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TO: City Commission of Oregon City
CC: Eric Underwood, Economic Development Manager
FROM: Terry Moore and Beth Goodman
**SUBJECT: OREGON CITY ECONOMIC DEVELOPMENT STRATEGY:
INTERIM ASSESSMENT**

In 2006, the City of Oregon City created an economic development strategy titled *Oregon City Futures: Progress Report and Recommendations: A strategy for Economic Development 2006: Creating a Regional Center*. The City's vision for economic development then was to create a Regional Center in Oregon City, consistent with Metro's 2040 Growth Concept Plan.

A lot has changed since 2006. The U.S. and Oregon underwent the worst recession since World War II. National recovery from the recession continues but at a very slow pace. Oregon was one of the states most heavily affected by the recession and is one of the states with the slowest recovery. The Portland area lost more than 14,000 jobs between 2006 and 2012.

Despite the affects of the recession, Oregon City has made progress on the actions and recommendations from the 2006 *Oregon City Futures* report. The City has invested in infrastructure (e.g., street improvements around Main Street and 7th Street) and has identified opportunities for redevelopment (e.g., the Blue Heron site).

Now the City wants to conduct an interim assessment of the 2006 economic development strategy. "Interim" means that the City does not see the need now to create a completely updated strategy. City staff working on economic development have a clear idea about what City policy says and what the City Commission desires, and there is no state or regional requirement, stakeholder request, or public controversy that demands a new public process and technical analysis. Thus, the City is looking to confirm and update as necessary its policy direction but is not engaging at this time in either (1) a broad public process to redefine goals or (2) an extensive compilation of more current data about economic conditions and possibilities.

Oregon City contracted with ECONorthwest to conduct this interim assessment, which is contained in this memorandum and is organized into four sections:

1. **What were the City's goals for economic development?** The City's vision and goals from the 2006 *Oregon City Futures* report.
2. **What parts of its economic development strategy has the City accomplished?** Actions in the report that the City has completed or is planning to complete.
3. **What is the economic context for evaluating past accomplishments and future actions?** The changes in the Portland regional economy since 2006; expectations about future changes.
4. **What is the assessment? What are the implications for next steps?** Recommendations for future actions: what should stay and what should change.

In summary, the conclusions of this interim assessment are:

- The City's 2004 strategy had logical goals, but they were broad, not specific to Oregon City, and had no detail about they would be accomplished.
- The City's 2006 report, *Oregon City Futures*, provided more detail about intended actions.
- The categories of actions in that report are consistent internally and with accepted economic development practice and theory. Other structures are possible, but there is no pressing need to change the structure.
- The focus of the 2006 economic strategy was on physical development—on developing Oregon City as a Regional Center consistent with the prescriptions of Metro's 2040 Growth Concept Plan.
- The success of the report should be evaluated based on the extent to which its actions have been implemented, and the extent to which its objectives have been achieved. That evaluation should, however, consider the regional and local economic environment that City actions had to contend with. Between 2006 and now the Portland economy (as a broad generalization) shrank and is just returning to it prerecession, per capita levels of output, employment, and real income.
- Despite the poor economy since 2006, many of the actions in the 2006 report have been completed, some are on-going, and some are planned.
- There is probably not a need for a major course correction. But a big new opportunity that has emerged since 2006 is the Blue Heron site, which could give Oregon City access to an attraction unlike any other in the Portland region. The City's economic development staff is already working on this topic; the City Commission may want to confirm that direction.

1 WHAT WERE THE CITY'S GOALS FOR ECONOMIC DEVELOPMENT?

Common in strategic planning of any type is to start broadly with a *vision*, refine that vision with *goals* and *objectives*, and implement that vision with specific *actions*.

In the Fall of 2004, the City Commission of Oregon City defined an economic development strategy. It focused on development consistent with Oregon City's designation as Regional Center by Metro's 2040 Growth Concept Plan. The strategy was documented *Oregon City Futures: A Strategy for Economic Development: Phase I: Summary and Recommendations*. That report identified broad goals for economic development for Oregon City:

1. Increase the community's assessed value
2. Increase the diversification of businesses and industries
3. Increase number and quality of jobs
4. Develop sound businesses with staying power
5. Enhance the appeal and attractiveness of community
6. Provide an environment for strong business and industrial growth
7. Leverage urban renewal and public dollars to maximize the total investment and development effort
8. Create tax increment with each investment or create an environment in which private investment will follow public investment (urban renewal).

As a statement about *vision and goals*, that report was a good start. But any of the eight goal statements could apply just as well to any of hundreds of cities with urban renewal districts—they say nothing specific about Oregon City. Thus, a second phase of work was needed and planned. *Oregon City Futures: Progress Report and Recommendations: A Strategy for Economic Development 2006: Creating a Regional Center* built on the vision for developing a Regional Center in Oregon City. It described nine categories of *actions* necessary to achieve the vision of developing a Regional Center:¹

1. **Vision.** The vision is to re-establish Oregon City's historical role as a regional hub for business, commerce, transportation, innovation, tourism, and livability. This vision will be accomplished through development of the City's Regional Center, which includes the following areas in Oregon City: Downtown, along the 7th Street Corridor, Midtown, and Hilltop. The actions in this category focus on getting public input on the vision and goals, integrating the vision and goals into the City's decision-making process, and revising and refining the vision and goals periodically.

¹ Appendix A presents a full list of actions under each action category.

2. **Physical Framework.** Creating a Regional Center requires making decisions about physical development. The Physical Framework identifies opportunities for changes to streets, intersections, redevelopment opportunities, and other changes to key sites in the Regional Center. The actions in this category focus on developing the physical infrastructure necessary to develop key sites in the Regional Center.
3. **Financial Framework.** The financial tools and resources that the City can use to implement the changes necessary to create the Regional Center include tax increment finance and urban renewal, systems development charges, local improvement district, general obligation bonds, and funding from other government entities. The actions in this category focus on identifying sources of financing to support development and redevelopment in the Regional Center and other areas within the City.
4. **Regulatory / Policy Framework.** The City can adopt new or revised regulations and policies, which will affect development of the Regional Center. The actions in this category focus on making changes to the City's development policies to increase flexibility and make the development process more efficient.
5. **Leadership.** Building public support for the vision of creating a Regional Center is important. Pro-active leadership, public ownership of the process, and private business support is essential for success of the revitalization effort to create the Regional. The actions in this category focus on engaging the City's leadership and the private sector to work together on economic development efforts.
6. **Marketing and Positioning.** Effective communication with businesses, surrounding communities, and other stakeholders is the key to increasing economic development and the revitalization necessary to create the Regional Center. The actions in this category focus on outreach efforts and marketing Oregon City as a place to do business.
7. **Surrounding Areas.** Developing the Regional Center involves making improvements and changes to areas within the City that are nearby (but not part of) the Regional Center, such as the Seventh Street Corridor or the Hilltop. The actions in this category focus on identifying sites for development and redevelopment in the areas surrounding the Regional Center.
8. **Community Development.** Achieving the City's economic development goals requires that the City put resources into economic development efforts. The actions in this category focus on the hiring and activities of an Economic Development Coordinator who would oversee a variety of tasks related to assisting business and fostering economic development, including (1) the creation of an inventory of businesses in the City, (2) the identification of barriers for business growth in the City, and (3) the identification of ways that the City can assist existing businesses in overcoming barriers and to expand in the City.

9. **Partnerships.** The City will need partners to achieve the vision of revitalization and creation of the Regional Center. Partners include local stakeholders (e.g., landowners, residents, or businesses in the City), regional organizations and jurisdictions (e.g., Metro, Clackamas County, or TriMet), and state agencies (e.g., ODOT). The partners will have specific roles to play in revitalization projects. The actions in this category focus on identifying and coordinating with partner agencies.

2 WHAT PARTS OF ITS ECONOMIC DEVELOPMENT STRATEGY HAS THE CITY ACCOMPLISHED?

2.1 COMPLETED ACTIONS

Though there is work yet to be done, the City has completed or is engaged in completing many of the actions suggested in the 2006 *Oregon City Futures* report:

- **Vision.** This memorandum itself is evidence that the City has complied with the direction in the vision to “revisit the vision and goals periodically for refinement.” Its purpose is to help the City adjust its economic development focus to align better with the current economic environment.
- **Physical Framework.** Over two million dollars of street and infrastructure improvements have been built, primarily Main Street and 7th Street. These improvements have facilitated traffic flow in these areas and have enhanced the aesthetics and feel of these areas. An esplanade now provides closer access to the river and its amenities. The City is working on the following activities related to the Physical Framework:
 - Highway 99 East is under construction to improve the street network, make improvements at key intersections, and revitalize the character of the intersections.
 - The Jug-Handle Project is making interchange improvements and a bridge replacement to improve connectivity from I-205 to State Route 213 and Washington Street to downtown. Expected completion: Fall of 2013.
 - The City is continuing to move forward on major projects like the Cove, The former Rossman Landfill site, and Blue Heron.
- **Financial Framework.** The maximum indebtedness of the urban renewal district was increased from \$29 million to \$130 million in 2008, allowing for additional projects and more flexibility in how urban renewal funds are used. Brownfields money has been applied for through the Willamette Falls Project Partnership for the Blue Heron due diligence efforts. Results are forthcoming. The City is actively working on the following activities related to the Financial Framework:

- The City is partnering with Metro to augment current urban renewal incentive programs for downtown redevelopment.
- This City is actively looking into additional brown field funding opportunities.
- **Leadership.** The City established a set of core values and a work plan for the Urban Renewal Commission, which provided an efficient structure as the basis for future City actions. The City enabled an Economic Improvement District (EID), which empowered business and property owners to take ownership of downtown and business growth. The EID also provided a voice for downtown businesses.
- **Marketing and Positioning.** The City established an aggressive marketing campaign for infill lots owned by the City and the Urban Renewal Agency. The campaign resulted in positive attention for Oregon City and is conveying the message that the City is truly open for business. The City is working with other stakeholders to evaluate and promote redevelopment of the Blue Heron site. The City is actively working on the following Marketing and Positioning activities:
 - The City is inventorying and aggressively marketing infill sites for development and employment opportunity.
 - The City is working with the Chamber to develop a small business tool kit for incoming and growing businesses in Oregon City.
 - The City's marketing efforts focus on changing Oregon City's image and business environment through conveying positive messages about Oregon City and the City's eagerness to do business.
- **Surrounding Areas.** Oregon City has increased its visibility within the region and the State through membership and participation in Greater Portland, Inc. and the Oregon Economic Development Association.
- **Community Development.** The City hired a full time economic development manager, allowing the City to focus on and implement the elements of the Futures document. The Economic Development and the Community Development Departments worked together to identify long-term projects on significant employment areas area south of Oregon City and the Beaver Creek area, such as the Blue Heron site.
 - Economic Development put economic gardening efforts on hold but resuming these economic development efforts is a high priority for the Department.
- **Partnerships.** The City formed collaborative economic development partnerships with Greater Portland, Inc., Business Oregon, Oregon Economic Development Association, Clackamas County, Clackamas Community College and the Oregon

City Chamber of Commerce. Many of the City's accomplishments or on-going activities involve working with these and other partners. The City is working with partners on the following activities:

- The City is partnering with Business Oregon to analyze approaches to incentivize industrial development for creation of family-wage jobs.
- The City is partnering with the Oregon City Chamber of Commerce area business owners to create a business tool kit.
- The City continues to build partnerships with local, regional, State and Federal stakeholders.

2.2 ON-GOING AND PLANNED ACTIONS

This section organizes the City's work plan for economic development by the categories in the 2006 report. Short-term means projects are expected to be completed within one to three months, mid-term projects are expected to be completed in six to 12 months, and long-term projects will be completed in a year or longer. A few items do not have a defined schedule for completion, which means they are probably long-term and may be of lower priority.

Physical Framework

- Renovation of the Train Depot. The historic train depot is vacant and efforts are being made to renovate the building's interior and make it a tenable space for business, including designing a waiting area for Amtrak patrons. (Short-term)
- Develop infill areas at north end of downtown. The City Commission set a goal to inventory development and employment opportunity sites within the downtown at the north end of the City. Staff is leveraging resources through Clackamas County to map developable and employment sites in these areas, as a way to visually display the inventory. The City's next step is to determine how and when to market these areas. (Short-term)
- Dispose of or developing infill properties. City staff are working with the Urban Renewal Commission (URC) to develop strategies that identify creative options to dispose of land or incentivize development of land owned by the URC. (Short-term)
- Transfer the Stimson Property into City Wetlands. The URC currently owns the Stimson Property, which is an undevelopable wetlands area near the Jughandle project along I-205. The City and URC will consider swapping this property for a developable City-owned property at 12th and Main Street or others that may be identified as more feasible. (Short-term)

Financial Framework

- Identify funding for site preparation and redevelopment of the former Blue Heron site. The City is working with the Willamette Falls Project Partnership to identify funding sources for redevelopment of the 22 acre Blue Heron mill site. (Short-term)
- Identify tools and programs for redevelopment of Blue Heron. The City and URC are working to identify urban renewal tools and programs that help facilitate redevelopment of the former Blue Heron mill site.(Mid-term)

Regulatory/Policy

- Develop incentive programs for Urban Renewal programs. City staff are working with the URC to identify and create additional urban renewal incentive programs to encourage redevelopment. (Long-term)
- Close down existing Urban Renewal Districts and form smaller Urban Renewal Districts. The URC plans to close down existing urban renewal district to create smaller urban districts throughout the City, including identifying new projects within the smaller districts. (Long-term)

Marketing and Positioning

- Develop a business tool Kit. This City wants to develop a business tool kit to assist existing businesses in the City and prospective businesses who are considering locating in the City. The kit will compile key information about Oregon City. (No time line identified)
- Develop marketing tools. The City will develop a City-wide marketing campaign and update the economic development web page making it more useful and easier to navigate. (Long-term)

Surrounding Areas

- Explore economic development opportunities. The City will analyze the economic development opportunities from annexing areas at the south end of Oregon City's urban growth boundary and expanding the urban renewal district to facilitate industrial redevelopment. (Long-term)
- Identify areas for additional industrial development. The City will analyze areas at the south and north ends of the City to identify new opportunities for industrial development. (No time line identified)

Community Development

- Capitalize on educational opportunities for workforce development. The City will identify opportunities to capitalize on and build on the high-quality

educational opportunities available in Oregon City, including the K-12 school system and Clackamas Community College. (No time line identified)

3 WHAT IS THE ECONOMIC CONTEXT FOR EVALUATING PAST ACCOMPLISHMENTS AND FUTURE ACTIONS?

3.1.1 Recent past and current conditions

Oregon City's economy is tied to the Portland region's economy. If the regional economy does well, then the Oregon City is more likely to do well. From a long run perspective (over decades), the Portland region and Oregon City have grown by almost any measure of physical and economic development. But the assessment here addresses changes only since the adoption of the *Oregon City Futures* report in 2006.

The economy in the Portland metropolitan region ("the region") has been relatively stagnant since 2006, in large part because of a national recession that began in 2007. The recession had a greater impact on the region than on the average for U.S. metropolitan areas and recovery has been slower. Four indicators are commonly used to describe trends in economic activity and health:

- **Gross Metropolitan Product (GMP).** GMP is the market value of all final goods and services produced within a metropolitan area within one year. Increases in GMP indicate growth in a regional economy; increases in per capita GMP suggest increases in labor productivity. Per capita GMP has grown in the region since 2001, primarily as a result of gains in private goods-producing industries (e.g., manufacturing). During the recession, GMP in the Portland region fell 5%, worse than the 3% average for all U.S. metro areas. Since falling to its lowest point in 2009, GMP in the region has been recovering more quickly than the average for U.S. metro areas but it is still 2% below where it was before the 2008 recession. Meanwhile, the U.S. average for metro regions had recovered to pre-recession levels by the end of 2010. This recovery did not, however, translate into similar gains in employment and income.
- **Employment.** In May 2012, the region had 1,007,100 jobs, a decrease of 14,100 jobs from 2006.² During the recent recession, the region's unemployment rate peaked at 11.1% compared to the national average of 10%.³⁴ Employment in the region recovered faster than the national average: the region ranks 26th out of a

² Oregon Employment Department, Workforce Analysis, Portland Trends, July 2012.
<http://www.qualityinfo.org/pubs/llt/07-12/0712-pdx.pdf>

³ <http://www.deptofnumbers.com/unemployment/us/>

⁴ <http://www.deptofnumbers.com/unemployment/oregon/portland/>

100 metro areas for jobs recovered since the second quarter of 2009.⁵ The seasonally adjusted unemployment rate in May 2012, about 8.0%, was the lowest it has been since 2008: the rate decreased from 9.2% a year earlier.⁶

- **Personal Income.** Personal income per capita is a measure of the health of consumer markets and of the economic well-being of the residents of an area. Real personal income per capita⁷ in the region is about 3.7% below the *national average for metropolitan regions*. Between 2006 and 2010 real per capita income in the Portland region stayed virtually flat, while the national average declined 2%. For Clackamas County, real personal income per capita was close to 2004 levels by the end of 2010, the result of a nearly 6% decline from 2008 to 2009.⁸
- **Housing.** The average sales price for homes in the Portland metro region decreased from \$355,000 to \$265,000 between 2007 and 2012. At the end of March 2012 housing prices in the Portland metro area were at about the same level as in 4th quarter of 2004.⁹ Foreclosures increased in the region, consistent with national trends, from 0.9% in 2006 to 2.73% in July 2011.¹⁰¹¹ The number of homes foreclosed on in the region varied from 6,958 in 2006, to 8,134 in 2011 (peak year), to 6,133 in 2012.¹² ¹³

Figure 1 sums up the long-run trends for three of the indicators.

Our interpretation of these four indicators (output, employment, income, and housing), based on other analysis,¹⁴ is that the Portland region is hit harder by recessions than most parts of the country, and this one has lasted longer. Portland's strength in GMP per capita derives heavily from the high-value output of the high-tech sector. Though jobs in that sector are high-paying, on average, they account for a relatively small part of total employment. Thus, despite high GMP relative to other regions, the Portland region lags in what most people care about: jobs and incomes.

⁵ Metro Monitor, June 2012, Brookings. [http://www.brookings.edu/research/interactives/july-metromonitor - M38900](http://www.brookings.edu/research/interactives/july-metromonitor-M38900)

⁶ Oregon Employment Department, Workforce Analysis, Portland Trends, July 2012. <http://www.qualityinfo.org/pubs/llt/07-12/0712-pdx.pdf>

⁷ "Real" per capita income means that it is adjusted for inflation and is thus a measure of change in buying power.

⁸ CA1-3 Personal income summary, U.S. Department of Commerce, Bureau of Economic Analysis, 2012. [bea.gov](http://www.bea.gov).(not adjusted for inflation.)

⁹ RMLS Market Action, April 2012, Residential Review, Metro Portland, Oregon.

¹⁰ <http://www.prnewswire.com/news-releases/more-than-12-million-foreclosures-reported-in-2006-according-to-realtytractm-us-foreclosure-market-report-53758717.html>

¹¹<http://www.bizjournals.com/portland/blog/2012/07/portland-foreclosure-rates-on-the-mend.html>

¹² <http://www.realestateagentpdx.com/tag/portland-short-sale-and-foreclosure-news/>

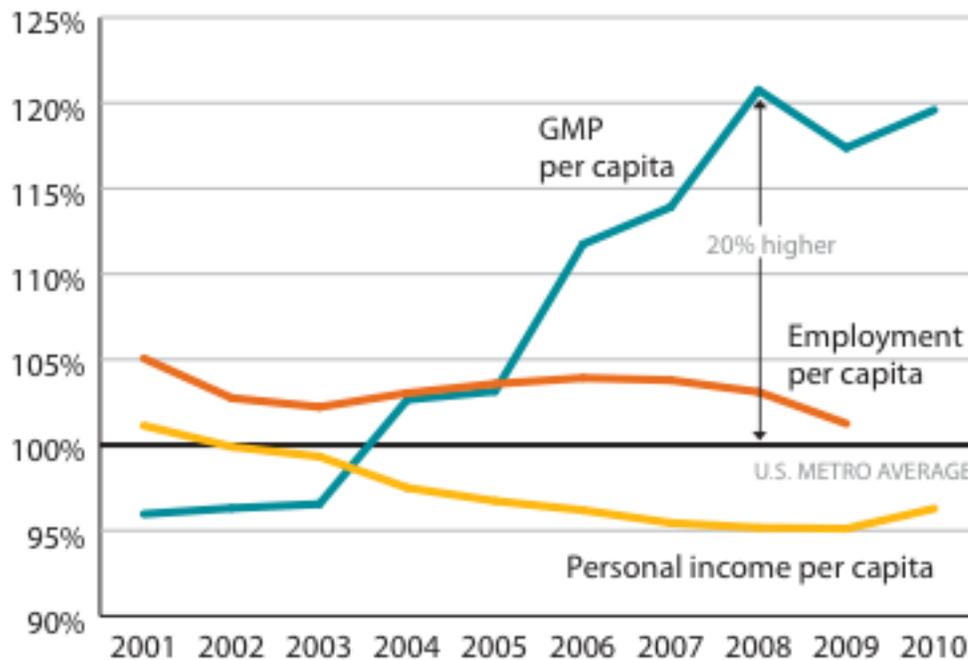
¹³ <http://realestateconsumernews.com/foreclosures/over-half-of-the-metro-areas-in-u-s-see-increased-foreclosure-activity-in-first-half-of-2012/>

¹⁴ http://www.valueofjobs.com/economic_health_2011/index.html and http://www.valueofjobs.com/traded_sector/index.html

Employment per capita and real income per capita are both below pre-recession levels. The Portland region ranks 23rd in the US in population size, but 136th in employment per capita and 73rd in real personal income per capita.

Not only is the Portland regional economy just getting back to 2006 levels; what is driving the growth of that economy (high-tech and some traded-sector services) are not sectors that Oregon City specializes in. The successes of Oregon City in achieving many of the goals in its *Oregon City Futures* report must be evaluated in that context.

Figure 1. GMP, employment, and income per capita in Portland-metro area as a percent of the average for all U.S. metropolitan areas, 2001-2010



Source: ECONorthwest analysis of Bureau of Economic Analysis data, 2010; graphic by Portland Business Alliance

Improving the economic health of the region depends in part on its ability to use competitive and comparative advantages to attract and grow traded sector jobs. The traded sector refers to firms that sell their products outside their region of production – either domestically or globally:

- Historically, the amount of output (or “value added”) per job has been higher in traded sector industries.
- The growth in value added per job in the traded sector accelerated during the past decade and outpaced the growth in value added in the local sector.¹⁵
- Workers in the traded sector tend to be better educated, work more hours, and earn higher average wages.
- Traded sector jobs have grown slowly – if at all.

The County’s economic development plan illustrates the current composition of business in Clackamas County (Table 1 and Figure 2).

Table 1. Clackamas County key industry clusters

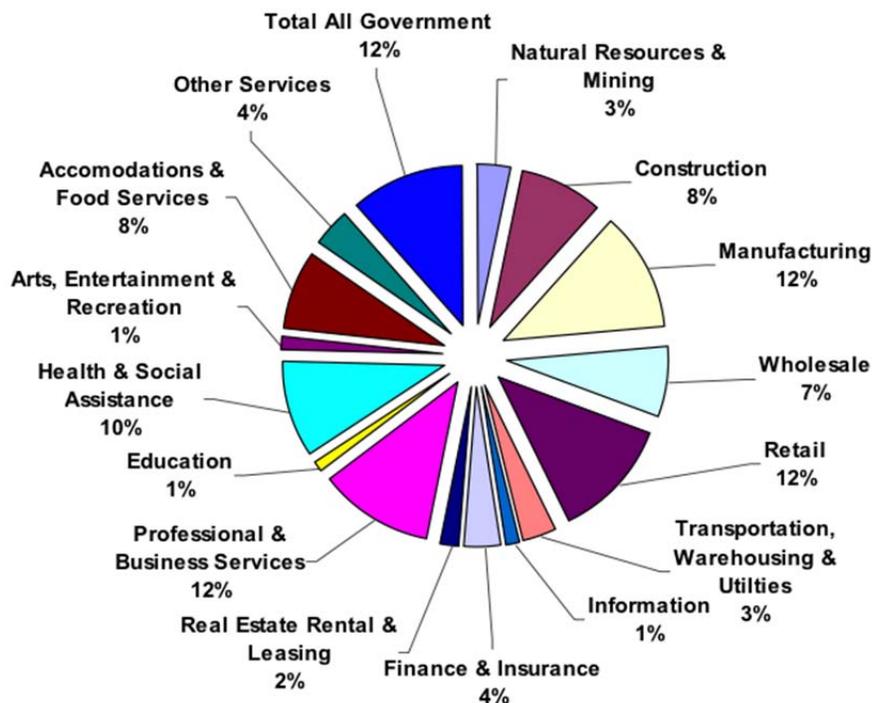
Industry Name	Value Added (\$ millions)		LQ
	Clackamas Co.	Region	
1. Warehousing	\$102	\$321	2.58
2. Fabricated metal manufacturing	346	1,184	2.36
3. Nurseries and greenhouses	198	761	2.10
4. Primary metal manufacturing	188	922	1.65
5. Truck transport	236	1,175	1.62
6. Wood product manufacturing	135	761	1.43
7. Professional consulting services	678	3,890	1.41
8. Finance and insurance*	1,680	10,713	1.27
9. Wholesale trade	1,453	9,639	1.22
10. Machinery manufacturing	132	906	1.17

Source: Clackamas County Economic Development Plan, 2009, page iv. Calculated by ECONorthwest with 2006 data from IMPLAN.

Notes: Finance and insurance excludes banks. LQ is the location quotient - if the industry LQ is greater than 1, it is more concentrated in the County than in the region as a whole.

¹⁵ Spence and Hlatschwayo (2011) estimate that between 1990 and 2008 value added per job increased by 44 percent, but the economy overall only experienced a 21 percent increase in value added per job.

Figure 2. Clackamas County covered industry employment, 2007



Source: Clackamas County Economic Development Plan, 2009, page iii.

3.1.2 The future

Given increasing economic variability, economic forecasting is even more of a guess than it has been in the past. Some forecasts seem more promotional and aspirational than realistic.¹⁶ In 2009, Metro published a 20-year regional employment forecast for the seven-county statistical area. Employment is forecast to grow at an average annual rate within a range of .84% to 1.87% between 2000 and 2030.¹⁷ In Clackamas County, employment growth is expected to grow 15% between 2006 and 2016,¹⁸ an average annual growth rate of 1.4%

We reviewed what economic development plans for the Portland region are saying about key industrial sectors. A majority mentioned clean technology, software, advanced manufacturing, and athletic and outdoor. For example: “These industries

¹⁶ From Greater Portland Prosperity Index, published by Greater Portland Inc in 2010: “By 2015, the region’s gross regional product will soar by 22%, outpacing that of Los Angeles, San Francisco and Seattle. Employment will dwarf population growth – a dramatic turnaround from the region’s 10.5%.”

¹⁷ Metro 20 and 50 year Regional population and employment range forecasts, September 2009.

¹⁸ Clackamas County Economic Development Plan, 2009, p.4

have demonstrated a strong correlation with the creation of new jobs and represent a healthy balance between manufactured products and knowledge-based services. They each have a strong presence throughout the region and are concentrated beyond national norms; have demonstrated growth equal to or beyond industry averages; and have assembled the elements of tangible competitive advantage, including concentrations of talent, deepening supply chains and a proximity to customers or product feedback loops. In addition, there are already efforts under way to grow these industries at both the local and regional levels.”¹⁹

Common themes in regional economic development strategies:

- More focus on traded sectors and international trade
- A more systematic and coordinated approach to growing distinctive industry clusters
- A more systematic approach to supporting new ventures
- Stronger ties between higher education and economic development
- Stronger ties between workforce education and economic development.²⁰

4 WHAT IS THE ASSESSMENT? WHAT ARE THE IMPLICATIONS FOR NEXT STEPS?

4.1 ASSESSMENT OF THE 2006 REPORT’S STRUCTURE

4.1.1 Categories of goals and activities

The nine categories in the 2006 report are consistent with economic development theory and practice. Plans for other jurisdictions differ in some of the details, but most organize around the things that local governments can do to foster business activity and growth; in parentheses are the elements of the 2006 report:

- Get clear on what kind of development is allowed and supported (Vision)
- Translate that vision into a land use plan and policies (Physical Framework); make the permitting process efficient (Regulatory / Policy)
- Support the vision for economic and physical develop with:

¹⁹ Portland Vancouver Metropolitan Region Comprehensive Economic Development Strategy, 2010-11 Update, August 2011, page 4.

²⁰ Portland Vancouver Metropolitan Region Comprehensive Economic Development Strategy, 2010-11 Update, August 2011, pages 12 - 20.

- Public facilities and infrastructure (partially included and implied in Physical Framework) and services that businesses and their employees value
- Workforce education and training (Community Development). Most cities, do not run programs to deliver workforce education and training: those services are provided by state and private educational institutions, and state and regional agencies and non-profit organizations. Cities do have policies to *coordinate* with those agencies, but they rarely invest in programs to deliver those services themselves.
- Marketing (Marketing and Positioning)
- Coordination and communication with public and private sector partners (Economic Development Staff, Leadership, Partnerships)
- A key to that support is funding (Financial Framework)

We see no immediate need for the City to revise its structure, though there are a few gaps it might want to fill in the future. For example, the 2006 report does not have a category that is directed at public services and quality of life: though not primarily the responsibility of an economic development department or agency, public services that increase quality of life can have important effects on the ability to retain and attract businesses. As another example, the 2006 report's focus on Metro's Regional Center designation (see next section) leaves out part of the City. That is probably the reason for the category "Surrounding Areas."

4.1.2 Focus on physical development and Regional Center

Most economic development plans focus on jobs and businesses, and then discuss land use and urban amenity as supporting policies. The City choice in 2004 – 2006 to base its economic development strategy on Metro's definition of a Regional Center shifted that focus, giving the strategy a land-use focus.

Though that emphasis is not common, it is not obviously flawed and it has some advantages. Increases in local household incomes, retail spending, housing values, and property tax revenues are driven in part and probably primarily by increases in employment. Increases in employment are accompanied by increases in built space (development) to accommodate that employment and the equipment and materials it uses. In that sense, the amount and quality of *physical* development can be a reasonable measure of *economic* development.

There may be other reasons to focus on Regional Center criteria. The first is legal. The Metro 2040 Growth Concept is regionally adopted. It is implemented by a Regional Framework Plan and a Functional Plan. The Functional Plan stipulates recommendations and requirements for local comprehensive plans relating to housing,

parking, employment, environmental quality, and (relevant here) centers. The second is funding. Cities that comply with functional plan requirements and adopt boundaries for their urban centers are eligible for funding that may eventually be available (Metro is working now on its Community Investment Initiative to find sources for such funding).

One place to look for measures of Oregon City's progress as a Regional Center is Metro "Compliance Report."²¹ Tables show compliance with most of the requirements ("titles"). Oregon City has extensions for its planning of the Beaver Creek Road area²² but is otherwise scheduled to comply with titles 1 – 5 by the end of 2012. Regarding Title 6, which addresses Centers, the report says: "Once acknowledged by LCD, Title 6 will be an incentive approach and only those local governments wanting a regional investment (currently defined as a new high-capacity transit line) will need to comply. Metro is not intending to require local jurisdictions to comply with the previous version of Title 6 (pre-Ordinance No. 10-1244B)." That point is consistent with the one made above: a potential advantage of meeting Metro's requirements for full compliance as a Regional Center is eligibility for future funding (but that funding is currently expected to be for a new high-capacity transit line

Metro also did reports about its centers in 2009 and 2011. In the *State of the Centers Report* (May 2011) it developed "composite scores" for each of its 38 centers based on seven factors that mainly addressed urban amenity: park access, bike route density, sidewalk density, transit access, private amenities, block size, and people per acre. One measure of Oregon City's success as a Regional Center could be its score, absolutely and relative to other Regional Centers. Of a theoretical maximum of 100 points, here is how those centers scored (highest to lowest): Hillsboro (54), Gresham (48), Beaverton (44), Gateway (43), Clackamas (33), Tanasbourne/ Amber Glen (31), Oregon City (29), and Washington Square (27). Oregon City's low ranking comes from mid-level rankings on park access and bike density, and low rankings on everything else.

Metro's composite measure for the performance of its Regional Centers is mainly about current levels of amenity. It does not address current or potential future levels of economic activity. Our point: Oregon City should be careful that its *economic development* strategy not get reduced to and focused on an *urban amenities* strategy.

²¹ 2011 Compliance Report, Metro Code Chapter 3.07 Urban Growth Management Functional Plan and Metro Code Chapter 3.08 Regional Transportation Functional Plan. March 2012

²² The concept plan is completed and accepted by Metro; the City has put on hold adoption of the final implementing ordinances pending LUBA appeal and work load.

4.1.3 Summary

Our overall assessment of the structure of the Strategy is positive:

- The categories of actions that the Strategy covers are typical, logical, comprehensive, and useful. Other organizations are possible, but unless the City is dissatisfied with the current organization, we see no need for it to change. If the City were in the process of making a more extensive update to its Strategy, it would want to revisit the vision, which might lead to a different organization. But it might not, and even if it did, that organization might only be different, not better in some absolute sense.
- The Strategy's emphasis on implementing Metro's Regional Center is not incompatible with economic development actions, but it does change its focus and brings with it other potential requirements. Since the City is not doing a major update of its Strategy now, we make this point so that (1) the City Commission is aware of it as it makes decisions about economic development actions over the next few years, and (2) the City can decide whether to amend that focus in some future year when it does a full update of its economic development strategy (probably, in our opinion).

4.2 ASSESSMENT OF PROGRESS ON STRATEGY ACTIONS

Given the constraints imposed by the economic environment (Section 3, above) how might one evaluate what actions the City has accomplished since 2006 and what the City is still working on?

We start with the obvious point that not everything has been accomplished, and that many of those are big items. But the context is important. Soon after Oregon City adopted *Oregon City Futures* in 2006 the Portland region dropped into its worst recession in decades. Employment dropped, as did aggregate income (the main revenue source for state government) and property values (a main revenue source for local government). It would not have been surprising for Oregon City to have shelved the plan and waited for better times to fund its initiatives. In fact, the City went ahead to create an economic development program; it made several of the suggested capital improvements; revenue for the urban renewal district increased; it moved some development projects farther along, though not to completion; it completed several inventories and planning studies.

What it did not achieve – substantial physical development and business growth – could hardly be expected given the region's economic problems during that period. Some parts of the region managed to grow despite the recession (e.g., Hillsboro in Washington County and Wilsonville in Clackamas County), but they were already positioned to attract and accommodate growing industrial sectors.

4.3 ASSESSMENT OF “NEXT STEPS”

There are different perspectives on economic development policy. There is general agreement among economic development professionals that there is a range of possible policies. But they recommend different emphasis. The perspective at ECONorthwest is that local governments should focus first and most on doing a good job at those things that the private sector has come to expect from local government. The recommendations are not flashy: (1) get a clear vision of what you want, what you will permit, and what you will support; (2) get all city departments to understand the development priorities and to support them; (3) expedite the permitting and development process for desired development; (4) plan, fund, and develop infrastructure; (5) provide value for other public facilities and services (quality and efficiency at a reasonable price); (6) nurture connections with public and private sector partners.

Having an economic development professional or department can be a good step, especially if they can coordinate and leverage other city, agency, non-profit, and private sector efforts to accommodate and stimulate economic development. Having community agreement on what kind of development is desired, and the extent to which the public sector will spend money to get that kind of development is very helpful. Among other things, it gives city staff and their partners that ability to respond quickly (as they must) to economic development opportunities. Having inventories of sites and written material about opportunities would allow the City to respond quickly to inquiries.

There are, of course, many additional actions the City could take. Our scope of work did not include an identification and evaluation of all those potential actions. When the City does eventually do an update of its 2006 report, it should however consider shifting the focus back to the City as a whole instead of on that part of the City that is within the boundaries of the Metro Regional Center.

Despite the limits of our research, however, there are two actions that we would recommend for the City Commission, both of which require nothing more than making a formal statement about City direction.

First, though the City does not intend or need to conduct a new economic development planning process, the City Commission should make a public statement about its intentions for economic development. Presumably the Commission wants staff to keep working on economic development, and to do so along the lines of the 2006 report and the existing staff work plan. If that is approximately right, then what we would further recommend is that the Commission direct the city manager to make the importance of economic clear to all staff and department heads, and to take efforts to ensure that all City staff filter their decisions and activity through that lens.

That may seem like a simple point, but it can make a difference. The emphasis becomes facilitating business development, and customer service to businesses and developers: How can we make this work?

Second, an opportunity that has become much more tangible since 2006 is the Blue Heron site. The Willamette Falls Heritage Area Coalition is working to make the area a National Historic Area. The Falls are probably the most distinctive natural feature in the Portland metropolitan area, and Oregon City has deep historical significance: both have been largely untapped. There is great potential for redeveloping the downtown around the Blue Heron site. Staying abreast of those opportunities should be a high priority for the City's economic development program. If the Commission has not already given a clear field to the economic development department, and City staff in general, we would recommend a formal direction (with some funding if that is possible and appropriate).

APPENDIX A. LIST OF ACTIONS FROM OREGON CITY FUTURES REPORT

The 2006 “Oregon City Futures: Progress Report and Recommendations” report presents economic development actions in the following categories: Vision, Physical Framework, Financial Framework, Regulatory/Policy Framework, Leadership, Marketing and Positioning, Surrounding Areas, Community Development and Partnerships. The recommended actions for each category are shown in the list below.

- **Vision.** The vision is to re-establish Oregon City's historic role as a regional hub for business, commerce, transportation, innovation, tourism, and livability. This vision will be accomplished through development of the City's Regional Center, which includes the following areas in Oregon City: Downtown, along the 7th Street Corridor, Midtown, and Hilltop. The recommended action items are:
 - Revisit the vision and goals periodically for refinement.
 - Take the vision to the public.
 - Work towards "ownership" of the vision from City staff and Oregon City residents.
 - Use the vision and goals to guide the decision-making process.
- **Physical Framework.** Creating a Regional Center requires making decisions about the preferred structure for the area, describing urban elements and how they interact. The Physical Framework identifies opportunities for changes to streets, intersections, redevelopment opportunities, and other changes to key sites in the Regional Center. The recommended action items are:
 - Convene a City Commission workshop to meet with the consultant team and discuss the master plan.
 - Work out solutions on key sites in the Regional Center.
 - Acquire Metro and County property in the Regional Center area.
- **Financial Framework.** The financial tools and resources that the City can use to implement the changes necessary to create the Regional Center include: tax increment finance and urban renewal, systems development charges, local improvement district, general obligation bonds, and funding opportunities from other government entities. The recommended action items are:
 - Extend the Urban Renewal debt limits.
 - Investigate Federal Brownfield money for key project sites.
 - Investigate bonding options for funding key projects.

- Look for opportunities to partner with other agencies on public improvement projects and in conjunction with private developers.
- **Regulatory / Policy Framework.** The City can adopt new or revised regulations and policies, which will affect development of the Regional Center. The recommended action items are:
 - Adopt Performance Guidelines for the Regional Center.
 - Respect the past while allowing for evolution, growth, and change.
 - Remain flexible regarding policy decisions: revisiting prior adopted plans and policy for amendments or refinements.
 - Review codes and zoning to allow flexibility and evolution of development in the Regional Center.
- **Leadership.** Building public support for the vision of creating a Regional Center is important. Pro-active leadership, public ownership of the process, and private business support is essential for success of the revitalization effort to create the Regional. The recommended action items are:
 - Create Commission initiatives to keep the revitalization effort moving forward.
 - Take credit for successful partnerships and projects.
 - Continually engage leadership in the community – city hall cannot do it alone.
 - Engage the private sector to jointly lead and "own" revitalization and creation of the Regional Center.
- **Marketing and Positioning.** Effective communication with businesses, surrounding communities, and other stakeholders is the key to increasing economic development and the revitalization necessary to create the Regional Center. The recommended action items are:
 - Hire a communications consultant to coordinate a public outreach and publicity process to inform the public of all the great things happening in Oregon City.
 - Keep getting the word out that Oregon City is on the move and changing.
 - Keep the effort sustained and consistent.
 - Connect with and encourage participation from the entire community.
 - Continue “Oregon City Today” as an annual publication to chart and market progress.
- **Surrounding Areas.** Developing the Regional Center involves making improvements and changes to areas within the City that are nearby (but not part

of) the Regional Center, such as the Seventh Street Corridor or the Hilltop. The recommended action items are:

- Keep an open dialogue of communication with Clackamas County, Clackamas Community College, Willamette Falls Hospital, and other major employers in the area to let them know Oregon City is open to growth, change, and economic development.
 - Identify key sites for redevelopment in Midtown and Hilltop.
 - Meet with property owners to discuss plans and opportunities for redevelopment.
 - Consider regional community connections through partnering with other local jurisdictions on projects and events.
- **Community Development.** Achieving the City's economic development goals requires that the City put resources into economic development efforts. The first action the City should take is hiring an Economic Development Coordinator full or part time, or at least on a short-term basis. This individual will be responsible for economic development in Oregon City, as well as the day-to-day operations of the City's Regional Center implementation efforts. The recommended action items that the Economic Development Coordinator oversees are:
 - Inventory existing businesses and industries in Oregon City and create a database, including vacant storefronts
 - Contact existing businesses and industries in Oregon City to determine needs and possible expansion plans
 - Assist business and industrial development through the city and county approval process
 - Assist City Manager and staff in identifying city barriers to business and industrial growth and expansion
 - Begin a storefront recovery program
 - Develop contacts with building owners and real estate contacts to determine interest in filling vacancies; work with the City and owners to fill vacancies, consistent with the overall economic development goals
 - Receive and analyze financial data and advise City Manager on requests regarding city participation in public/private projects.
 - Explore community development opportunities within the Regional Center, in the form of activities, events, safety, partnering with the End of the Oregon Trail Interpretive Center, and locating community services such as city hall, library or other functions
 - Consider regional community connections through heavy and light rail

- Take a long-range view of Oregon City's economic and community development with long-term goals and projects
- **Partnerships.** The City will need partners to achieve the vision of revitalization and creation of the Regional Center. Partners include: local stakeholders (e.g., landowners, residents, or businesses in the City), regional organizations and jurisdictions (e.g., Metro, Clackamas County, or TriMet), and state agencies (e.g., ODOT). The partners will have specific roles to play in revitalization projects. The recommended action items are:
 - Pick capable and experienced partners. Do the homework necessary to make sure they are the "right" partner.
 - Work together at the elected and appointed official level – reinforcing the vision with policy and capital.
 - Explore as many partnership opportunities as possible. Partnerships may not all be financial – public support for a project, a streamlined approvals process, allowing variances, making street improvements, and others.
 - Coordinate actions of public agencies responsible for government services.
 - Create a forum for communication and continued visioning in the Regional Center – head up the forum through the private sector as an organization for change.
 - Coordinate collection of market, economic, social, demographic, traffic, and other data and information for prospective investors, developers, retailers, consumers, and public agencies.
 - Have current success stories (Oregon City Today) available for prospective investors, developers, retailers, consumers, and public agencies.