REGIONAL ECONOMIC DEVELOPMENT

Because the Economic Development Administration requires that the CEDS be administered by an Economic Development District governed by a public-private board, business and civic leaders across the Portland-Vancouver region now have an opportunity to think through an institutional strategy that can bring leaders together around a regional economic development vision and action plan.

There are a number of opportunities to build upon that indicate the time is ripe to develop an effective institution to advocate for and guide action on regional development issues. Among other developments, the following indicate growing momentum for greater business and civic leadership coordination on a regional economic agenda:

- Success of Oregon Business Plan
- MEPTF
- Regional Partners
- New structure and leadership at Portland Business Alliance
- Recognition by METRO President that paradigm shift (away from exclusive focus on land use) is critical for the region
- Wide scale recognition that quality of life is a regional asset and critical to preserve
- Widespread appreciation for and desire to preserve PVMA’s distinctive identity – i.e. environmental focus, progressive politics, healthy lifestyle
- Widespread embrace of industry clusters as economic organizing principal

Business and civic leaders must consider how to build from these existing efforts to establish institutional leadership and coordination to achieve the strategic vision laid out in the CEDS/Metropolitan Business Plan. A key question is how the designated EDD will provide a starting point for this effort.

As the EDD Subcommittee contemplates the form of the Economic Development District, there are several questions to consider:

1. Once the CEDS/Metropolitan Business Plan is completed who will “own” the vision and goals?
2. Will the EDD be part of a larger organization or will a new institution be created to advocate for the vision and implement the goals of the CEDS/Metropolitan Business Plan?

3. Will the EDD plant the seed that will then grow into a visible, policy-leadership organization responsible for regional economic development and growth?
4. If the EDD is part of an existing institution, which institution should it be a part of? Should it be a business-led institution, a government agency, or a multi-sector organization?
5. If a new institution is created will it be a staffed organization or will it be a virtual organization?
6. If a new institution is not created, how will responsibility for implementation of the CEDS/Metropolitan Business Plan be coordinated?
7. How will the region know if it is making progress toward regional economic development goals? Who will benchmark progress? Who will be accountable for progress toward goals?

V. EXAMPLES OF INSTITUTIONAL ARRANGEMENTS

Business leadership organizations (i.e. Chambers of Commerce, CEO leadership groups, and business councils) are increasingly focused on regional competitiveness. This focus is leading to changes in existing business-led organizations and to the creation of new business-led organizations with an explicit regional focus.

The two examples below demonstrate the breadth of change taking place among business leadership organizations across the country. South Florida and Chicago could not be more different in terms of geography, industry structure and demographics, yet both have given rise in recent years to business leadership groups focused on regional growth and development issues. In South Florida, county-oriented business groups are working cooperatively on regional issues for the first time and in Chicago, a new business-led regional policy organization is driving the metropolitan growth and development agenda.

Profiles of these and many other business leadership groups are available for download at the FutureWorks website.

SOUTH FLORIDA

- Business and civic leaders describe South Florida as an “accidental region.” Historically, leaders in South Florida have been very county-focused. But in 2003, the U.S. Office of Management and Budget united Miami-Dade, Broward, Palm Beach and Monroe counties into a single metropolitan statistical area. With 5.2 million people, South Florida is now the sixth largest metro in the country.
- Until recently, it was rare for South Florida’s business-led organizations to cooperate. Each county has its own chambers of commerce, economic development partnerships and CEO leadership groups – each with their own projects and priorities which have typically been city or county

centered. Historically, there has been a good deal of competition among counties for business development and cooperation has been limited.

- In 2002, a greater spirit of cooperation began to take hold among business leaders. A group called the Regional Business Alliance (RBA) formed out of meeting of the leaders of 3 business organizations representing Broward, Miami-Dade and Palm Beach counties (the Broward Workshop, the Greater Miami Chamber of Commerce and the Economic Council of Palm Beach County). The leaders of the respective business organizations recognized the need to work together as one region and to more closely coordinate the planning and economic development efforts in the South Florida region.
- The RBA relies on the energy and commitment of its 24 Board members to get things done. All board members are chief executives from area companies. In an effort to focus its energies, the RBA decided to take on three issues and to work hard to make a difference in these areas – regional transportation, regional cooperation and net economic growth. The RBA’s first big success was the creation of the region’s first multi-county transportation authority. RBA wrote and lobbied for legislation to create the South Florida Regional Transportation Authority which was signed into law in June, 2003.
- The RBA has extended its enthusiasm for regional cooperation to economic growth as well. The RBA wants to ensure that job growth in the 3-county region is not just being transferred from one county to the next. Up until last year, each county competed with the other two for new business through their own economic development organizations. The RBA has been the catalyst behind a “non-compete” agreement and the Executive Directors of the economic development organizations have agreed to coordinate and communicate on business development issues.
- The RBA Board meets monthly at the South Florida Regional Planning Council and utilizes staff from the Council to carry out initiatives. In January 2004, RBA received its first significant infusion of funding -- a \$300,000, three-year grant from the MacArthur Foundation to pursue its regional agenda.

CHICAGO

- The Chicago metropolitan area is rich in regional business-civic infrastructure. For years three prominent business-civic organizations dominated the landscape. These included the Civic Committee of the Commercial Club of Chicago, the Metropolitan Planning Council, and the Chicagoland Chamber of Commerce. In 1999, a new business-civic organization called Chicago Metropolis 2020 formed for a very specific reason -- to get business and civic leaders to think and act as one region.
- In 1996, The Commercial Club of Chicago, a membership organization of top business and civic leaders, launched the Metropolis Project, an effort to maintain the prosperity of the Chicago Metropolitan region in the 21st century. The project’s premise was that economic and quality of life issues

facing Cook, DuPage, Lake, McHenry, Kane and Will counties are interdependent. More than 200 members of The Commercial Club formed committees to examine regional issues in six areas: education, economic development, taxation, governance, transportation and land use, and housing. The committees consulted with experts and met with regional community, civic and government representatives.

- The culmination of the two-year effort was a report, “Chicago Metropolis 2020: Preparing Metropolitan Chicago for the 21st Century,” released in 1999. A key recommendation called for the creation of a new organization, Chicago Metropolis 2020. Today, Chicago Metropolis 2020 implements the ideas contained in the report. The organization’s regional priorities include housing, transportation and regionalism.
- An Executive Council governs Chicago Metropolis 2020 and includes representatives from business, labor, civic, religious and governmental organizations. Half of the representatives to the Executive Council are members of The Commercial Club of Chicago. Metropolis has a staff of 11 and an annual operating budget of \$2-5 million. The organization works closely with other business-civic leadership groups across the region to advance its agenda.
- The emergence of “multi-sector” regional alliances for sustainable growth and development. Regional alliances for growth and development typically involve a region’s leading business organization, planning agency and community advocacy organization. These alliances are often “virtual” meaning that they rely on staff support from the partnering organizations.

ST. LOUIS

St. Louis and the San Francisco Bay Area represent extremely different types of metropolitan regions. St. Louis has slow job growth, a distressed central city, racial tension, and out-migration. The Bay Area, in contrast, is a thriving, high-tech metropolis. Its economy is among the most productive in the world and it is a magnet for young people, entrepreneurs, and professionals. Both regions, however, have formed multi-sector regional alliances to address metropolitan challenges. St. Louis’ effort focuses on job growth and racial disparity while the Bay Area’s effort grapples with the down side of rapid population growth.

This section describes St. Louis’ economic development efforts; the next details Bay Area efforts. Detailed profiles of each effort are available from FutureWorks upon request.

- The St. Louis Metropolitan Forum (the Forum) is a new multi-sector partnership established by three regional institutions representing government, civil society, and the business community. The founding partners are East West Gateway Coordinating Council (representing government), FOCUS St. Louis (representing civil society) and the St. Louis Regional Chamber and Growth Association (representing business).

- The Forum was established to maintain an ongoing process for government, civic and business leaders to address regional concerns and undertake bold initiatives. The Forum is designed to provide a vehicle by which government, civic and business interests can deliberate, forge consensus, foster actions and speak with a “unified voice” in support of the region. Priority issues include: job growth, racial and economic disparity and tax policy.
- The Metropolitan Forum is not a formal organization; rather, it is a virtual organization that utilizes staff of the three founding organizations to support the ongoing work of the collaboration. The Forum consists of a maximum of thirty-six representatives, including twelve members representing business, twelve members representing local government and twelve members representing civic interests plus the staff directors of East-West Gateway Coordinating Council, FOCUS St. Louis and RCGA.
- The Forum meets at least four times per year. The lead role for organizing, preparing for, and presiding over the meetings of the Forum rotate among the sector for each succeeding meeting. The conveners have developed a cost-sharing arrangement among the sectors to maintain the Forum and are working together to secure private and public funds to support expenses.

SAN FRANCISCO BAY AREA

ALLIANCE FOR SUSTAINABLE COMMUNITIES

- The Bay Area Alliance for Sustainable Communities is a multi-stakeholder coalition composed of 45 business, environmental, social equity, and government organizations working to implement a sustainability action plan for the nine-county Bay Area.
- Established in 1997, The Bay Area Alliance is committed to facilitating region wide dialogue on how the 9-county Bay Area can grow in a more sustainable manner. It is founded on the premise that the people of the Bay Area want to preserve the environmental, economic and social attributes of the region for generations to come. To this end, the work of the Alliance focuses on three interrelated goals: a prosperous economy; a sound environment; and social equity. The Alliance has dubbed these goals the “Three E’s” of sustainable development.
- The Steering Committee of the Alliance consists of leadership from the following institutions: The Sierra Club (environment), Urban Habitat (social equity), Association of Bay Area Governments (government) and the Bay Area Council (business). The Steering Committee meets every two weeks to move the agenda of the Alliance forward. The full membership of the Alliance meets on a quarterly basis.
- The Bay Area Alliance is a “virtual” organization with only one part-time paid staff member who serves as executive director. The virtual quality of the Alliance was a conscious choice by steering committee members who insisted that founding organizations must be responsible for the work of

the Alliance and support it through in-kind contributions such as staff time, office space, and administrative support. Co-management of the Alliance is ensured by making each partner organization a fiscal intermediary for different funding streams associated with the work of the Alliance.

- The central accomplishment of the Bay Area Alliance has been developing and reaching regional consensus on a Compact for a Sustainable Bay Area. The Compact identifies key regional challenges and proposes a package of 10 strategic commitments to action meet those challenges to put the Bay Area on a more sustainable path.
- The Compact is designed to serve as a framework for action that will guide, but not prescribe, both regional and local planning and decision-making and motivate government, employers, civic organizations and individuals in cooperative efforts that will lead to a more sustainable region. By 2004, all nine counties had voted to support the Compact.
- A Draft Compact was presented to county and city officials at the 1999 and 2000 General Assemblies of the Association of Bay Area Governments for review and input. City councils and county boards of supervisors reviewed and commented on the draft in 2001 and 2002. By 2003, 7 of 9 counties and 65 of 101 cities had endorsed the Compact. The final Compact was ratified in 2004.

COMPACT FOR A SUSTAINABLE BAY AREA

Ten Commitments to Action form the centerpiece of the Compact for a Sustainable Bay Area. The Ten Commitments are:

- Enable a diversified, sustainable and competitive economy to continue to prosper and provide jobs in order to achieve a high quality of life for all Bay Area residents.
- Accommodate sufficient housing affordable to all income levels within the Bay Area to match population increases and job generation.
- Target transportation investment to achieve a world-class comprehensive, integrated and balanced multi-modal system that supports efficient land use and decreases dependency on single-occupancy vehicle trips.
- Preserve and restore the region's natural assets, including San Francisco Bay, farmland, open space, other habitats, and air and water quality.
- Use resources efficiently, eliminate pollution and significantly reduce waste.
- Focus investment to preserve and revitalize neighborhoods.
- Provide all residents with the opportunity for quality education and lifelong learning to help them meet their highest aspirations.
- Promote healthy and safe communities.
- Implement local government fiscal reforms and revenue sharing.
- Stimulate civic engagement.

The Compact sets forth an overview statement for each of the ten commitments to action and specifies action steps associated with each of the ten commitments.

Economic Development District Structure

This appendix contains the draft recommendation for the structure of the Economic Development District Board.

BACKGROUND

The Federal Economic Development Administration (EDA) provides grants for infrastructure development, local capacity building, and business development to help communities alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions. The Portland Metropolitan Area became eligible for EDA assistance due to recent high unemployment rates.

EDA funding eligibility is contingent on EDA approval of a Comprehensive Economic Development Strategy (CEDS) and EDA designation of an Economic Development District—i.e. the institution responsible for development and maintenance of the CEDS. EDD designation will make the Portland-Vancouver region eligible for federal assistance that is not now available to the area, including funding for infrastructure projects.

Once the EDA approves the CEDS and the EDD application, the EDD is formed. The EDD is a permanent designation. The EDD has a board of directors responsible for regional economic development planning that works with private and public sector agencies to accomplish the goals of the CEDS.

EDD RESPONSIBILITIES AND INSTITUTIONAL STRUCTURE

The EDD's role is to provide an institutional framework to facilitate and coordinate economic development activities and decisions at the regional level. EDDs facilitate strategies for economic development in their regions by providing funds and guidelines that help direct the planning process. This can involve coordinating local and regional plans, identifying and attracting funding for economic development, developing and funding specific projects and providing technical assistance to specific projects.

EDDs must be organized in one of the following ways:

- As a public organization established under State enabling legislation for the joint exercise of local government powers
- As a public organization established under State enabling legislation for the creation of multi-jurisdictional area wide Planning organizations

- As a non-profit organization incorporated under the laws of the State in which it is located.

EDDs must meet the following requirements:

- The EDD Board of Directors must be broadly representative of the principal economic interests of the district area including the interests of its minority and low-income populations
- A simple majority of the Board consists of elected officials and/or employees of general purpose units of local government who have been appointed to represent the government
- At least 20 percent of Board membership is composed of private citizens—i.e. non-government officials or employees
- EDD staff are qualified professionals drawn from economic development, planning or related disciplines

The EDD Board and organization must provide access for persons who are not members to make their views known:

- The EDD must hold a meeting open to the public at least once a year and must publish the date and agenda of the meeting enough in advance to allow the public a reasonable time to prepare to participate
- The EDD must insure that Board members and others have access to and an effective opportunity to participate in the affairs of the district
- Information should be provided sufficiently in advance of public decisions to give the public adequate opportunity to review and react to proposals

REGIONAL CONTEXT

There are two significant and complimentary regional economic development strategy processes underway in the Portland-Vancouver metropolitan area. The first process, spearheaded by Regional Partners—an association of public and private economic development professionals that work together for a vital and sustainable regional economy—is the Comprehensive Economic Development Strategy (CEDS). As noted above, CEDS was undertaken in an effort to make the Portland-Vancouver region eligible for certain federal funds. The second process, spearheaded by the region’s business associations, is the Regional Business Plan (RBP). RBP was undertaken by the business community in order to establish a private sector-driven regional agenda. Business leaders and their civic institutions in the Portland-Vancouver metropolitan area have yet to formalize a regional perspective on business competitiveness and related development issues. The RBP is an effort to galvanize business leaders throughout the metropolitan area in support of a shared regional agenda.

Both CEDS and RBP strive to establish a regional economic development vision for the Portland-Vancouver region that will be championed by private and public sector stakeholders. General agreement has been reached among the region’s stakeholders that the CEDS process and report will support the RBP.

RBP will be the “public” report advocating for a regional economic development strategy. In contrast, CEDS plays a less visible, but critical, technical support role. To date, CEDS has summarized existing economic development plans, conducted public outreach through surveys, interviews, and meetings, summarized the performance of the regional economy, articulated an economic development vision, and established specific action steps to achieve that vision. The CEDS report is scheduled for completion this summer while the RBP is scheduled to issue its report in the fall. Accordingly, RBP will draw on the technical work produced through the CEDS process to inform and craft a *signature, agenda-setting report* for the region.

SUBCOMMITTEE RECOMMENDATION

In an effort to (1) consolidate emerging leadership structures for regional economic development, (2) maximize resources, and (3) minimize duplication and fragmentation, the subcommittee recommends that the Portland-Vancouver Economic Development District be a subcommittee of the Regional Business Plan Board.

The Regional Business Plan is currently in the process of creating a governing Board that will be composed of private and public sector leaders. Private sector leaders will compose a majority of the RBP Board. To date, forty CEOs from across the region have been identified to sit on the Board. Recognizing that the private sector will need to work closely with public sector partners to accomplish regional economic development goals, RBP will ask Mayors, County Commissioners, and representatives from Metro to sit on the Board and help guide the activities of the RBP.

The Subcommittee recommends that the Economic Development District Board be a subset of the Regional Business Plan Board. Because a simple majority of the EDD Board must consist of elected officials, the RBP Board and the EDD cannot be one in the same. However, the EDD can easily be formed as a subset of the RBP Board drawing upon the Board’s public sector members. The RBP and EDD will need to work together to insure that the EDD meets EDA’s criteria for minority and low-income representation.

The EDD will report directly to the RBP Board. In addition, federal funds awarded to the Portland-Vancouver EDD will support priority economic development initiatives of the RBP. Through the proposed structure, the activities of the EDD and RBP will be complimentary and fully integrated.

EDD FORMATION AND DESIGNATION

As noted, the recommendation of the CEDS Strategy Committee is to form the EDD as a subset of the Regional Business Plan in order to (1) consolidate emerging leadership structures for regional economic development, (2) maximize resources, and (3) minimize duplication and fragmentation.

To date, the Regional Business Plan (RBP) has appointed 40 CEOs to its Steering Committee. However, RBP has not yet extended an invitation to public sector partners and may not do so until the fall.

In order to create a seamless, integrated leadership structure for regional economic development, it is recommended that the CEDS Strategy Committee designate an interim EDD Board Chair and Executive Board drawing upon the existing CEDS Strategy Committee membership. The interim Board Chair and Executive Committee will serve until such time as the RBP is prepared to coordinate and finalize activities of the RBP Steering Committee and the EDD Board.

Working in conjunction with the CEDS consultant team and on behalf of the interim EDD Board Chair and Executive Committee, Regional Partners is prepared to submit all of the necessary documentation to EDA required for EDD designation.

Furthermore, Regional Partners proposes to house the EDD, establish it as a non-profit corporation, and provide necessary staff support until the EDD Board is finalized in conjunction with the RBP. At such time, the EDD/RBP leadership shall determine the most effective and appropriate long-term institutional cover for the EDD.

In support of this approach, the consultant team and Regional Partners are prepared to take the following next steps:

1. Designate an interim EDD Board drawing on the membership of the existing CEDS Steering Committee
2. Assemble all of the necessary supporting materials to apply for EDD designation including EDD bylaws, documentation of the EDD formation, letter and resolutions, and an EDD map (see next section for detailed description of each).
3. Submit the EDD application along with the CEDS in early August.

SUPPORTING MATERIALS REQUIRED FOR EDD DESIGNATION

In order for the EDA to designate a Portland-Vancouver Economic Development District, an application requesting EDD designation must be submitted to the EDA. The application must document the formation of the EDD and provide supporting materials required for EDD designation. As noted, the consultant team and Regional Partners will take responsibility for assembling and submitting the necessary materials in an application to the EDA.

A complete application to EDA will include the following:

- EDD Governing Board list

- Description of EDD organization and procedures
- Letter from EDD Chairperson requesting EDD designation
- EDD resolution requesting EDD designation
- Counties and City of Portland resolution requesting EDD designation
- Letter from the Governor concurring in the EDD designation
- EDD bylaws
- Documentation of EDD formation (i.e. formation of legal entity)
- EDD staff information

Each item is described in turn below:

- **EDD Governing Board.** The EDD Board must comply with EDA guidelines. EDA requires the Board to be broadly representative of the economic interests of the region including business, finance, utilities, labor, education, industry, transportation, the professions, and agriculture. In addition, EDA requires that the Board include representation from low-income communities and be roughly proportional to the population in terms of gender and racial composition.¹

A simple majority of the Board must consist of elected officials and/or employees of general-purpose units of local government who have been appointed to represent the government. A minimum of 20 percent of Board membership must be composed of private citizens—i.e. non-government official or employees. A single individual may represent multiple Board categories.

- **EDD organization and procedures.** At a minimum, the Portland-Vancouver EDD must be organized and prepared to carry out the following procedures: (1) arrange for annual meetings of the EDD Board, (2) establish a management system, (3) submit civil rights compliance reports regarding Board composition (4) prepare and update the CEDS, and (5) coordinate and implement activities of the EDD.
- **Letter from EDD Chairperson requesting EDD designation.** A designated EDD Board Chair must produce and sign a letter requesting EDD designation.
- **EDD resolution requesting EDD designation.** The EDD application must include a (signed) resolution by EDD Board requesting EDD designation.
- **Counties and City of Portland resolution requesting EDD designation** The EDD application must include a (signed) resolution requesting EDD designation from the County Commissioners of Clark, Clackamas, Multnomah, and Washington Counties and the Mayor of Portland.

¹ According to the US Census for Clackamas, Clark, Multnomah and Washington Counties, the Portland-Vancouver region is characterized by the following racial mix: 84% Caucasian; 3% African American; 1% Native American; 7% Other of Mixed.

- **Letter from the Governor concurring EDD designation.** The EDD application must include a signed letter from Washington and Oregon's Governor concurring in the EDD request.
- **EDD Bylaws.** Written bylaws documenting (at a minimum) the EDD name, purpose, legal status, board, board terms, committee structure, election procedures, meeting schedule, work program, staff, budget, and public participation and meeting schedule.
- **Documentation of EDD formation.** The EDD application must include documentation of the legal method of EDD formation organization: (1) articles of incorporation if incorporated as a non-profit, (2) current Intergovernmental Agreement if organized as a public organization established for the joint exercise of local government powers, or (3) state enabling legislation if organized as a multi-jurisdictional planning organization.
- **EDD staff information.** The EDD application must include a staff roster including name, position, past professional experience, sex, race, age, whether disabled, annual salary, and funding source.

List of Public Involvement Activities

Appendix I

This appendix documents the public involvement process that occurred as part of the development of the CEDS. It has the following sections:

- **CEDS Strategy Committee meetings** lists the meeting dates for the Strategy Committee, and provides a brief description of what occurred at each meeting.
- **CEDS public meeting** provides a brief description of a meeting held to gather input from the general public.
- **Survey and interviews** describes how the surveys and interview conducted in conjunction with the CEDS process contributed to the final CEDS document.
- **Regional business meetings** briefly describes the proceedings at several business meetings held throughout the region in which project team members introduced or led discussion regarding the CEDS and related regional business planning efforts.

CEDS STRATEGY COMMITTEE MEETINGS

- **CEDS Executive Committee meeting, January 25, 2005.** This meeting introduced the purpose of the CEDS project to the executive committee members and gathered the group's input regarding the membership of the full Strategy Committee.
- **CEDS Strategy Committee meeting, March 7, 2005.** This meeting introduced the work program for the Strategy Committee, provided background information about the regional economy, and presented draft vision and goals for the Strategy Committee to consider.
- **CEDS Strategy Committee meeting, April 11, 2005.** In this meeting, the Strategy Committee discussed and revised the draft vision and goals. They also met in subcommittees, to begin discussion regarding priority action.
- **CEDS Strategy Committee meeting, May 23, 2005.** The subcommittees presented recommendations for priority actions and an Economic Development District Board structure during this meeting. The Strategy Committee discussed and revised these recommendations.
- **CEDS Strategy Committee meeting, June 27, 2005.** During this final Strategy Committee meeting, the Strategy Committee approved the final CEDS document and recommended that local jurisdictions adopt the document by resolution.

CEDS PUBLIC MEETING

- **CEDS Public Meeting, April 20, 2005, Port of Portland.** At this meeting, the project team described the importance of regional business planning efforts. They also led an activity designed to gather the perceptions of meeting attendees regarding the strengths and weaknesses of the regional economy.

COUNTY COMMISSION MEETINGS

In preparation for approval of the CEDS document, the project team held meetings with the commissioners of Clackamas, Multnomah, and Washington Counties. The project team discussed CEDS process and content with the commissioners.

SURVEY AND INTERVIEWS

SURVEY

The project team developed and implemented a web-based survey designed to gather input about the goals and actions in the CEDS document. Information about the survey was sent via email to over 1500 Portland-Vancouver region residents via list-servs maintained by project partners (including Portland State University, the Eastside Metro Economic Alliance, and the Clackamas County Business Alliance). Links to the web-based survey were also placed on the home web pages of the following project partner organizations:

- The Regional Partners for Business
- Portland Development Commission
- Eastside Metro Economic Alliance
- North Clackamas Chamber of Commerce
- City of Fairview

About 170 people completed the survey. The Strategy Committee considered the results of the survey when finalizing the goals, actions, and strategies for the CEDS. A summary of the results is included in Appendix H.

INTERVIEWS

The project team (led by the Institute of Metropolitan Studies at Portland State University) interviewed 12 business and public sector leaders to determine their priorities. The Strategy Committee considered the results of the survey when finalizing the goals, actions, and strategies for the CEDS. A summary of the results is included in Appendix H.

REGIONAL BUSINESS MEETINGS

- **Clackamas County Business Alliance, March 9, 2005.** Approximately 45 members and guests of the Clackamas County Business Alliance met on March 9, 2005 at the Oregon Golf Club in West Linn, Oregon to discuss the regional economy and hear from a panel of speakers. The topic title was, “Working Together to Achieve Economic Growth” A special manufacturing leadership forum. Presenters were Charlie Allcock, and panel members were Lori Miles-Luchak, Vice President o Miles Fiberglass & Composites; David Marks, President of Marks Metals; Terry Aarnio, President of Oregon Iron Works; Norm Eder from the Northwest Center for Manufacturing and Infrastructure Engineering; and Ron Munkres, Principal of Sabin-Schellenberg Center.

Charlie Allcock discussed the CEDS efforts and the importance of the traded sector in the regional economy. The panel discussed the challenges that their firms face—primarily finding educated workers, training, retention of workers, the aging workforce, healthcare, the need to be innovative, and regulations that are more restrictive than federal laws require.

- **East Metro Economic Business Alliance, March 30, 2005.** Approximately 35 people attended a morning meeting. Diane Vines discussed the efforts of the Oregon Science and Technology Project, Ron Papsdorf, City of Gresham, discussed the North/South Transportation Study, and Becky Steckler, ECONorthwest, and Charlie Allcock, Regional Partners, discussed the CEDS.
- **Regional Business Plan Steering Committee, April 6, 2005.** This was the first meeting of the committee to develop the Regional Business Plan. Approximately 30 people attended. Meeting attendees included business leaders from corporations based in the region, representatives of the Portland Development Commission, and Portland Business Alliance staff. Mark Dodson (Northwest Natural Gas) welcomed committee members and provided an overview of the planning process. Duncan Wyse (Oregon Business Council) described the structure of the Oregon Business Plan as well as the ways that it might connect to the Regional Business Plan. Joe Cortright (Impresa) provided an overview of the regional economy. He also led the committee in an activity that gathered their perceptions of how the Portland-Vancouver metropolitan region compares to other regions in four areas: people, place, productivity, and pioneering innovation. Discussion regarding how to shape the Regional Business Plan’s development process and content followed. Becky Steckler (ECONorthwest) briefly described the CEDS its relationship to the Regional Business Plan.