

Outcome Team Thriving Economy

FY 07 Budget Priority Setting MULTNOMAH COUNTY OREGON

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

I want Multnomah County to have a thriving economy

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

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

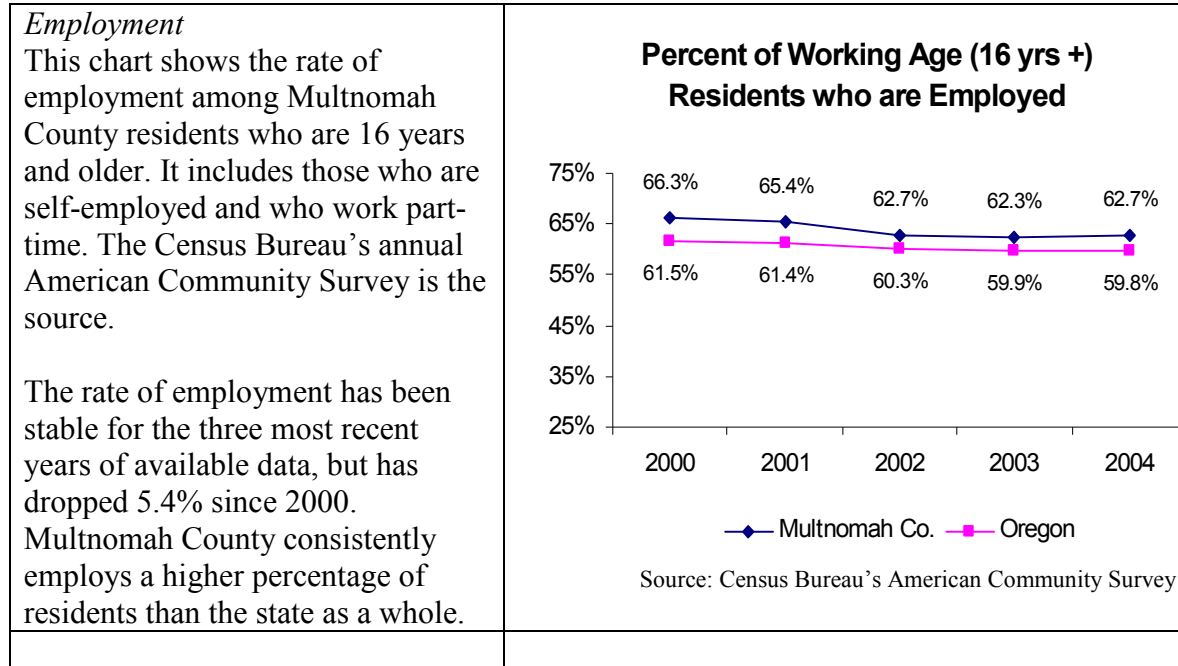
The team obtained additional information from the Auditor to more clearly illustrate the relevance of the data in comparison with other benchmarks (e.g., wage averages for the rest of the state of Oregon.)

The FY06 team came to the conclusion that there is no accurate and consistent way to identify the wages of county residents. The data are simply not reported at that level. All the measures that specifically relate to county residents are based on either income or earnings. Those two terms are problematic because they include more than wages/salaries and, thus, can skew the average.

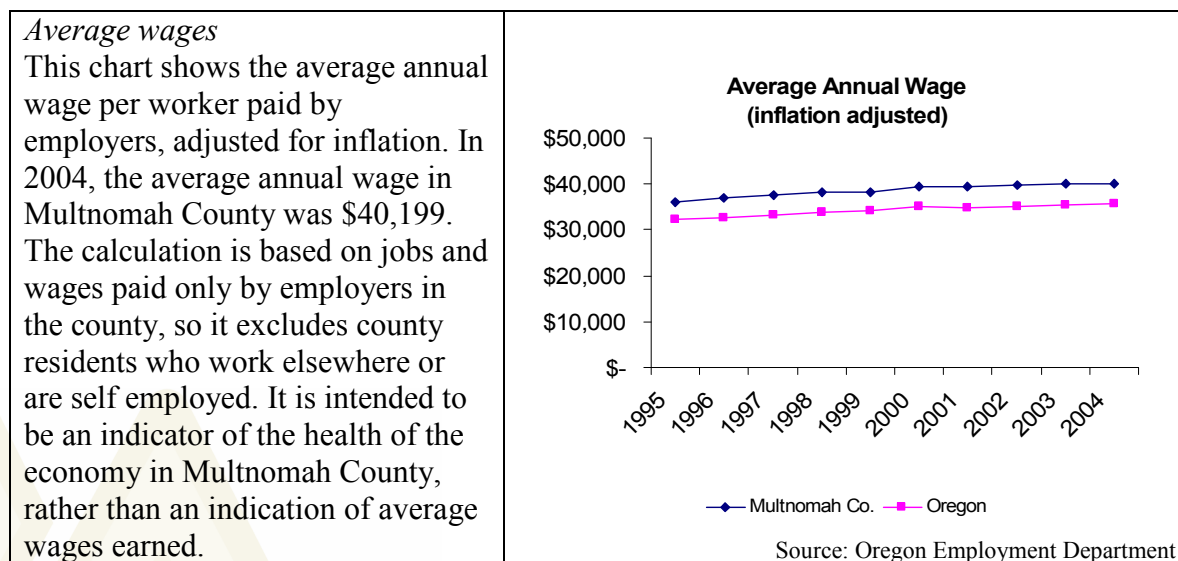
Therefore, indicator # 2 was modified to reflect the average wages paid by Multnomah County employers. This will, naturally, include non-county residents (and it does not capture the self-employed) but was believed to be a valid way to measure the health of the Multnomah County economy. It is also a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

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



2. Average wage paid by Multnomah County employers.



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The average annual wage has been relatively flat since 2000, but is up 11% over a decade ago. Multnomah County wages are, on average, \$4,400 higher per year than statewide average wages.

3. Number of jobs provided by Multnomah County employers.

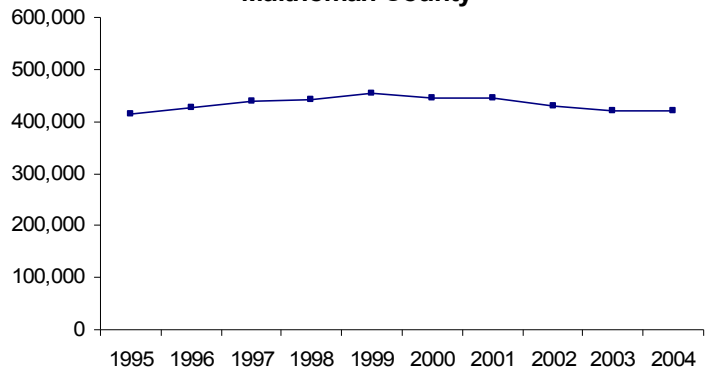
These charts reflect the number of jobs provided by businesses in Multnomah County. They exclude individuals who are self-employed or work outside of the County and do not differentiate between part-time and full-time positions. They are intended to be an indicator of economic health rather than a complete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

Total Jobs and Job Growth

Over the last decade, a total of 23,081 jobs were added in the aggregate. Between 2000 and 2003, 33,200 jobs were lost, but this trend was reversed in 2004.

Multnomah County employers lost jobs every year between 2000 and 2003, for a total loss of 33,200 jobs after years of gains. 249 jobs were added in 2004.

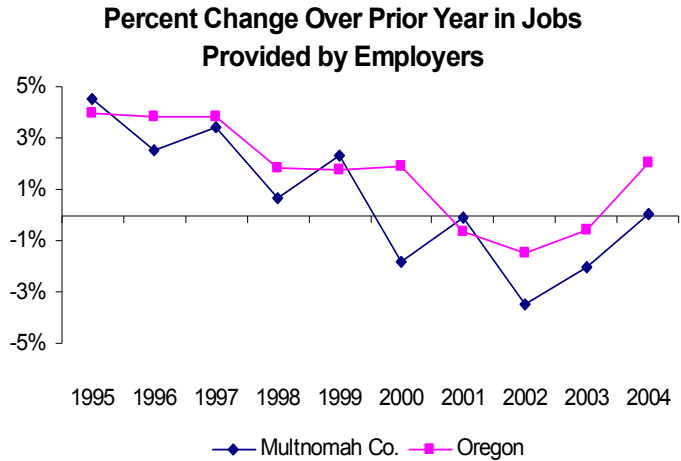
Jobs Provided by Employers in Multnomah County



Source: Oregon Employment Department

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

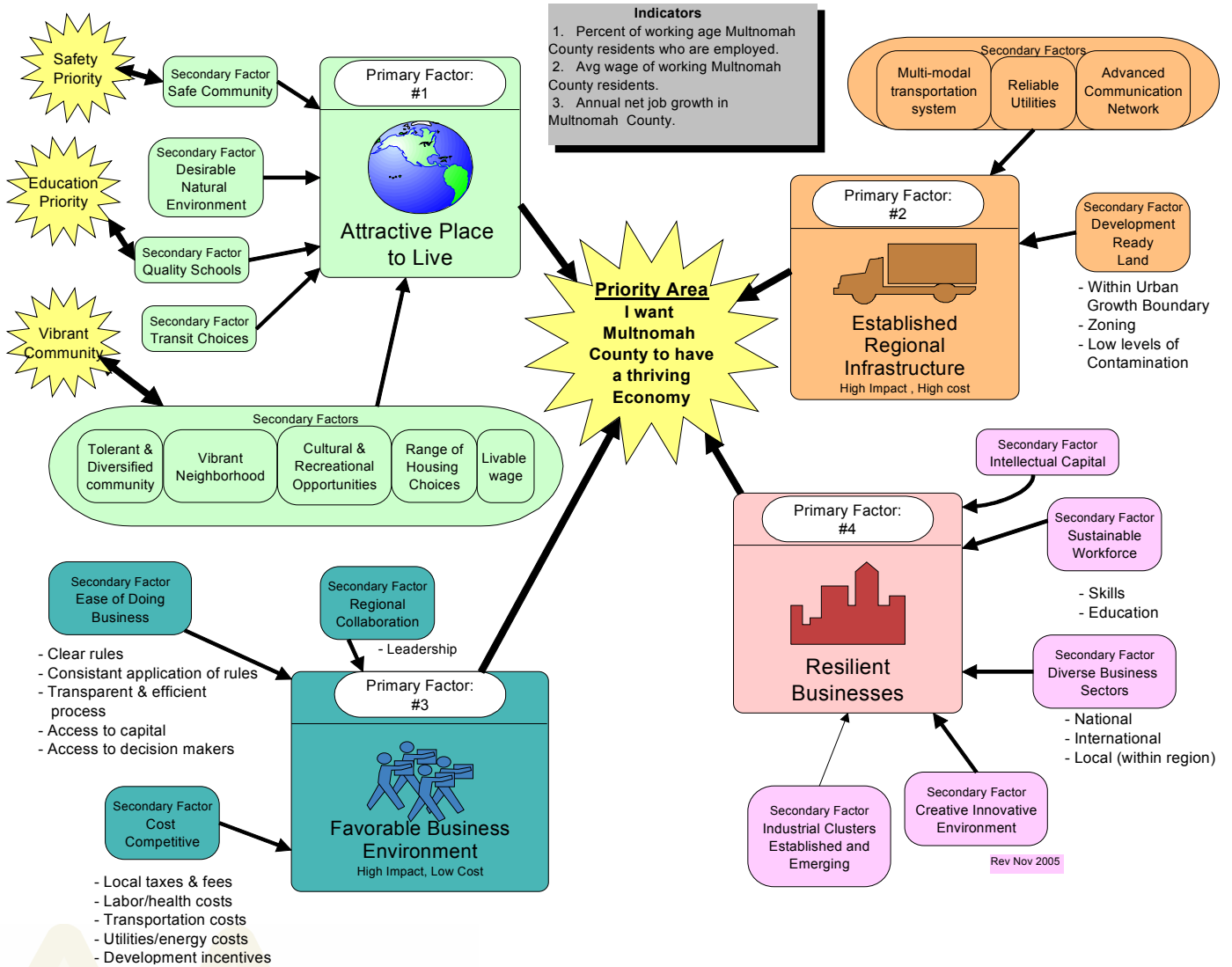


Source: Oregon Employment Department

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

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



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

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

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

1. Attractive Place to Live

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

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

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

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

2. Established Regional Infrastructure

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

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

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

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

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

3. Favorable Business Environment

The ease of doing business, and the time it takes to get through regulatory "red tape", were cited consistently as aspects of creating a favorable business environment. There are many recent examples where businesses chose to expand or locate outside of Multnomah County because it takes too long to get a project from the drawing board to

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completion. In the literature we reviewed, the concept that the development process should be efficient and transparent is stated in terms of improving customer service. As stated by Bob Whelan, an economist with ECONorthwest, the notion that government can play a role in establishing a favorable business environment can be summarized in the following three points:

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

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

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

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

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

4. Resilient Businesses

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

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

improvement and innovation that can sustain . . . success for a prolonged period.” Put another way, successful traded sector clusters bolster and support the local sector.

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

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

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

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

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

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

1. Champion the county’s economic interests: “a seat at the regional table!”

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

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

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

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approach and from a reactive to a proactive perspective. For example, in recent discussions about the potential extension of the Central Eastside Urban Renewal Area, staff has taken an assertive approach to gathering information, asking questions and challenging assumptions. The result has been a tangible shift in the direction and quality of the discussions and a notable increase in the County's influence over the outcome.

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

Requests for Offers

We are looking for offers that:

1. provide for participation in regional economic development efforts. Offers should provide a clear strategy for improving the County's influence and impact on the region's economy. The development of an Economic Development Framework would be a logical element of this effort.
2. use the County's efforts in other areas (e.g., roads, libraries, taxing, facilities development and land sales, etc.) to strengthen and leverage its support of its economic goals. This effort might also consider ways to leverage and assist County Commissioners in their participation in various forums throughout the region.
3. include "living wage advocacy" as a core element of the proposed efforts. The retention and creation of jobs alone is not enough. These jobs must pay living wages in order to achieve our economic development goals and to reduce the demands on other County programs which provide for our residents basic living needs.

It is hoped that offers in this area could be funded from SIP administration funds or other non-General Fund sources to avoid competition with other essential County services.

2. Do County business right!

The County has control and responsibility over several important activities that contribute to the thriving economy priority area. Doing business "right" means the County leads by example to make the County a good place to do business. For

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example, The County owns and maintains six of the major bridges in downtown Portland that span the Willamette River. These bridges are vital links in the regional transportation network which move people and freight. These regional assets are in need of significant maintenance and/or replacement and carry substantial financial liability. The County should, therefore, be proactive in its efforts to ensure the long-term viability of these structures.

The County's Strategic Investment Program is a partnership between business and government to strengthen workforce development and training programs. A quality workforce has been identified as being critical to business expansion and retention.

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

Requests for Offers

We are looking for offers that:

1. leverage local, state and private funds for needed capital improvements.
 - a) actively seek solutions to major financial problems and liabilities rather than just programming current available funding.
 - b) identify and target federal funding sources for necessary road and bridge projects.
 - c) reduce the County's "footprint" through disposition of obsolete facilities and move those properties on to the tax roll.
2. streamline business processes and reduce the time it takes to review and permit development projects to facilitate the ease of doing business.
3. leverage the County's role to strengthen regional workforce development and training programs.

3. Retain existing and recruit new business

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

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Requests for Offers

We are looking for offers that:

1. support the efforts of lead agencies, such as the Portland Development Commission (PDC), in marketing Multnomah County and the Portland PMSA to new businesses. Offers in this area should consider what makes this area unique and target the businesses and individuals who would find these attributes most appealing. Two specific areas of uniqueness which we identified are independence of thought and action and connection and concern for the environment.
2. create incentives to attract businesses to the region. One idea we discussed that might be worthy of consideration is to create a local version of the Strategic Investment Program (SIP). The SIP, as currently created by State law has a limited application for very large firms which are making huge initial capital investment. Since much of the growth in our economy comes from smaller scale businesses, we wonder if it might be fruitful to consider using County Investment (one-time) funds to provide incentives (e.g., taxes, permitting, workforce development, daycare, etc.) for target businesses.
3. propose ways to mitigate costs that make Multnomah County less competitive to new and existing business sectors.

V. Program Ranking (Composite Report)

Program #	Name	Department	Rank	Score	es Recei		
					H	M	L
91015	Bridge Maintenance & Operations	DCS	1	18	6	0	0
91013	Road Engineering & Operations	DCS	2	17	5	1	0
91016	Bridge Engineering	DCS	2	17	5	1	0
91014	Road Maintenance	DCS	4	16	4	2	0
91017	Transportation Capital	DCS	4	16	4	2	0
91019	Transportation Planning	DCS	4	16	4	2	0
91025	Road Fund Transfer to Willamette River Bridge Fund...	DCS	7	14	2	4	0
10049	East Metro Economic Alliance Pass Through	NonD	8	12	1	4	1
91026	Road Fund Transfer to Bike & Pedestrian Fund	DCS	9	11	1	3	2
10016	Strategic Investment Program Contractual Obligations...	NonD	9	11	1	3	2
10021	State Regional Investment Program	NonD	9	11	1	3	2
91022	County Road Fund Payment to City of Gresham	DCS	12	10	1	2	3
10048	Oregon Science & Technolgy Partnership Pass Through	NonD	13	9	0	3	3
10027	Business Income Tax Pass-Through	NonD	14	8	1	0	5
91021	County Road Fund Payment to City of Portland	DCS	15	8	0	2	4
10028	Convention Center Fund	NonD	15	8	0	2	4
91023	County Road Fund Payment to City of Fairview	DCS	17	7	0	1	5
91024	County Road Fund Payment to City of Troutdale	DCS	17	7	0	1	5

VI. Program Ranking Discussion

The Thriving Economy team received a limited number of offers which fell into two distinct program areas. All of the direct service program offers could best be characterized as transportation/infrastructure related. There are also a number of offers that obligate the County to make pass-through payments on behalf of other jurisdictions or entities.

As our composite ranking list suggests, the team was virtually unanimous in their agreement on the 18 offers submitted to this priority area. The BIT Pass Through (offer # 10027) was the only offer where the team's rankings were divergent. This reflects an overall philosophical debate within the team about the value of ranking programs that are simply pass-through mechanisms where the County has no opportunity to direct the use of resources or monitor expected outcomes of the related expenditures. It is also questionable how this program contributes to a Thriving Economy as it has been defined on the strategy map.

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In general, the team ranked direct, county provided service programs highly. Those programs have a strong relationship to the second primary factor – “Established Regional Infrastructure” – on the strategy map. The team was in agreement that those programs reflect the areas where the County has the greatest ability to influence the indicators established for this priority.

Program offers that budget pass-through payments were uniformly ranked toward the bottom of the list. One point the team noted with regard to those programs is that they did not include any performance measures. They tend to be governed by long term agreements that do not allow the County to direct the use of the resources. It is clear that these programs need to be purchased. However, team members expressed some frustration over the fact that the offers did not identify what is being purchased with the pass through funds.

One new program offer did rank relatively high. Program # 10049 - East Metro Economic Alliance Pass Through - proposes to use \$25,000 of unallocated Strategic Investment Program (SIP) revenue to support economic development activities in east county. The team noted that job creation is one of the primary indicators for this priority area. It was felt that any effort the County could make to stimulate job growth could prove to be effective.

VII. Policy Issues

1. Overall Number of Programs and Response to RFOs – The offers submitted to this priority area are few in number and are in areas where funding discretion is limited.

- Offers are primarily associated with Transportation Division. These have little, if any, impact on how General Fund resources are allocated.
- There were no offers submitted in response to strategy # 3 (Retain Existing and Recruit New Businesses) and only a few submitted in response to strategy # 1 (Champion the County’s Economic Interests)
- If this is truly one of the County’s priority areas there should be greater emphasis and attention placed on it in the future. A few questions might help focus that discussion. What role should the County play in this arena? And, does the County have a specific economic development strategy or plan?

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2. **Pass Through Payments – Exactly half the program offers associated with this priority area account for pass through payments.**
 - None of these offers have performance measures associated with them. What is the County “buying” with these resources?
 - The team questions the value of reviewing and ranking these programs as stand alone offers.
 - Where the County acts as a “middle man” in passing through funds from one agency/jurisdiction to another the team believes it would be more efficient if those resources were transferred directly. Offer # 10021 – State Regional Investment Program - is one example of this type of pass through.

3. **Convention Center Fund – Transient Lodging Tax and Motor Vehicle Rental Tax are dedicated to debt retirement, operating costs, and a handful of other uses.**
 - It appears that tax collections have improved over the past year or so. If the tax revenues are sufficient to fund the items listed in the agreement between the County, City of Portland, and METRO could some of the additional resources be dedicated to market Multnomah County and the OCC to organizations seeking convention locations?

Acknowledgements

Experts:

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

Evidence:

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

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

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

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

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

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

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

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

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

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