

# Our Economy, Our Opportunities

*Sub-regional industry analysis*  
*November 2008*



# OPEN FOR BUSINESS

CLOSE TO PORTLAND... A WORLD AWAY <sup>SM</sup>

[www.co.clackamas.or.us/dtd/buserv/](http://www.co.clackamas.or.us/dtd/buserv/)

“Absent a plan, one will be created for you.

. . . create one so you're not forced to deal with one you did not create.”

Lisa Albanese  
Director of FedEx Solutions  
May 2007

# Economic Development Plan “Pioneers of Innovation”

- 🌀 Business retention and organic growth
- 🌀 Business recruitment
- 🌀 Physical assets
  - Infrastructure development and improvements
- 🌀 Human capital
  - Workforce and education development
- 🌀 Regional collaboration

# Clackamas County Economic Development Goals

- 🌀 Foster innovation, increase economic output
- 🌀 Improve jobs / housing imbalance
- 🌀 Raise per capita income levels
- 🌀 Capitalize on Urban / Rural composition
  - Multiple “economies” require unique strategies
- 🌀 Optimize and enhance our physical assets
  - Employment land, transportation, water & waste water, energy
- 🌀 Plan for anticipated population growth

# Path of Discovery

- ② Where is our economic region in time?
- ② Where is Clackamas County in its evolution?
- ② Where is our economic region in space?
- ② Where does Clackamas County fit in the region?

SEATTLE - BELLEVUE - VERETT \$125.40  
BREMERTON \$6.60  
OLYMPIA \$6.20  
TACOMA \$23.00

PORTLAND-VANCOUVER \$78.8  
SALEM \$10.9

CORVALLIS \$2.9  
EUGENE - SPRINGFIELD \$11.9

MEDFORD - ASHFORD \$5.9

REDDING \$6.50

CHICO - PARADISE \$9.4

RENO \$16.4

SACRAMENTO \$76.1  
SANTA ROSA \$19.7  
SAN FRANCISCO \$110.9  
OAKLAND \$105.8  
SAN JOSE \$80.7

YUBA CITY \$5.5  
YOLO \$11.9  
VALLEJO - FAIRFIELD - NAPA \$17.7  
STOCKTON - LODI \$19.4  
MODESTO \$15.3

BELLINGHAM \$5.9

SPOKANE \$17.7

YAKIMA \$7.7

RICHLAND - KENNEWICK - PASCO \$7.6

MISSOULA \$3.0

GREAT FALLS \$2.2

BILLINGS \$4.2

BOISE \$15.5

POCATELLO \$1.9

SALT LAKE CITY \$51.3

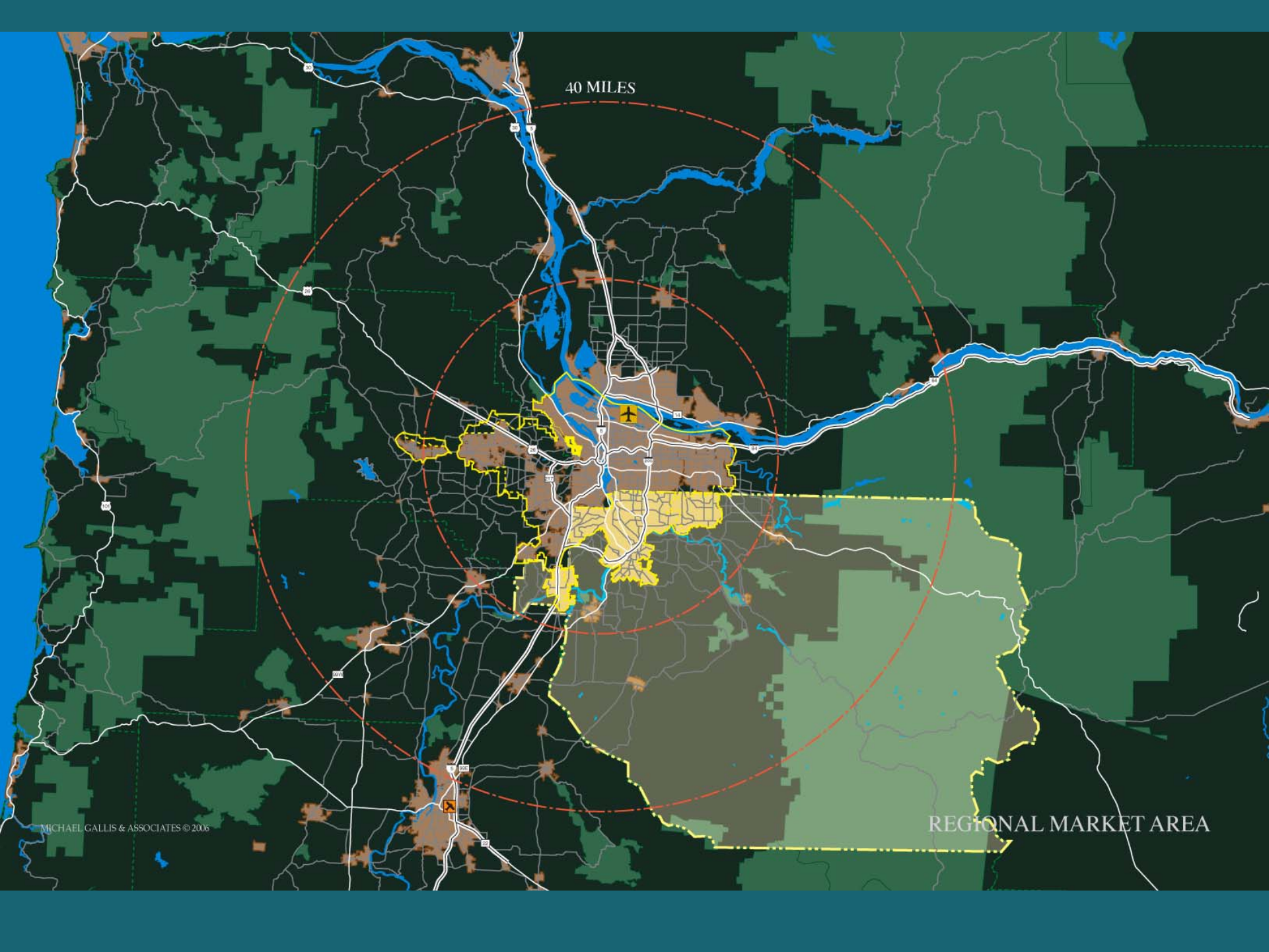
PROVO - OREM \$9.6

CASPER \$3.0

CHEYENNE \$3.2

GMP: 1997 - 2003





FORT COLLINS \$9.70  
GREELEY \$6.80  
BOULDER - LONGMONT \$12.60  
DENVER \$102.7



40 MILES

REGIONAL MARKET AREA

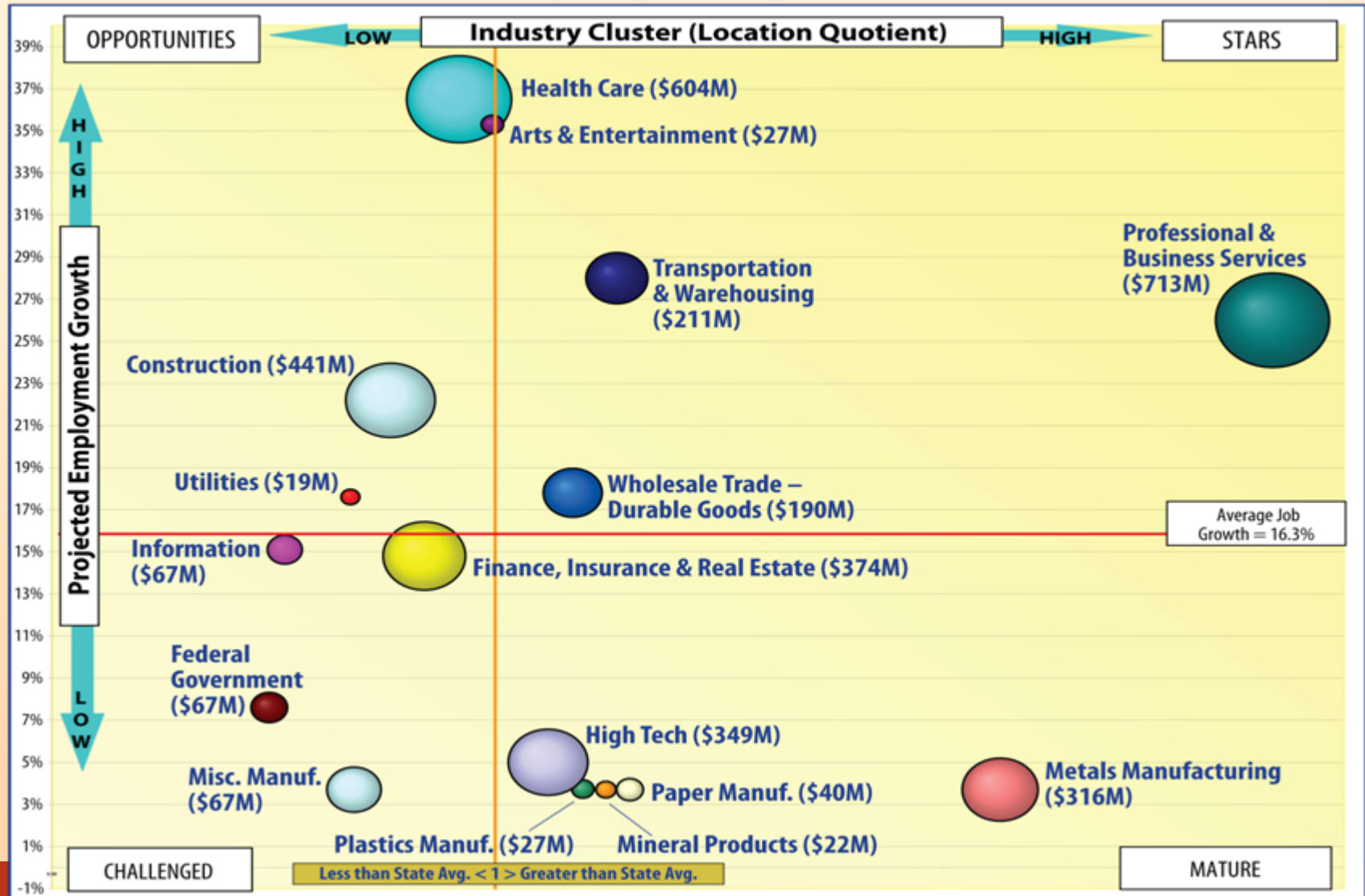
# Regional Collaboration

-  Regional Partners for Economic Development
-  State of Oregon Economic Development
-  Business Alliances and Chambers
-  Bi-State Economic Development District
-  Greenlight Greater Portland

# 2007 Economic Landscape

## Employment Cluster Analysis

# Employment Clusters



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# Economic development overview

- 🌀 The process of improving a community's well-being through:
  - Job creation, business growth, and income growth
  - Improvements to the wider social and natural environment that strengthen the economy
- 🌀 Traditional goals of job creation, and meaningful and secure labor

# But jobs still key objective

## Business creates jobs

- Policy implication: Focus on what matters to firms

## Not all jobs have equal impact or equal treatment by public policy

- Traded sectors
- Higher skill; higher wage



# Why look at clusters?

🌀 Geographic concentration of producers, suppliers, and services in working together to create a tangible end product

🌀 Why do clusters matter?

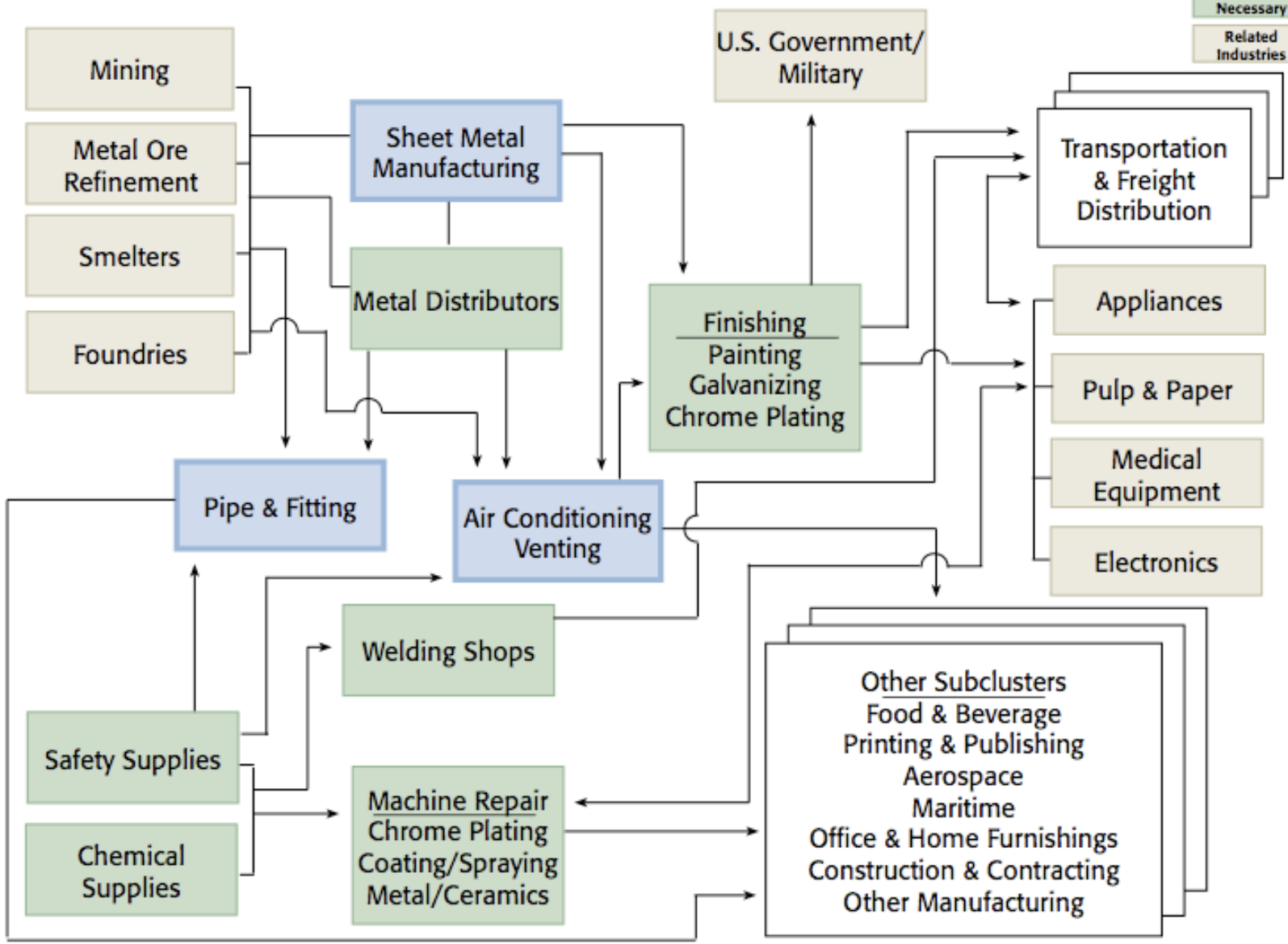
- The region as the effective unit of economic development
- Indication of comparative advantage, which...
- Suggests directions for improvement

🌀 An example...

**Core Activities**

Locally Necessary

Related Industries



# Cluster Analysis: Methods

- ☞ Identify clusters
  - ☞ Describe relative size
  - ☞ Identify factors that may affect growth
- 
- ☞ Describe growth potential
  - ☞ Develop public policies

# Identifying Key Clusters

- ☞ Nine-county region: Salem to Vancouver
- ☞ Looked at industry groups
- ☞ Which industries are “bigger” than average in Clackamas County?

# Bigger in terms of what?

## Our answer: “Value added”

- Contribution to gross domestic product
- Value of work, land, and capital

## Did not use employment

- Does not capture full impact of industry
- Only captures “covered employment”
- May incorrectly show inefficient industries as having comparative advantages

# Location Quotient (LQ)

- Ratio of cluster's share in county economy to cluster's share in regional economy
- Industries with LQ greater than 1.0 likely have a “comparative advantage”
- The higher the LQ, the stronger the advantage

# A High-LQ Industry

## Clackamas County



## Nine-County Region



■ Widget Industry  
■ Rest Of Economy

# Data for LQs

## Data from IMPLAN

- Widely-used modeling package

## Each industry sector's portion of economy

- Clackamas County
- Region as a whole

# Hundreds of Industries

- 🔗 506 industry sectors
  - Some very specific
- 🔗 Only 420 active in the region
  - 299 in the County
- 🔗 “Industry” a misnomer

# Combine like sectors

## “Size Matters”

- Many too small

## Confidentiality

- Example: Oregon Cutting Systems

# Example of combined cluster

## Wood product manufacturing sector

- Sawmills
- Engineered wood member and truss manufacturing
- Wood windows and door manufacturing
- Cut stock, re-sawing lumber, and planing
- Other millwork, including flooring
- Wood container and pallet manufacturing

# Remove “endogenous” clusters

- ☞ Tied directly to local demand
- ☞ Difficult for government efforts to affect
- ☞ Endogenous clusters with high LQs:

Religious organizations	1.32
Automotive retail	1.32
Construction	1.31
Retail (food, beverage, gas)	1.20

# Key Clusters

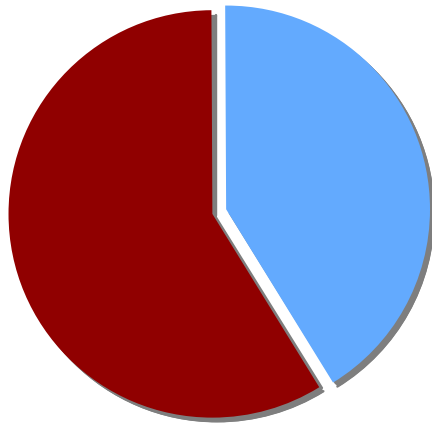
Industry Name	Value Added Clackamas County		LQ
1. Warehousing	\$	102	2.58
2. Fabricated metal manufacturing		346	2.36
3. Nurseries and greenhouses		198	2.10
4. Primary metal manufacturing		188	1.65
5. Truck transport		236	1.62
6. Wood product manufacturing		135	1.43
7. Professional consulting services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

Note: All values in \$ millions.

\*Finance and insurance cluster excludes banks

# Key Clusters' Concentration

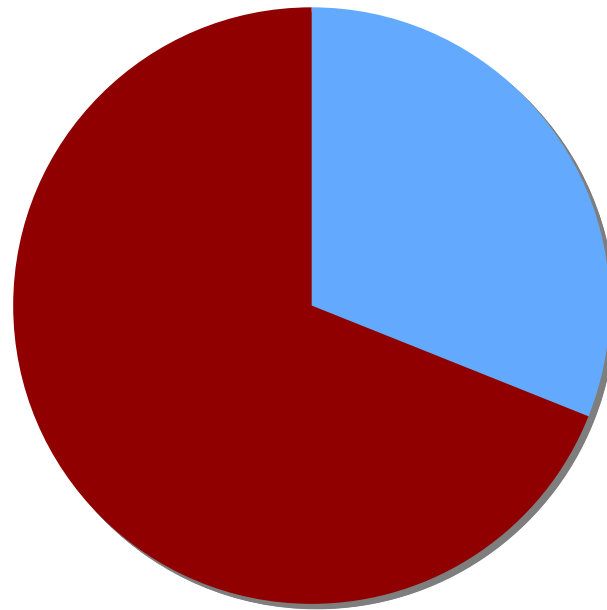
Clackamas County



■ Key Clusters

■ Rest of Economy


Nine-County Region



# Implications & Questions

- 🔗 Focus on factors that make clusters successful, not the clusters themselves.
- 🔗 Why are some clusters successful and others not?
- 🔗 What are the County's comparative advantages?

# Comparative Advantage

 Industry (and clusters) compete for resources

 Efficient clusters grow

- Efficient relative to others *in the county*
- Use and place a relatively high value county's mix of factors of production

# Factors of Production (What matters to businesses)

☞ Availability, Price, Quality >> Value Of...

☞ Workforce

☞ Land & built space

☞ Transportation infrastructure

☞ Other infrastructure

☞ Amenities and quality of life

☞ Other government services

☞ Government cost: tax and regulation

☞ Other government economic development efforts

☞ Other

# Table discussion and polling questions

# Looking to the future

- 🌀 The past is suggestive, but not definitive
- 🌀 Typewriters and slide rules
- 🌀 Issues that may frame regional growth

# Factors that might affect long-term growth

- Exports to Asia
- Changes in energy mix
- Portland-metro area population growth
- Aging population
- Cost of living in dense urban areas
- Decreasing urban dependency
- Demand for outdoor recreation/tourism

# Growing exports to Asia

- 🌀 Asia's growing middle class
- 🌀 Ocean freight is relatively inexpensive
- 🌀 County has good infrastructure for shipping to Asia

## Implications:

- 🌀 Growth in nursery products, food manufacturing, and manufacturing of consumer goods

# Changes in Energy Mix

- ∞ Natural gas replacing oil as primary fuel
- ∞ Political momentum building for all types of alternative energy

## Implications:

- ∞ Growth in under-developed industries, such as manufacturing of food, metals, glass/ceramics, and hydrogen

# Portland-Metro Population Growth

- ☞ 1 million more people by 2030.
- ☞ Increasing congestion in urban areas
- ☞ Room to grow
- ☞ More in-migration
  - 300,000 in Clackamas County
  - Opportunity: international connections

## Implications

- ☞ Workforce growth will be stronger in Clackamas County and will act as a magnet for new business

# Aging Population

- 🌀 Baby-boom generation is entering retirement age
- 🌀 Lifespan is increasing
- 🌀 Growing demand in services for the elderly

## Implications

- 🌀 Senior housing, assisted living, and nursing care will tend to develop near family housing, which bodes well for Clackamas County

# Cost of living in urban areas

- Portland metro cost of living high
  - Higher than 90% of the country
- County has large lower-cost areas.
- Constraint: commute time
- Solution: jobs closer to people

## Implications

- Clackamas County is likely to improve its cost advantage for doing business over Multnomah and Washington counties

# Decreasing urban dependency

🔗 Portland: high business taxes

- Not decreasing

🔗 Internet

- Physical location less important

## Implications

🔗 The need to be in the main City Center has generally been declining and will continue to do so

# Outdoor recreation & tourism

∞ Demand increasing; fixed supply

∞ County's benefits:

- Natural amenities
- Accessible

## Implications

∞ Clackamas County has a natural edge in this arena, which will grow in importance as population in the region increases

# Possible Directions for the County's Economic Development Strategy

- ☞ Reasons for comparative advantage
- ☞ What do *businesses* think is valuable?
  - Involve cluster representatives
- ☞ Strategies, policies, and actions that are relevant (likely to be cost-effective)
  - ✓ Focus on what matters most to business
  - ✓ On what the County has some control over
  - ✓ Support and improve the County's advantages
  - ✓ Fix deficiencies; Remove ineffective barriers

# Questions and answers

