2007 Update Report

Comprehensive Economic Development Strategy

Cascades West
Economic Development District

Regional Investment Strategy

Benton-Lane-Lincoln-Linn (BL3)
Regional Investment Board

Benton County

Lane County

Lincoln County

Linn County

Prepared by the
Oregon Cascades West
Council of Governments
and the
Lane Council of Governments

Produced with grant assistance provided by
U.S. Dept. of Commerce Economic Development Administration
State of Oregon Lottery - Regional Rural Investment Funds managed by Oregon Economic and Community Development

Published June 2007

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BL3 Regional Investment Strategy

SECTION 1

Introduction

Report Context

The purpose of this 2007 Update Report is to provide a current framework for long-term planning efforts in the four-county area of Benton, Lane, Lincoln, and Linn Counties, Oregon. This Report updates and supplements the detailed information contained in the 2005-07 document that integrates our regional:

- **Comprehensive Economic Development Strategy** (CEDS) of the Cascades West Economic Development District (CWEDD) required by the U.S. Department of Commerce Economic Development Administration.
- **Regional Investment Strategy** (RIS), including the Rural Action Plan, required of the BL3 Regional Investment Board by the Oregon Economic and Community Development Department (ORS 285B.242 and 285B.257).

Please refer to the 2005-07 CEDS/RIS while reviewing this Report to gain a full view of the regional situation: http://www.ocwcog.org/files/ceds-ris%20final.pdf

Not all changes in the region are noted in this Update Report. Rather, the focus in this document is on major shifts reflected in economic data and those economic trends that are highly likely to impact region-wide economic health that were not already covered in the previously approved 2005-07 CEDS/RIS. This focused approach is intended to stimulate thinking as the region works to update its economic development plans.

Recent economic indicators were discussed with representatives of key industries and during a May 2007 Regional Economic Development Forum: Cultivating the Seeds of Economic Prosperity. These discussions clarified the findings presented in this Report. Comments were obtained on:

- The current economic situation of the region
- Updated opportunities, challenges and barriers
- Initiatives that the region should focus on to reach the vision and goals defined in the CEDS/RIS

This Report is supplemental to the contents of the 2005-07 CEDS/RIS document, and should be viewed alongside the full document for an accurate picture of the regional economic situation. The arrangement of this Report mirrors that of the 2005-07 CEDS/RIS document.

Summary of Findings

Key Issues

In addition to the key issues identified in the CEDS/RIB (pages 3 and 4), key issues that have changed or emerged during the last two years include:

- Energy has emerged as a major regional issue as well as a key opportunity. Demand for alternative fuels (e.g., biodiesel) has grown as gasoline prices topped $3 per gallon. Energy technologies that are sustainable and carbon neutral are being developed and brought on-line in the region. The growth of energy- and sustainability-related businesses are helping to diversify the regional economy.

- Cities and major industries that have substantial discharges to the Willamette River and its tributaries are mandated to develop plans to bring water temperatures within DEQ-established limits by March 31, 2008. Several entities are contesting these new limits.

- The ocean salmon fisheries offshore of Oregon and California were declared a national disaster in 2005 due to harvest restrictions. Restrictions were partially lifted in April 2006. Federal support to curb the impact of this disaster, while promised, has not been delivered.

- Wetlands are a concern in much of the vacant industrial properties in the Willamette Valley. Several communities are working with OCWCOG to define the scope of this issue, and LCOG continues to address wetland conditions on individual sites.

- While the State's industrial site certification process has provided a uniform approach to site preparedness, few sites in the region completed the certification process. Only a few sites have been certified.

- Loss of federal funding under the Secure Rural Schools Act will significantly impact County budgets and service levels.

- Adequate funding for a stable education system remains a top priority issue. Investment in education is now the Oregon Business Council's top economic development priority. The value of postsecondary education and its impact on the State's economy have been communicated to the Legislature.

- Following multiple years of local and regional advocacy, improvements to the Highway 20 corridor between the Willamette Valley and the Coast began in 2005, but geotechnical problems may delay completion by two years and substantially increase project costs.

- Several communities in the region have begun improving telecommunications services. However, significant telecommunication gaps exist, including a need for upgraded urban systems and service in smaller cities and rural areas.

- There are shortages of skilled workers in several expanding economic sectors. Skilling-up lower-level workers, encouraging worker succession planning, encouraging technical training at the high school level, and reducing entry-level certification and education requirements are some of the efforts required to address workforce imbalance.

- Housing availability and affordability continue to impact the ability of Coastal areas to attract workers, especially those at the professional level. However, as Coastal housing development has increased in some areas it has been met with a rising anti-growth and anti-change sentiment. Moderately priced housing is a challenge throughout the region.

Key Opportunities for Our Future

Potential economic development initiatives that the region could undertake to ensure future economic prosperity were identified and discussed during the May 2007 Economic Development Forum. These opportunities are outlined in more detail in Section 9 - Cascades West Economic Development District Work Program, and will be considered as the Regional Investment Board develops future work programs. Recommendations include:

Address barriers to industrial location and expansion:
- Help communities develop a local planning consensus on their industrial future.
- Support development of local industrial site catalogs that identify details, as well as availability and development constraints, of available sites.
- Encourage the State to pursue site certification for eligible sites in the region.
- Provide coordination among local jurisdictions and agency officials to address common site development/redevelopment constraints and barriers.

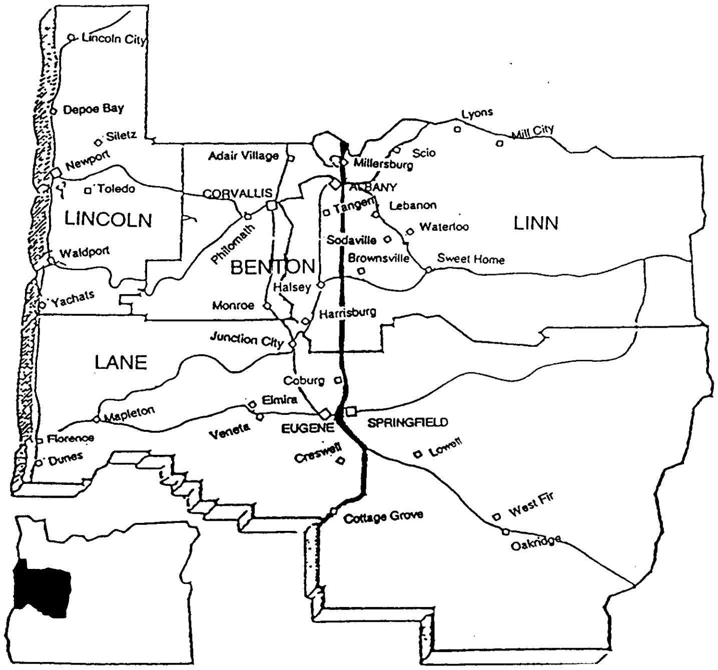
Encourage expansion of existing businesses:
- Establish business support centers that might engage in a more active business development program as well as provide referrals and other support.
- Enhance cluster development efforts by reaching out to more clusters and encouraging the development of additional clusters.

Foster entrepreneurship at all levels:
- Facilitate a coordinated conversation about potential enterprise facilitation models and assist in developing a framework for communities, or groups of communities, to pursue appropriate enterprise development support.
- Build an entrepreneurial pipeline of business referral and support that promotes entrepreneurship at all levels and which also incites entrepreneurial spirit within key segments of our population (such as Senior citizens, youth, artisans).

Improve strategic planning coordination and linkages:
- Develop a better ongoing two-way conversation between local and regional planning groups.

SECTION 2

Putting the Region on the Map



CWEDD County and City Populations

Source: Population Research Center, PSU

	7/1/06 Estimate	Census Population 4/1/2000	4/1/1990
OREGON	3,690,505	3,421,399	2,842,321
BENTON	84,125	78,153	70,811
Adair Village	920	536	554
Albany (part)**	6,535	5,104	15
Corvallis	53,900	49,322	44,757
Monroe	610	607	448
Philomath	4,460	3,838	2,983
Unincorporated	17,700	18,746	22,054
LANE	339,740	322,977	282,912
Coburg	1,075	969	763
Cottage Grove	9,275	8,445	7,403
Creswell*	4,500	3,579	2,431
Dunes City	1,345	1,241	1,081
Eugene	148,595	137,893	112,733
Florence	8,270	7,263	5,171
Junction City	4,965	4,721	3,692
Lowell	955	880	785
Oakridge	3,700	3,172	3,063
Springfield	57,065	52,864	44,664
Veneta	4,240	2,762	2,519
Westfir	335	280	278
Unincorporated	95,420	98,908	98,329

	7/1/06 Estimate	Census Population 4/1/2000	4/1/1990
LINCOLN	44,520	44,479	38,889
Depoe Bay	1,310	1,174	870
Lincoln City	7,615	7,437	5,903
Newport	10,240	9,532	8,437
Siletz	1,150	1,133	992
Toledo	3,590	3,472	3,174
Waldport	2,110	2,050	1,595
Yachats	745	617	533
Unincorporated	17,760	19,064	17,385
LINN	108,250	103,069	91,227
Albany (part)**	40,075	35,748	29,525
Brownsville	1,610	1,449	1,281
Gates (part)**	45	42	41
Halsey	780	724	667
Harrisburg	3,355	2,795	1,939
Idanha (part)**	85	85	112
Lebanon	14,355	12,950	10,950
Lyons	1,105	1,008	938
Mill City (part)**	1,260	1,225	1,247
Millersburg	935	651	715
Scio	725	695	623
Sodaville	290	290	192
Sweet Home	8,790	8,016	6,850
Tangent	870	933	556
Waterloo	230	239	191
Unincorporated	33,740	36,219	35,400

**2006 stimate was revised after 12/15/06*
***City has population in more than one county*

SECTION 3

Our People

Population and Growth

The region is growing more slowly than the overall State of Oregon. The total population of the region increased 5.1% between 2000 and 2006, compared with a statewide population growth rate of 7.6%. The average annual rate of growth between 2000 and 2006 has been .85%, compared with a 1.3% annual growth rate between 1990 and 2000.

Growth continues to be driven by the more urban areas of the region. The five largest cities in the region of Eugene, Springfield, Corvallis, Albany, and Newport had a combined growth rate of 8.9% from 2000 through 2006, compared with a 5.1% growth rate for the remainder of the region.

In-migration is still the primary population growth factor in the region. From 2000-2006, in-migration continued to account for 68% (20,422) of regional growth. From 2000-2006, the region had a slightly higher in-migration rate than the overall State (65%).

Population Trends

Year	Benton	Lane	Lincoln	Linn	Region
1990	70,811	282,912	38,899	91,227	483,849
2000	78,153	322,959	44,479	103,069	548,660
Change 1990-2000	10.4%	14.2%	14.3%	13.0%	13.3% (1.3% Annual)
2001	79,000	325,900	44,650	103,500	553,050
2002	79,900	328,150	44,700	104,000	556,750
2003	80,500	329,400	45,000	104,900	559,800
2004	81,750	333,350	44,400	106,350	565,850
2005	82,835	336,085	44,405	107,150	570,475
2006	84,125	339,740	44,520	108,250	576,635
Change 2000-2006	7.6%	5.2%	0.1%	5.0%	5.1% (.9% Annual)

1990 and 2000: U.S. Bureau of the Census
2001-2006: Certified Population Estimates, PSU Population Research Center

Income and Poverty

Average Wage

The Oregon Employment Department uses average wage (AW) as a primary economic measure. In 2005 (the latest data available), the AW in Oregon for all covered employment was $36,590. The AW in Benton County was above that of the overall State, at 107.4% of the State level. Lincoln County has the lowest AW in the region, at 73.3% of the State level. Lane County at 88.3% and Linn County at 87.2% of the State level, respectively, are below the State AW but continue to be close to each other.

Average wages in 2005 were:
- *$39,279 – Benton County*
- *$32,302 – Lane County*
- *$26,814 – Lincoln County*
- *$31,905 – Linn County*
- *$36,590 – State of Oregon*

Personal Income

Personal income is derived from the three basic sources of earnings, dividends/interest/rent, and transfer payments (retirement, medical, unemployment, and veterans benefits). The following table relates a higher level of transfer payments and lower level of earnings in Lincoln County, likely driven by its higher percentage of retirees. From 2003 to 2005, net earnings were up as a percentage of total income in Lane and Lincoln Counties and down about 1% in each of Benton and Linn Counties. (The most current personal income data available at printing is for 2005.)

Sources of Personal Income – 2005

	Oregon	Benton	Lane	Lincoln	Linn
Total Personal Income (000's)	$102,418,819	$2,410,599	$8,698,081	$1,196,115	$2,525,489
Net Earnings	66.5%	65.4%	63.5%	55.6%	62.4%
Dividends, Interest, and Rent	18.3%	24.8%	18.9%	21.4%	16.0%
Transfer Payments	15.2%	9.8%	17.6%	23.0%	21.6%

Source: U.S. Bureau of Economic Analysis

Poverty

Across the state, including our region, poverty rates and actual numbers are higher in 2004 than in 1999 and higher in our region as compared to the state. Benton County at 12.5% is below the State rate of 12.9%. Lane's poverty level for 2004 is 14.9%, Lincoln's is 15.3%, and Linn is 13.7%. Other poverty indicators vary significantly from county to county with Lane County generally close to State rates, Benton County slightly better than State rates, and Lincoln and Linn Counties having higher indicator rates than the State. Looking just at the percentage of children receiving free lunches, the State rate is 38.8%. Benton is less than 1 in 4; Lane is slightly below at 36.6%. Lincoln County has the highest rate in our region at 50.1% and Linn is at 43.0%.

SECTION 4

Our Natural Systems and Resources

Surface and Ground Water Quality

Surface Water Health

The Oregon Department of Environmental Quality (DEQ) has completed an analysis of the Willamette River. Based on its analysis, DEQ established Total Daily Maximum Load (TMDL) for temperature, bacteria, and mercury in the Willamette River and its tributaries. These limits will be used to assess and regulate surface water uses and discharges to surface waters. New or expanding discharges will face new requirements to achieve compliance with these new limits. Several cities and industries in the region are legally contesting TMDL requirements.

Ground Water Health

DEQ conducted a groundwater management planning effort for the Willamette River between Eugene and Albany to address significant levels of pollution (primarily nitrates) in groundwater. The resulting plan for the management area is designed to limit further contamination and work toward a reduction of present contamination levels.

Land Quality: Brownfields and Superfund Sites

DEQ's Environmental Clean-up Site Information (ECSI) database included 332 properties in the region that may have some level of contamination (April 2007). This is up from slightly from the 316 sites requiring some level of assessment and/or cleanup that were included on the ESCI in August 2005.

Of the currently listed sites, 14 have been identified as orphan sites and 17 are being worked on actively as Brownfields. An additional 171 sites in the region are listed as cleared from further action by the DEQ on the ESCI database (up from 160 sites in August 2005). The web address for the ECSI has been updated to: http://www.deq.state.or.us/lq/ecsi/ecsi.htm

There may be more sites with contamination that have not been identified and listed on the DEQ's ESCI database. Concern that properties used in the past for industrial or commercial purposes might be contaminated is concern in site reuse and redevelopment. Some communities in the region have begun establishing programs to assess sites and prioritize redevelopment opportunities.

Wetlands, Riparian Zones, and Conservation Areas

Wetlands Planning

Conservatively, it is estimated that half of all undeveloped industrial land in Linn and Benton Counties is wetland. A number of jurisdiction in the mid-Willamette Valley are concerned that current approaches to mitigating wetland losses will not be adequate to allow the development of their vacant industrial lands given the extent of wetlands on those sites. Communities requested that OCWCOG coordinate a project to document the extent of the problem, explore alternatives, and devise a strategy to address findings. Through a grant from OECDD, OCWCOG contracted with an economics consulting team to assess the impacts of wetlands on industrial development in the area. After findings are released (tentatively scheduled for late spring 2007), local jurisdictions and the State's regional Economic Revitalization Team (ERT) will work on follow-up steps.

Threatened and Endangered Species

Salmon Disaster Declaration

In April 2005, the Pacific Fishery Management Council recommended the most severe ocean salmon harvest restrictions in recent history along the Oregon and California Coasts. Resulting federal and State restrictions adversely affected the coastal salmon fishing industry, including processors and supporting businesses. State and national disaster declarations followed.

The federal declaration provided some project-related funding support for impacted areas. District staff participated in defining a response to the declaration of a disaster. A group convened by the Governor's Office discussed approaches for use of federal technical assistance funding available. Strategies developed for value-added market-based opportunities and for encouraging the development of alternative business opportunities. A survey tool, similar to that developed in Lincoln County, will be used along the entire Oregon Coast to clarify priorities of the fishing community.

In April 2006, the National Oceanic and Atmospheric Administration's Fisheries Services approved an emergency rule to allow some limited salmon fishing along the Oregon and California coasts. These new regulations allow the ocean salmon fishery to open as scheduled. They mirror the recommendations made earlier by the Pacific Fishery Management Council.

Global Warming

In 2005, Oregon's Governor convened a multi-stakeholder advisory group (including representatives from utilities, business, academia, and environmental organizations) that delivered consensus-based recommendations on a strategy and a plan for Oregon to take action to slow conditions of global warming. Economic and environmental impacts attributed to global warming include changing weather patterns, snowpack reductions, and occurrence of a dead zone off of the Oregon Coast. The Governor's Global Warming Advisory Group released the "Oregon Strategy for Greenhouse Gas Reductions" which prioritized steps for Oregon to reduce carbon emissions. These recommendations have been incorporated into proposed legislation that is currently proceeding through Legislative review. Legislation under consideration includes:

- Climate Change Integration: Establishes interim and longer-term science-based goals for statewide reduction of greenhouse gas emissions and provides mitigation and adaptation measures. Included in this package is the establishment of a "Climate Change Research Institute" to be run by Oregon's university system.
- Power Plant Performance Standard: Encourages low-carbon energy development in combination with ratepayer protection.
- Carbon Cap and Trade System: Creates a market-based tool by establishing a regulatory structure for Oregon's electricity and non-vehicle fossil fuel consumers.

SECTION 5

Our Community Resources

Local Funding

"Secure Schools" Income Loss

The December 2006 expiration of the "Secure Rural Schools and Community Self Determination Act." results in the loss of substantial revenues to the region. Since 1908, the federal government had provided 25-50% of the revenues received off of National Forest System lands for use primarily for schools and road maintenance by the counties in which those lands are located. Changing federal harvest policies in the 1980s lead to a steep decline in federal timber sales and, therefore, in revenue sharing funds received. To stabilize payments, the 2000 "Secure Schools" Act guaranteed funding to schools and provided needed funding to counties with federal timberlands in their boundaries to "make additional investments in, and create additional employment opportunities through projects that improve the maintenance of existing infrastructure, implement stewardship objectives that enhance forest ecosystems, and restore and improve land health and water quality."

As an example of the significance of these funds, Lane County budgeted revenues will be reduced by 40% if the federal funding is not reinstated. These funds provide 34% of Linn County's General Fund Income and 16% of Benton County's General Fund Income. The one-year renewal of the Act provides a temporary respite for the counties. However, the counties will have to continue to plan for several possible futures, making the development of long-term initiatives difficult.

Land Use Framework

Measure 37

County governments in the region reported that they were inundated with land use applications as the December 4, 2006 deadline for submittal of M37 land use claims neared. An analysis prepared by Portland State University identified that most M37 claims were filed with county governments. While a seemingly small area of the region (2.4%) is under M37 consideration, local governments are concerned about how future development clusters will impact transportation, public safety, and other community systems. Note that the following table identifies filings, not necessarily approvals.

M37 Claims Filed (Through 2006)

	Number of Filings	Acres Involved	Percent of Area
Benton County	140	11,765	2.8%
Lane County	412	34,857	1.2%
Lincoln County	198	43,314	6.9%
Linn County	494	39,927	2.7%
Region Total	***1,244***	***129,863***	***2.4%***

Source: Portland State University, March 2007

Downtown Redevelopment

Based on input received from communities during the preparation of the 2005-07 CEDS/RIS, OCWCOG is seeking funding from the U.S. Economic Development Administration for a downtown revitalization project. In cooperation with the Oregon Downtown Development Association, the proposed project would provide a local workshop open to all communities, conduct in-town assessments of eight selected communities in the Linn-Benton-Lincoln region, and work with four of these communities on an intensive one-year implementation effort.

Water Systems

Water Quality Violations

The State of Oregon reported that 28 community water systems in the region had drinking water standard violations in 2006 (down from 35 systems in 2004). Twelve of those systems violated fecal/total coliform limits at least once during the year, ten systems had violations of nitrate levels, six systems tested positive for disinfection byproducts, and four systems did not meet filtration requirements or exceeded the allowed level of other chemicals.

Water System Improvements

The Central Coast Water Council, an organization of nine Lincoln County entities, determined that future growth in the County would be limited by the availability of water. Due to the concerns about future water supplies, the Seal Rock Water District is investigating potential new sources, including desalinization of seawater.

Waste Water Systems

TMDLs

The Oregon Department of Environmental Quality has completed an analysis of the Willamette River Basin and recently established the Willamette River Basin Total Maximum Daily Loads (TMDLs) for mercury, bacteria and temperature. TMDLs limit the levels of each factor that a wastewater system can discharge into the Willamette River or its tributaries. These limits will be used to assess and regulate surface water uses and discharges to surface waters. New or expanding discharges will face new requirements to achieve compliance with these limits.

Additional information about Willamette Valley wastewater issues can be found at: ***http://www.deq.state.or.us/wq/willamette/willamette.htm***

Some municipal wastewater systems in the region may need to be upgraded to meet the new standards. Most CWEDD cities that are within the Willamette Basin and sub-basins are mandated to develop TMDL Implementation Plans by March 31, 2008. The City of Albany, Metropolitan Wastewater Management (of which Eugene and Springfield are members), and the Northwest Pulp and Paper Association have filed suits against the DEQ over issues related to the new limits.

Transportation

Connect Oregon

The 2005 Oregon Legislature approved Connect Oregon, a one-time program to fund improvements to non-highway elements of the State's transportation system. $100 million dollars of lottery-backed bond funds were provided for rail, port, aeronautic and public transit projects throughout the State. Projects that were awarded funding in 2006 within the region included:

- Air Cargo Facility Improvements, City of Eugene - Eugene Airport
- International Terminal Access Improvements, Port of Newport
- Reload Facility, City of Lebanon / Albany & Eastern Railroad
- Pioneer Parkway Bus Rapid Transit Project, Lane Transit District / City of Springfield

Roadway Network

After years of regional and local advocacy, improvements to U.S. Highway 20 between the Willamette Valley and the Oregon Coast have begun. A $150 million project will realign ten miles of highway between Eddyville and Pioneer Mountain with a new seven new mile section of highway. The project addresses truck size restrictions and safety issues in this narrow winding section of highway. Recent geotechnical issues may increase the project cost and extend the completion date.

Several other significant highway improvements are underway in the region. The long-awaited construction of the Highway 20 Philomath Couplet project and multiple State-funded bridge safety improvement projects are currently under construction. The Oregon Department of Transportation cancelled the proposed West Eugene Parkway project in July 2006, noting the project lacked political support needed to continue.

Rail Service

A rail reload facility is being developed in the northwest industrial area of Lebanon. The facility, partially funded with $1.9 million of Connect Oregon money, will consolidate two smaller operations and reduce conflicts between rail operations and vehicles on City streets.

Branch lines in the region are aging. In many areas the track, rail beds, and bridges are inadequate, particularly for 286,000 pound rail cars that are becoming the industry standard. Shortline operators are finding it increasingly difficult to fund needed improvements. As a result, continued service to outlying industries on some branch lines is threatened.

Air Service

The City of Newport Airport is currently negotiating with a small commercial carrier to provide service. Corporate air traffic has also increased at both Corvallis and Newport over the last dozen years. The Eugene Airport has just completed the development of a second, larger, runway and scheduled air service includes daily flights provided by four carriers.

Marine Transportation

The Port of Newport is redeveloping its International Terminal to service cargo ships, barges, large commercial fishing and research vessels, and possibly cruise ships. In 2006, the Port completed a Phase Two Environmental Site Assessment for the project and obtained funding from Connect Oregon ($2.7 million grant) and general obligation bond authorization ($15.4 million).

Energy

Energy-related issues and opportunities quickly rose to the top of State and regional agendas beginning in early 2006:

- The 2006 “State of the Union” and “State of the State” addresses both highlighted the economic importance of energy self-reliance. Public attention has shifted to this agenda due in part to the rising price of gasoline coupled with ongoing oil supply and security concerns.
- The rising price of gasoline has generated public focus on alternative fuels for vehicles. OSU’s agriculturally based programs are refining multiple ethanol and biodiesel biofuel options. SeQuential Fuels opened Oregon’s first biofuel station in Eugene in 2006.
- State funding for several energy initiatives, including establishment of a research center targeted for location in the Region, were just approved.
- Two of the seven initiatives identified by the Oregon Innovation Council in 2006 are energy-related: establishment of a signature clean energy research center and funding for research and development of wave energy.
- Outside of the City of Lyons, Freres Lumber Company is bringing online one of the first high-efficiency woody biomass facilities in Oregon. Residuals are burned in a boiler to generate steam

for lumber drying and production of ten megawatts of electricity, eight of which will be put on the grid.
- The City of Corvallis adopted a sustainability agenda and purchased its first biofuel buses.
- The City of Albany is seeking federal approval for its Water Treatment Plant hydro-based generator.
- Work through the newly established Oregon Nanoscience and Microtechnologies Institute (ONAMI) at OSU has resulted in a laboratory chemical reactor that would allow farmers to use locally grown crops to produce biodiesel on site.
- Business start-ups in energy-related businesses are emerging. Solar, biodiesel, cooling and metals firms are just a few of the specialty businesses in this cluster.
- Two two-megawatt electrical generating engines powered by methane gas will come online at Coffin Butte landfill in the fall of 2007.

Wave energy research underway at OSU may place the region at the center of one of the world's first wave energy parks. OSU is working with Lincoln County to develop a national wave energy research and demonstration center, with plans to test a site during the summer of 2007. Lincoln County (followed by Lane and other Coastal Counties) initiated an application that would have allowed them to be in the lead in any Federal Energy Regulatory Commission licensing along their coastline. Lead by Oregon Sea Grant, economic development partners in Lincoln County have convened the fishing industry to help identify ten optimum wave demonstration sites and to gather expertise on buoy tethers, bottom anchors, moorings, and the maintenance of equipment. OCWCOG is supporting a request for research funding from the U.S. EDA for development of a wave linear test bed at OSU.

These recent energy initiatives join the Region's longer-standing energy-related work at the U.S. Department of Energy National Energy Technology Lab in Albany, in the EPA research center at OSU, at the University of Oregon, and at Oregon State University. Ongoing research work includes new and more efficient means to generate energy from waves, hydro, hydrogen, wind, biofuels, solar, geothermal, and nuclear. Researchers also continue to work on energy efficiency and on reducing pollution from coal-fueled generators. The proposed Oregon Bio-Economy and Sustainability Research Center would bring together OSU, PSU, U of O, and OIT under a commitment to provide technical transfer of energy research outcomes.

Public Higher Education

Higher education continues to be squeezed by rising costs and static levels of revenue from the State. The State budget for the next biennium will raise tuition, cut staff, and reduces Community College career and technical programs.

Universities

The areas of advanced research that have grown the fastest in recent years are nanoscience and energy research. The University of Oregon and Oregon State University have jointly established the Oregon Nanoscience and Microtechnologies Institute (ONAMI) with other research institutes in the northwest. The purpose of ONAMI is to promote research and commercialization in the miniaturization of energy, chemical, and biomedical processes.

Community Colleges

The Oregon Coast Community College is underway with a major capital improvements program. Facilities will be developed in Lincoln City, at South Beach, in south Lincoln County, and at the Hatfield Marine Science Center.

Health Care Facilities

Health care continues to be a major economic driver in the region and significant employment growth is projected. PeaceHealth, the largest private employer in the region, has grown from 3,451 employees in 1991, to 4,605 employees today, and projects employment of 5,054 by 2008.

Several new major medical facilities are under construction. PeaceHealth is underway on a new RiverBend hospital on 170-acres in north Springfield and has announced that renovation of its Hilyard campus will begin when the RiverBend facility is complete. McKenzie-Willamette Medical Center is preparing to build a replacement hospital. Lane County's largest orthopedic practice, Orthopedic Healthcare Northwest, is building an 80,000-square-foot medical office building set to open in the summer of 2007. Oregon Medical Group opened a new clinic in January 2006 in west Eugene, and is completing a replacement clinic in south Eugene this year. Samaritan Health Services has multiple facility development/improvements underway in its three county (Linn, Benton, Lincoln) service area and recently received approval for improvements at its Corvallis health center.

Public Safety

The anticipated reduction and/or loss of federal funding under the Secure Rural Schools Initiative is expected to seriously impact County-level public safety efforts.

Overall, crime rates in the region looked better for 2004 (the most recent data available) than they did in 2000. However, reporting all crime may not always relate an accurate picture of crime because it is tightly tied to the public's perception of the law enforcement community as well as to the availability of law enforcement personnel. Also misleading, as in the case of the data presented below for Lincoln County, a smaller population base may reflect what appear to be significant comparative jumps in crime rate.

Information found in the following table is based on 2003-04 FBI Uniform Crime Reports and the 1990-2002 National Archive of Criminal Justice Data of the University of Virginia's Crime Report County Data. Violent crimes include: murder, non-negligent manslaughter, rape, robbery, and aggravated assault.

Crimes Reported

	Violent Crimes Reported In 2004	Violent Crime Change 2000-04	All Crimes Reported In 2004	All Crime Change 2000-04
Benton	5/10,000 people	-80%	335/10,000 people	-27%
Lane	26/10,000 people	-17%	516/10,000 people	-9%
Lincoln	52/10,000 people	+56%	546/10,000 people	+5%
Linn	16/10,000 people	-16%	690/10,000 people	+40%
Oregon	30/10,000 people	-15%	493/10,000 people	

SECTION 6

Our Economy

Economic Profile

The regional economy was traditionally structured around the abundant natural resources of the region. Natural resource extraction and processing from the ocean, agricultural lands, and forestlands were the major economic force until the 1980's, when those industries began contracting as they faced structural changes.

Emerging traded industrial sectors, such as high technology, environmental services, and software, began to diversify the regional economy. The availability of university research and graduates, a good quality of life, business development support, and training programs helped attract and grow these types of industries. The development of these new traded sectors helped support the growth and diversification of local service and trade sectors.

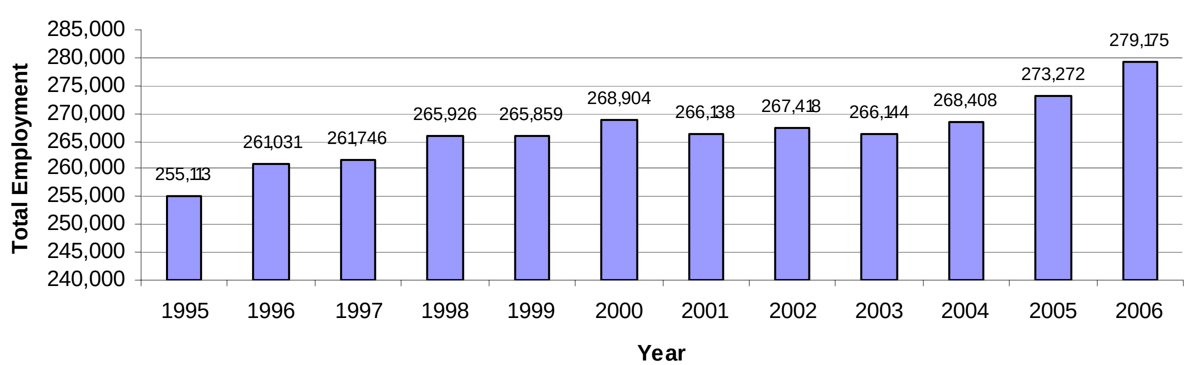
The four counties in the region have very different industrial structures and occupational mixes. The economic focus varies by county and even by sub-county area. In general, rural areas have relied on the wood products and agriculture industries, while the urban centers have established a more diverse economy that included wood products. The benefits of economic growth and diversification have been primarily focused on the four largest cities of the region (Albany, Corvallis, Springfield, Eugene). Rural communities have faced a more difficult time in strengthening their economies due to their relative isolation, capacity limitations, and smaller employment bases.

Employment and Unemployment

Between 2000 and 2004, the number of people employed in the overall region remained basically static. From 2004 to 2006, the region gained approximately 10,800 jobs. However, the majority of this employment growth (75%) occurred in Lane County (60% of regional employment is in Lane County).

Industry groups with the largest employment growth over the 2004-2006 period are: Trade, Transport, and Utilities (2,780 jobs); Construction (1,910 jobs); Professional and Business Services (1,670 jobs); and Educational and Health Services (1,500 jobs). Professional and Business Services exhibited the highest employment growth rate during this period at 7.2%.

BL^{3} Annual Average Employment: 1995-2006



Employment growth varies dramatically between the counties of the region. Comparative total employment trending shows:

- In the US as a whole, there was a period of employment stagnation that lasted from 2000 until 2002, then steady growth from that point through 2006.
- In Oregon, the stagnate employment period began in 2000 and stretched until 2004.
- Lane County more closely followed the State's pattern.
- Benton County experienced significant job loss (7.5%) in 1999, and employment levels remained stagnate until 2004.
- Lincoln County experienced an employment drop in 1999, and levels were stagnating through 2003.
- Linn County's major employment drop was in 2000, with job losses every year through 2004,with the first gain in 2005.

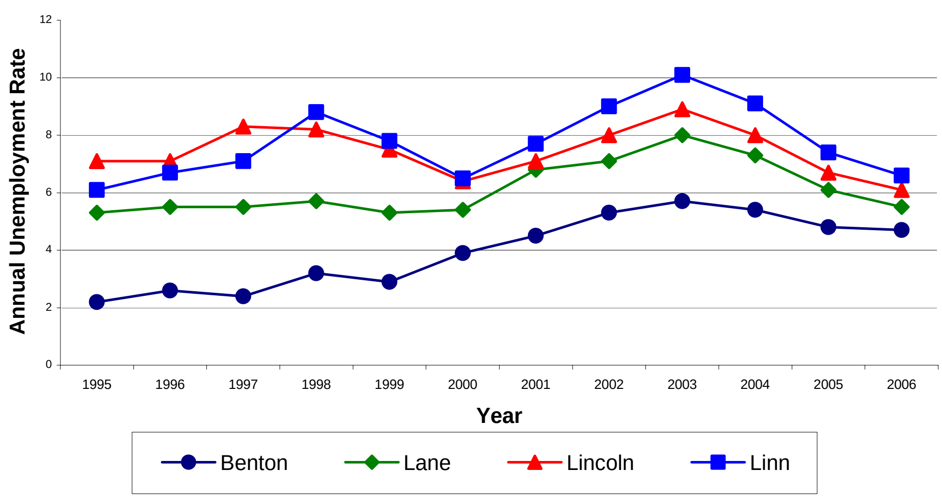
As indicated in the following table, the view of employment changes over time can vary significantly depending on the time period selected. Percentage of employment growth in Lane County over both the ten year period (1997-2006) and the eight year period (1999-2006) was stronger than that of the State as a whole, probably because Lane County has the most diversified economy in our region. The other three counties have trailed the State during both time periods.

Employment by Year

Area	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	97-06	99-06
US	129,558,000	131,463,000	133,488,000	136,891,000	136,933,000	136,485,000	137,736,000	139,252,000	141,730,000	144,427,000	11.5%	8.2%
Oregon	1,652,997	1,678,407	1,697,288	1,716,954	1,711,041	1,704,131	1,704,397	1,722,058	1,754,715	1,796,165	8.7%	5.8%
Benton	41,881	41,197	39,069	39,562	39,775	39,788	39,759	39,977	40,138	40,739	-2.7%	4.3%
Lane	150,877	155,384	157,720	161,226	158,233	159,774	158,961	160,416	163,668	168,232	11.5%	6.7%
Lincoln	19,983	20,120	19,837	19,662	19,830	19,863	19,972	20,597	20,857	20,784	4.0%	4.8%
Linn	49,005	49,225	49,233	48,454	48,300	47,993	47,452	47,418	48,609	49,420	0.8%	0.4%
Region	**261,746**	**265,926**	**265,859**	**268,904**	**266,138**	**267,418**	**266,144**	**268,408**	**273,272**	**279,175**	**6.7%**	**5.0%**

Unemployment levels topped out in 2003, and have dropped steadily through 2006. With the annual average unemployment of the region moving below 6%, the regional unemployment rate reached its lowest point since 2000. In 2006, 16,745 people in the region were identified as unemployed. Those that have given up looking for work or who have accepted underemployment are not reflected in these unemployment statistics.

BL3 Annual Unemployment: 1995-2006



Traditional Sectors of the Economy

Tables 1 and 2, immediately below, provide regional traded sector data for employment, wages and growth projections. Information in these tables is reviewed in more detail under the following narrative descriptions for each of the eight NAICS industry sectors.

Table 1
Regional Traditional Sector Employment

	2001	2002	2003	2004	2005	2014	2005 2014	2005 2014 Percent
Forest Products	9,867	9,603	9,147	9,193	9,422	8,720	-702	-7.6%
Fisheries 1/	104	100	91	87	80	72	-8	-9.2%
Agriculture 2/	5,150	5,000	5,080	5,480	5,840	N/A	N/A	4.5%
High Tech	7,588	7,082	6,933	6,944	6,523	6,794	271	3.9%
Software	1,562	1,415	1,217	1,321	1,558	1,581	23	1.7%
Tourism	23,056	22,899	23,253	23,744	24,193	27,410	3,217	13.5%
Metals	3,577	3,088	3,117	3,304	3,490	3,210	-280	-8.5%
Government 3/	48,750	48,440	42,940	48,390	51,880	52,344	464	1.0%

1 *Includes only covered employment*
2 *Oregon Employment Department estimates that includes both covered and noncovered employment for 2001-2005. Employment growth percent for 2004-2014 is based on covered employment only and is not directly comparable to earlier years.*
3 *Government includes tribal employment*

Table 2
Regional Traditional Sector Annual Average Wages

	2001	2002	2003	2004	2005	Statewide 2005
Forest Products	$35,965	$37,017	$38,456	$40,425	$40,569	$38,868
Fisheries 1/	$30,349	$30,342	$35,581	$43,463	$40,390	$39,743
Agriculture /2	$22,256	$23,190	$23,104	$23,855	$24,109	$21,213
High Tech	$58,523	$59,616	$65,008	$64,200	$72,459	$78,661
Software	$57,828	$58,107	$64,263	$63,992	$63,999	$84,027
Tourism	$11,679	$12,052	$12,312	$12,537	$12,908	$15,100
Metals	$44,156	$44,387	$44,032	$45,774	$47,434	$45,359
Government 3/	$45,309	$47,307	$49,584	$52,149	$37,281	$38,552

1 *Includes only covered employment*
2 *Estimate is covered and noncovered employment. Projection is covered employment only.*
3 *Government includes tribal employment*

Forest Products

The forest products industry remains vital to the region. This sector fueled the economy through much of the 19th Century and well into the 20th. More recently, it's been battered by economic recession and timber supply reduction. In response, the industry has become more efficient with larger mills that can process a wider range of raw material. The industry has also become more diverse, with a shift toward secondary wood products. Today, it is able to better handle the cyclic slumps and price swings that plague most of manufacturing.

The four counties of the region each have employment in the forest products sector. Between 2001 and 2004, forest products employment dropped from 9,867 to 9,193. Employment rebounded somewhat to 9,422 between 2004 and 2005, when strong demand for housing and resulting high prices in wood products markets supported the industry. Industry wages tend to be high, with a regional average of $40,569, compared with the all-industry annual average of $32,852.

Employment in the forest products sector is expected to decline slightly between 2004 and 2014 – by 5.1% or 473 jobs. Continued technological advances will likely make the industry less labor intensive.

Foreign competition, particularly from Canada, will contribute to the decline. The industry is protected somewhat by tariffs on Canadian lumber imports.

Fisheries

Fisheries employment in the region is primarily in coastal Lincoln County – especially in Newport, with a few additional jobs in Lane County. Aside from a small number of jobs in aquaculture – primarily oysters – fisheries employment is in commercial fishing for wild finfish and shellfish.

Employment seems to be slowly decreasing, but accurate counts are difficult to make. The total number of commercial fishermen in the region was estimated at 540 in 2005. 1999 legislation excused most fishermen from unemployment insurance coverage – the primary source of employment data. The average number of jobs in aquaculture and fishing covered by unemployment insurance dropped from 104 in 2001 to 80 in 2005. The recorded decrease could be from fewer fishermen working or fewer choosing to maintain unemployment insurance coverage – or a combination of the two. A decreasing number of licenses and a federal fleet-reduction program for groundfishing suggest some of the apparent decrease is real.

Fishing employment in the short run is tied to harvests and 2004 brought a record crab crop and larger tuna, whiting and sardine harvests. License and income data suggest employment increased slightly in 2004 and 2005, but a good year or two is unlikely to offset the long-term trend. The 2006 commercial salmon season was declared a disaster and the 2006-2007 crab harvest is reported to be about average. Fishermen face consolidation in the fish-processing industry, which reduces the number of viable ports; price competition from the aquaculture industry, which encourages the substitution of capital for labor to increase productivity; and increasing regulation on harvests. The Pacific Fishery Management Council declared several species of groundfish over fished and restricted harvests to rebuild their stocks. These restrictions will probably continue.

Fishing will continue to be an important source of income in the region. In 2006 the landed value of fish in Lincoln and Lane Counties was about $33.3 million – with about 99 percent of that landed in Lincoln County. That is about one-third of Oregon's total. Average covered wages in the industry are about $42,000 per year and have risen sharply in the past few years. It is estimated that total employment, however, will slowly decline from 2004 to 2014.

Agriculture

Agriculture has long been a dominant and visible sector of the Willamette Valley economy. The agricultural production of the region includes a variety of field crops as well as livestock and poultry production.

Linn County, also known as, "the grass seed capitol of the world," is not so subtle about the county's largest crop. It produces more grass seed than any other county in Oregon. In fact, Linn County produced nearly one-third of the state's perennial ryegrass in 2005. Nearly half of Linn County's gross farm sales in 2005 were from grass and legume seed. Linn County had total gross farm sales of $249 million in 2005 (up from $230 million in 2004), and the most agricultural employment of the four counties in the region. In 2005, its annual agriculture employment was 2,240 (up from 2,190 in 2004).

Lane County is the second-largest agricultural producer in the region; its gross farm sales were just under half ($117 million, a slight decline from 2004) of Linn County's. Lane County's agriculture industry is a bit more diverse than Linn's, with only 15% of the county's gross farm sales from grass and legume seed. Lane County's top commodities in 2004 were farm forest products, cattle, nursery crops, and dairy products. In 2005, Lane County's annual agriculture employment was 2,010 (up from 1,820 in 2004).

Benton County's 2005 gross farm sales of $104 million were down slightly from 2004. In 2005, its largest commodities were farm forest products, perennial ryegrass, dairy products, and tall fescue. Benton County's annual agriculture employment was 1,340 (up from 1,260 in 2004).

Both employment and sales were up over prior rates in Lincoln County. Employment in Lincoln County's agricultural sector was 250 in 2005. The gross farm sales in Lincoln County were $18 million in 2004. Its largest commodities were farm forest products and cattle.

In 2005, the regional average annual wage for crop production was $24,007, above the statewide average of $20,603. For animal production, the average wage in the region was $25,941, just below the statewide average of $26,296.

Using only covered employment data, agricultural employment is expected to grow by 4.5% from 2004 to 2014.

The U.S. Department of Agriculture designated Benton, Lincoln and Linn Counties as primary agricultural disaster areas in September 2005. Severe weather-related conditions hit 2005 grass seed crops, with some farmers facing a 50% loss. Designation offered some farmers and ranchers low-interest emergency loans.

High Tech (less software)

The high-tech sector is made up of computer and electronics manufacturing and computer systems design and related services. All four counties have at least some employment in the sector, with Benton County leading the way – due mostly to the presence of Hewlett-Packard. Another major employer in the region is Hynix semiconductor in Lane County. Hewlett-Packard has had several publicized rounds of layoffs in recent years; Hynix has slowly added employment and made capital improvements totaling hundreds of millions of dollars.

After growing rapidly in the 1990s, high tech declined in the region when the recession started in 2001. It lost 644 jobs between 2001and 2004. Much of the loss can be attributed to Hewlett-Packard in Corvallis, Sony in Springfield, and Rosen Products in Eugene. After losing jobs in 2001 and 2002, the sector stabilized at around 7,000 jobs before dropping to 6,500 in 2005. Jobs in this sector are generally high paying, with annual average wages at $72,459 in 2005 (up from $64,200 in 2004), compared with an average annual wage for all industries of $32,852.

The high-tech sector is expected to decline slightly in the region over the next 10 years – losing 150 jobs or around 2.2% of current employment levels. Continued improvements in production efficiency and competition from domestic and international companies are expected to limit growth in this sector in the region over the next ten years.

Software

Software in the region is characterized by several, mostly small software publishers. There were 71 locations (up from 59 locations in 2004) employing 1,558 in 2005 (up from 1,321 employed in 2004). Two of the larger software publishers are Symantec in Springfield and Tripod Data Systems in Corvallis.

Software in the region declined during the last recession, which was largely due to a downward correction in computer-related industries. From 2001 to 2003, employment in the sector dropped from 1,562 to 1,217, for a loss of 345 or 22%. The sector has regained most of the loss since, with a gain of 341 jobs. Wages in software are generally high. The average annual wage in 2005 was $63,999, compared with an average annual wage for all industries of $32,852. The statewide annual average wage for software was $84,027 in 2005.

Software is expected to add 250 jobs for a growth rate of about 20% over the next 10 years. Symantec has recently doubled the size of its facility while On Time Systems Inc., a Eugene software developer, has been awarded a $1.4-million contract with the U.S. Air Force.

Tourism

Tourism is important in all four counties of the region. Dean Runyan Associates estimated the region received about $1.1 billion in travel spending in 2005 and that travel provided about 16,000 jobs (up from 14,000 jobs estimated for 2004). Estimating tourism-related employment is difficult because tourism is not an industry proper, but a source of customers. Two industries in the region strongly affected by tourism are arts, entertainment and recreation, and accommodation and food services, referred to here as the leisure and hospitality industry.

Employment in leisure and hospitality dipped slightly in 2002 during the recession but has grown since then. The industry provided 24,193 jobs in 2005 (up slightly from 23,744 estimated in 2004) – about 10 percent of total covered employment in the region. Leisure and hospitality is relatively more important in Lincoln County, where it provides about 24 percent of the covered jobs. The average covered wage in the industry was about $12,900 per year in 2005. This was much lower than the regional average of about $32,800. The low covered wage reflects the prevalence of part-time and seasonal work, use of tip income to augment covered wages, low skill and low training requirements, and the apparent increasing use of recent immigrants, who may lack the education, language skills or work history to command higher wages.

Employment in leisure and hospitality is expected to grow faster than the average in the region – about 15.4 percent from 2004 to 2014. Growth will be fueled by the continuing expansion of demand for services in the U.S. economy, increasing travel as the baby-boom generation enters retirement, casino expansions, and Oregon's tourism marketing. In 2003, the Oregon Legislature passed a one-percent lodging tax to promote tourism. This dramatically increased spending on marketing in some counties – more than a 10-fold increase in Lincoln County – and led to more collaborative marketing between the state's regions and industries.

Metals

The metal manufacturing sector is concentrated in Linn and Lane Counties. Linn County is responsible for nearly all of the primary metals employment in the region and Lane County comprises the majority of fabricated metals employment in the region.

Linn County hosts nearly all of the primary metal manufacturing in the region, employing almost 1,800 in 2005 (up from 1,700 in 2004). In fact, Linn County accounted for 22% of primary metal manufacturing employment statewide in 2005. Lane County makes up the small remainder of the primary metal manufacturing in the region, employing less than 100 in 2005. Benton and Lincoln Counties had no primary metal manufacturing employment in 2005. Wages in primary metal manufacturing are significantly higher than the average wage across all industries in the region. The average annual wage in primary metal manufacturing was $57,546 in 2005 (up from $55,441 in 2004), 75% higher than the average wage in the region of $32,852.

Fabricated metal manufacturing is a slightly smaller industry than primary metals, employing 1,680 in the region during 2005. Lane County made up 72% of the regional employment in the industry. Linn County comprised 22% of the regional employment and Benton and Lincoln Counties made up the small remainder. The average annual wage in fabricated metals was $36,311 in 2005, higher than the $32,852 average paid across all industries, but not nearly as high as regional average wages in the primary metals industry.

Overall, metals manufacturing is projected to decline by 2.8% in the region from 2004 to 2014, but it is a tale of two industries. Primary metal manufacturing is projected to decline by 11% over the ten-year period, while fabricated metals is projected to grow by 7%. The projections place metals manufacturing among one of the slower-growing industries in the region (across all industries the employment of the region is projected to grow by 13.7% between 2004 and 2014).

Government

Public-sector employment is a very significant sector in the region. Statewide, public-sector employment makes up about 17% of total nonfarm employment. In the region, it accounts for 21% of the total nonfarm employment. Federal government employment (1.3%) in the region is actually slightly lower than the statewide average of 1.8%. Local government in the region accounts for 11% of nonfarm employment, matching the statewide percentage.

The region differs significantly from the statewide pattern in State government employment. State government makes up 9% of regional employment, almost twice the statewide percentage of 5%. The biggest reason for this is that the two largest universities in Oregon are located in the region. Oregon State University and the University of Oregon are the largest employers in their respective counties of Benton and Lane.

Average annual covered wages for government workers in the region were $37,281 in 2005 (compared with $36,449 in 2004), lower than the statewide average of $38,552. The regional average wages were lower than statewide for federal and local government. State government was $40,944 for the region and $34,722 for statewide.

The government sector is projected to grow by 8% from 2004 to 2014 in the region. Statewide, employment growth in the public sector is projected to grow at a similar pace of 9% over the ten-year period.

The economic force of the two universities in the region is not visible in the above compilation of government employment data. In addition to direct university employment, the universities spin-off research, generate service and trade sector businesses to meet the needs of their substantial student populations, and act as a visitor draw.

Tribal activities are also a significant economic force in the region that is not visible in the above Government Sector data. Casino and related tourism employment generated by the tribes has become a key element of the coastal economy. As these ventures continue to expand, tribal employment growth is expected to generate a relatively high rate of new jobs in the Government Sector.

Emerging Clusters

The following emerging traded sector industry clusters are based on analyses by the State of Oregon Employment Department.

Motor Coach – Bicycle Manufacturing

Motor coach and bicycle manufacturing are centered in Lane County, where, in 2005, motor coach manufacturing employed 3,958 and bicycle manufacturing, 159. Motor coach manufacturing is cyclical and has had two recent large employment increases – once in the late 1990s and again from 2004 to 2005. Monaco Coach and Country Coach are two of several companies that use bus chassis as bases and add amenities to produce high-end coaches. Burley Design is a large bicycle manufacturer in Lane County that has often been included in Oregon Business magazine's list of best places to work.

Motor home and bicycle manufacturing are expected to grow over the next ten years. With the baby-boom generation entering its retirement years, national demand for motor coaches is expected to remain strong. Bicycles are a popular form of transportation in college towns like Eugene and Corvallis. Very high gasoline prices may also increase demand somewhat for bicycles.

Viniculture

Viniculture has expanded in the region for several years**.** There were 80 vineyards in the region in 2004 with 1,208-planted acres – up from 65 vineyards with 1,044-planted acres in 2000.

Most of Oregon's wineries are relatively small and often have difficulty finding major market distributors to carry their brands. In May 2005, the Supreme Court ruled that bans on interstate, direct-to-consumer wine shipments were unconstitutional. That may help open markets to the smaller wineries of the region. Since then, New York has lifted its ban on direct sales, opening the nation's second-largest market to small wineries.

Specialty Foods

The temperate climate of the region allows for a wide variety of agricultural products that can be used to produce specialty foods. Specialty foods are defined by the National Association for the Specialty Food Trade as "limited supply, high quality." Fruits, nuts, berries, vegetables, and animal products are all used to create the value-added niche foods described as specialty foods. Oregon State University's College of Agriculture and the Oregon Department of Agriculture (ODA) support specialty foods production through research and funding. Some examples of projects in the region that have been funded through ODA-administered specialty crop grants include: Clear Hills Honey of Eugene ($25,000) for a breeding program utilizing mite-resistant honeybees; Local Ocean Seafoods Inc. of Newport ($90,000) for developing tuna and crab products for export and Green & Green Inc. of Corvallis ($53,000) for development of uniquely packaged processed fruit products.

Some specialty food companies in the region include Golden Temple, Emerald Valley organic salsa, Oregon Lox, and Harry and David, which runs a call center during the holiday season in Eugene.

Direct Market Foods

Farmers and other food producers can increase their revenue by selling directly to customers instead of to wholesalers. This is done through farmer's or fishermen's markets, you-pick operations, community-supported agriculture (CSA), farm stands, mail order and Internet sales, and sales to restaurants and stores.

There are farmer's markets in Albany, Corvallis, Cottage Grove, Eugene, Florence, Kings Valley, Lincoln City, Newport and Yachats. There are CSA farms in Albany, Corvallis, Philomath, Junction City, Eugene, Springfield, Coburg, Blachly, Cottage Grove, Pleasant Hill, Creswell, and Noti.

Fishermen sell directly to the public in Newport and Florence. Plans are underway for a mixed-use Port of Newport Fisheries Center that would act as a hub for fisheries-related activities. Designs for the Fisheries Center include a test kitchen and events pavilion with opportunities for education, interpretation, and interaction with the fishing industry.

Nurseries

Greenhouse and nursery employment has generally been significant and stable in the region. Most employment is in Lane and Benton County, with a few establishments in Linn County. Between 2001 and 2005, the industry added 38 jobs to reach employment of 823 at 39 business locations. Greenhouse and nursery crops are a high value crop for the region, producing about $26 million in sales in 2005 (up from $24 million in 2004).

Greenhouse and nursery employment is expected to add about 130 jobs in the region over the next ten years for a 16.7% increase.

Nano-Technology, Micro-Technology, University Spinoffs and Tech Transfer

The presence in the region of Oregon State University and the University of Oregon has been a factor in attracting high-tech companies and creating spinoffs such as consulting firms and software companies. Nano- and micro-technology is a recent promising development that these universities are facilitating.

The 2003 Oregon Legislature established the Oregon Nanoscience and Microtechnologies Institute (ONAMI) with a $21 million investment, of which $20 million was for capital construction. The group includes departments at Oregon State University, the University of Oregon, Portland State University and the Northwest National Laboratory (Richland, WA); the State of Oregon; and Oregon Health Sciences University. In addition, private companies in the region, including Hewlett-Packard and Hynix, participate in the effort. Operating funds for ONAMI were approved for the 2005 biennium.

As part of the ONAMI effort, a University of Oregon chemistry professor has won a patent that could lead to a new class of nanoscale electronics and optics assembled from nanoparticles – including ultrasmall transistors that operate efficiently at room temperature.

Health Care

Health care remains the fastest-growing occupational group in Oregon, adding nearly 25% in ten years. But health care occupations do not dominate the fastest-growing occupations list in terms of percent growth, as they did in 2002-2012 projections. In that cycle, the top 25 occupations with more than 500 employees in 2002 were in health care. That percentage dropped to 13% with the updated 2004-2014 projections. This indicates that health care occupations will remain prominent among the fastest growing occupations, but that other occupations are now expected to grow more quickly in the next ten years.

SECTION 7

Challenges and Opportunities

The perspectives contained in this section of this 2007 Update Report supplement the findings and perspectives included in the CEDS/RIS document (beginning on page 53). The challenges and opportunities presented below were developed from comments made during private sector discussions and during the 2007 Regional Economic Development Forum. Although many of the following comments could have been included under more than one of the four major headings (Economy, Individuals and Families, Communities, Natural Systems) each appears only once. Because these comments were not screened for factual accuracy, the following should be viewed as indicators of regional concerns and issues that might help us better understand what we need to address as a region.

Health of Our Economy

Economic diversification continues, especially in the more urban areas of the region.

Employment changes at Hewlett-Packard's Corvallis campus (where employment is estimated to be over 1,000 jobs less than two years ago) are fueling **spin-off business** activity as well as new non-technically related **business start-ups**.

There are emerging business clusters in **renewable energy- and sustainability-related** businesses.

Generations X and Y are highly mobile and flexible in how they participate in the workforce. Through a focused evaluation of this segment we might uncover emerging economic trends (such as an increase in home-based businesses or lone eagle-type consulting businesses) and detect new business and workforce service delivery needs. Community amenities that provide a high quality of life appear to be very important to this population.

There are **shortages of skilled workers** in several expanding economic sectors. Health care professionals, welders, electricians, and advanced technology professionals are some of the professions where worker demand exceeds supply. **Technical training** at the high school level is becoming a higher priority due to these shortages, but we continue to lose this level of training.

Increasing certification and education requirements for entering some professions are reducing entry-level worker interest in pursuing those professions. This is especially true in the health care field.

Small businesses in the Valley are expecting **workforce adjustments and issues** as their existing workers are attracted to the wages and benefits available at the new Lowe's distribution center. They are concerned that the remaining workers will have to be trained, and that new workers are more likely to have drug use or other issues that have prevented them from previously being a part of the workforce.

The need for **workforce succession planning** is becoming more apparent as the baby boomer segment of the workforce vacates typically higher-skilled positions for retirement.

Future **immigration policies** may force adjustments in the regional workforce, as there could be a reduced supply of willing workers for lower-skill and entry-level positions.

Rising **health care premium costs** are limiting job growth.

Benefit packages are changing rapidly, with reduced or eliminated retirement benefits required to balance rising health care costs.

Oregon's **pay scale for university professors** is below the national norm. This pay inequity is impacting the nation-wide recruitment of sought-after researchers and educators.

Retaining money in the area economy through **"Buy Local"** efforts needs to be encouraged.

The State's **industrial site certification** process created a standard, uniform, set of criteria on which site preparedness can be tested. Few sites in the region have been able to reach the certification level.

The **inventory of unconstrained lands** is limited, which impacts **land prices**. Rising land costs are impacting who is purchasing and developing land in the region, with increased development interest and activity from outside of the region. The higher cost of urban-area land is leading to **increasing pressure to develop rural areas**.

Health of Individuals and Families

The **baby boomer** segment of our population is expected to increase as retirees are attracted to the lifestyle amenities and lower cost of living found in our region.

The **working poor** are a growing segment of our population. We might curb this trend by focusing on **improving the skill set** (skill-up) of this part of our workforce.

Rising health insurance costs continue to impact **personal health, benefit packages and lifestyles**. The number of people seen in emergency room and clinic settings continues to rise, as does the severity of what is treated in these settings.

Health of Our Communities

Urban encroachment through the growing number of homes located outside of urban areas is impacting our land use system. Implications include expectations that city water and sewer services will be provided to these areas and impacts to our transportation system.

Although housing **development on the Coast is escalating** (e.g., the number of homes in Waldport has doubled), **housing availability and affordability** factors continue to impact the ability of the coastal areas to attract workers, especially those at the professional level.

A rising **anti-growth and anti-change sentiment on the Coast** may be attributable, at least in part, to the retiree population that was originally attracted to the Coast's more rural lifestyle.

There is a growing **financial imbalance between the demand for public services** and the funding available to local governments to provide these services.

Reductions in State and federal infrastructure funding have increasingly shifted improvement costs to the local level. This has created financial burdens on local governments and lower-income households. It has also created heightened competition among communities for these limited resources.

Rising costs of energy and other utilities impact the economic competitiveness of the region as well as the poorest segments of our population.

Adequate **funding for a stable education system** remains a top priority issue. Oregon's business community sent a clear message to the Legislature that we must adequately fund education at all levels. Recent Legislative dialogue and editorial support across the State indicate the **value of postsecondary education** and its significant impact on Oregon's economy. Funding of K-12 and community college programs needs to be addressed at the State level.

The financial issues related to inadequate school funding (above) indicate that **Oregon's tax system** needs to be revised.

County governments will need to be adjusted to operate on less due to loss of federal **Rural Schools Act** funding.

There are significant **telecommunications gaps** in our region. Areas that need to be addressed include smaller cities, areas outside cities (rural), and urban upgrades (e.g., Benton County cities).

Road development and road repair continue to be major issues for the future of the region. They directly impact the movement and finances of businesses, communities, and households.

Public transportation, especially to and within the smaller cities, needs to be improved to link the underemployed with employment centers.

Transportation linkages need to be improved between Corvallis-Portland-Eugene. The highway system within this area of the region is increasingly congested, impacting access to airports and movement of goods and people.

Health providers are increasingly regionally integrated.

Health of Our Natural Systems

Location of a **Marine Mammal Institute** at the Hatfield Marine Science Center helps secure the region's position as a world-class marine biology research center.

The delayed response in providing federal funding to address the **salmon fishing disaster** has meant the continued pressure on and decline of the coastal fishing fleet.

There are increasing pressures for local governments and businesses to **address environmental issues**. However, financial assistance to undertake improvements needed is often minimal or not available.

Environmental regulations on energy production, industrial siting, etc. continue to increase the cost of doing business.

There is a need to address how an **orderly timber harvest** off of public lands might be provided.

SECTION 8

Regional Vision and Goals

No revisions are proposed to the broad regional vision and goals identified in the CEDS/RIS. The Region has invested its efforts this year in clarifying, refining, and prioritizing what we can actually "do" to move us toward the vision and goals.

SECTION 9

Cascades West Economic Development District Work Program

Accomplishments

Program Evaluation

The District reviews and evaluates its activities on a biennial basis. The evaluation addresses the extent to which the District's efforts have incorporated the elements of the multi-pronged approach in its delivery of services and the extent to which these efforts are addressing the systemic barriers to community and economic vitality. Outcomes evaluated are:

- Number of jobs retained or created
- Program dollars invested in business expansion
- Other public and private dollars leveraged for business expansion
- Number of priority infrastructure and community facility projects assisted
- Dollars mobilized for public infrastructure development

The Last Year in Review

Significant accomplishments of the Cascades West Economic Development District and the related programs of the Lane Council of Governments and the Oregon Cascades West Council of Governments for the one-year planning period beginning April 1, 2006 and ending March 31, 2007 include:

- All Regional Investment Strategy funds were obligated during the first part of the 2005-'07 biennium. Projects funded by almost $800,000 in RIS funding are expected to be matched by over $13 million and are expected to generate 301 jobs opportunities.
- Completion of a record year for the business lending program with over $22 million in governmental funds accessed to help 51 different businesses start-up or expand and contributing to the creation or retention of 1,165 jobs in the region.
- Application presented to EDA for funding of a Business Enterprise Initiative targeted at downtown revitalization in cooperation with the Oregon Downtown Development Association.
- Completion of a regional economic development referral network directory for the OCWCOG area with identification of lead players.
- Completion and approval of the Corvallis Area Metropolitan Planning Organization Transportation Plan: Destination 2030.
- Completion of the first phase of a multi-community effort to address the impacts of wetland conditions on the development of vacant industrial sites.

- Pilot efforts to support business clusters was completed with EDA funding. The Lane RV industry cluster has been established as an ongoing effort. OCWCOG energy-related entities were convened and support of key initiatives (wave research, alignment with the Business Alliance for Sustainable Energy) continues.

Further details on these efforts and on the other accomplishments for the April 1, 2006 through March 31, 2007 period are provided in the Cascades West Economic Development District Annual Report. This Annual Report is posted on the web site of the Oregon Cascades West Council of Governments under the Community and Economic Development Department at: www.ocwcog.org/SectionIndex.asp?SectionID=103

The Longer-Range View

During the past five reporting years (April 1, 2002 through March 31, 2007) the District has:

- Provided access to $69 million in public financing through its business lending programs, allowing 284 private business efforts to start-up or expand and contributing to the creation or retention of at least 2,700 jobs in the region.

- Helped to frame and/or obtain funding for 31 different infrastructure and community facility projects including bringing multiple water and waste water systems into compliance with State or federal requirements, improving telecommunications access, and addressing industrial site development barriers.

- Worked on 14 planning-oriented projects ranging from industrial site preparedness to community visioning and comprehensive planning.

- Coordinated 19 different planning groups representing a variety of issues and opportunities from transportation advocacy to the Regional Investment Board.

Work Program

Background

As identified in the previous sections of this CEDS/RIS Update Report, this region is facing significant economic challenges. Unemployment remains above the national average and we continue to experience harsh economic cycles. It is clear that we need to continue the many efforts already in place that encourage businesses to make investments in our region and to create new jobs. However, it is equally clear that we will need to do much more if we hope to meet the challenges that are heading our way.

What could we "do"?

We need to foster innovation, encourage entrepreneurship, find better ways to support our existing businesses, provide communities that meet business needs and expectations, and work in new ways to entice business activity if we hope to have a healthy, stable, vital economy in the future. To make significant economic change happen we need to look beyond single "projects" and focus more closely on broader initiatives that will encourage needed economic change. The question for our region comes down to:

> *Given limited resources and knowing the challenges that our region faces, what one or two initiatives can the region's businesses, governments, and citizens pursue to provide for the region's economic prosperity?*

If the region pulls together behind a focused agenda we believe that we can find funding, align partners, and overcome implementation barriers. CWEDD will pursue the following initiatives during the next two planning years. These initiatives are consistent with the vision, goals, and broad work plan established in the CEDS/RIS. They were developed and refined through discussions with private sector representatives, during the May 2007 Economic Development Forum: Cultivating the Seeds of Economic Prosperity, and through a review by the CWEDD Board.

These initiatives will be prioritized and refined with guidance from the Lane Economic Development Committee and the Oregon Cascades West COG Community and Economic Development Committee as each develops their individual work plans. The ability to make significant gains on these initiatives will be heavily influenced by the willingness of other entities to partner, by the level of local interest, and by access to additional financial resources. However, it is expected that the District should make significant gains on at least two of these focused economic development initiatives during the two-year period. To support a pro-active approach, benchmarks should be established within each work program with accomplishments reported annually to the District Board.

Initiative on Site Preparedness

Objective: Address barriers to business location and expansion.

Preliminary Findings:

- The broad look at the region's industrial lands base indicates:
  - There is a variety of land planned for future industrial development
  - The number of large sites planned for industrial development is limited
  - Many/most of the vacant industrial sites are not "really" available at this time
  - Most undeveloped industrial sites require significant investment in infrastructure
  - There is limited certainty about development requirements (for example, wetlands)
  - Cottage-level business location options are often constrained by local planning requirements
- There are three primary components to a comprehensive effort to provide sites that are "ready" for business location and expansion: site availability, infrastructure, leadership/coordination
  - Site availability:
    - Site planning needs to be done in advance in order to reduce uncertainty
    - Constraints need to be identified and remedied such that sites are really available and not just nominally available
    - The State's "shovel ready" Site Certification process is a successful example of what can and should be done
    - The protection and remediation of wetlands is one of the primary challenges to site availability and much greater coordination is required regionally and statewide industrial on wetlands mitigation banking and wetlands identification processes
    - Addressing Brownfields must be part of the solution
    - The scarcity of large sites must be addressed
    - The current process to expand UGB's should be made less complex
    - Greater use of purchase options could reduce the uncertainty associated with a property owner's willingness to sell a site
  - Infrastructure: Grant and loan programs from State, federal, and local sources are critical to build necessary infrastructure.
  - Leadership/coordination:
    - Communities need to develop a realistic view of their economic future that is broadly supported by residents and the area business community
    - This process needs to start with an accurate and thorough analysis of future needs
    - Communities with a strategic plan will improve chances of accessing State and federal funding to assist with infrastructure and other costs of site development
    - Coordination must occur at both the state and local economic development levels
    - State agency coordination can be further improved

Recommended Initiative:

- Work toward an inventory of ready-to-go sites by -

- Helping communities develop a local planning consensus
- Supporting development of local industrial site inventories that identify details as well as availability and development constraints of available industrially zoned site
- Encouraging the State to provide assistance for site certification for eligible sites
- Providing coordination to address common site development/redevelopment constraints and barriers, such as wetlands and infrastructure requirements

Initiatives to Support Existing Businesses

Objective: Encourage expansion of existing businesses.

Preliminary Findings:

- Major challenges to existing businesses include:
  - The business environment, including regulatory restrictions
  - Capital demands, including the need for additional investment capital and increasing demands on operation (especially costs of health care, other employee benefits, and energy)
  - Competition for the assets, resources, and workforce necessary to operate
  - Competition for markets (even small businesses face statewide, national and international challengers)
  - Retooling (there are few businesses that do not need to make major changes in operations to increase efficiency)
  - Transportation
  - Workforce challenges (dealing with improving training, drug use, worker retention, worker transition as leaders near retirement, empowering workers to take on leadership roles, attracting knowledgeable workers that form the leadership core, incorporating lean manufacturing principles, working with higher education to optimize the value of new entrants, maximizing development of internship programs)
- Solution to challenges should include cooperative action to help all employers
- The economic development entities should serve as facilitators for employers to deal with these challenges (successful models include "industrial cluster" support provided by the workforce investment agencies and "business development centers" operated by the community colleges with room for more of the same efforts)

Recommended Initiatives:

- Additional effort is needed in developing business support centers that -
  - Serve as one stop centers for businesses which direct employers to existing business assistance and development programs and provide information about funding options, technical assistance, cluster support services and the like
  - Provide outreach to deliver information to employers and, at the same time, educate employers and the community at large of needs and issues surrounding contemporary employers
  - Facilitate interaction between employers and higher education to improve the flow of needs and opportunities in both directions
  - Either operates or supports the operation of business incubator space
  - Participate cluster development programs, as well as provide referrals and other support
- Business cluster support (help similar businesses share ideas and identify opportunities for addressing common needs) should be enhanced to reach out to more clusters and encourage the development of additional clusters

Initiatives on Encouraging Entrepreneurship

Objective: Foster entrepreneurship at all levels (including encouraging innovation, startups, and small business development)

Preliminary Findings:

- An "enterprise facilitation" approach (providing business development coaching and links to resources) to encouraging business start-up has proven successful in several areas of the U.S. and Oregon (Baker County)

- There are a few enterprise development efforts already operating in the region -
  - The Sirolli approach, which brings people together through the efforts of a local facilitator, has been successful in Oakridge but is costly ($150,000 for a 30-month program plus cost of a facilitator)
  - Corvallis' Business Arc provides an Entrepreneurship Forum for brainstorming ideas, SWOT Business Facilitation (modification of the Sirolli approach), angel investment, and access to the Business Enterprise Center incubator and venture capital
  - The CORE program in Lincoln County is focused on removing barriers and encouraging entrepreneurship in target groups
- Most existing business assistance programs (Business Development Centers, governmental lending programs, non-profit micro-enterprise development loans to poverty/low-income individuals, etc.) work in more of a response mode than enterprise facilitation, but are critical components of the business support structure in the region
- Other effective means of encouraging entrepreneurship that could be improved in the region:
  - Providing linkages for 1:1 mentorship
  - Targeting youth (e.g., Junior Achievement) could be translated to targeting retirees
  - Oregon Crafted approach that fills common voids in a cluster of like businesses and improves linkages among those businesses to add income
  - Succession planning to encourage owners of existing businesses to link with new potential owners well before they consider moving into retirement
  - Analysis and sharing of information on business opportunities

Recommended Initiatives:
- Facilitate a coordinated conversation about potential enterprise facilitation models and assist in developing a framework for communities or groups of communities to pursue appropriate enterprise development support.
- Build an "entrepreneurial pipeline" through which business referral and support services continuously promote entrepreneurship at all levels and incite entrepreneurial spirit within key segments of our population (such as Senior citizens, youth, artisans).

Initiatives on Business Climate

Objective: Provide an even more desirable, attractive, quality of life and place to do business.

Preliminary Findings
- The region needs to speak with one voice because a lack of consensus limits our ability to bring in resources
- Discussion of issues and solutions needs to happen when the community is ready for the discussion
- It is important that key partners have the same level of understanding and that there are regional connections among local and agency strategies

Recommended Initiative:
- Improve strategic planning, coordination, and linkages through an ongoing two-way conversation between local and regional economic development entities. This conversation could take the following form:
  - Review of existing regional and local strategies to identify common themes and connections
  - Meet with local groups to clarify potential connections and obtain feedback
  - Identify concrete tasks and assignments at both the local and regional levels
  - Review efforts and identify best practices

SECTION 10

Regional Investment Strategy 2007-2009 Implementation Plan

The Regional Investment Board will address this section after the State of Oregon establishes program requirements and funding levels for the 2007-09 Biennium.