

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 10, 2009
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 09-73
City of Portland Economic Development Strategy

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6714

ACTION SUMMARY

Endorse the *City of Portland Economic Development Strategy – A Five Year Plan for Promoting Economic Growth and Job Creation* (the Strategy), and recommend adoption by City Council.

PUBLIC BENEFIT

The Strategy will guide Portland's economic growth over the next five years and direct the investment necessary to achieve the objectives of the sustainable economy with an equal focus on job growth, innovation in sustainability, and prosperity. The Strategy will:

- Generate robust job growth by maximizing the competitive environment for existing, emerging and relocating businesses;
- Maintain a leadership position in sustainability by constantly striving to produce an innovative urban setting that fosters creativity and invention; and
- Achieve broad-based prosperity by stimulating economic activity in neighborhoods throughout the city.

As with the objectives of the sustainable economy, these components overlap in many ways: effective workforce development increases employment opportunities for neighborhood residents, innovation from local projects morphs into expertise that can be sold abroad by Portland businesses, and successful neighborhood-based businesses can access national and international markets and drive traded sector growth.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

The development of the Strategy included input and feedback from a variety of groups and interests. As part of the drafting of the initial 50% draft, the Portland Development Commission (PDC) convened four content teams focused on Competitiveness, Sustainability, Central City, and Prosperity. These groups met several times from December through March while the Strategy draft was prepared, providing input and direction on the concept, content and specific action items.

PDC completed the 50% draft of the Strategy in January 2009. This draft was shared with stakeholder groups throughout the city and the region. Feedback was incorporated into this version of the Strategy. Based on the feedback from many external partners, the plan changed its focus dramatically, including the following:

- Small business accounts for over 70% of the new job growth in Portland and this fact was not emphasized enough in the initial drafts.
- The Strategy places a greater emphasis on retention of existing businesses and jobs.
- The manufacturing action plan was reworked to build on assets (e.g., job opportunities, the Port of Portland, the working riverfront) and to take advantage of opportunities in the sustainable economy.
- The roles of higher education and workforce development infrastructure were highlighted as competitive assets.
- The section on Community Economic Development was updated to incorporate cutting edge policy making by recommending a Green Main Street program as well as developing a Small Business Portal and implementing a new Economic Gardening Program.
- Talent attraction as an objective of quality of life investments.

Meetings with stakeholder groups were held throughout the winter and spring including, but not limited to, the following:

- Mayor's Economic Development Cabinet
- Regional Partners
- Mayor's Small Business Advisory Council
- Portland Business Alliance Central City and Government Relations Committees
- City Club
- Oregon Innovation Council staff
- Oregon Built Environment and Sustainable Technologies Center (BEST) staff
- Mayor's Planning & Sustainability Cabinet
- Mayor's Small Business Advisory Council
- Sustainable Development Commission

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Mayor called for the creation of a new economic development strategy for the city and directed PDC to lead this effort. The Strategy outlines a set of goals and action items which form an integrated framework by which the City of Portland should approach and fulfill its

economic development role and responsibilities. As part of the comprehensive approach to developing the Strategy, the project managers have met and secured alignment with both the PDC Executive team and Urban Development Department (UDD) managers. The Strategy will direct the focus of PDC UDD work, and existing business plans, strategic plans, and Urban Renewal Area (URA) plans will be directed to align with the Strategy. During the planning process, efforts were made to make sure the Mayor's Education and Cultural Cabinet recommendations were synchronized with the Strategy. Work to improve the alignment of PDC neighborhood plans and central city plans will be part of the implementation process.

FINANCIAL IMPACT

Without adequate resources, this ambitious strategy will not be successful. The Strategy requires funding for basic economic cluster and industry support strategies, as well as the investment capital critical to cultivate business innovation and human capital necessary to compete in a 21st century economy. The cost to implement the plan over five years is estimated to be \$381 million, including the capital costs of catalytic real estate projects.

The estimated financial requirements to implement the Strategy are summarized below. The projected expenditures are separated into three categories:

- 1) **Programs**, which include all cluster organizing, business assistance, workforce development, and collaborative work with other institutions such as Portland State University or Oregon BEST;
- 2) **Recruitment** includes the staff time and incentive amounts that are offered to firms expanding in or relocating to Portland; and
- 3) **Strategic Initiatives**, which include the catalytic redevelopment projects that are contained in the Strategy.

<i>In millions</i>	Year 1	5 Year Total	Annual Avg.
Programs	\$5	\$35	\$7
Recruitment	14	70	14
Catalytic Initiatives	8	276	55
Total	\$27	\$381	\$76

Implementation of the Strategy will require the following:

- Reliable multi-year operating support for the key initiatives;
- A range of innovative debt products to finance the growth of existing businesses and serve as incentives for attracting firms to the city;
- Investment capital for start-up and emerging businesses;
- Strategic investment funds to jump start new programs and facilitate collaboration among existing programs; and
- Financial incentives through regulations and policies.

To meet the funding needs of the Strategy, the City will work with public and private sector partners to pursue increased economic development funding from the following sources:

- Permanent revenue streams dedicated to economic development, including
 - City and PDC-owned real estate, which could be leased instead of sold;
 - Public parking facilities and spaces throughout the city; and
 - The city's incremental gains in emissions reductions, which should have a dollar value under an emissions cap.
- City-sponsored or managed revolving loan and investment funds.
- Use of existing revenue collection mechanisms to fund specific elements of the Strategy, including traditional transportation and infrastructure funding mechanisms like business improvement districts, local improvement districts, system development charges, as well as utility bills.
- Targeted procurement expenditures and investment of City investment funds.

RISK ASSESSMENT

The legal impact of adopting the Strategy shows no significant risks. The same is true in terms of financial risk. With the new Strategy in place, plans would be implemented to create new funding streams for economic development so that Portland can compete on an equal playing field with major competitors in the United States and abroad. Operational impacts will be minimal. The Urban Development Department reorganization has already been successfully implemented to better align the efforts of the Central City, Neighborhood, and Business and Industry Divisions.

WORK LOAD IMPACT

Given PDC's role as the lead economic development agency for the City, the Strategy will guide the core work of the agency over the same time period. As such, it is expected that work will be done by existing staff in the first year of implementation. Additional staff may be requested in the future as the work flow and budget increases. The current work plans will be aligned to include the new Strategy once it becomes adopted.

ALTERNATIVE ACTIONS

Alternative actions are to either endorse the Strategy with revisions or to not endorse the Strategy. If the PDC Board of Commissioners (Board) chooses to not endorse the Strategy, the Strategy would be presented to City Council at an upcoming council meeting with the notation that the Board chose not to endorse the Strategy. City Council could choose to adopt the Strategy and direct PDC to implement the actions.

CONCURRENCE

The Strategy is supported by the following public and private partners:

- Office of Governor Kulongowski
- Greenlight Greater Portland
- Regional Business Partners
- Portland Business Alliance
- Mayor's Economic Development Cabinet

- Workforce Investment Board
- Oregon University System

The Strategy includes implementation by a variety of responsible parties. PDC is responsible for the day-to-day staffing of the Strategy development and for the development and coordination of the implementation plan. Upon completion of the plan, PDC will direct the negotiation and drafting of the necessary intergovernmental agreements and memoranda of understanding between the entities responsible for particular elements of the Strategy.

The current schedule for the formal roll out of the Strategy after PDC adoption is on June 11 in cooperation with Greenlight Greater Portland's annual meeting. The Strategy is slated to be formally adopted by the City Council in late June or July.

BACKGROUND

The previous Economic Development Strategy drafted by PDC in 2002 was not formally approved by City Council and lacked clear performance measures to analyze the strategy's effectiveness. As a result, implementation was difficult to track. The City of Portland, led by PDC, drafted this five year economic development strategy. A comprehensive strategy is long overdue and will be a critical piece to the City's efforts to combat changes in local economic conditions and compete in the global economy. The Strategy was developed through a nine month process which began in October 2008 and will conclude in July 2009.

The Strategy proposes that the City of Portland seek to become the most sustainable economy in the U.S. Portland is positioned as the frontrunner to be the capital of the global green economy. This unique competitive position is due to an existing concentration of firms in clean technology and sustainable industries; years of recognized leadership in all facets of sustainable living – green building, transit, land use, recycling, and bicycle use; and a supportive state and local policy environment. Portland's efforts at leadership in sustainable economic development are bolstered by our legacy economic assets: a diverse economy consisting primarily of small businesses and anchored by a strong manufacturing base, a strategic location on the Pacific Rim with access to key Asian markets, and a thriving port with unrivaled inland access.

Strategy Goals

The following provides a general overview of the Strategy's goals. More detailed information and action plans can be found in the Strategy document, included as Exhibit A to the Resolution.

1. Competitiveness

Generate robust job growth by maximizing the competitive environment for existing, emerging and relocating businesses.

1.1 Cluster Strategy: Grow traded sector jobs through the implementation of a cluster strategy targeting four industries.

1.2 International Strategy: Implement a multi-faceted international strategy to expand export of local products and expertise and attract foreign investment.

1.3 Higher Education: Support the efforts of higher education institutions to serve as the innovation engine of our sustainable economy.

1.4 Workforce Development: Align workforce development efforts to match the skill needs of targeted industries.

2. Innovative Urban Setting

Maintain a leadership position in sustainability by constantly striving to produce an innovative urban setting that fosters creativity and invention.

2.1 Next Generation Built Environment: Create the next generation built environment.

2.2 Vibrant Central City: Enhance the vitality and distinctiveness of the Central City to showcase our sustainable way of life and attract creative class talent.

2.3 Selling the Portland Brand: Actively market Portland as the leader in sustainability throughout the world.

3. Neighborhood Vitality

Achieve broad-based prosperity by stimulating economic activity in neighborhoods throughout the city.

3.1 Economic Gardening: Build the capacity of local entrepreneurs to innovate and compete in the global economy through the establishment of an economic gardening program.

3.2 Small Business Assistance Portal: Create a single point of entry, the Portland Small Business Assistance Portal, to make sense of the disparate services available to small business.

3.3 Green Main Streets: Achieve Commercial District Revitalization through the implementation of a green “Main Street” program for Portland’s neighborhoods.

Next steps for the Strategy includes a detailed implementation plan listing the parties responsible for achieving the various goals of the Strategy, as well as a funding plan identifying the resources necessary for achieving the goals of the Strategy. Detailed work plans which encompass the action points of the Strategy will be developed by the responsible parties. . After City Council approval in July of this year, the Strategy will move to the implementation phase and will be reviewed quarterly to track results and modify the Strategy as the business environment changes.