

Economic Development Strategy for the City of Portland

Summary Report of the Blue Ribbon Committee



**The Portland Development
Commission**

October 2002

BACKGROUND

Since the City's first economic development strategy, "*Prosperous Portland*," was developed in 1994, many of the local, national and international economic circumstances and conditions that Portland faces have changed. Mayor Vera Katz, in her September 2001 speech on economic priorities, noted these changes and directed PDC, in coordination with the Mayor's Business Roundtable, to create a new economic development strategy for the City. The Mayor appointed a Blue Ribbon Committee to review work done by staff and consultants and to recommend strategies and actions that the City should undertake to address the City's economic vitality. The recommended strategies and actions will become the basis of a five-year economic development plan for the City managed by PDC.

The recommended strategies contained in this report are focused on change. This report only discusses new initiatives or existing initiatives that need to be enhanced or strengthened. Existing PDC or other bureau initiatives that support this Strategy, and do not require immediate significant changes in current staffing or funding levels, are presumed to continue at current levels.

Twelve Advisory Panels were also formed to provide industry or issue specific input to the strategy. These panels included:

- High Technology
- Bioscience
- Metals
- Transportation Equipment
- Distribution and Logistics
- Sustainable Industries
- Creative Services
- Professional & Business Services
- Tourism
- Destination Retail
- Workforce
- Finance

This document is the Economic Development Strategy Summary Report recommended by the Blue Ribbon Committee¹. It focuses on conclusions and recommendations and is supported by more than 400 pages of technical appendices. The appendices cover topics like strengths and weaknesses of the Portland regional and City economy, comparisons of the Portland Region to other regions, an analysis of the City of Portland Business License Fee/Multnomah County Business Income Tax, and evaluation of 10 industrial sectors. The Economic Development Strategy Summary Report and technical appendices are available on PDC's website at www.pdc.us/strategy

A final version of this document will be submitted to both the Portland Development Commission and Portland City Council in the Fall. Detailed workplans for priority strategies will be developed and implemented to the degree resources are made available.

MAYOR AND CITY COUNCIL

Mayor Vera Katz
Commissioner Jim Francesconi
Commissioner Dan Saltzman
Commissioner Erik Sten

PORTLAND DEVELOPMENT COMMISSION

John W. Russell, Chairman
Douglas C. Blomgren, Commissioner
Matt Hennessee, Commissioner
Noell Webb, Commissioner
Janice Wilson, Commissioner
Donald F. Mazziotti, Executive Director

¹ This report was prepared under the direction of the Portland Development Commission (PDC). The project was managed by Michael Ogan of PDC's Economic Development Department. The bulk of the research and writing for all technical appendices was done by ECONorthwest (Terry Moore, project manager) under contract to PDC. A full list of participants is available on PDC's website at www.pdc.us/strategy.

PURPOSE

A robust, diversified economy in and surrounding Portland is essential to the well-being and quality of life of all of its residents. Without a healthy, growing economic base that is supportive of other areas of the Region and competitive with other regions of the country, living-wage employment opportunities will diminish, demands on the welfare system will grow, housing costs and homeownership will be out of the reach of more residents instead of fewer, and revenues will shrink that the City and State depend on to support our education system, transportation network and all of the cultural and environmental amenities of the quality of life we hold dear.

***This Study's Goal for Economic Development:
Facilitate the growth and diversification of business activity that (1) creates jobs, income, and wealth, and (2) creates investment that generates municipal revenue to fund the provision of facilities and services that maintain and enhance our quality of life.***

The City's economic vitality is essential to the metropolitan Region, because the City serves as the urban and cultural center of the Region. Likewise, the regional surrounds of Portland are essential to the City, as the availability of a larger variety of industrial and commercial space, and a larger, more diversified workforce are necessary to meet the needs of a changing global economy.

The City and the Region are at an economic crossroad, made apparent by the effects of the current national and worldwide recession. It was with this knowledge that the Mayor of Portland, in September 2001, charged the Portland Development Commission (PDC) with the task of developing an Economic Development Strategy that would identify the key actions necessary if the City is to continue to be a place where Portlanders can prosper and enjoy an enviable quality of life.

The Portland economy, in response to national and international trends, has evolved dramatically over the last century. A brief history of this evolution is in Appendix 2-2. Key points are:

- A shift from natural-resource-based to knowledge-based jobs.
- An increasing use of technology in all aspects of the economy, both traditional and "new economy."
- A shift overseas, facilitated by improved global transportation and communications and by different standards of living, of many traditional as well as "new economy" jobs.
- A shift from a local economic base, measured by political boundaries, to a highly integrated regional economy.
- Increasing competition from other regions within the United States, because of reduced transportation and communication costs, and economic inducements provided by local and state governments.
- A growing percentage of the job base occurring in the public and non-profit sectors which, while essential, do not directly contribute significantly to the City's revenue base and do not give the same opportunities for wealth creation offered by the private for-profit sector. While incomes have grown in Portland over the last decade, those in the Region outside Portland have grown more and average about 8% higher, and business investment is greater.
- Shorter product and service life cycles, requiring much greater agility and speed by businesses in retooling to stay competitive.

Thus, the fundamental purpose of this Strategy is to provide direction for public and private actions to stimulate economic development in the City of Portland, as the urban center of the larger metropolitan Region. Reduced to the most basic level, the goals of the Strategy are to:

- Create jobs, income and wealth.
- Create investment that generates municipal revenue to fund the provision of facilities and services that maintain and enhance our quality of life.

In order to identify key strategies and priority actions needed to restore and sustain Portland's competitiveness, Portland as a region was compared to 10 other regions in the country, and Portland as a municipality was compared to the other cities and counties in its region. The comparison identified a range of factors that influence where businesses choose to locate and expand, and which affect a new business' ability to flourish. These factors are discussed in detail in Appendix 2-3, and a more detailed summary of the interregional and intra-regional comparisons are in Appendices 2-4, 2-5 and 2-6.

PORTLAND COMPARED TO OTHER REGIONS

Comparison Regions

Austin	Denver
Las Vegas	Minneapolis-St. Paul
Phoenix	Sacramento
Salt Lake City	San Diego
San Jose	Seattle

Compared to the other metropolitan regions, Portland is solidly middle-of-the-road on many characteristics. Because Portland is medium-sized relative to the other central cities, it is in the middle of the comparison regions on characteristics like the size of the labor force, total earnings, retail sales, and industrial and office space inventory.

Portland is also in the middle with respect to many characteristics that are not related to regional size, such as the educational attainment of the workforce; the prevalence of professional, executive, and technical occupations; and the distribution of employment in the various industry sectors. Most utility costs (except sewer) are comparably moderate, as are business taxes and property taxes, rents and housing prices, crime rates, and many K-12 educational statistics like class size and drop-out rates.

THE PORTLAND REGION'S COMPARATIVE ADVANTAGES

- **Low lease rates** for office and industrial space.
- **Good transportation.** The region is served by more trucking companies and more Class-One railroads, and has more waterborne commerce, more transit use, and less time and money lost to congested highway travel than most of the comparison regions.
- **No sales tax**, though the fairly high personal income tax counters the advantage.
- **Recreational and cultural opportunities** are plentiful, especially considering Portland's size.
- **Strong central city.** Portland's industrial and office markets are more concentrated in the central business district, which offers a sense of place and urban amenities that suburban areas lack.
- **Some strong industrial clusters**, especially in certain high-technology and manufacturing sectors.

THE PORTLAND REGION'S COMPARATIVE DISADVANTAGES

- **Distance from markets.** The amount of U.S. population within 400 miles and 800 miles is low compared to other regions.
- **Relatively small airport** that currently lacks direct passenger service to Asia and Europe.
- **Need for new transportation infrastructure.** Some expensive highway, rail and seaport/channel improvements are necessary to keep the region competitive.
- **Lack of large, vacant, uncontaminated tracts of industrial and commercial land.**
- **High income tax and sewer costs.**
- **Lack of large research universities.** Despite having several four-year colleges, the colleges are generally small, and very few undergraduates are enrolled relative to other regions².
- **Low patent rate and R&D activity.** Patents are an indicator of high-tech innovation and critical mass.
- **A statewide tax structure which is weakening schools**, not just in Portland but throughout the state.

² Portland State University, Oregon's largest university, is a major provider of engineering and computer science graduates to employers throughout the region. It offers doctoral programs in engineering and computer science, but its research facilities are not broad enough yet to qualify PSU as a major research university.

CITY OF PORTLAND COMPARED TO NEIGHBORING JURISDICTIONS

Portland competes against other local communities within the Region when firms have already decided to locate in the Portland metropolitan area and need to choose their site within the Region. This is also true

Comparison Local Jurisdictions

Beaverton	Camas
Clackamas County	Clark County
Gresham	Hillsboro
Multnomah County	Tualatin
Washington County	Vancouver

when existing local firms are looking for expansion sites or are examining options when major leases are up for renewal. The quality of the workforce is less important at this stage of the location decision process, because workers can commute across a metropolitan area. Firms are more likely to focus on cost of land, tax rates, and regulations. Firms may locate where owners or top executives wish to live, so cities with low crime, good schools, and other amenities will have an advantage.

Portland's greatest advantage is that it is bigger than its local competitors. It has more of everything, including industrial space, office space, housing, and entertainment. But, similarly, it has more of some of the negative things associated with big cities, such as lower measures of educational performance, crime, and congestion.

THE CITY OF PORTLAND'S COMPARATIVE ADVANTAGES

- **More built industrial and office space** in the City of Portland than in neighboring communities.
- **Moderate development fees.** Portland's development fees for office and industrial buildings lie in the middle of the region's range of fees.
- **Range of housing.** Portland's owner-occupied and rental housing is more evenly distributed over a range of prices and types. Other communities in the region are more likely to have prices concentrated in either a low or a high range.
- **Extensive entertainment.** Portland has more restaurants, theaters and museums than neighboring communities.
- **More transportation choices.** Portland has a well developed street network and a transportation system with more capacity and more mode options than neighboring communities.

THE CITY OF PORTLAND'S COMPARATIVE DISADVANTAGES

- **Limited supply of buildable industrial land.** Portland's available industrial land is in small parcels, primarily owned by the Port with development restrictions, or is in previously developed sites that have antiquated facilities or contamination problems. The cost of redevelopment can be high: brownfield sites may require environmental remediation; historic buildings require seismic upgrades.
- **Relatively high sewer rates.** The Region compares unfavorably with other regions, and the City compares unfavorably within the Region.
- **Development review and permit process.** Surrounding communities show a much greater ability and willingness to respond quickly, consistently, and creatively to state building codes and Metro zoning regulations.
- **Higher taxes.** The City of Portland and Multnomah County have a business tax that local competitors do not. This can be particularly challenging to many of the professional and creative services firms that are of prime importance to the City as a commercial and urban center.
- **Deficient schools.** Student test scores in Portland are below the Region's average, although class size is lower and spending per pupil is higher. Portland's school system has a higher proportion of impoverished students.
- **Higher crime rates,** particularly for violent crimes.
- **Older housing.** Most of the single-family homes in Portland are older and often smaller. Multi-family rental units are also generally older in the City.
- **More congestion.** The same growth and concentration of activities that creates economic vitality also creates congestion.

GUIDING PRINCIPLES

The Blue Ribbon Committee established guiding principles for selecting strategies and prioritizing actions to support them. (For a more complete discussion, see Appendix 3.1)

- Recognize that most economic opportunity will be built on the businesses that are already here (80% of job growth comes from existing businesses).
- Understand that what makes existing businesses prosper are the same things that will attract new businesses.
- Focus on what businesses care about most and what government can, if it chooses, do something about. Increase the exchange of ideas with the private sector and seek ways to combine resources.
- Remember that small businesses are the backbone of our economy, and are where big businesses start. Small businesses care about the same things as bigger businesses, but they may require different access to services because of their size.
- Focus on things that build on and complement Portland's strengths (location, existing businesses and workforce; research institutions; quality of life; reputation).
- Recognize that quality of life and economic development issues are interdependent rather than competing community priorities – achieving either cannot be at the expense of the other.
- Recognize the strength of regionalism – collaborate with our Regional Economic Development Partners to compete effectively with bigger cities and regions.
- Capitalize on the critical value and economic potential of Portland as the urban and cultural center of the Region.
- Give priority attention to the fundamentals of a nurturing, entrepreneurial business environment, to ensure that the economic base is diversified. Then pick a few bold moves to meet the future head on.
- Acknowledge and respond proactively to the pressures and opportunities of the international market place.
- Recognize that Portland's economy is tied to a global economy that is facing unprecedented and alarming pressures on natural resources and mounting social and economic demands. Sustainable development is a defining challenge and opportunity for all businesses.
- Remember the current lesson for which we are now paying, economic development programs must be sustained during good economic times; not just considered during downturns.
- Establish benchmarks for outcomes from activities undertaken, and follow up to ensure that commitments are met and resources well used.
- Recognize that everything cannot be done at once – resources do not permit. Therefore, choose carefully:
 - Pick a few actions that are most critical and achievable.
 - Focus on those few.
 - Finish what you start.
 - Follow-up, to determine outcomes and plan for future choices.

ISSUES AND STRATEGIES

The strategies and supporting actions in this section are generally for the City of Portland, and many will require action, or at a minimum facilitation or advocacy, by PDC. But many of the things that need to be done are outside the control of PDC (e.g., improve the City's permitting process, which is the responsibility of a different City bureau). Others are outside the control of the City of Portland (e.g., expanding the engineering school at PSU; ensuring that there is an adequate supply and variety of vacant industrial land inside the metropolitan urban growth boundary). This section lists those strategies and actions selected by the Blue Ribbon Committee from the scores of recommendations it considered. Descriptions are brief; notes are included to indicate the role of the City in implementation. Actions involving PDC will eventually be supplemented by detailed implementation plans.

The discussion presented below outlines ten broad and inter-related issue areas. Within each area, specific strategies, and in some cases supporting actions, are briefly summarized. The role the City of Portland should undertake to address the strategies and actions, as well as timing and resource estimates, are included where possible.

Regional Economic Development Partners: The goal of economic vitality that these strategies support relies heavily on the strength of the Regional Economic Development Partners. Members of the Partners include: the Portland Ambassadors, PDC, other jurisdictions in the Region, the Port, the Oregon Economic and Community Development Department, key area business associations, area utilities and Metro. The success of many of these strategies will require a higher level of civic engagement by the private sector than has been experienced in the recent decade.

Quality of Life: A critical element that is not called out as a separate economic development issue/strategy area is Quality of Life. In recent years, many public discussions have implied that Portland must make a choice between a positive business climate and healthy economy on one hand, and quality of life issues on the other—a perspective not supported by the drafters of this report. Quality of life is made up of a variety of separate elements. The importance of those separate elements varies from person-to-person based on the person's beliefs, values and current economic situation. Quality of life elements can be described as falling into two categories:

- Essential — a job; economic stability; decent, affordable housing; mobility and access between home, work, school, shopping; efficient and dependable public services; healthy air and water quality.
- Important — parks, open space, access to nature; cultural, recreational and entertainment amenities; pristine air and water quality.

The strategies outlined below address many of the quality of life elements. While the focus of this Strategy is primarily in areas that fall under the essential category, PDC, along with other City agencies, has a variety of programs already in place that actively support all quality of life issues.

Small Business Work Plan: Virtually every strategy in this document will benefit small businesses. However, we realize that small businesses face additional challenges because they have less capacity than larger firms to: deal with regulatory burdens; absorb minimum level fees and taxes; research and access available resources. Therefore, additional mechanisms are necessary to ensure effective overall Economic Development Strategy implementation on behalf of small business, including micro-business. Some references to such additional mechanisms are included in a few specific strategies. As part of the overall implementation of this document's recommendations, a Small Business Work Plan will be developed under the auspices of the City's Small Business Advocate. In addition, PDC and the Portland Business Alliance are partnering on a comprehensive Small Business Prosperity Strategy.

Focus on Change: The strategies below are focused on change. This report only discusses new initiatives or existing initiatives that need to be enhanced or strengthened. Existing PDC or other bureau initiatives that support this strategy, and do not require immediate significant changes in current staffing or funding levels, are presumed to continue at current levels.

LAND AND BUILDINGS

To be effective, communities must have an available supply of development-ready land—that is appropriately zoned and that has existing utilities and services—and existing buildings to accommodate the needs of business and industry.

- Many of Portland’s older commercial buildings, particularly in the central city, cannot be fully occupied since they do not meet seismic code requirements. Additional financial resources are needed to bring these buildings up to code so that they can be efficiently utilized.
- In the Region as well as in the City of Portland, there is a shortage of available, ready-to-develop land to accommodate industrial growth.
- Most of the City of Portland’s industrial land is in older industrial sites with antiquated infrastructure and perceived or real contamination. These sites require redevelopment that has not taken place because of the cost, lack of public financial incentives/tools, and regulatory impediments.
- In the City’s efforts to protect some industrial land from non-industrial uses, there is resistance to making zoning changes that would accommodate the changing needs of industrial companies in the new economy.
- The political process to add land to the Region’s Urban Growth Boundary (UGB) moves at a pace significantly slower than the rate of development—which has contributed to a shortage of available land. Even taking into account re-use of vacant or underutilized industrial sites, current proposed additions to the UGB provide significantly less than the identified need for additional land necessary to accommodate the Region’s anticipated employment growth over the next 20 years.

Strategies for Land and Buildings

Priority Strategies

1. Preservation, protection and redevelopment of industrial sites within the City of Portland, particularly antiquated/polluted sites, should be a priority for the City to ensure that Portland is maximizing its efforts to maintain an adequate supply of industrial land in the Region. The first step would be to identify critical antiquated and/or underutilized industrial sites and assess the barriers to their redevelopment. To induce a business to buy a remediated site, it must be at essentially the same price as alternative sites that do not require remediation. Funding mechanisms are needed for the acquisition, assembly and improvement of sites so that they are development-ready. Financing mechanisms would include:

- Expanding or creating new Urban Renewal Areas so that TIF financing could be used to address a larger proportion of the City’s industrial land supply. This could be done in conjunction with evaluation of extending the life of existing Urban Renewal Areas.
- Dedicating general fund resources to enhance site acquisition and remediation outside of existing urban renewal areas.
- Pursuit of assistance through federally funded Brownfield mitigation programs.

The City should re-examine policies within industrial sanctuaries and establish an industrial land preservation policy. The City, with PDC’s input, should examine, modify and re-confirm zoning designations in the City’s industrial sanctuaries, including:

- An industrial land preservation policy -- which should restrict re-zoning of industrially zoned land to other uses without formal consideration and recognition of how and where that industrial land will be replaced elsewhere within the City or Region.
- Maintain prohibitions on retail and commercial office uses, both to protect industrial land for industrial uses and to avoid creating traffic problems disruptive to industrial commerce, while considering adjustments to the Industrial Zoning and Development Code requirements to meet changing business needs to allow such things as:
 - Office operations of subsidiaries of industrial parent companies.

- Short term occupancy by unrelated firms in excess space of industrial office operations during economic transitions.
- Adoption of zoning provisions to allow specific categories of industrial office uses with the City's industrial zones.

The City should address the need to upgrade aging buildings by allocating additional resources to PDC's Seismic Loan Fund, specifically for office and industrial buildings.

Lead: PDC in collaboration with the Planning Bureau.

Timeframe: Short Term/Ongoing.

Cost: Identification and assessment of critical industrial sites would require a full FTE and funds for consulting and project costs — \$200,000.

A minimal industrial land acquisition and remediation program would need between \$10–\$20 million, and while some of the funds would revolve back for re-use, not all costs will be directly recovered by PDC. However, the City will recover these resources once sites are remediated and new businesses are located and contributing to City revenues.

Additional resources for the Seismic Loan Fund should be between \$5–\$10 million.

Development of an Industrial land Preservation Policy, including staff research, analysis and discussion with area stakeholders is estimated at \$80,000–\$100,000.

- 2. Support bringing additional industrial land within the Urban Growth Boundary to ensure an adequate supply to meet the needs of the overall economy, including critical industry clusters.** The City Council, through PDC in conjunction with the Regional Economic Development Partners and the Portland Planning Bureau, should take a strong leadership role in actively supporting the expansion of the urban growth boundary (UGB) to address the current industrial land shortage, including the addition of large-lot industrial properties. Land should be added in a way that is responsive to the needs of key industry clusters throughout the Region, and should specifically include additional land in Washington County to support the further growth and development of the high tech industry. Industrial land added to the UGB should be protected through the following mechanisms to ensure its use for industrial purposes:

- Prohibition of big-box retail and large-scale shopping center development.
- Adoption of restrictions on retail and services/commercial office uses;
- A minimum lot size (40 acres) applicable to large-lot sites brought into the UGB. Regulations should encourage partnering between the municipality and the user of the site through such mechanisms as Master Plan development approvals to manage site development.
- With changes in how businesses are organizing their operations and functions to effectively compete in a dynamic global economy, update and redefine our concept of “industrial” to recognize and include “industrial office”—non-manufacturing uses that are integral parts of industrial sectors (such as software development, R&D and fab-less semiconductor operations within the high tech sector), but which would limit “commercial office” uses (such as professional services firms, call centers, insurance, medical or other personal services uses). As more is learned about the changing needs of industries, definitions and regulations should be adjusted to respond to these new realities.

Lead: City Council -- with the support and involvement of PDC, the Regional Economic Development Partners and the Planning Bureau.

Timeframe: Immediate/Ongoing.

Cost: This is a no/low cost item. It is a policy action and change in interaction/behavior towards other municipalities in the Region and Metro.

Additional Strategies

- 3. Recognize the value of industrial development throughout the Region, including Vancouver.** The City of Portland should support industrial growth, development and provision of related basic infrastructure throughout the Region—recognizing that Portland businesses and the City benefit from that development.

Lead: City Council with the support/involvement of PDC.

Timeframe: Immediate.

Cost: This is a no/low cost item. It is a policy action and change in interaction/behavior towards other municipalities in the Region and Metro.

- 4. Proceed with the comprehensive development of the North Macadam Urban Renewal Area.** The City should move forward with its plans to provide the infrastructure necessary to support development in the North Macadam area.

Lead: PDC.

Timeframe: Immediate/Ongoing.

Cost: Initial public infrastructure costs are estimated at \$60-80 million. Total public costs for the project range between \$150–200 million.

TRANSPORTATION AND OTHER INFRASTRUCTURE

To stay competitive, cities must have a modern and efficient transportation system, providing connections and physical infrastructure for all modes of transportation, including airport and cargo facilities, road and railroad connections, public transit, bicycle and pedestrian facilities, marine access, and telecommunications. While Portland generally scores well on many transportation indicators, some of the area's transportation facilities and the access to markets it provides are becoming less competitive:

- Flights out of PDX do not connect as directly as necessary to national and international destinations.
- Truck access routes to and within our industrial sanctuaries need improvements.
- Land near critical highway interchanges is increasingly being used for non-industrial purposes – reducing transportation access necessary to the efficient movement of goods and products.
- Our rail system, traditionally strong, is facing stiff competition as other regions upgrade their facilities.
- Newer generations of marine cargo ships require deeper channels.
- We do not have a clear strategy to support the development and expansion of telecommunications infrastructure essential to accommodate today's business operations.

Strategies for Transportation and Other Infrastructure

Priority Strategy

- 1. The City, in partnership with the ODOT, Metro, the Port of Portland and other jurisdictions, should work to maintain and strengthen the transportation systems and infrastructure serving Portland.** This should include the following as major elements:
 - **Air:** Work with the Port to strengthen Portland International Airport's national and international role. The City should support airport expansion and development. The airport should increase domestic and international routes, including Asia, Europe and Mexico. Actions include:
 - Incentive packages to attract international carriers.
 - Working with the US Customs Service and INS to review procedures with regard to enforcement of passenger and freight regulations.

- **Road/Highway:** Work with ODOT, Metro, the Port of Portland and other jurisdictions to maintain and strengthen connections from key commercial and industrial areas to necessary transportation systems (highway, train, airport, marine terminals), including improvements identified in the Portland Transportation System Plan. The City should support actions that address the relationship, conflicts, and needs for freight movement in and between industrial areas, intermodal and terminal facilities, and for local delivery of goods to 2040 centers, main streets, and at the interface of residential neighborhoods and freight districts. The following elements should be included in this strategy:
 - Support implementation of the proposed Truck Access and Circulation Study to provide a system-wide assessment and analysis of the needs and deficiencies within the truck freight infrastructure.
 - Support implementation of the I-5 Corridor Partnership Strategic Plan recommendations.
 - Ensure the City's transportation planning is in support of commercial and business needs.
 - Support transportation improvements and protect industrial land near transportation exchanges for users dependent on truck traffic
 - Support and expand on the Refinement Plans, Studies and Projects identified in the Portland Transportation System Plan that implement this strategy. Areas of immediate concern to the business community include:
 - NW Industrial Area-Guilds Lake
 - Hayden Meadows (I-5)
 - Naito Parkway
 - North Macadam
 - Central Eastside Access to I-5
 - Airport Way – I-205
 - Swan Island
 - Critical industrial sites identified as part of Strategy #1, Land and Buildings
 - Work with ODOT on repair and improvement of deteriorated key transportation corridors, including bridges.
 - Support expansion of public transit and transportation management associations in growing commercial/industrial areas.
- **Rail:** Promote the upgrade and maintenance of rail infrastructure. Many important rail lines are in need of upgrade, repair and possible reconfiguration or realignment. Current facilities will not be adequate to meet the needs of the future.
- **Marine:** Support deepening of the Channel (subject to environmental approvals). The City should strongly support deepening and maintaining the Columbia River navigation channel to 43 feet.

Lead: Air & Marine – Mayor and City Council with the support of PDC;

Road/Highway & Rail -- PDOT in collaboration with PDC and the Planning Bureau.

Timeframe: Immediate/Ongoing.

Cost: Air – dependent on the City's willingness to participate in incentive packages through offsetting the cost of City fees and/or other assessments.

Road/Highway – Process costs for staff time are estimated at \$150,000. No estimates are available at this time for actual construction costs related to specific transportation facilities improvements.

Rail – Process costs for staff time are estimated at \$20,000--\$40,000. Upgrades themselves are primarily private sector investments.

Marine – None.

Additional Strategies

2. Telecommunications: Support, with investment if necessary, the continued expansion of state-of-the-art communications technology for Portland businesses. The City should continue to work with companies to enhance the connectivity and bandwidth for Portland businesses and residents.

Lead: Cable office with the active involvement of Commissioner Sten's office.

Timeframe: Immediate.

Cost: Would have low cost impacts if the City can, through coordination with private sector service providers, insure that critical infrastructure and services can be provided. If the City determines that it must directly invest in this infrastructure in order to insure its provision, costs could be substantial—ranging between \$5–\$100+ million, depending on how extensive a publicly funded system is determined to be appropriate.

BUSINESS CLIMATE

A good business climate is one that supports business growth and development. The City of Portland is perceived as having a difficult, if not hostile, business climate, with bureaus staffed by employees with attitudes focused on regulation rather than facilitation and problem-solving.

- The community lacks awareness of the value and benefit of economic development.
- There has been an absence of strong private sector leadership in recent years.
- Our regulatory and permitting systems are seen as unpredictable, contradictory and slow.
- The variety of development permitting systems and processes across the Region's jurisdictions creates a level of complication and confusion that reduces the Region's economic competitiveness.
- Our tax structure drives to the suburbs the very businesses particularly well-suited to an urban location and which the City views as desirable.
- We do not dedicate adequate resources to effective business retention, expansion and recruitment efforts.
- We do not provide adequate support for the needs of small business.
- We do not dedicate adequate resources to providing competitive, flexible incentives for businesses to start, expand or move here.
- We do not have a well-organized, adequately funded international business focus to either our recruitment strategy or our services to help existing businesses grow their markets; both are necessary in a global marketplace.

Creation of a good business climate is a top priority that the City needs to address if it wants to facilitate economic development.

Strategies for Business Climate

Priority Strategies

1. Create and maintain a business climate that is understandable, predictable, stable, timely and customer-driven. This would include:

- The adoption of a policy or value statement that places businesses as clients or stakeholders to be incorporated into the City's regulatory and approval processes and performance measures. Direction for this must come from the Mayor's Office and City Council.
- The creation and ongoing maintenance of an accountable and customer-driven regulatory and permitting process. Doing this encompasses three primary elements:
 - Providing more regulatory stability. The rate at which the City, and its various bureaus, create new and modify existing regulations makes Portland's business environment unpredictable and

raises the costs associated with both administering and complying with an ever-changing system of rules. The rate of regulatory change must be reduced to create a more stable operating environment.

- Establishing a development review and permitting system that provides clear goals—one that is timely, customer driven, responsive, cost competitive, predictable, friendly—to guide the operation of the process.
- A system for benchmarking the permit process and ongoing monitoring of the process to identify areas for improvement. This system should address the performance of the permitting system; its impacts on businesses and business development; staffing; and budget impacts on participating Bureaus.
- On a longer-term basis, once it has implemented the changes recommended above to its regulatory and approval processes, the City should work cooperatively with the other jurisdictions in the Region to examine and consider implementing a “smart permit system” across the Region. A “smart permit system” is one that would utilize similar application forms and user interface across all of the jurisdictions in the Region while still allowing each jurisdiction to impose unique development and regulatory requirements.
- Recognizing and taking into account the needs of small business in the development of City regulations, processes and fees. Unlike larger businesses, small businesses do not have sufficient staff or technical resources to comply with regulations or processes without significant impacts to their operating costs. The impact of City fees, regulations and processes on small businesses should be considered as those systems are developed.
- Provision of training to all City employees to establish standards for customer service and to inculcate a problem-solving ethic.
- Providing a tax structure that supports the City’s economic development goals. The City should support the recommendations that come out of the current evaluation of the City of Portland’s Business License Fee (BLF) and Multnomah County’s Business Income Tax (BIT).

Lead: Mayor’s Office with the involvement of all bureaus, including PDC’s Small Business Advocate, and with strong private sector participation.

Timeframe: Immediate/Ongoing.

Cost: Elements of this Strategy are already underway through the Mayor’s Office.

Initial analysis of the development review and permit system may involve significant consulting, study and process funding, est. \$200,000–\$300,000. Implementation costs will primarily involve establishing training, monitoring, analysis and reporting systems—\$100,000 annually.

Examining the implementation of a “smart permit system” would involve significant cooperation and coordination with all jurisdictions in the Region. Costs are estimated at \$400,000–\$600,000.

Incorporating a small business impact assessment during the City’s consideration of new regulations, processes and fees costs are estimated at \$20,000–\$30,000/yr.

2. The City should increase its commitment to the retention and expansion of existing business and attraction of new businesses, including the creation of an Economic Opportunity Fund to provide incentives to retain and recruit businesses. Economic development needs to be an ongoing priority of the City, not a goal that applies only during economic downturns. Through PDC, the City should:

- Expand the business community’s awareness of and financial support for the City’s Business Retention and Expansion program through increased involvement of community organizations and the private sector.
- Provide additional financial resources to the Regional Business Recruitment and Marketing program through PDC, in conjunction with the Regional Economic Development Partners. City leaders need to take a more active role to support the economic development initiatives of Portland’s suburbs in regional public policy decisions and negotiations.

- To successfully compete, PDC must have discretionary funds to be used flexibly to meet a variety of business needs that are the tipping point issues for an individual company. Uses include paying for infrastructure upgrades, offsetting fees, workforce training or retraining, and assistance with equipment upgrades.

*Lead: Business retention, expansion and recruitment – PDC in collaboration with Regional Economic Development Partners.
Economic Opportunity Fund – PDC and OMF should take the lead on designing such a fund. Research should also be done to identify private or federal resources that might be available to augment the fund.*

Timeframe: Ongoing/ Some resources should be committed immediately, and the City's and PDC's fiscal '03-'04 budget should reflect additions to PDC's Economic Development Department's resources.

*Cost: Implementing a more proactive business development outreach and program would require \$500,000 per year in addition to PDC's current economic development budget.
A city the size of Portland should have at least \$4–\$10 million dollars available for an Economic Opportunity Fund in its budget each year. Since the rate at which such funds will be used cannot be accurately predicted, funds not used in one year could be carried forward toward the next year's Opportunity Fund.*

Additional Strategies

3. PDC should work with the Regional Economic Development Partners to incorporate international business development and marketing as an integral element of the City's and the Region's ongoing economic development efforts and programs. This would include:

- Leverage contacts and relationships with existing foreign companies, e.g. Japanese, German.
- Expand “Team Oregon” approach for sustainable expertise.
- Leverage Port, OECD international offices and the US Dept of Commerce Export Assistance Center as international business development partners.
- Integrate international markets and companies into all business retention, expansion and recruitment strategies.
- Make Portland more comfortable for foreign business people through multilingual signage, brochures, etc.

Lead: PDC in collaboration with Regional Economic Development Partners.

Timeframe: Ongoing.

Cost: Included as part of #2, above. The cost for signage design, production and placement has not been estimated.

4. Educate the public and our elected and civic leaders to the interdependence of our quality of life and economic vitality. See Strategy #1, in the Implementation section found later in this document for specific actions.

BUSINESS FORMATION

The Portland area does not support a highly entrepreneurial environment, so locally grown ideas end up dying, or being transplanted elsewhere to grow and prosper:

- We have a limited venture capital community.
- We are not savvy in the area of technology transfer.
- We have limited resources for non-standard debt financing.
- We provide little organizational and information support for entrepreneurs.

In addition to encouraging State action on the recommendations coming from the Oregon Council for Knowledge and Economic Development (OCKED), the City should support the following strategies.

Strategies for Business Formation

Priority Strategy

1. **The City should invest in OHSU and PSU with a focus on commercialization.** Assist in the development of incubator, laboratory or other space needs to support commercialization of technology and the growth of emerging industries, including:

- Create multi-tenant biosciences incubator for 1st stage start-ups.
- Create multi-tenant biosciences lab expansion space for 2nd stage companies.
- Provide land for development of established biosciences companies.
- Create a high tech business incubator adjacent to PSU.

Lead: Industry/ private sector development community/OHSU/PSU in collaboration with PDC

Timeframe: Short Term

Cost: Development, financing and operation of a biosciences incubator will require significant public expenditure/subsidy. Costs for tenant improvements only could run between \$200–\$300 per sq.ft. Operating costs are unknown at this point.

Development of multi-tenant biosciences lab expansion space for 2nd stage companies may not require significant public investment or subsidy.

The provision of land for expansion of established biosciences companies would require no additional costs beyond what is already anticipated/planned for North Macadam unless it becomes necessary to acquire and hold sites for future development (due to market pressure/demand/timing).

Depending on the ownership/operational model chosen, the development, financing and operation of a high tech incubator adjacent to PSU may require significant city expenditure/subsidy.

Additional Strategies

2. **Leverage pension fund and foundation investments to attract Venture Capital and other equity financing activity to the Region.** Local fund managers and foundations should encourage VC funds in which they invest to regularly visit and consider Oregon opportunities for seed and startup investments.

Lead: Office of Management and Finance.

Timeframe: Immediate.

Cost: No costs in addition to current investments. This would only involve adding a requirement to the funds in which the City invests.

3. The City's elected officials should use their position and influence to urge foundations to start pre-seed funds for target industries. Elected officials can assist through their participation in discussions facilitated by private sector advocates for these industries.

Lead: Mayor/City Council.

Timeframe: Immediate.

Cost: This is a low/no cost item involving elected officials using their position/influence to actively support industry initiatives and efforts.

4. Initiate the Formation of the Portland Family of Funds. PDC is in the process of facilitating the creation of a privately held and managed group of funds (currently referred to as the Portland Family of Funds-- PFF). The PFF will raise capital to be invested in business as both debt and equity. The PFF focus will be for funding to businesses that generate jobs and economic stimulus in low-income communities. The PFF is comprised of four funds:

- **Portland New Markets Fund** will primarily finance large real estate projects. The Portland New Markets Fund will also make business loans.
- **Portland Community Fund** will direct capital investment toward the creation of a range of housing types, including rental and homeownership programs, at varying affordability levels.
- **Portland Growth Fund** will make equity investments in Portland area real estate opportunities.
- **Portland Equity Fund** will make equity investments in business. Investments may include equity ownership in small or emerging businesses as well as mature businesses that create jobs in the community.

Lead: PDC/Portland Family of Funds

Timeframe: Immediate

Cost: No costs in addition to planned investments.

5. Assist in improving the availability of and information about capital to local businesses. The City should support and supplement the resources of private financial services providers by:

- Formation of a task force, with PDC leadership, including representatives from a variety of public, private and non-profit lending institutions and other financial service providers to:
 - Assess the financial tools and/or products needed in the community compared to the tools currently available;
 - Determine modifications to existing tools or design new products to fill identified gaps;
 - Identify sources for the funds necessary to support these new products and the most efficient delivery methods;
 - Develop information on available financial assistance programs, products and providers;

Lead: PDC in collaboration with lender/VC representatives, SBA and OECD.

Timeframe: Immediate — 6 months for the first stage and an additional 6 months for the second stage, if a consultant were engaged.

Cost: A consultant to assist with the initial assessment would cost about \$25,000–\$50,000. Consulting costs for modification of existing and development of new tools would be an additional \$25,000.

6. The City should develop services and systems to support an entrepreneurial environment.

- Create a one-stop center for technical, financial and regulatory assistance for start-up and small businesses. While the private sector can provide technical and financial support to such an effort, the City should be the primary lead for its establishment.
- Support information and referral programs to assist small existing and start-up businesses. The City should coordinate the creation of a single marketing piece that includes all major resources available to businesses and entrepreneurs and that describes where business people can receive training, advice, and technical and financial assistance (as developed in #5, above).

- The City should consider 24/7 on-line systems to provide business, particularly small business, remote access to City applications and process approvals. The City should only consider the development of e-business systems after improvements to the regulatory system that are currently underway have been completed.

Lead: Small Business Advocate working with the Office of Neighborhood Involvement.

Timeframe: Short Term.

Cost: Initial research, analysis and discussion with area stakeholders would be low cost.

Development and operational funding for a one-stop center would be significant.

Annual staffing and operating requirements for a one-stop are estimated at 2-3 FTE

plus necessary marketing, outreach and program resources ~ \$400,000-\$500,000/yr.

The possible cost of a 24/7 on-line system has not been estimated.

7. **Utilize the Internet to broaden outreach and marketing.** This should include the expansion and maintenance of the *Business in Portland* Website and links to and among the websites of partner organizations. See the Marketing Strategy found later in this report for lead and costs.

WORKFORCE AND EDUCATION

Labor is one of the key determinants in most companies' location and expansion decisions. On most workforce issues, the City plays a supporting role. More needs to be done to build a highly skilled workforce to support the regional economy. While Portland's workforce has traditionally been a competitive advantage, that strength is slipping:

- Our K-12 education system in Portland is eroding. The absence of a stable funding source and of successful educational leadership places Portland and the entire State of Oregon at a significant disadvantage. In addition to its economic importance, the region's education systems are a critical quality of life issue.
- Our vocational education system is not sufficiently responsive to business demands.
- We do not have adequate funds to help businesses keep up with changing technology requirements of their employees.
- Our higher education system is not providing the needed science and engineering talent; it requires support to effectively commercialize research and technology discoveries.
- The workforce delivery system needs to be better coordinated and better funded in order to effectively meet the needs of business.
- A growing percentage of our workforce is not fluent in English.

In addition to encouraging State action on the recommendations coming from the Oregon Council for Knowledge and Economic Development (OCKED), the City should support the following strategies.

Strategies for Workforce and Education

Priority Strategies

1. **The City should invest in OHSU and PSU with a focus on workforce development.**

- The City of Portland should double its contribution to the PSU Engineering building, from \$5 million to \$10 million. City Councilors should actively assist PSU's fund raising efforts for the remaining balance of the building's capital campaign.
- Develop public-private partnerships to fund scholarships, laboratory space, and faculty for education related to high-demand occupations (high tech, bioscience, nursing). The City should

financially participate in the scholarship program, and where appropriate, directly contribute to building and faculty recruitment campaigns.

Lead: City Council and PDC.

Timeframe: Short Term.

Cost: \$5 million increase for the Engineering Building; Scholarships — \$20,000–\$50,000 for short term, partial awards; plus facilitation costs.

2. The City should make a strong commitment to insuring the long-term competitiveness of Portland's workforce. This should include the City establishing or supporting a number of employee education, training and employer assistance initiatives, including the following:

- Propose and advocate for a dedicated tax to fund primary, secondary, and higher education. The City should advocate for the creation of a dedicated tax for education to stabilize K-12 and higher education funding in Oregon and to signal the City and State's commitment to the development of a quality workforce and knowledge-based economy.
- Support efforts to establish a statewide Workforce Training Fund, as most states do, using a portion of Unemployment Insurance resources.
- Expanded trades training and vocational education for high-demand occupations. The City should facilitate a better delivery of trades training and vocational education through a coordinated effort with the K-12, community college, PSU, community organization-based, and employer-based training systems.
- Expanded funding and ongoing coordination with Worksystems Inc.(WSI). Businesses that are locating or expanding in the Region need a coordinated workforce delivery system to recruit, screen and hire local workers. The City should advocate and provide additional funding for a continuation of this specific function at WSI.
- Creation of an Economic Opportunity Fund to provide incentives to retain and recruit businesses (duplicate of an element of Strategy #2, Business Climate). To successfully compete, PDC must have discretionary funds to be used flexibly to meet a variety of business needs that are the tipping point issues for an individual company. Uses include paying for infrastructure upgrades, offsetting fees, **workforce training or retraining**, and assistance with equipment upgrades.

Lead: Dedicated tax for education/Statewide Workforce Training Fund -- City Council in collaboration with business leaders.

Expanded trades training and Voc. Ed. – City Council through Worksystems Inc. in collaboration with the network of area workforce development providers.

Increased funding for/coordination with WSI – City Council through PDC collaboration with WSI.

Economic Opportunity Fund -- PDC and OMF should take the lead on designing such a fund. Research should also be done to identify private or federal resources that might be available to augment the fund.

Timeframe: Dedicated tax for education/Statewide Workforce Training Fund -- Short Term for 2003 Legislature, and successive sessions as necessary.

Expanded trades training – Short Term.

Increased funding for/coordination with WSI – Immediate.

Economic Opportunity Fund – Some resources should be committed immediately, and the fiscal '03-'04 PDC budget should fully reflect this amount.

Cost: Dedicated tax for education/ Statewide Workforce Training Fund -- Minimal costs.

Expanded trades training – Facilitation costs plus cost of studies ~\$150,000.

Increased funding for/coordination with WSI – \$100,000 in annual City support.

Economic Opportunity Fund – A city the size of Portland should have at least \$4–\$10 million dollars available for such purposes in its budget each year. Since the rate at which such funds will be used cannot be accurately predicted, funds not used in one year could be carried forward toward the next year's Opportunity Fund.

Additional Strategies

3. **Establish an engineering and science magnet school.** City leaders should collaborate with the Portland Public Schools to create a magnet school focusing on engineering and sciences.

Lead: City Council in collaboration with industry leaders.

Timeframe: Short Term.

Cost: Minimal costs.

4. **Increase ESL and remedial education programs to support high-demand service and manufacturing jobs.** Recognizing the influx of foreign-born workers during the 1990s, the City and its partners need to increase the provision of English as a Second Language and remedial education for English-learning students.

Lead: Worksystems, Inc. with the network of area workforce development providers.

Timeframe: Short Term

Cost: Unknown

5. **Establish programs that increase wealth building opportunities and housing stability for the Portland workforce and their families.** The success of broader workforce and economic development initiatives will increase as the workforce has stability in their housing and an increase in financial assets.

- Programs should be developed that increase the homeownership rate, especially among financially under served minority, immigrant and non-traditional households.

Lead: PDC, Portland Housing Center, BHCD.

Timeframe: Immediate/Ongoing.

Cost: Program costs undetermined.

CENTRAL CITY

An economically and culturally vibrant central city is vital to the City and the Region. The activities and amenities of the central city are essential to support the broader range of industrial and commercial activities in the Region. The cultural diversity of the central city is a critical element of the quality of life that attracts businesses and a talented workforce to the Region. It is also essential to a healthy tourism and convention industry.

Strategies for Central City

Priority Strategy

The City should make the economic vitality of the central city a priority. This should include the following elements and initiatives:

- Give strong focus to retaining and recruiting the Professional Services, Creative Services and other sectors which operate well in an office building environment and whose workforce has a particular inclination to work and/or live in urban centers. The focus on these sectors should be implemented as an element of the broader business retention, expansion and recruitment strategy (strategy #2) in the Business Climate section and the industry targeting strategy (strategy #3) in Target Industries.
- Adopt and implement the April 2002 Downtown Portland Retail Strategy sponsored by PDC and the Association for Portland Progress (Portland Business Alliance).
- Support and encourage increased regional support for the cultural institutions in the City. Businesses throughout the Region and their employees use and rely on the cultural institutions and amenities located in the City of Portland. The regional business community must financially support these institutions in order to ensure their continued survival. The City should assist the cultural community in this effort.

- To support the economic vitality of the urban core, new housing must be developed to meet the needs of a diverse workforce while maintaining decent housing for our most vulnerable residents.
 - Develop a special \$500 million housing loan fund to better leverage PDC's urban renewal resources with new resources such as the Fannie Mae's American Community Fund;
 - Assist the development of market-rate housing that supports expansion of retail in the urban center;
 - Assist the development of housing in emerging or untested markets within the urban center—both in location, such as North Macadam, as well as in housing type;
 - Preserve or replace existing housing serving low-income residents and residents with special needs.

*Lead: Focused business retention and recruitment – PDC in collaboration with Regional Economic Development Partners.
Downtown Portland Retail Strategy – PDC, Portland Business Alliance, Parks Bureau, PDOT, and Planning Bureau.
Support for cultural institutions – City Council in cooperation with area cultural and business institutions, including the Regional Arts and Cultural Council, MERC, POVA, POSA and PBA.
Increasing housing -- PDC in collaboration with Fannie Mae and other funding partners.*

Timeframe: Immediate/Ongoing

*Cost: Focused business retention and recruitment – Included as part of Business Climate Strategy #2.
Downtown Portland Retail Strategy – Varies based on specific implementation strategy.
Support for cultural institutions – This is a low/no cost item involving elected officials using their position/influence to actively support institution-led initiatives and efforts.
Increasing housing -- Process cost for fund administration. Estimated need for \$30–\$50 million of gap financing over the next 5 years.*

INTERNATIONAL TRADE AND INVESTMENT

An effective program for maximizing international trade and increasing foreign investment in the Region must be imbedded as key elements of a wide range of strategies focusing generally on business recruitment, retention, marketing, access to capital and transportation access to and from foreign markets. However, addressing international business development is so important and has been ignored to such a degree in the Region over the last several years, that a separate enumeration of the elements is needed. Most of the strategies identified in this section are repeated, or embedded in other strategies in other sections of this document.

The essential ingredient in a successful international strategic plan is strong coordination among a wide variety of economic development and tourism entities. This is, once again, a strategy heavily dependent on the Regional Economic Development Partners' leadership and participation. The drafters of this document recommend using existing organizations to lead and coordinate the international business effort, while continuing to evaluate the need for forming an additional organization.

Strategies for International Trade and Investment

Priority Strategy

1. **Establish an International Coordinating Committee.** Members of this committee would include the lead organizations for delivery of international services—the Ports of Portland and Vancouver, the Oregon and Washington State Economic Development Departments, PDC, PBA and the other Regional

Economic Development Partners. The Committee should set regular meetings, at least twice a year, as a mechanism to ensure ongoing program and implementation coordination and effective delivery of services. Specific services or strategies to be implemented by individual member organizations should include:

- Improving access to markets (trade) by:
 - Providing technical assistance and information to local businesses to increase their understanding of the services and resources available to them to access international markets.
 - Strengthening international air and water passenger and cargo connections— elements of Strategy #1 in the Transportation section—are critical elements of this strategy.
- PDC should work with the Regional Economic Development Partners to incorporate international business development and marketing as an integral element of the City’s ongoing economic development efforts and programs (*this is a duplicate of Business Climate, Strategy #3*). This would include:
 - Leverage contacts and relationships with existing foreign companies, e.g. Japanese, German.
 - Expand “Team Oregon” approach for sustainable expertise.
 - Leverage Port, OECD international offices and the US Dept of Commerce Export Assistance Center as international business development partners.
 - Integrate international markets and companies into all business retention, expansion and recruitment strategies.
 - Make Portland more comfortable for foreign business people through multilingual signage, brochures, etc.
- Promote the Region in international (and national) markets. This strategy will be implemented as an element of Business Climate, Strategy #2 and all elements of the Marketing Strategy, below.

Lead: Establishing an International Coordinating Council – Port of Portland, Port of Vancouver, Oregon and Washington State Economic Development Departments
Improving access to markets – Port of Portland, Port of Vancouver, Oregon and Washington State Economic Development Departments. PDC and the Portland Business Alliance can assist in the dissemination of information on available services and referrals to appropriate resource organizations.
International business development and promotion – PDC in collaboration with Regional Economic Development Partners and POVA.

Timeframe: Immediate/Ongoing

Cost: Establishing an International Coordinating Council – Would require minimal staffing costs and participation by involved organizations.
Improving access to markets – Assumed to be included in current operating budgets.
International business development and promotion – Cost to PDC is estimated at \$250,000 for staff, travel, preparation and translation of print materials. Included as part of Business Climate, Strategy #2, above. The cost for signage design, production and placement has not been estimated.

MARKETING

The City of Portland and the Portland Region lack an identifiable, dynamic and consistent marketing message for business attraction. PDC has participated in a cooperative state-wide marketing program, and has been effective in marketing the creative services industry, but needs to do business development marketing in concert with its Regional Economic Development Partners for both national and international recruitments. The focus should be on developing consistency in the message, as well as marketing sites, industrial strengths, quality of workforce, and exceptional livability factors.

Strategies for Marketing

Priority Strategy

1. Convene and support a marketing coordinating council. As in the late 1980's when the "Marketing Portland Coordinating Council" was convened, this should be a cooperative regional effort among the economic development, tourism and business organizations to develop and implement a collaborative marketing message and implementation plan. The area's initial marketing efforts should focus on the following elements:

- Advertise and promote Portland and the Region as a great place to do business. Incorporate an "open for business" theme into public policy and communications.
- Advertise and promote the Portland Region's advantages to international companies. Integrate international marketing efforts into all business retention, expansion and recruitment strategies.
- Utilize the Internet to broaden outreach and marketing. This should include the expansion and maintenance of the *Business in Portland* Website and links to and among the websites of partner organizations.

Lead: Formation of the Council – Mayor with the involvement of POVA, PDC and the Regional Economic Development Partners.

Promoting an "open for business" theme – City Council with the involvement of all bureaus.

Promoting Portland internationally – PDC in collaboration with Regional Economic Development Partners.

Utilize the internet – Small Business Advocate

Timeframe: Formation of the Council/Use of the Internet – Short Term.

Promoting Portland as "open for business" and internationally– Short Term.

Cost: Formation of the Council – Initial process costs and participation costs to facilitate the convening of necessary partners and participants ~ \$100,000.

Promoting Portland as "open for business"– Process costs for staff time.

Promoting Portland internationally – Included as part of Business Climate Strategy #3.

TARGET INDUSTRIES

A good business climate forms a basic economic development foundation, a baseline. While this is the essential first step in retaining and attracting businesses, it is not enough because it is not proactive. Working with and targeting the needs of a few specific industries is a mechanism to focus the City's limited proactive economic development resources to compliment baseline business climate efforts.

Proactively targeting industries should be a dynamic strategy—providing the necessary policy support and general direction for goals or processes to use in selecting individual industries. In order to be responsive to the dynamic nature of the economy, the determination of which industries to target and the specific mechanisms to address their needs should be developed in thoughtful consultation with the business community and elected and civic leaders. Dedicating resources (staff or money) into targeting specific

industries or companies should be done in moderation, because it is impossible to predict with certainty where the future lies.

Underlying principles of any industry targeting effort by the City should include:

- Focus most efforts on industries that are already here, particularly those that are growing—take maximum advantage of existing natural, demographic and capital assets through efforts such as:
 - Capitalizing on supplier and customer linkages.
 - Developing emerging niches and subclusters within larger sectors.
 - Addressing a range of skill requirements (include both high wage jobs as well as jobs that meet the employment needs of existing residents that may currently lack high wage skills).
- The primary focus of “new” industry targeting and development efforts should be on sectors that deliver high wage jobs and/or high capital investments.
- Tie workforce initiatives to industry targeting efforts—with education/training designed to provide people with the skills to move up career ladders;
- Focus on traded sectors—industries and firms that sell their products/services outside of this Region, and thereby bring income and wealth into this community.

Strategies proposed below include potential industries that could be considered for targeting.

Strategies for Target Industries

Priority Strategies

1. **Provide targeted support to address industry-identified needs of established industry sectors and existing businesses within the City, particularly Portland’s small businesses.** This would include focused retention and expansion assistance and support for existing businesses as well as strategic recruitment of their customers and suppliers. Much guidance for this has been given in the Industry Panels convened for this document. However, other clusters must be investigated as well, to make sure that all opportunities are identified. (The work currently underway by the Oregon Business Council is expected to supplement the research done by PDC.)

Lead: PDC in collaboration with OECD and the Regional Economic Development Partners
Timeframe: Ongoing
Cost: Will vary with opportunities, and will require support from Economic Opportunity Funds

2. **PDC should identify emerging industry sectors and specialized growth niches within existing sectors, identify their needs and support their growth and development.**
 - Support the creation and/or ongoing development of specific industry associations and advisory councils to the City (such as Sustainable Industries, High Tech, Biosciences, Creative Services, Professional Services). The associations/advisory councils would be responsible for working with the City and PDC to determine industry development strategies and develop programs and policies to encourage the growth of the industry.
 - Target and focus business expansion and recruitment efforts on emerging industries. These sectors may include industries such as Sustainable Industries, Bioscience, Third Party Distribution and Logistics Providers—but should not be limited to the set of 10 industries studied as part of this effort, and could include industries such as Food Processing, Sports Apparel, Venture Capitalists or Cyber Security.

- Initial industry targeting efforts should focus on identifying and capitalizing on niches within the following sectors:
 - Technology.
 - Bioscience.
 - Sustainability.

Lead: PDC in collaboration with OECD and the Regional Economic Development Partners

Timeframe: Ongoing

Cost: Will vary with opportunities, and may require support from Economic Opportunity Funds. If significant staff support is required for a particular industry, additional staff resources may be needed.

Additional Strategies

3. **Target retention and recruitment efforts to businesses that traditionally choose to locate in urban centers either for proximity to customers or to address employee preferences.** This would include, but not be limited to, Professional Services, Creative Services, and Destination Retail.

Lead: PDC in collaboration with Regional Economic Development Partners

Timeframe: Ongoing

Cost: Included as part of Business Climate, Strategy #2.

IMPLEMENTATION

Successful implementation of this or any economic development strategy depends on several key actions and supporting mechanisms.

- The community in general and elected and civic leaders in particular must be fully and continuously informed as to the critical importance of sustained economic development to the health of our community and its quality of life.
- The City and all its organizational units must have a common understanding of the priority that the City places on economic vitality and the actions and investments that are necessary to support it. It must speak with one voice to the business community.
- The City's commitment to economic development must be an ongoing priority, one that is a constant through good as well as bad economic times.
- The major economic development entities in the public and private sectors throughout the Region must work together in a consistent and coordinated fashion.
- Detailed implementation plans must be developed to support the role of the City in executing strategy elements. Plans must be developed by the lead agency/bureau identified, with collaboration with other key bureaus/organizations.
- Mechanisms must be established for measuring progress and outcomes of different strategy elements.

Strategies for Implementation

Each of the individual strategies and actions described below should be viewed as elements critical and necessary to the successful implementation of the strategies contained in the nine other sections of this report.

1. **Public education/awareness.** A public education program must be developed, beginning with the public meetings that will help introduce this document to the community. The elements of the program would include explaining: the goals of economic development; the relationship between private-sector business growth and the opportunities for wealth creation and improved quality of life; the commitments

that other cities make to economic development relative to Portland's current commitment, and the long term return on investment of such commitments.

Lead: PDC in collaboration with PBA, NINA, CEIC, CCA, Regional Economic Development Partners.

Timeframe: Immediate/Ongoing.

Cost: First 6 months—1.0 FTE; Ongoing—0.25 FTE; Materials budget—\$5,000.

2. **Unified City Support.** The Mayor and City Council must adopt a clear statement of support for addressing the needs of the business community and for providing services with a clear attitude of helpfulness and problem-solving. This statement must then be endorsed by each agency and Bureau of the City and translated into specific actions, policies and training to increase responsiveness to, and a supportive attitude when interacting with, the business community.

Lead: Mayor's Office, with active support by PDC.

Timeframe: Immediate.

Cost: Staff time. A consultant could be hired to navigate the process through the various agencies/bureaus. This would cost about \$25,000, but would expedite successful completion.

3. **Regional Coordination.** The City must formally acknowledge the role of the Regional Economic Development Partners as the lead regional entity for coordinating economic development activities and business recruitment activities in particular. The Regional Partners have a proven history of strong collaboration, and enjoy the support of their local governing bodies. The Partners look to PDC to staff and coordinate the recruitment and economic development policy work of the Partners organization.

Lead: Mayor's Office.

Timeframe: Immediate.

Cost: None immediately. However, as the Partners take on more issues, member contributions, including PDC's, will increase. An additional FTE (approx. \$100k) is likely in next fiscal year.

4. **Monitoring.** A mechanism must be in place to monitor progress, measure outcomes of the strategies chosen for implementation and to ensure that the City's commitment to economic development is an ongoing priority, not one that applies only during economic downturns.

- Structured implementation plans and schedules for items that have been given the highest priority should be in place by January 2003. These plans should include how the outcomes of each strategy will be measured, and the funding, if any, necessary, for measurement.
- The Blue Ribbon Committee, or a successor body, should meet at least annually to monitor progress on active strategies. The first such meeting should take place as soon as implementation plans and benchmarking measures have been designed.
- PDC staff should report annually to its Commissioners, the City Auditor and to the City Council on progress and outcomes.

Lead: PDC with support from other lead entities.

Timeframe: Immediate/Ongoing.

Cost: Staff time of entire Economic Development Department; est. \$30,000–\$50,000/yr.

BLUE RIBBON COMMITTEE MEMBERS

Marty Brantley, Former Chair, Portland Development Commission; member of Mayor's Business Roundtable
Margaret Carter, President, The Urban League
Gale Castillo, Executive Director, Hispanic Metropolitan Chamber of Commerce
Joe D'Alessandro, President/CEO, Portland Oregon Visitors Association
Tim Grewe, Office of Finance and Administration
Roy Jay, President/CEO, Oregon Business Network / African American Chamber of Commerce
Jim Johnson, Chairman, New Economy Coalition, former Oregon Site Manger, Intel Corporation
Kim Kimbrough, President, Portland Business Alliance; member of Mayor's Business Roundtable
David Lawrence, Deputy City Manager, City of Hillsboro
Donald Mazziotti, Executive Director, Portland Development Commission
Don McClave, former President/CEO, Portland Metropolitan Chamber of Commerce; member of Mayor's Business Roundtable
Wally Mehrens, Executive Secretary, Columbia Pacific Building Trades
Randy Miller, Chair, Portland Ambassador Program; member of Mayor's Business Roundtable
Hiroshi Morihara, President, Persimmon Development Group
George Passadore, President, Wells Fargo (NW Region); chair, Portland Business Alliance
John Russell, President, Russell Development; Chair, Mayor's Business Roundtable; Chair, Portland Development Commission
Rick Saito, CEO, Group Mackenzie; Chair, Japan America Society of Oregon
Sonal Shah, President, EZ Recruit.com and Northwest Software Inc.
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