

CITY OF ASHLAND ECONOMIC OPPORTUNITIES ANALYSIS REVIEW & UPDATE



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City of Ashland

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(Review Draft)

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ASHLAND EOA REVIEW & UPDATE SUMMARY

This report provides a review and update for the *Economic Opportunities Analysis* (EOA) prepared on behalf of the City of Ashland in 2007. What follows is an *at-a-glance* summary of major findings and recommendations for consideration with the Ashland strategic economic development planning process.

EOA Data Update Assessment. Much of the data compiled with the 2007 EOA is now out-of-date (including considerable reliance on 2000 Census information). Options available are to: a) update all EOA data sets now; b) wait for 2010 U.S. Census information before updating EOA data; or c) selectively update as needed to shape and validate Ashland’s economic development strategy and implementation plan. Since the City will be taking the 2007 EOA for approval as the basis for updating Comprehensive Plan determinations of industrial land in 2010, the main focus of any data updating at this time would be *as needed* to shape and validate the strategic economic development planning process now underway.

Global to Local Economic Change. Trends and projections important for consideration can be distinguished between those associated with the economic recession versus post-recovery.

w/Economic Downturn (& Early Phase Recovery)	Post-Economic Recovery (over 10-20 Years)
<ul style="list-style-type: none"> • Financial market retrenchment • Jobless recovery? • Stalled development 	<ul style="list-style-type: none"> • Financial market restructuring • Changing competitive advantage • Emerging economic & demographic drivers • Environmental & infrastructure drivers • Changing development paradigm

Two areas of *added focus* are highlighted with this EOA review and update report – the changing face of American employment and aging demographics. Employment and demographic trends can be expected to affect economic outcomes locally as well as globally – as for job opportunity, retail and housing demand.

Preliminary Implementation Plan Review. As the City of Ashland is currently planning to adopt the 2007 EOA as is, the focus of this implementation review is less on related provisions of the Comprehensive Plan and more on the implementation features of an economic development strategy – including but extending beyond land use considerations. In addition to implementation steps covered as part of the 2007 EOA, key themes suggested with this update analysis include:

- *Business clustering* – focused on distinctive opportunity for competitive advantage
- *Emphasis on sustainability* – in green design, business marketing and practices
- *Transition to increasing focus on infill and redevelopment* – to build from within rather than out

This assessment is reinforced by reference to three Pacific Northwest communities facing similar opportunities and challenges – Bend and Corvallis in Oregon and Kirkland in Washington State.

Framework for Community Based SWOT. Before launching the SWOT, it will be critical to frame the scope of the assessment – especially to address up-front how *economic development* is to be defined for Ashland. Also important to determine is the type and extent of *stakeholder participation* to conduct as a means of obtaining input for the SWOT assessment.

How the SWOT is to be used in shaping the economic development strategy is a final question that warrants early-on discussion before getting underway. Recommended is that, before setting definitive economic development goals and implementation actions, the SWOT also include a discussion of generalized strategic options for economic development in Ashland. Each strategic option should be evaluated in terms of potential advantages and disadvantages, as well as requirements for successful implementation – before selection of a preferred strategic option with associated implementation.

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I. INTRODUCTION TO EOA REVIEW & UPDATE

In April 2007, an *Economic Opportunities Analysis* (EOA) was prepared for the City of Ashland, consistent with the requirements of statewide planning Goal 9 (Economy of the State) and the Goal 9 administrative rule (OAR 660-009). Subsequently, in June 2007, a companion document providing *Recommended Implementation Steps to Develop and Implement a Community Economic Vision* was also completed.

This second 2007 document identified implementation steps that might be considered by the City of Ashland – both to implement land use (Goal 9) related provisions of a Comprehensive Plan update and broader strategic economic development objectives extending beyond land use. Recommended implementation steps also were intended to serve as a starting point in framing an economic development strategy for Ashland.

BACKGROUND FOR 2009-10 UPDATE ASSESSMENT

While update of the 2007 EOA is not technically required for conformance to state planning requirements, several factors have served as an impetus to considering whether and in what manner the EOA-related information should be updated:

- Because the 2007 EOA and associated Goal 9 Comprehensive Plan update has not yet been adopted but is now planned for City Council consideration in 2010, the question has been raised as whether and how economic data associated with the earlier analysis should be updated. Data updates would be most pressing if the new or revised information were to materially affect conclusions related to industrial and commercial land needs for the City of Ashland.
- The potential importance of obtaining more recent information is reinforced by the economic recession, a cyclical downturn that was previously unanticipated – especially with respect to its severity and potential lasting effects even with prospective economic recovery.
- Finally, the Ashland City Council in July 2009 authorized taking steps to kick off the preparation of an Economic Development Strategy for the City of Ashland. This strategy includes but also extends beyond the land use provisions of a Comprehensive Plan for the purposes of:
 - ✓ Diversifying the economic base of the community
 - ✓ Supporting creation and growth of businesses that use and provide local and regional products
 - ✓ Increasing the number of family-wage jobs in the community
 - ✓ Leveraging the strengths of Ashland’s tourism and draw of repeat visitors

As directed by the City Council, the strategy is intended to cover a broad vision for Ashland’s economy, an evaluation of strengths/weaknesses/opportunities/threats (SWOT), specific goals for the economy, actions tied to each of the goals, performance measures, and an update process. Consequently, any updating of EOA-related data could also be useful to inform this broader strategic economic development planning process.

APPROACH TO UPDATE ANALYSIS

In November 2009, the City of Ashland contracted with the economic and development consulting firm E. D. Hovee & Company, LLC to assess the need and manner in which data provided by the 2007 EOA might most appropriately be updated. Key steps in this assessment process have included:

- An update of the data collected in the 2007 EOA completed by ECONorthwest, with a focus on data found in Appendices A, B and C of the EOA Final Document – focused not on actual data or EOA document updates, but rather on assessing the existing data and recommending updates that should be completed as well as prospective data sources.
- A review of the 2007 EOA data with current updates, analyzing how changes in the economy in the world, nation, state and region affect their conclusions and recommendations.
- A review and opinion of the preliminary implementation plan provided by ECONorthwest in the 2007 EOA, providing any suggested modifications, additions or deletions to the suggested implementation of an economic development strategy for Ashland.
- Development of a framework for a community based strengths, weakness, opportunity and threats (SWOT) analysis based upon both existing EOA and new data.

This report is intended to be used primarily as a *background resource* for the strategic economic development planning process now underway. As consultant, E. D. Hovee & Company, LLC is prepared to address questions and comments regarding any aspect of this resource document.¹

REPORT ORGANIZATION

The remainder of this economic opportunities analysis (EOA) review and update report is organized to cover the following topics:

EOA Data Update Assessment
Global to Local Economic Change
Preliminary Implementation Plan Review
Framework for Community Based SWOT
Summary Notes

Attached to this report are appendices providing more detailed background documentation. *Appendix A* provides a brief profile of E. D. Hovee & Company, LLC as preparer of this report. *Appendix B* lists City and regional documents considered with this review and update report. *Appendix C* provides a detailed data matrix describing data sources utilized with the 2007 EOA and sources potentially applicable for EOA data related updates. *Appendix D* contains abbreviated case studies for three Pacific Northwest communities similar to Ashland that have conducted similar economic development and/or tourism related strategic planning.

It is noted that this is a review draft report, subject to revisions based on comments received as mutually determined by the City of Ashland and consultant.

II. EOA DATA UPDATE ASSESSMENT

The initial task scoped with this review relates to the question of whether and how to update demographic, economic and related data compiled for the 2007 EOA (particularly Appendices A-C) as completed by ECONorthwest. Reasons for potential updating of the existing EOA data set are at least three-fold:

- Much of the data contained in the 2007 EOA is now fairly dated – including considerable information from the 2000 U.S. Census together with employment and other information from about the 2004-2005 period.²
- Considerable growth and change has occurred both in Ashland and regionally in recent years – making information that is 5-10 years old perhaps even less reliable as a basis for understanding current local economic development needs and opportunities.
- Finally, this process of change has been compounded by the severity and depth of the current economic recession – potentially bringing into question continuation of trends and other assumptions with the current EOA.

This EOA review includes identification and discussion of potential options for data updating. This is followed by a recommended data update process.

As added background for this discussion, Appendix C to this review/update report provides a detailed listing of the socio-economic data sources utilized with the previously prepared 2007 EOA. For each data variable identified, information is provided regarding potentially available update sources together with added explanatory comments.

OPTIONS FOR DATA UPDATE

At least three overall options are potentially available for consideration by the City of Ashland and participants in the economic development strategic planning process now getting underway:

Option 1 - Update All EOA Data Sets Now. With this first option, the objective would be to update all EOA information – at least to the extent that appropriate, more recent information is found to be available.

Advantages to this approach include the opportunity to use better information to form an economic development strategy, especially recent changes that could suggest re-shaping of local priorities. This option is most appropriate if the EOA document were to be amended in advance of Comprehensive Plan updates – especially the land use provisions addressing industrial and commercial land needs. More recent information is available for most (though not all) of the data sets covered by the 2007 EOA – though some of the information would need to come from sources other than what was indicated with the 2007 EOA document.

Disadvantages are that this update process could prove time consuming (especially for data items for which information is not readily available). Updates covering effects of the recession may still be too premature to be relied on as a primary basis at this time for changing updates to the City's Comprehensive Plan or economic development strategy. There is less need to consider

this option if 2007 conclusions regarding industrial and commercial land needs are still viewed as valid and the current EOA is adopted essentially as is. Also noted is that the sources for updating census information (prior to 2010 results) are most readily available from national private data firms, which may be viewed as less reliable than public agency sources.

Option 2 – Wait for 2010 U.S. Census Information Before Updating EOA Data. A second approach would be to wait for the next U.S. decennial census which will be conducted in the next few months.

Advantages to this approach include opportunity for “apples-to-apples” comparisons with the existing EOA data sets, many of which rely on 2000 U.S. Census information. This approach also makes more sense if the existing EOA is to be adopted as is, reducing the need for any immediate update (as part of the Comprehensive Plan update process).

Disadvantages are that local jurisdiction level data from the 2010 Census should not be expected to be available until about 2012, meaning that update of data items deemed most pertinent for the economic development strategy process now getting underway would not be possible at the present time. In effect, the strategy and resulting implementation plan would be primarily or wholly reliant on relatively dated information previously compiled for the 2007 EOA – and would miss any recent demographic or economic changes potentially viewed as significant for community economic development.

Option 3 – Update as Needed to Shape & Validate Ashland’s Economic Development Strategy & Implementation Plan. This third option is predicated on letting the strategic economic development planning process drive the determination of information sources for which more recent data would be viewed as most useful.

Advantages include a selective approach to data updates, requiring less time and update effort – for those information items deemed most appropriate to the economic development strategic plan process. The determination of local data sets to update also could be based on Governance Group and TAC discussion of broader global, national and regional trends – as outlined in the next section. Like Option 2, this approach appears most appropriate if the 2007 EOA is to be adopted for Comprehensive Plan purposes as is.

Disadvantages include time devoted to determination of priority update data items followed by staff or consultant time and budget to compile needed information. While much of the update information is available, some reliance will be placed on private database sources (which may prove to be less reliable than waiting for local-level 2010 Census results when available).

RECOMMENDED DATA UPDATE PROCESS

Our understanding is that the City of Ashland will be taking the 2007 EOA for approval as a technical document reference with Comprehensive Plan determinations of industrial and commercial land needs in 2010 without further EOA updating at this time.³ This means that any data update would be driven by needs of the strategic economic development planning process and resulting implementation rather than by Goal 9 land use requirements associated with the Comprehensive Plan process.⁴

Consequently, an approach similar to *Option 3* is outlined for consideration, including recommended steps to:

- Make a decision as to whether and which data to update after the strategic economic development planning process has proceeded to the point of reviewing global, national and regional trends and perhaps also to completion of an initial strengths, weaknesses, opportunities and threats (SWOT) assessment.
- Based on this threshold data decision, proceed to determine high priority data items that may be deemed as most useful to providing local context or direction for the economic development strategy and implementation plan.

Note: Examples of core data indicators that might be most useful to update at this time include population, covered employment (including information regarding number of firms and average payroll) by sector, per capita personal income, and median home sales pricing.

- Allocate resources for near-term data updates using resources to be determined – that might include City staff, outside consultant, or third party assistance as from Southern Oregon University.
- Plan on a more complete EOA data update process after 2010 Census local jurisdiction-specific is made available (most likely in the 2012-13 time period) – including determination of a mechanism for appropriate monitoring on a periodic basis as needed to meet Comprehensive Plan and strategic economic development planning update schedules.

III. GLOBAL TO LOCAL ECONOMIC CHANGE

A second objective of this 2009-10 review and update report is to begin the discussion of how economic changes globally, nationally, statewide and/or regionally might affect earlier conclusions and recommendations of the 2007 EOA. This discussion starts with an overview identification of patterns of economic change now on the radar screen – likely to influence both short and longer term prospects for economic recovery and prosperity.

This overview is followed by more detailed presentation of recent and forecast changes for two items of particular importance to most communities in Oregon – employment and demographics. The discussion concludes with delineation of implications for consideration with the Ashland economic development strategy and resulting implementation.

PATTERNS OF ECONOMIC CHANGE

On the following four pages is presented a *matrix chart* cataloging patterns of economic change as have been identified by economic research conducted by our firm over the last 1-2 years. This analysis draws from nationally recognized information sources, as well as more detailed case study and focus group research recently conducted throughout the Pacific Northwest.⁵

The matrix chart distinguishes between unanticipated changes brought on by the current economic downturn and longer term changes that can be expected post-recovery over the next 10-20 years. Specifically covered are the following overall topics:

A. With Economic Downturn (& Early Phase Recovery)

- ✓ *Financial Market Retrenchment* – related to financial deleveraging, tightened consumer and business credit, and public sector intervention
- ✓ *Jobless Recovery?* – reflecting sectoral and location specific job loss with minimal expectations for substantial recovery likely extending beyond 2010
- ✓ *Stalled Development* – including construction shut-down, declining home and investment real estate values

B. Post-Economic Recovery (over 10-20 Years)

- ✓ *Financial Market Restructuring* – with more conservative underwriting and emerging public sector fiscal stress
- ✓ *Changing Competitive Advantage* – with competitive positioning favoring global pathways of economic opportunity
- ✓ *Emerging Economic & Demographic Drivers* – for targeted employment amid ongoing economic instability, aging demographics and urbanization
- ✓ *Environmental & Infrastructure Drivers* – including impetus for alternative energy, going green, and hard and soft infrastructure needs
- ✓ *Changing Development Paradigm* – affecting development feasibility, real estate churn, and residential and commercial development products

Patterns of Economic Change & Resulting Implications		
Global	National	State & Regional
A. With Economic Downturn (& Early Phase Recovery)		
Financial Market Retrenchment		
Financial Deleveraging: Cascading effect extending from aggressive niche players (e.g. Iceland) to U.S. & Britain to former stalwarts as diverse as Germany & Dubai	2008 near collapse of major financial institutions and industrial firms; 2009 extending to regional & community banks with added closures expected into 2010	Risk of added local banking closures in 2010 & maybe beyond; shifting balance to money center institutions (at least near-term)
Tightened Consumer & Residential Lending: Effects most severe in countries with rapid housing price escalation or financial sector melt-downs	Drives down consumer demand as households reduce debt, experience increased rates of housing foreclosure & less ability to finance residential purchases	Loss of locally generated purchasing power is greatest in communities with large housing overhang or job loss
Tightened Business Credit: Widely varied depending on vulnerability of industry base to curtailed global demand & extent of public sector intervention	Most severe for small business & firms in weak sectors (e.g. auto manufacturing, construction & non-discount retail / dining)	Potential lender avoidance of non-metro communities (both with & without business closure issues)
Public Sector Intervention: Financial bailouts & stimulus support from national governments including U.S., Europe, Asia	Bailout support starting with banks, then companies too big to fail, next may be commercial mortgage market; substantial ramp-up in national debt	Rapidly emerging state-local government budget shortfalls in California, Oregon & Washington (in relative order of severity); Oregon State government vulnerable due to income tax dependence
Employment Downturn		
Jobless Recovery? Heavy losses in manufacturing, construction, finance, retail & in countries dependent on exports (e.g. China) with slow recovery post-2009	Primary job growth (so far) maintained in health care & government; otherwise tepid economic growth & prolonged unemployment thru 2012 is likely	Oregon returns to ranks of high unemployment states due to natural resource & construction reliance; California is even worse off
Stalled Development		
Construction Shut-Down: At virtual standstill except for development previously committed or with public sector funding support	Little to no new commercial construction thru 2012; potential apartment demand and possible re-start of single-family construction	Previous high growth markets most detrimentally affected; growth controls may have dampened the downside in some communities
Declining Home Values: Residential markets most adversely affected in formerly high growth, easy credit markets (e.g. Spain, Ireland, U.S.); declining asset valuation reduces consumer spending for retail & services	Worst downturn in prior high growth sunbelt states (except Texas); many markets now bottomed out but with slow recovery generally expected; strongest potentials for <i>global pathway</i> cities (e.g. Washington DC, New York, Boston, San Francisco, Seattle)	Previous high growth markets (e.g. Central Oregon) most detrimentally affected; land use & growth management controls may have dampened the downside in some communities
Investment Real Estate: Values decline by average of more than 40% off mid-2007 price peaks – across U.S. & much of the developed world	Best near-term for apartments (once doubling-up plays out), followed by <i>industrial / distribution</i> (gateway metros), <i>office</i> (flight to quality), <i>retail</i> (urban & grocery-led) & <i>hotels</i> (worst now but will rebound)	Most challenging for communities with home foreclosures & high unemployment; suggests greater economic development priority near-term for business retention

Patterns of Economic Change & Resulting Implications		
Global	National	State & Regional
B. Post-Economic Recovery (over 10-20 years)		
Financial Market Restructuring		
<p>Conservative Underwriting: Increased regulatory oversight & less speculative lending, meaning higher equity requirements & lower values relative to property income for foreseeable future</p>	<p>Recovery to pre-recession property values further constrained by prospect of increasing interest rates & increased reliance on ability to raise rental rates – postponing a return to new commercial construction but incensing building rehabilitation investment</p>	<p>Non-metro communities more disadvantaged for capital access; best opportunities are for in-town property rehab, then infill development or end-user needs resulting from business recruitment & expansion initiatives</p>
<p>Public Fiscal Stress Bailouts & financial stimulus support from national governments including U.S., Europe, Asia</p>	<p>Federal capacity to support development limited by larger debt compounded by needs of aging population; state / local governments best positioned are those with diverse revenue streams</p>	<p>Continued Oregon vulnerability to cyclical nature & possible downward pressure on income tax receipts; many local governments protected by assessed values still well below real market values</p>
Changing Competitive Advantage		
<p>Competitive Positioning: Economic competitiveness to “push” & “pull” migration between countries & regions of the globe; continued move of commodity production to low-cost countries</p>	<p>U.S. export potential greater with declining value of dollar, but increases cost of living; premier 24-hour gateway metros weather the downturn, recover more quickly & represent an increased share of long-term investment compared to interior U.S. or secondary markets</p>	<p>Potentially increased differentiation of state between economic winners & losers – with winners comprising regions with globally & regionally competitive traded sector functions (as a mix of exported goods / services, out-of-state incomes, & tourism)</p>
<p>Global Pathways: Concentration of brainpower, capital, & investment anticipated to be focused on 24-hour coastal cities offering global & multi-modal transportation services (air, highway, marine, rail)</p>	<p>Favored U.S. markets are generally coastal; mid-America faces risk of more rust-belt deterioration (except cities / regions with global connectivity such as Chicago, Minneapolis, Denver)</p>	<p>Seattle & San-Francisco are in the top tier of favored U.S. pathway markets; Portland is viewed as 2nd tier, needing to more clearly align with neighboring metro engines of economic vitality</p>
Emerging Economic & Demographic Drivers		
<p>Targeted (Shifting) Employment: International migration has shifted from south to north back to a flow toward developing countries – including increased opportunity for professionals, students & female workers</p>	<p>Continued outsourcing for commodity manufacturing & services; U.S. domestic opportunities best in technology, health care, education & resurgent housing (with accumulating latent demand)</p>	<p>Key industry clusters targeted for <i>global competitive</i> advantage by Business Oregon are advanced manufacturing, clean technology, forestry & wood products, high technology, outdoor gear & apparel; regional opportunities driven by agglomeration around traded sector anchors (including education / arts as well as manufacturing)</p>
<p>Economic Instability: Risk of increased volatility due to changing global competitive position of winners & losers; speed of the marketplace transaction activity makes assessing & pricing risk ever more challenging</p>	<p>Real estate’s perceived historic advantages of low volatility and steady income require re-evaluation – both short & longer term; U.S. may still prove attractive for investment despite slower growth due to perception of greater political & economic stability</p>	<p>Perceived investment risk greater for smaller & less diversified communities; may be exacerbated by regulatory practices perceived as more onerous than what is available in alternative locales</p>

Patterns of Economic Change & Resulting Implications

Global	National	State & Regional
<p>Demographics: Rapid workforce aging in developed countries (U.S., Europe, Japan) which have the oldest populations, with continued growth of young labor pools in Asia, South America – especially the Middle East & Africa</p>	<p>Aging <i>baby-boomers</i> the dominant driver of smaller households, shrinking workforce, reduced retail & increased health care demand for the foreseeable future; offset only in communities highly attractive to immigrants (e.g. young creatives, foreign workers)</p>	<p>Likely increase in retiree share of population in most Oregon communities; maintaining balanced age-profile requires intentional strategy focused on high-wage job creation, education opportunity, housing affordability & amenity values for high quality of life</p>
<p>Urbanization: 70% of global population (of 9 billion) projected to live in urban areas by 2050 – up from 50% as of 2007</p>	<p>Secondary & small town markets without recreational resorts or attractions that suffer thru long winters less competitive for intellectual talent</p>	<p>Oregon rural & smaller metro communities remain more natural resource, tourism & retiree dependent – posing increasing long-term sustainability challenges</p>
Environmental & Infrastructure Drivers		
<p>Alternative Energy & Transportation: While per capita energy use is highest in the Middle East, North America & Europe, growth is strongest in Asia & other emerging countries – making global consensus for carbon footprint reduction a continued challenge</p>	<p>Rising gas prices lead to reduced per capita vehicle miles & incent the shift to alternate modes; rapidity of shift to non-petroleum energy affected by technology innovation & government incentives</p>	<p>Continued pressure to diversify from hydro as well as petro-based resources; may work to disadvantage of rural communities dependent on higher cost, long-distance transportation – whether for workers, visitors, or goods in transit</p>
<p>Going Green: An expected fundamental driver due to concerns over climate change, peak oil & rapidly growing consumer / investor demand</p>	<p>Green buildings showing a clear price premium across more markets & real estate product types; green ethic can be expected to also extend to business practices including “paperless” environments and more work-at-home or office “hoteling”</p>	<p>Pacific Northwest at the forefront of the green movement – offering continuing competitive opportunities in design, LEED construction, alternative energy, ecosystem management, even retail & dining</p>
<p>Hard Infrastructure Needs: Emerging nations (China, India, Africa) require massive investments ranging from water to transportation; developed areas (U.S., Europe) require reinvestment to upgrade aging 20th century infrastructure</p>	<p>Shift to urban areas as capital & operational expenses appear to be increasingly disadvantageous for low-density communities</p>	<p>Water issues a continued if not increased driver of development in the West; residential & commercial activity increasingly likely to shift to urban infill including transit-oriented development</p>
<p>Soft Infrastructure Play: Economic winners are those with strong telecom (cell phone, high-speed internet, redundant data piping) & higher education capacity – increasingly linked to changing workforce needs</p>	<p>Continued advantage for metro regions with recognized higher education & university-business linkages (e.g. Boston, North Carolina, Austin, Silicon Valley) – with new opportunity for more urban and niche-oriented higher ed / economic development partnerships</p>	<p>Best opportunities in communities with quality K-12 school system plus higher education presence (despite Oregon weakness with nationally recognized research universities & university-enterprise linkages)</p>

Patterns of Economic Change & Resulting Implications		
Global	National	State & Regional
Changing Development Paradigm		
Development Feasibility? New construction may be damaged long-term if market supported values do not return, increased investor / developer equity is required or interest & capitalization rates increase (as expected)	Highest cost development types (e.g. high-rise) may be affected unless new, lower cost alternatives are found; for at least the near-term mid-density projects may be most favored	Best options for incremental rather than dramatic increases in development density & focus on communities with the most vibrant commercial & industrial markets (i.e. low vacancy, comparatively strong pricing)
Real Estate Churn: Slower growth markets (Europe, Australia, U.S.) continue to attract investment, but older & poorly located real estate will be at greater risk of abandonment except where reuse & rehabilitation proves feasible	Retail driven by the combo effect of weak space demand but constant format reconfiguration; older retail strip centers, “brown” buildings & car dealerships are at special risk of obsolescence – requiring new uses & redevelopment	Re-use of underutilized (including brownfield) economic development sites likely an increasing source of meeting DLCDC Goal 9 employment land needs & reducing needs for further UGB expansions
Residential Development: Slow growth countries still experience substantial development pressure to house an aging population; high growth countries need to house a much larger urban population	Next generation projects oriented to infill, urbanizing communities, transit-oriented development – with smaller / European style units closer to work & 24-hour amenities; apartment demand for young adult echo boomers	Growing gap between market supported values & cost to develop urban / infill housing – especially for communities without higher wage incomes or aggressive affordable & senior housing programs
Commercial Development: Distribution sector consolidation to major port / transport load centers; industrial differentiation between low-cost commodity producers and mass customization for niche manufacturers dependent on virtual market information; growing role of institutional uses as a non-traditional real estate development driver	<i>Retail</i> slowed by changing demographics & tenant churn (best for urban infill); <i>office</i> slowed by less labor force growth (more urban focused); <i>industrial-distribution</i> dependent on trade (global pathway locations) – with non-metro community niches for independently owned businesses; <i>hotels</i> uncertain but perhaps best at limited service end (except for major destinations)	Increased focus on institutional uses including university, hospital & cultural facilities; Oregon small business emphasis also conducive to growth of alternative business models including incubator and work / live space

Any or these patterns of economic change could well warrant added detailed analysis. Consistent with the experience of financial market retrenchment and the economic downturn, some patterns represent potential threats for local communities including Ashland. Others are suggestive of prospective opportunity – especially for communities that are both nimble at anticipating and shaping change on a basis that proves sustainable beyond the next economic cycle.

The determination of which patterns are of greatest importance for Ashland represent an important topic of discussion as part of the strategic economic development planning and implementation process now underway. Two areas of *added focus* are highlighted with this EOA review and update report – the changing face of American employment and aging demographics.

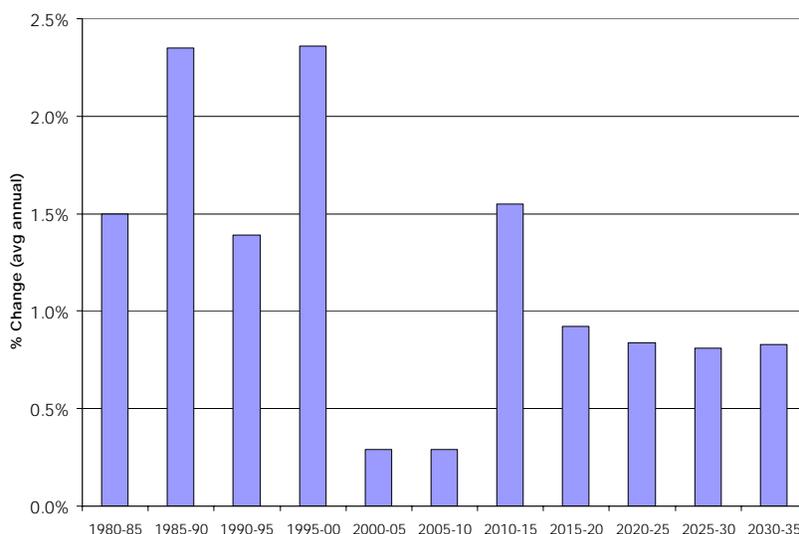
ADDED FOCUS #1: CHANGING FACE OF AMERICAN EMPLOYMENT

Looking back over the last generation, the composition of employment has changed dramatically in the U.S. While not all communities experience these changes in the same way, a similar if not accelerated impetus for continued change can be expected with economic recovery and for the next generation of workers nationally and in Oregon.

U.S. Employment Trends & Forecast. As of 2005, the U.S. had an estimated 133.7 million non-farm jobs – an increase of 48% over the 1980 nationwide job count of 90.5 million:

- Over this 25-year time period, employment across the U.S. increased at an average annual rate of 1.6% per year, reflecting a particularly rapid 1.9% rate of job growth during the 1980s. The 1980-90 time period also coincided with entry of a large baby boom cohort into the job market – together with rapid increases in labor force participation by women.

Figure 1. U.S. Non-Farm Employment Growth Rates (1980-2035)



Source: Global Insight, 2008 QR US Long-Term Outlook, as compiled by Metro.

- During the first half of the most recent decade (2000-2005), job growth slowed dramatically to a rate averaging 0.3% per year, reflecting a post-2001 period of economic contraction followed by a slow recovery.
- The remainder of the 2000-2010 decade looks equally anemic owing to the effects of the current recession (albeit with a brief run-up of employment growth mid-decade to 2007). Given the slow job growth experience of this past decade, there is some risk that projections over the next decade may prove overly optimistic.
- The fastest period of future anticipated job growth is anticipated for 2010-2015 (at 1.5-1.6% per year), reflecting catch-up of employment with economic recovery. However, both this catch-up and subsequent sustained employment growth may be conditioned on securing new economic drivers on a scale similar to the digital / high tech revolution that served as an impetus for strong growth in the 1990s.
- Following 2015, U.S. job growth is projected to again drop back to a rate of about 0.9% by 2025-2035. At these rates of projected employment growth, the U.S. would have

about 173.5 million non-farm jobs by 2035, an increase of just under 40 million jobs (or 30% gain) compared to 2005 conditions.

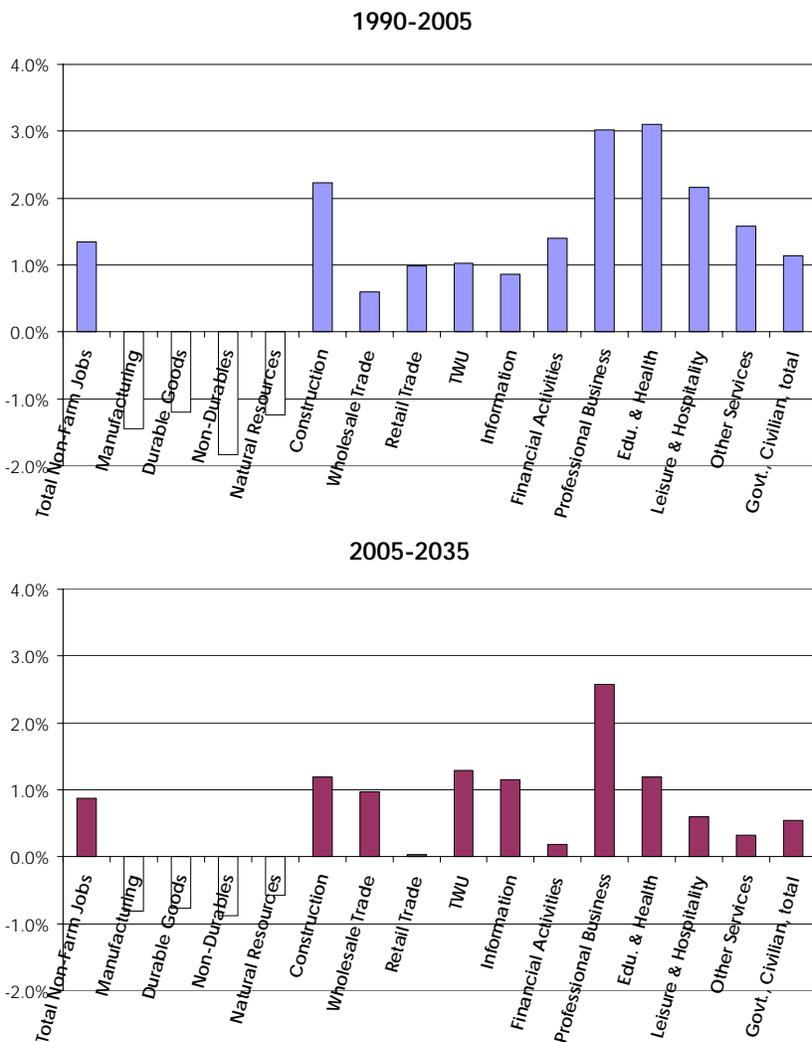
In summary, with the exception of the next five years (to 2015), when faster job growth is currently forecast with economic recovery, at no other point through 2035 is employment growth domestically expected to again come close to high growth experienced in the 1980s and 1990s.

U.S. Sectoral Employment Change. When viewed by major employment sector, the most noteworthy change has been the continued shift of the nation’s economy from industrial to service-related employment. This trend is expected to continue for any reasonably foreseeable future – extending to 2035 for purposes of this analysis. The following *generalized trends* are forecast nationally for manufacturing, other industrial employment, and service-related jobs.

Manufacturing:

- Manufacturing has dropped from just over 16% of all U.S. non-farm jobs in 1990 to between 10-11% in 2005, and is projected to decline to between 6-7% of employment by 2035.
- Manufacturing has been declining not just as a share of the total but also in terms of numbers of jobs – shrinking from about 18 million jobs in 1990 to just over 14 million in 2005, with further decline to a projected figure of about 11 million jobs nationally by 2035.
- Every manufacturing category except lumber experienced job losses nationally between 1990 and 2005, and all sectors are forecast for job loss through 2035. Durable goods

Figure 2. U.S. Job Growth Rates (1990-2035)



Source: Global Insight, 2008 QR US Long-Term Outlook, as compiled by Metro.

production, which tends to be more capital intensive, has experienced less rapid job loss than non-durables (focused more on consumer goods).

Other Industrial-Related Employment:

- With the exception of natural resources, all other industrial-related sectors experienced job growth from 1990-2005 and are projected for continued job growth through 2035 for the U.S. These other sectors include construction, wholesale trade, transportation / warehousing / utilities, and information.⁶
- Between 1990 and 2005, these other industrial-related sectors experienced growth that was somewhat below rates experienced in non-industrial (service) sectors. However, through 2035 non-manufacturing industrial sectors are projected to again somewhat increase their share of the nation's employment – from 16.2% (as of 2005) to 17.4% (by 2035).
- From 1990-2005, the fastest growing industrial sector was construction, with jobs increasing at an average pace of 2.5% per year. Of course, this run-up occurred during a period of exceptionally strong real estate development, before subsequent financial and economic downturn. From 2005-2035, the biggest non-manufacturing but industrial sector gains are projected for jobs in transportation / warehousing / utilities (at 1.3% annually), followed by the construction and information sectors.

Service Sector Employment:

- Service sector jobs have increased rapidly since 1990 in most communities across the U.S. The most rapid growth rates are reported for education and health (up by a remarkable average of 3.1% per year) and professional services (3%). The slowest growing service job sectors have been retail (up by just 1.0% per year) and government (1.1%).⁷
- Overall, these service sectors have increased from about two-thirds (67%) of the nation's non-farm employment in 1990 to 73% as of 2005. The largest single service-related sector was government at 16.3% as of 2005, followed by professional services and then retail.
- While all service sectors (*except* retail) are expected to add jobs, only professional services, education and health are projected to increase their share of the employment base across the U.S. over the next 25 years. Declining shares of total employment are now projected for previously robust sectors such as retail trade, financial activities, leisure and hospitality, and government.

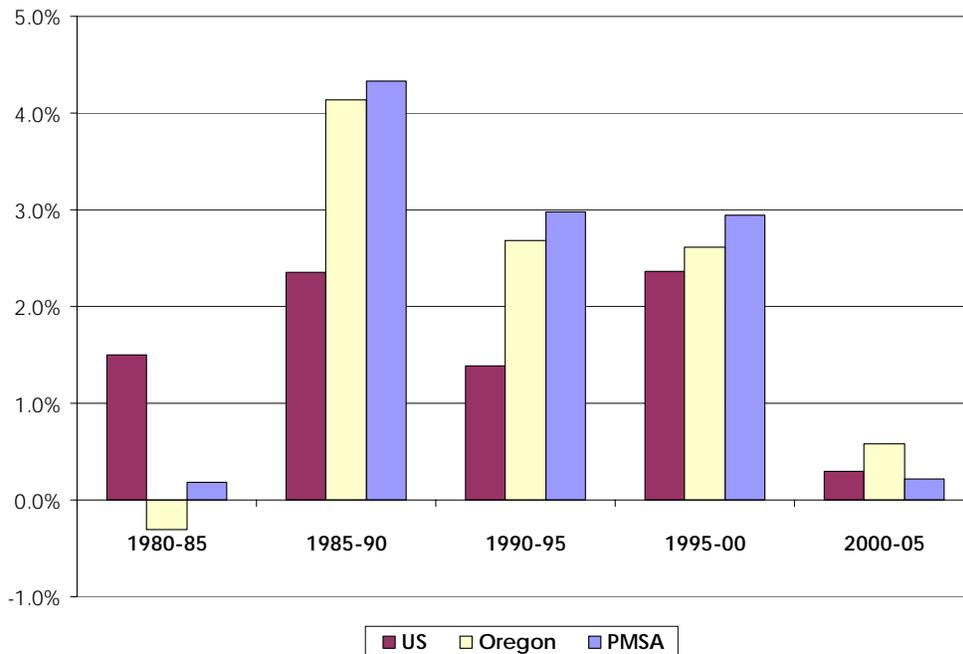
Statewide & Regional Employment Trends. National trends and projections can also be evaluated in the context of Oregon statewide employment. For comparative purposes, information is also provided for the Portland metro area – as the state's largest urban area – with just over one-half of the state's employment base in the five Oregon counties of the metro area.⁸

When viewed over a 25-year period extending from 1980-2005, patterns of employment growth nationally, in Oregon, and for the Portland metro area often seem rather similar – especially

when viewed in terms of time periods of rapid versus relatively slow growth. However, some key differences in these patterns can also be noted:

- In the first half of the 1980s, Oregon and the Portland metro area were harder hit than the rest of the nation during a period of overall economic slowdown. In the latter half of the decade, this pattern was reversed as employment growth rates accelerated, exceeding 4% per year both statewide and for the metro region.

Figure 3. Employment Growth Rates – U.S., Oregon & Portland PMSA (1980-2005)



Source: Metro, Oregon Employment Department, and E. D. Hovee & Company, LLC.

- This pattern of strong employment growth statewide continued (though at somewhat slower rates) through the 1990s, with the nation nearly catching up to the state and Portland metro area in the latter half of the decade.
- Two major shifts in the rate and location of job growth occurred from 2000-2005, before the current economic downturn. First, the overall rate of employment growth dropped dramatically from what was experienced in the latter half of the 1980s and 1990s. Second, the entire state, which had lagged the Portland metro area, moved ahead of both the state’s largest metro region and the nation.

Looking to the future (post-economic recovery), two questions can be posed of significance for southern Oregon and Ashland. The first question is whether employment growth rebounds to levels of the late 1980s and 1990s or remains well below these historic growth rates for the foreseeable future. Most forecasters currently project that national employment growth will not return to previous high growth levels.

A second question is whether the in-Oregon shift of job growth from the Portland metro area to other parts of the state (especially smaller metro areas) will resume with economic recovery or represents an exception to a longer term pattern of growth favoring larger metro areas. The answer to that question remains less certain.

Statewide & Regional Employment Growth Expectations. A synopsis of pertinent state and regional projections, mostly prepared since the 2007 EOA, includes the following observations:

- Statewide non-farm employment projections prepared by the Oregon Office of Economic Analysis (as of December 2008) indicated a projected job growth rate averaging 1.2% per year from 2006-15. A year later, the December 2009 forecast had been cut in half to just 0.6% per year of average annual job growth from 2006-15.⁹ This was a reflection of the severity of the recession, for example, with 2009 statewide employment now expected to be 73,200 jobs below what was forecast just one year earlier.
- The 2007 Ashland EOA incorporates a forecast prepared by the Oregon Employment Department in 2004, which projected employment increasing for Jackson and Josephine County at an average annual rate of 1.8% per year from 2004-14. Two-county job gains over this 10-year forecast horizon were expected to be 30% above the growth trajectory forecast for the entire state.
- Regional job forecasts have subsequently been updated by the Oregon Economic and Community Development Department for what is now a four-county employment region of Jackson, Josephine, Klamath and Lake Counties (as of April 2008). For the period of 2006-2016, regional job growth was forecast to average 1.5% per year. This most recent regional projection is below the prior EOA forecast (albeit for two counties) but most likely does not yet build-in the even more recent further dampened employment growth expectations for the entire state.
- As indicated by the *above chart to the right*, this most recent job growth projection indicates strongest opportunities in health care and selected retail activities together with

Figure 4. Above Average Growth Industries for Southern Oregon (2006-2016)

Growth Sector (ranked from highest to average growth rate)*
Food manufacturing
Ambulatory health care services
ISPs, search portals, & data processing
Nursing and residential care facilities
Building material & garden supply stores
Hospitals
Fabricated metal product manufacturing
Air transportation
Management of companies & enterprises
Agriculture & forestry support services
Waste management & remediation services
Food services & drinking places
Support services for transportation
Electronics & appliance stores
Furniture & home furnishings stores

Note: Excluded from the chart are a much larger number of sectors with projected below average regional job growth prospects.

Source: Oregon Economic & Community Development Department, *Regional Analysis: Jackson, Josephine, Klamath and Lake Counties*, April 2008.

a diverse set of traded sector functions including food manufacturing, internet / data processing, metals manufacturing, air transport, business management, ag / forestry, and environmental services

- As a final point of comparison, a 25-year regional forecast for the Portland metro region was released by Metro in 2009. Rather than a single forecast, *a range of job growth scenarios* was prepared. Average annual job growth is forecast to range between 1.5% per year with low growth to 1.9% annually with high growth. While this range reflects the uncertainty of prospective national economic conditions, a part of this variation may be related to the extent to which regions beyond the Portland metro area prove to be relatively attractive or unattractive for job-development in the years ahead.

In summary, it would appear that if the 2007 EOA were to be rebuilt *from the ground up* today, lower employment projections would be a likely result for Ashland (as well as for other jurisdictions around the state). This potentially extends the time frame over which industrial and commercially designated properties may prove adequate to meet future growth, unless rates of job increase revert back to previously projected levels once the economic recovery is fully underway.

Also noted is the impact of the continued national shift to service sector jobs which is largely reflected in projections for southern Oregon, especially for health care and selected retail activities. However, there are certain niches of traded sector (including natural resource and manufacturing activity) for which the region has demonstrated competitive advantage. While there may be opportunity for continued growth in these niche sectors, realistic prospects should be considered as less certain and potentially subject to widely varied (or less predictable) outcomes.

Of final note is the seemingly optimistic projection for Portland metro growth compared to the rest of the state, although the forecast extends over a longer time period. If this projection pans out, it would suggest a reversion to Portland's longer term experience of capturing an increasing share of statewide employment growth and urban development (counter to the trend of at least the first half of this past decade).

ADDED FOCUS #2: AGING DEMOGRAPHICS

While this EOA review and update rightly focuses on changing employment patterns nationally and regionally, there is an emerging demographic trend expected to pose profound implications for economic development both short and longer-term. This is the rapid aging of residents anticipated nationally and across most regions of the U.S.

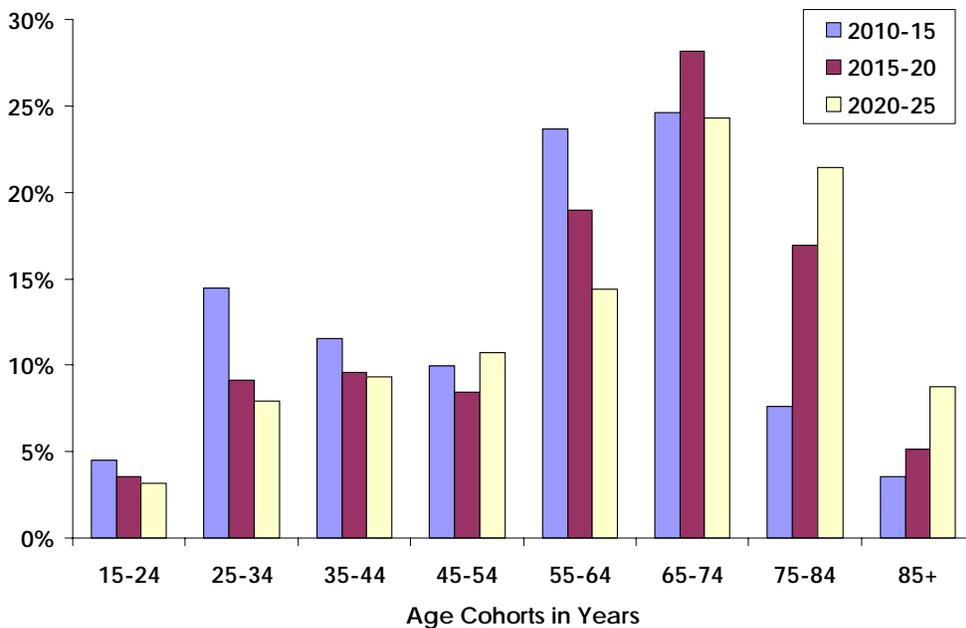
Aging of Baby Boomers. There is a symbiotic (or *feed-back*) relationship between changes in population and associated demographics and economics – whether on the global, regional or local level. For the U.S. and the Pacific Northwest, a fundamental demographic driver over the last nearly 40 years has been the baby boom generation – specifically those individuals born between 1946 and 1964. Taken together, persons born in this 18-year span accounted for 28% of the nation's population as of 2000.¹⁰

In the 1970s and 1980s, the entry of this generation into the workforce coupled with increasing participation by women drove the massive increase in employment nationally. The addition of more rapid in-migration caused employment growth to reach peak levels in the mid-late 1980s, but has tapered off substantially since 2000.

The oldest baby boomer will turn 65 this coming year, in 2011. Rapidly changing household, shopping, savings and retirement patterns of this age cohort can be expected to substantially affect economic opportunities now and for the foreseeable future in many, if not most, communities across mature economies of the globe – including the U.S., western Europe and Japan.

Forecast Illustration. For the first time in the nation’s history, persons age 55 and over represent the majority of household growth that can be expected through at least 2025. With this report, the anticipated transition is depicted for the state’s largest metro region by the following chart:

Figure 5. Changing Age Composition of Portland Metro Households (to 2025)*



* Note: Data is indicated for the seven county Portland metropolitan statistical area (MSA) – including five Oregon and two Washington State counties.

Source: Metro and E. D. Hovee & Company, LLC.

In effect, householders age 55 and over have gone from being less than 25% of the Portland metro market prior to 2000 to 60% and better post-2005. In the early part of this period (from 2010-15), householders age 55-74 are roughly equal in terms of net household growth. From 2015, the action shifts increasingly to the 65-74 age cohort, with substantial growth in the 75+ age categories and continuing beyond.

What is happening in the Portland metro area is being experienced to a lesser or greater degree in communities of all sizes throughout the country. Portland actually has proven more attractive to young creatives, with some dampening of the graying effect being felt across much of the U.S.

Economic Implications. The long-term effects of this shift in age structure have yet to play out, and eventual results are still not fully certain. However, implications for local and regional economies can be expected to include:

- Continued shift in housing demand even with slower overall population growth – to accommodate downsizing and changing needs of older households
- Reduction of purchasing power for a significant component of the consuming public – aggravated by the loss of wealth and greater imperative to save for a large age cohort now quickly approaching retirement
- Shrinkage of labor force growth as boomers retire – placing potential impetus for encouraging in-migration of a smaller national pool of younger workers and potential foreign in-migrants
- Continued growth of health care demand – whether dampened or intensified by current national health care legislation and subsequent refinements

STRATEGIC ECONOMIC DEVELOPMENT IMPLICATIONS

Any of the patterns of global, national, state and regional economic change could serve as impetus to affect future potentials for economic vitality in Ashland. While uncounted permutations of possible outcomes could be calculated, this review of global to local economic change concludes with the following summary observations for consideration with the Ashland strategic economic development and resulting implementation planning process now underway:

- The financial and economic downturn starting in 2007 carries both short and long-term implications previously unanticipated – as with the 2007 Ashland EOA. Even if Ashland continues to fare better than many Oregon communities through the current turbulence, economic recovery should not be construed as a return to “business as usual.” Ongoing, and in some cases increasing, challenges to *core competencies* (or competitive advantages) can also be expected through the period of recovery and beyond.
- Of particular importance is the manner and degree to which communities of all sizes seek to couple with or avoid *global pathway* opportunities. Global pathway regions are those which are linked 24/7 to traded sector activity – benefitting from multi-modal transportation linkages and generally high disposable incomes. For Ashland, there is opportunity to play to residential, cultural and business development driven from the highly sought-after Bay Area and Puget Sound regions (and from the Portland metro region as a second-tier global pathway).
- The continued global and U.S. transition toward *service sector employment* potentially plays well to existing Ashland strengths – as in cultural entertainment, tourism, education and health care. Not to be overlooked are opportunities to build from local niches of competitive advantage for traded sector activity that support higher wage jobs and greater

community wealth – but that also may be associated with greater uncertainty over ongoing sustainability.

- Aging demographics carry potentially profound implications for a high amenity community such as Ashland – offering both benefits and risks. There is opportunity to attract and retain *quality of life migrants* looking for a small community in a setting boasting recreational, cultural and educational appeal. There is also an increasing commitment to public services that can be expected over time – together with the question of whether Ashland actively attempts to maintain demographic balance versus capitalizing on an available market niche, as with retirees.
- A related and as yet unanswered question is whether and in what ways the trend toward *urbanization and reduced carbon footprint* work to stimulate or slow future economic and population growth in smaller metro regions such as Ashland-Medford. The external market forces shaping the ongoing destiny of Oregon’s rural and metro communities will come as much from outside as in-state – especially as Ashland is situated 350-450 miles midway between the San Francisco/Bay Area and Seattle/Puget Sound. As noted, the question of how communities like Ashland seek to embrace or hold these global market drivers at bay may prove to be a major determinant of localized economic outcomes both short and long-term.
- Finally, a range of *contingent outcomes* can be considered one-by-one for specific commercial and industrial property types in the years ahead. Retail may be the most uncertain, except as offset by increased tourism demand including stronger shoulder / off-season activity. Commercial office and business park / flex space demand depends on availability of space for a range of business types and broadening the economic base of the community beyond current institutional use. Mixed use development also may represent opportunity for Ashland to a greater degree than for other similarly sized cities, due to a more urban focused demographic supportive of increased density and higher cost mixed use together with sustainable live-work options.

IV. PRELIMINARY IMPLEMENTATION PLAN REVIEW

The foregoing assessment of data update needs coupled with review of short/long-term global to economic changes provide a platform from which to consider plan implementation. As outlined in the scope of services, a key purpose of this report is to provide a review and opinion of the Preliminary Implementation Plan prepared by ECONorthwest in conjunction with the 2007 EOA – with the objective of suggesting modifications, additions and deletions to the implementation of an economic development strategy for Ashland.

REVIEW OF EOA IMPLEMENTATION RECOMMENDATIONS

ECONorthwest completed the Ashland EOA report in April 2007. This was followed by a memorandum regarding *Recommended Implementation Steps to Develop and Implement a Community Economic Vision* in June. This 2007 implementation document provided:

- *Policy context for implementation* – specifically as related to implementation of state planning Goal 9, Economy of the State
- *Level and type of economic development desired in Ashland* – based on results from an online community development survey and public economic development workshop
- *Outline of potential economic development and strategies* – essentially illustrating approaches that municipalities can adopt to achieve varied economic development goals
- *Recommended economic development strategy* – as consistent with the EOA
- *Recommended Comprehensive Plan amendments* – to effect implementation of the economic development vision

As the City of Ashland is currently planning to adopt the 2007 EOA as is, the focus of this implementation review is less on provisions of the Comprehensive Plan and more on elements of a more extensive economic development strategy – including but extending beyond land use considerations.

Range of EOA-Related Economic Development Strategies. Implementation steps recommended for consideration as of June 2007 centered on the following listing of potential economic development strategies:

- *Land use* – related both to provision of adequate industrial / commercial land supply and cutting red tape
- *Public services* – including focused public investment and communications infrastructure to support growth
- *Business assistance* – ranging from business retention and recruitment activities to include options for development districts (such as enterprise zones and renewal districts), public / private partnerships, financial assistance, business incubators, mentoring, and export promotion
- *Workforce* – covering job training and job access
- *Other strategies* – suggested to address regional collaboration and quality of life

Recommended Economic Development Framework for Ashland. Based on public input received in 2007, overarching themes suggested at the time to frame the City’s economic development strategies were recommended as including: a) preservation and enhancement of the quality of life; b) creation of a diverse and sustainable economy; and c) improved coordination and processes of civic and government sectors.

Expanding on these themes, ECONorthwest recommended a potential *economic development vision* for Ashland encompassing elements predicated on:

- *Quality of life* – with the recognition that “population growth needs to be accompanied by job growth”
- *Building on locational advantages to manage growth by targeting industries* – as well as limiting industries that are not a good match for the community (consistent with the current Comprehensive Plan which identifies industries “unsuitable” for location in Ashland)
- *Avoidance of becoming a retirement or bedroom community* – by providing options for “residents to work at good jobs in Ashland”
- *Attraction of new businesses to start, expand or relocate* – focused on higher paying jobs
- *Providing developable land, good services and transportation, and an educated and skill labor force* – welcoming any industry that helps Ashland achieve its economic vision
- *Maintaining and increasing the livability of the community as it grows* – by being strategic about incentives given to business

All of the elements identified with the 2007 EOA recommended implementation steps still appear to merit consideration at this time. What was suggested by the EOA was intended as a “starting point” for discussion rather than the final end product. Consequently, more explicit statements of how these elements can be made distinctive to Ashland is now recommended as the strategic economic development planning process proceeds.

As an example, many communities now promote or pursue strategies to pursue “quality of life.” However, this term can have widely varying definitions between communities. Quality of life means something different for Bend than for Corvallis or for Kirkland. To be implementable, it is vital that Ashland: a) define the most imperative quality of life attributes important to this community; and then b) determine how these qualities affect or can be used to also brand and market Ashland for business investment, jobs and payrolls.

Additional elements that might be considered with the economic development vision could include clarification of targeted business clusters most suitable for Ashland together with creation of opportunities to more explicitly link tourism and business development and to themes of sustainability / green design. Finally, it is appropriate to consider whether Ashland would benefit from a more clear delineation between immediate priority elements (to help *jump-start* the economic recovery) versus strategic elements more suitable for longer term emphasis.

Recommended Strategies & Implementation Steps. As a final step, ECO recommended seven strategies together with associated implementation steps (but not prioritized):

- *Strategy 1:* Complete and adopt the economic development vision and strategies.
- *Strategy 2:* Focus on the basic functions of government and do them well.
- *Strategy 3:* Support efforts to create high-wage jobs in Ashland.
- *Strategy 4:* Provide adequate infrastructure efficiently and fairly.
- *Strategy 5:* Maintain quality of life.
- *Strategy 6:* Take advantage of sustainability and green development opportunities.
- *Strategy 7:* Recognize the Croman Mill site as a key community and economic asset.

As with the framework discussion, the primary suggestion resulting from this 2009-10 review would be to more explicitly link each of these strategies to “best bet” opportunities as priorities to pursue for Ashland. How best to hone these strategies should become more readily apparent once the strengths, weaknesses, opportunities and threats (SWOT) analysis is completed – assuming a broad base of business, community and civic input in the upcoming SWOT process.

The most effective strategies will be those that *feel and look like Ashland*. The reader – whether a business owner, prospective developer or citizen-at-large – should be able to immediately recognize what a strategy means as far as what is and is not a community economic development priority for Ashland.

Some strategies are also suggested for a careful *reality check* to assess whether there is both the community commitment and market support realistically needed to facilitate their achievement. A case in point is provided by *Strategy 3* – to create high wage jobs in Ashland. Due to the community’s economic reliance on tourism and retail trade, the current Comprehensive Plan is predicated on a very different conclusion, stating: “It is not realistic to assume that Ashland wages can be raised to the level required for the average worker in Ashland to be able to afford the average new home in Ashland in 1990.”

Consequently, realization of high wage strategy could require implementation steps that run counter to a significant portion of the community’s existing economic base. A more nuanced strategy may prove to be more effective on two levels: a) encouraging steps to increase pay for service sectors to standards equal to or better than those of comparable communities (as appears to be the case today for employees in arts and entertainment); and b) facilitating location of new business in sectors that pay at or above the current average wage for all employment in Ashland.

A final suggestion is to consider formulating more implementation oriented strategies similar to *Strategy 7* – featuring the iconic importance of Croman Mill site redevelopment as potentially pivotal to Ashland’s continued economic vitality. What appears to be missing from the 2007 EOA-recommended implementation program are similar strategies that would more clearly identify how the community can build on its other key existing assets in Ashland.

Existing assets to be called out might include the Oregon Shakespeare Festival Association and Southern Oregon University. More explicit attention to the needs and opportunities of local employers ranging from Ashland Community Hospital to small-scale niche manufacturers and high tech firms offering strong potential for sustained growth and stability is also suggested.

Traded Sector Focus? Often missing from a local economic development strategy is the differentiation between traded sector activities that bring new wealth and economic vitality to a community versus non-traded economic activities that primarily serve local community needs. While traded sector functions have traditionally been associated with manufacturers that export across the U.S. or globally, increasingly a wide range of service activities fill a similar traded sector function.

In Ashland, the Shakespeare Festival clearly serves fills a prime traded sector function – by drawing visitors to Ashland – who patronize area hotels, restaurants and shops. SOU serves a similar economic role to the extent that it draws non-local students and their spending.

Most hospitals or food stores serve a largely community-focused role. However, as medical care becomes increasingly specialized, even community hospitals may develop specialties that draw business from beyond the local community. Similarly, specialty food stores (and co-ops) often develop a reputation that draws customers or supports services of regional importance.

Identifying and then leveraging traded sector functions is an explicitly recognized purpose of comparable community economic development – as is noted for the Bend, Corvallis and Kirkland case studies profiled with this review and update report (as Appendix D). An explicitly traded sector orientation is also suggested as a potential focus for Ashland’s economic development strategy – but tailored to building those sectors viewed as most able to make a sustainable difference for Ashland.

Business Clusters. Closely linked to the concept of traded sector development is the narrowing of economic development priorities to what can be described as targeted industries or business clusters. The concept of the “business cluster” rather than targeted industry is coming to be the marketing mechanism of choice. This is because it allows more ready branding with *groupings of related business activities* – outside the confines of traditional industry definitions, such as those of the North American Industry Classification System (NAICS).

As applied, there can be confusion between the clustering terminology and varied selections made at the state, county / regional or local jurisdiction level. This is illustrated by the target industry sectors and business clusters that have been identified for the state of Oregon, southern Oregon (Jackson / Josephine Counties), and Ashland (as per the following chart).

Comparative Business Cluster / Target Industry Sectors

State of Oregon	Jackson/Josephine Counties	City of Ashland
<ul style="list-style-type: none"> • Clean technology • Wood & forest products • Technology & advanced manufacturing • Outdoor gear & active wear 	<ul style="list-style-type: none"> • Food & beverage production (manufacturing & sales) • Logging & support activities for forestry • Wood products • Metals manufacturing • Wholesalers • Electronic shopping • Freight transport • Headquarters • Elder / health care • Creative • Tourism & recreation 	<ul style="list-style-type: none"> • Headquarters • Elder care • Wood products • Creative (performing arts / other) • Tourism & recreation • Food & beverage production
<p><i>Source:</i> Oregon Economic & Community Development Department, <i>The OECD Strategic Plan</i>, adopted May 2009.</p>	<p><i>Source:</i> Southern Oregon University School of Business, <i>Industrial Clusters in Jackson and Josephine Counties</i>, prepared for U.S. Economic Development Administration, November 30, 2006.</p>	<p><i>Source:</i> ECONorthwest, <i>Ashland Economic Opportunities Analysis</i>, prepared for City of Ashland, April 2007.</p>

Note: Business clusters shown in **boldface type** are those for which a recommended Ashland cluster is matched by a corresponding cluster at the regional or state level.

The ECONorthwest growth industry recommendations of 2007 represent what appears to be a valid *starter list* for Ashland. In determining an updated list with a 2010 economic development strategy, consideration should be given to:

- Business clusters of importance missing from the 2007 list or that perhaps no longer represent a good fit for new investment in Ashland
- Ways in which the severity of the economic recession and prospective recovery may shape the most viable growth targets for the future
- Opportunities to select clusters that match with regional and state priorities (as is well indicated with the 2007 preliminary listing)

Based on these observations, suggestions for consideration with a 2010 economic development strategy include:

- a) Expanding the elder care concept to encompass a broader set of retirement cluster functions (though this previously has not been expected to be a major influence in Ashland's economy with the currently adopted Comprehensive Plan)
- b) Possible deletion of the wood products cluster as more appropriate for the rest of the Rogue Valley region rather than Ashland specifically (especially with respect to future growth or business recruitment)

- c) Inclusion of a cluster similar to the OECDD (now OBDD) defined technology and advanced manufacturing cluster and possibly to clean technology (more aligned to green development)
- d) Possible added or refined business cluster(s) that may be identified as a result of playing off program strengths of SOU, especially for campus to entrepreneur incubation (which the current Comprehensive Plan indicates might occur through increased graduate and / or research initiatives within the basic sciences component or market diversification through the business and social sciences programs)
- e) Greater specificity to better illustrate the types of businesses most appropriate within each cluster for Ashland (an item of particular importance to identify most likely niches for small-medium firms within the advanced manufacturing and / or clean technology clusters)

A Framework for Action. As a final note, the economic development strategy should provide clear policy, marketing and business assistance guidance that will be directly useful for determining what implementation steps are of greatest importance – as well as what actions should be avoided. This is perhaps most clearly seen as the discussion moves from strategy to implementation, as now follows.

FROM STRATEGY TO IMPLEMENTATION

How these strategies best play out on the ground occurs with the identification of specific implementation steps (or action items) that stand behind each strategy. The chart on the following page outlines the implementation steps recommended for each of the 2007 EOA-recommended strategies. This is followed by discussion of other options that might be considered with the current 2010 update process. Key themes suggested with these options are:

- *Business clustering* – focused on distinctive opportunity for competitive advantage
- *Emphasis on sustainability* – in green design, business marketing and practices
- *Transition to increasing focus on infill and redevelopment* – to build from within rather than out

EOA-Recommended Strategies & Implementation Steps

Strategy	2007 Implementation Step	2010 Update Options
Strategy 1: <i>Complete and adopt the economic development strategy and visions</i>	<ul style="list-style-type: none"> • Continue community economic development dialogue – seek consensus, avoid disagreement • Identify & adopt plan policy / code changes 	Plan policy / code changes can be adopted with EOA and Comp Plan update. While economic development should seek easy wins where there is community agreement, more challenging issues likely still require ongoing dialogue, albeit for longer term resolution & action.
Strategy 2: <i>Focus on the basic functions of government and do them well</i>	<ul style="list-style-type: none"> • Monitor employment land supply • Monitor the permitting process • Review development standards • Update capital improvement plans – with priority to economic development improvements 	A refined strategy could more explicitly address the desired role and limitations of Ashland city government. Implementation steps should provide more specific direction, especially with regard to permitting and development standards.
Strategy 3: <i>Support efforts to create high-wage jobs in Ashland</i>	<ul style="list-style-type: none"> • Coordinate with other economic development organizations • Develop incentives to retain & expand existing firms • Maintain / enhance Ashland image 	A potentially key policy initiative for the economic development strategy – albeit with limitations related to existing key retail and cultural sectors. Most easily applicable to business recruitment over retention. Likely requires careful consideration of target clusters, strategy requirements and implications.
Strategy 4: <i>Provide adequate infrastructure efficiently and fairly</i>	<ul style="list-style-type: none"> • Identify key lands (including Croman Mill site) for employment & remedy infrastructure • Coordinate capital improvement & land use plans to fit with adopted economic development strategy 	Continued focus on Croman Mill site consistent with results of master plan process when adopted. Once Croman plan is in-place, attention might shift to address infrastructure needs of other employment areas, including redevelopment. This might include consideration of urban renewal, as for the downtown area.
Strategy 5: <i>Maintain quality of life</i>	<ul style="list-style-type: none"> • Implement parks & recreation master plan • Review / adopt regulatory & collaborative processes to protect environment quality • Identify ways to define / integrate sustainability with economic development 	This is a real potential strength of a more clearly articulated Ashland economic development strategy. Improvement priorities could be more clearly linked with major economic development initiatives, as for trails / bike paths / recreation amenities to employment sites and green streets design. Possible need to address housing affordability, retirement living, and / or jobs-housing balance with a quality of life strategy.
Strategy 6: <i>Take advantage of sustainability and green development opportunities</i>	<ul style="list-style-type: none"> • Promote / recruit companies less vulnerable to economic slumps • Find ways to cut energy demand • Support land use for reduced transportation needs • Consider designation of Croman Mill site as “eco-industrial park” 	Consider a comprehensive economic development and sustainability strategy that encompasses green development, recruitment and expansion of green businesses, and encouragement of green business practices. Collaboratively frame as a means to enhance rather than undermine competitive business investment advantage for Ashland.
Strategy 7: <i>Recognize the Croman Mill Site as a key community and economic asset</i>	<ul style="list-style-type: none"> • Adopt Comprehensive Plan policy for mill as key employment opportunity; require master plan • Prohibit / restrict residential uses • Apply to TGM to fund master plan 	The Croman Mill is now Ashland’s #1 potential resource to accommodate added employment in an urban campus setting. The economic development strategy could also consider other site options including infill and redevelopment for businesses seeking location in established business districts or on single end-user sites.

COMPARABLE COMMUNITIES

With this report, we highlight three contrasting case studies of communities pursuing economic development – each in its own distinctive manner.

Selected Case Studies. The three communities profiled are:

- *Bend, Oregon* – addressing both economic and tourism development
- *Corvallis, Oregon* – with a community based approach to economic development
- *Kirkland, Washington* – combining economic development with a sustainability agenda

Each of the three communities is located in the Pacific Northwest, each is comparably sized and shares some similarities in terms of economic and / or cultural base with Ashland.

Case Study Themes & Findings. While a more detailed review of the key elements associated with each case study are provided as Appendix D to this report, overall observations from these three case study communities are highlighted as follows:

- All three communities are well known for an attractive *quality of life*, although the key livability qualities vary substantially between the three communities. One has a major university; the other two have connections with in-town or nearby educational resources of growing importance. Two of the three are well regarded as visitor destinations – one on a metro-wide and the other as a multi-state tourism draw.
- While each of these communities has a reputation for livability and economic prosperity, each has or is facing significant *challenges to its economic vitality*. Bend has been most affected by the recession and a collapsing housing market. The impetus for economic development in Corvallis is, in large part, a result of the downsizing of the community's major employer – Hewlett Packard. Kirkland has been affected by dramatically declining tax revenues (citywide), causing the City to get aggressive about facilitating continued strong interest in downtown area redevelopment and a visible sustainability agenda.
- Each community is vitally committed to being at the forefront of *technology-led* economic development, including increasing attention to business entrepreneurship. Sustainability and green development are pivotal to the emerging economic development strategies of Corvallis and Kirkland – both as a reflection of community aspirations and of prospective business competitive advantage.
- Organizational responses to economic development have varied substantially and *appear tailored* to each community's existing political and business structure. Corvallis and Kirkland are well known for active citizen participation; Bend's tourism and economic development programs are driven more by business and city leadership. In none of these communities is there a single identified lead organization for economic development. Rather, multiple players are involved. Corvallis has attempted an umbrella approach with the Economic Vitality Partnership serving as a consortium for 14 public and private organizations.
- The *linkage between tourism and economic development* is most actively expressed in Bend – although different organizations tend to take lead roles in each of these two

arenas. Kirkland serves as a regional specialty shopping and dining destination for the Puget Sound, a source of active collaboration between the City and downtown association. Corvallis has the weakest tourism related tradition, though this is of growing interest – including better opportunities to capitalize on visitation to OSU.

- Finally, all three communities are actively involved in *implementation and monitoring progress* – each in its own way. Bend focuses on conventional metrics of transient room tax for lodging. Corvallis is actively checking off progress as it occurs with each of 48-adopted action items. Kirkland has identified, but not yet implemented, policy metrics for sustainability and economic development.

In summary, this brief case study review suggests that there is value to forging intentional City-based economic development strategies in communities known for high quality of life. These strategies typically involve some form of broad City, private and regional partnership. Increasingly, economic development is not viewed as a stand-alone function but is ever more interrelated with other community objectives ranging from quality public services to livability and sustainability.

V. FRAMEWORK FOR COMMUNITY BASED SWOT

The final objective of this EOA review and update report is to outline a possible framework for a community based strengths, weaknesses, opportunities and threats (SWOT) analysis. Conducting a SWOT was directed by the Ashland City Council (July 20, 2009) as a means to better identify the boundaries of the resulting economic development strategy.

SWOT SCOPING

With over 25 years of economic and development consulting in the Pacific Northwest, our firm has considerable experience with conducting SWOT analyses in a wide range of circumstances and for widely varied purposes. A range of options for scoping the SWOT is useful to consider early-on. What works for one community may not for another.

With a SWOT assessment, strengths and weaknesses represent *existing and recent conditions* of the community for business and economic development. By comparison, the assessment of opportunities and threats is *forward looking*, often driven as much (or more) by forces external to the community as those within.

Before launching the SWOT, it is important to frame the scope of the assessment. Perhaps the most important question to address up-front is how *economic development* is to be defined for Ashland. The implementation steps associated with the 2007 EOA suggest a definition that:

Economic development is the process of improving a community's well-being through job creation, business growth, and income growth (factors that are typical and reasonable focus of economic development policy), as well as through improvements to the wider social and natural environment that strengthen the economy.

This is a fairly traditional definition of economic development, though it opens the door for consideration of issues related to the social and natural environment. An even more expansive definition might address other business and employment related objectives or implications – as for education and culture, jobs-housing balance, community development, and sustainability.

How broadly economic development is to be defined also will have a direct bearing on who should be involved in the SWOT process. A definition of what economic development means to Ashland could either be locked down before beginning the SWOT or left open as a topic for further discussion and refinement as part of the SWOT process and resulting recommendations.

SWOT PARTICIPANTS

How the SWOT is conducted is often as meaningful as the resulting analysis. This type of assessment can be conducted in a variety of manners – related primarily to the type and extent of stakeholder input requested.

Levels of Participation. Potentially available for consideration are SWOT input mechanisms including:

- Review of economic and planning documents compiled locally and other pertinent regional, state and national information – consistent with sources reviewed on a preliminary basis with this update report (including the 2006 *Business Retention & Expansion Survey Results* as prepared for the Ashland Chamber of Commerce).
- Interviews or focus group sessions with a representative set of economic development stakeholders – typically about 20-25 for economic development as traditionally defined, but with more participants when broadened to encompass related community development interests.
- A brainstorming process involving key strategic planning participants – including the Policy Group and Technical Advisory Committee convened for Ashland strategic economic development planning.
- A more extensive and formalized community involvement process – potentially involving some combination of survey, focus group research, and town hall style meetings.
- A hybrid approach involving a combination of the above methods – as with preparation of a preliminary SWOT based on review of existing information together with stakeholder interviews followed by refinement as part of a stakeholders and/or community involvement process.

Along with the question of how information is gathered is the question of who prepares the SWOT. Potential choices range from in-house preparation (as by City staff) to a third party facilitator or consultant. Utilization of an independent third party more often occurs with processes involving greater levels of stakeholder or public participation.

Selecting the Right Level of Participation for Ashland. The approach that makes most sense is a topic that deserves discussion by the City together with input from the Policy Group and the Technical Advisory Committee for this strategic economic development process.

While taking more time, a broad citizen based effort may be appropriate when strong public interest in the resulting strategy is expected. This is particularly the case in communities where economic development is broadly defined, encompassing not just business development but related community development and quality of life objectives. However, this approach can prove underwhelming or even counterproductive in communities where there is little public interest, as in a more narrowly defined economic development program.

Conversely, a process focused on a more limited set of key stakeholders offers the advantage of input from those who may be most involved and responsible for implementation. However, this more focused input process may be perceived as not inclusive of other community interests.

In effect, what is suggested is a level of participation in the SWOT process that can be framed to involve those who will want or need to have a voice in resulting strategy formulation, review before adoption, and with ensuing implementation.

OPTIONS FOR ACTION

How the SWOT is to be used in shaping the economic development strategy is a final question that warrants some early-on discussion before getting underway. Which results will carry more

weight than others? How will this be sorted out with City, Policy Group, TAC and broader community interests?

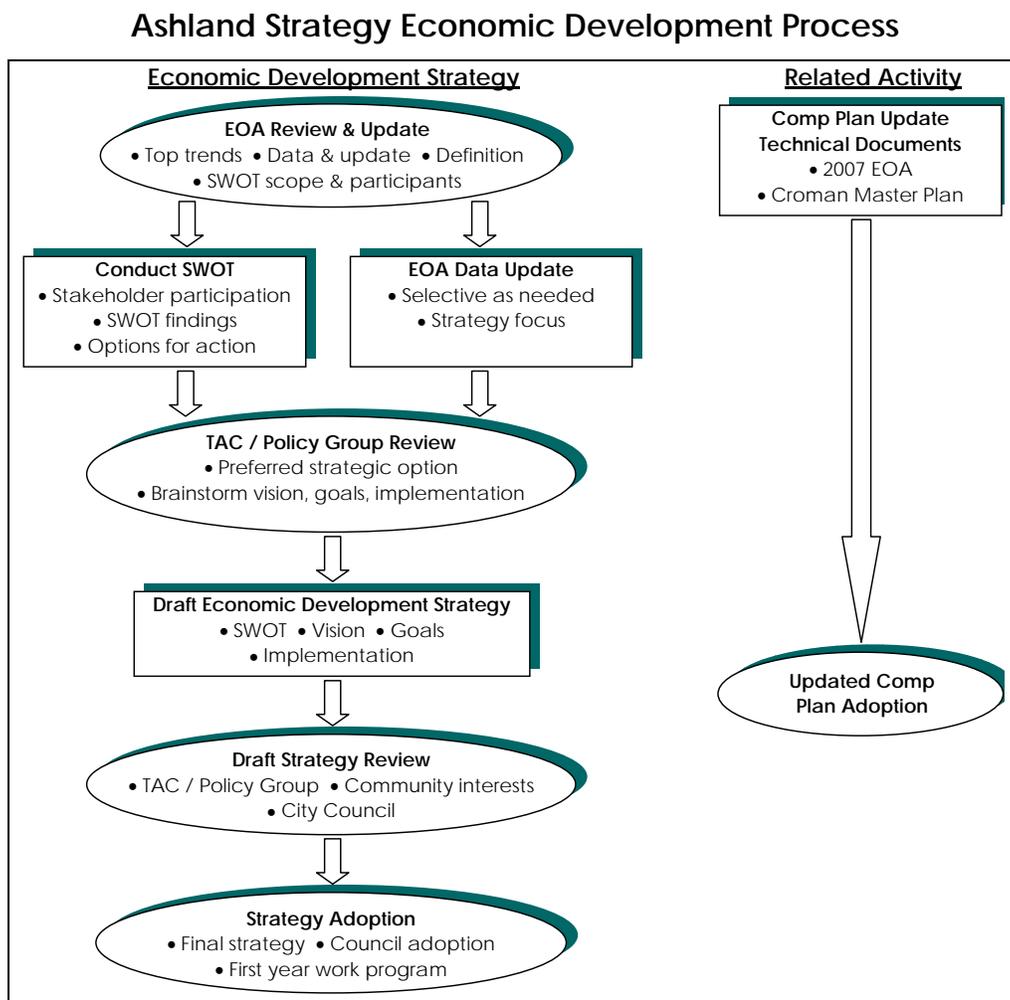
Suggested is that the City outlines a *preliminary process and timeline* for SWOT preparation and resulting inclusion in the economic development strategy before getting underway. Also recommended is that, before setting definitive economic development goals and implementation actions, the SWOT conclude with a discussion of generalized strategic options and implications for economic development in Ashland.

These options might range, for example, from no change (status quo) to a tightly defined business retention and expansion program to a broadly inclusive economic and community development initiative – or other options as may be defined from the SWOT analysis. Each strategic option should be evaluated in terms of potential advantages and disadvantages, as well as requirements for successful implementation. Selection of a *preferred option* can then be followed by the determination of explicit economic development goals for Ashland and resulting implementation plan.

VI. SUMMARY NOTES

This EOA review and update report concludes by illustrating a generalized strategic planning process consistent with analysis findings and observations. Highlights of this conceptual process include:

- Proceeding with the 2007 EOA and Croman Master Plan *parallel to but as an activity distinct* from the economic development strategy process now underway
- Utilizing results of this review / update assessment to evaluate *top global to local trends* of importance, define economic development as applicable to Ashland, address determined data to be updated, and set SWOT scope and participants
- Inclusion of *strategic options* for action as a key step between the SWOT and the creation of Ashland’s economic development strategy.



This illustrative concept is recommended to serve as a basis for discussion with the Policy Group and TAC, with refinement as needed to best meet economic development planning needs and aspirations in Ashland.

APPENDIX A. PREPARER BACKGROUND

This *City of Ashland Economic Opportunities Analysis (EOA) Review and Update* report has been prepared for the City of Ashland by the economic and development consulting firm E. D. Hovee & Company, LLC (EDH). Since 1984, EDH has conducted market and feasibility assessments, economic development planning analyses and targeted business development strategies for public agency, private and non-profit organizations – focused primarily on west coast states of Oregon, Washington and California.

Our firm has considerable experience with economic development planning pursuant to urban growth management, Goal 9 and more recent Economic Opportunity Analysis (EOA) requirements of the State of Oregon Land Conservation and Development Department. Over its 25+ year history, EDH has been committed to the ongoing process of economic restructuring for entire communities, for emerging and revitalized downtowns, and for business investment in both urban and rural settings.

EDH has experience with industrial, commercial office, retail, residential, tourism / destination and mixed use development projects – including active coordination with regional and local jurisdiction economic development and redevelopment agencies. The firm also has been at the forefront of applying innovative public-private economic development tools – ranging from urban development finance to workforce training tailored to local community and business opportunities.

Examples of related project assignments have included:

- Goal 9 and (more recently EOA) analyses have been prepared for the Cities of Portland, Cascade Locks, Molalla, Forest Grove, Wilsonville, and Medford – as well as Metro with the 2009 draft Portland region’s employment Urban Growth Report (UGR).
- Strategic economic development planning has been conducted for Oregon jurisdictions including the Corvallis-Benton County Economic Vitality Partnership, McMinnville Economic Development Partnership, SEDCOR (for Marion-Polk-Yamhill Counties), and Portland Development Commission – with strategic tourism planning for clients including the City of Bend and Yamhill County.
- Outside Oregon, EDH has recently prepared community-wide economic development strategies for the Cities of Mount Vernon, SeaTac, and Covington (Puget Sound region), Quincy (eastern Washington), South Lewis County and Longview (I-5 corridor between Portland and Seattle).
- EDH has also been involved in conducting *strength, weakness, opportunity and threat* (or SWOT) analyses in more than 45 communities throughout Oregon and Washington.

Preparers of this EOA review and update report are Eric Hovee (Principal) and Andrea Logue (Research Coordinator).

APPENDIX B. DOCUMENTS REVIEWED

The following documents specific to Ashland, the southern Oregon region and entire state have been reviewed as background information for this EOA review and update report:

Ashland Chamber of Commerce, *2007/08 City Grant Annual Report: Economic Development, Visitor & Convention Bureau*.

Ashland Chamber of Commerce, *Business Retention & Expansion Survey Results*, prepared by Rebecca L. Reid (Consultant), January 18, 2006.

City of Ashland, *Comprehensive Plan* (Section VII, The Economy), printed July 2005.

City of Ashland, Council Communication, *Economic Development Strategy*, July 20, 2009 Meeting.

ECONorthwest, *Ashland Community Workshop Summary*, prepared for City of Ashland, April 19, 2007.

ECONorthwest, *City of Ashland: Economic Opportunities Analysis*, prepared for City of Ashland, April 2007.

ECONorthwest, *Recommended Implementation Steps to Develop and Implement a Community Economic Vision*, prepared for City of Ashland, June 28, 2007.

Jackson County, "Economy" Element, *Jackson County Comprehensive Plan*, July 2007.

SOREDIOregon Economic Development Association, 2008 Presentation.

Oregon Department of Administrative Services (Office of Economic Analysis), *Oregon Economic and Revenue Forecast*, issues of December 2008 and December 2009.

Oregon Economic & Community Development Department, *Regional Analysis: Jackson, Josephine, Klamath and Lake Counties*, April 2008.

Oregon Economic & Community Development Department, *The OECD Strategic Plan*, updated May 2009.

Southern Oregon Regional Economic Development, Inc. (SOREDIO), *Jackson-Josephine 2007-2013 Regional Investment Strategy*, prepared and adopted by the Jackson-Josephine Regional Investment Board, November 15, 2007.

Southern Oregon University School of Business, *Industrial Clusters in Jackson and Josephine Counties*, prepared for U.S. Economic Development Administration, November 30, 2006.

Other information sources are as cited throughout this report.

APPENDIX C. SOCIO-ECONOMIC DATA SOURCES

This appendix provides: (A) detailed listing of the socio-economic data sources utilized with the 2007 EOA; and (B) added potential data sources that might be considered with future data updates. For each data variable identified, information is provided regarding potentially available update sources together with added explanatory comments.

Data Indicator	Update Sources (Year)	Comments
A. EOA Provided Information		
<i>Demographics:</i>		
Population (City, County, State, US)	Portland State University Center for Population Research (current year) U.S. Census Bureau (current year) Claritas / ESRI (current year)	<ul style="list-style-type: none"> Annual estimates from these sources will likely vary Estimates are re-benchmarked to U.S. Census @ decennial census
Population Forecast to 2040 (City, County)	Oregon Office of Economic Analysis (statewide forecast by county)	<ul style="list-style-type: none"> 2007 EOA forecast by ECONorthwest based on County adopted forecast
Population Distribution by Age (City, County, State)	U.S. Census (2010) Claritas / ESRI (current year)	<ul style="list-style-type: none"> Claritas / ESRI offers 5-year forecast
Household Composition (City, County, State)	U.S. Census (2010)	<ul style="list-style-type: none"> Claritas provides limited current year household composition data
Ethnicity (City, County, State)	U.S. Census (2010) Claritas / ESRI (current year)	<ul style="list-style-type: none"> Claritas / ESRI offers 5-year forecast
Educational Attainment (City, County, State)	U.S. Census (2010) Claritas / ESRI (current year)	<ul style="list-style-type: none"> Data provided for adults age 25+
<i>Employment:</i>		
Covered Employment by Sector (City, County, State)	Oregon Employment Department QCEW (was ES202 – provided quarterly & annually)	<ul style="list-style-type: none"> Data reported by place of work City data w/special run thru OED
Total Employment by Sector (City, County)	Oregon QCEW combined with BEA data (for past year)	<ul style="list-style-type: none"> 2007 EOA adjusted QCEW upwards based on Jackson County BEA data to account for <i>non-covered</i> employment
Potential Growth Industries (City, 2-County Region, State)	Oregon Employment Department BEA, private forecast firms	<ul style="list-style-type: none"> Optional method to combine with IMPLAN data showing changing comparative advantage
Expansion Plans of Major Employers (City)	Special survey / interviews	<ul style="list-style-type: none"> 2007 interviews by ECONorthwest of 8 employers for EOA
Employment Forecast – 10-Year (2-County Region, State)	Oregon Employment Department (previous year projected 10 years out)	<ul style="list-style-type: none"> 2004-2014 regional EOA forecast by OED

Data Indicator	Update Sources (Year)	Comments
Forecast Employment & Land Demand – 20 & 50-Year (City)	Typically prepared by City and/or consultant pursuant to EOA	<ul style="list-style-type: none"> • 2007 EOA forecast includes projection of added jobs, refill and gross acreage to 2027; no update required at present
<i>Other Economic Data:</i>		
Median Household Income by Age & Median Family Income (City, County, State)	U.S. Census (2010) HUD (current year – only median family income) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • Claritas / ESRI offers 5-year forecast organized as Households by Income and Households by Income and Age of Householder
Per Capita Personal Income (County, State, US)	BEA (most recent year) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • BEA data generally lags by 1 year (2007 data available in 2009) • Claritas / ESRI available for city; BEA lowest geo unit is at county level
Per Capita Personal Income by Source (County, State, US)	BEA (most recent year)	<ul style="list-style-type: none"> • Data not available at city level
Consumer & Retail Expenditures (City)	Oregon Prospector (current year) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • Provides estimates of resident-supported purchasing power • Does not include retail potential from non-local (visitor) spending sources
Property Tax Rate Comparisons (City, State)	Oregon Department of Revenue Jackson County Assessor's office	<ul style="list-style-type: none"> • Could consider expanded analysis to include other comparable jurisdictions
Commute Time to Work (City, County, State)	U.S. Census (2000, 2010) Claritas (current year) ESRI (2000, 2010)	<ul style="list-style-type: none"> • Local transportation / COG special surveys may provide more up-to-date information than Census data
Work / Residence Locations (City)	U.S. Census (currently thru 2008)	<ul style="list-style-type: none"> • Can be combined with illustrative mapping as with 2007 EOA
<i>Housing:</i>		
Dwelling Units - Type & Tenure (City, County, State)	U.S. Census (2010) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • ESRI has current year estimates by tenure, not type
Median Home Sales Pricing (City, County/Metro Area)	NAHB (past year) Jackson County Assessor (past yr) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • Claritas home value estimates are based on owner-occupied housing • ESRI home value estimates are across entire inventory, not just sales; also includes 5-year forecast

Data Indicator	Update Sources (Year)	Comments
<i>Quality of Life:</i>		
Qualitative Factors (City)	Stakeholder Interviews Community Survey (web-based or random sample method) Vision Process	<ul style="list-style-type: none"> • 2007 EOA qualitative assessment based on stakeholder interviews & small group community workshops
B. Added Potential Data Sources		
<i>Demographics:</i>		
Average Household Size (City, County, State)	U.S. Census (2010) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • Useful information regarding demographics of local community
Tenure by Year Householder Moved into Unit (City, County, State)	U.S. Census (2010) Claritas (current year – Occupied Housing Units, Avg Length of Residence)	<ul style="list-style-type: none"> • Can be used as an indicator of residential mobility locally compared to region & state
Employment Status & Age of Children for Women 16+ (City, County, State)	U.S. Census (2000, 2010) ESRI (2000, 2010)	<ul style="list-style-type: none"> • Potential measure of economic status of women in Ashland compared to county & state
<i>Employment:</i>		
Labor Force Participation (City, County, State)	U.S. Census (2010) OED (current year, monthly) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • Participation measured for age 16+ • OED data for county, state only • ESRI offers 5-year forecast
Resident Employment by Industry & Occupation (City, County, State)	U.S. Census (2010) OED (past year) Claritas / ESRI (current year)	<ul style="list-style-type: none"> • OED data not readily available at city level (may order special run) • Provides useful counterpart to covered employment by place of work
Firm Size & Wage by Industry (City, County, State)	Oregon Employment Department QCEW (past year)	<ul style="list-style-type: none"> • Useful as indicator for small business activity & comparative wages • For city geography, may require special OED run / confidential data request
Jobs / Housing Balance (City, County, State)	From any of the employment and housing data sources indicated (with comparable years)	<ul style="list-style-type: none"> • An increasingly used measure of adequacy of local employment & residential opportunity

Data Indicator	Update Sources (Year)	Comments
<i>Other Economic Data:</i>		
Work Transportation Mode & Households by Vehicles (City, County, State)	U.S. Census (2010)	<ul style="list-style-type: none"> Local transportation / COG special surveys may provide more up-to-date information than Census data (as available) Useful for benchmarking progress to VMT reduction (as with transit-oriented development)
Retail Sales & Leakage (City, County, State)	ESRI (current)	<ul style="list-style-type: none"> Compares residential spending potential with actual retail sales Geography can be customized (as to downtown or larger trade area)
Visitor Spending (County, State)	Runyan as provided for Travel Oregon (past year)	<ul style="list-style-type: none"> Provides visitor spending by category Data not available at city level
Psychographic Market Segmentation (City, County, State)	Claritas / ESRI (current year)	<ul style="list-style-type: none"> Combines demographic & consumer data for housing & retail development Claritas & ESRI each divide the U.S. into 66 market groupings
<i>Housing:</i>		
Rental Rates & Vacancy (City, County, State)	U.S. Census (2010) Property owners / managers (for Ashland and/or Jackson County)	<ul style="list-style-type: none"> Potentially useful as means to assess comparative rental availability & affordability
<i>Quality of Life:</i>		
Oregon Benchmarks (County, State)	Oregon Progress Board (current) see http://benchmarks.oregon.gov	<ul style="list-style-type: none"> Provides 91 benchmarks covering economy, education, civic engagement, social support, public safety, built environment, natural environment Data not provided by city; selected analysis could be used to supplement 2007 EOA stakeholder interview & discussion group information

Note: The following information is currently available from the U.S. Census website regarding the anticipated release of Census 2010 data. Population counts for the United States and each state will be available by December 31, 2010, as required by law for apportionment purposes. The 2010 Census data are the official census counts that will be used for other official purposes such as grant applications and redistricting. The Census Bureau will provide products for use in legislative redistricting (both demographic data and geographic products) to state officials by March 31, 2011, also as required by law.

Demographic profiles, summary files of aggregated data, and data reports will be released on a flow basis between April 2011 and September 2013. All 2010 Census data products will be available on the internet on the Census Bureau's website.

APPENDIX D. CASE STUDY PROFILES

With this report, three contrasting case studies of communities pursuing economic development are highlighted. Each of the three communities is located in the Pacific Northwest, similarly sized and shares some similarities in terms of economic and/or cultural base with Ashland. These selected case studies are:

- *Bend, Oregon* – focused both on economic and tourism development
- *Corvallis, Oregon* – with a community based approach to economic development
- *Kirkland, Washington* – combining economic development with a sustainability agenda

Each community has taken a distinctive approach to economic and / or tourism related development reflecting local market opportunities and aspirations, as reflected with the three case studies. Each profile aims to provide information regarding the primary impetus or strategic direction taken by each community, the public and private players most actively involved, and resulting steps for plan implementation and monitoring.

Key elements with each approach are briefly considered, in turn, with the one-page profiles that now follow.

Case Study #1: Bend's Approach to Tourism & Economic Development

Beginning at a time of high unemployment in the early 1980s, the Bend area began to pursue tourism development as “an additional leg to its economic foundation and as a tool for broader diversification efforts.”¹¹ This combined tourism and economic development marketing program began to pay off in the 1990s as the community attracted new investment.¹² A “critical mass” of quality amenities attractive to visitors and residents has proved instrumental as the region established a presence in emerging industries such as software and hardware, medical equipment, aerospace, and recreation equipment manufacturing.

Caught in an Economic Tailspin. As recently as 2007, economic impact analysis indicated that tourism accounted for nearly 16% of the Deschutes County workforce, compared to 5% of the workforce statewide. After a spectacular run-up in property values with rapid population growth and new development post-2000, this two-pronged approach to tourism and economic development has recently foundered with the ongoing economic downturn. Bend and Central Oregon have experienced the sharpest economic contraction of any area in the state of Oregon.

Widely reported has been the news of declining home values and increasing home foreclosures. As of October 2009, the seasonally adjusted unemployment rate for the Bend MSA was 15.6% – highest of any metro area in the state. By comparison, unemployment for the Medford MSA was 12.4% and the statewide rate was 11.3%.¹³

The commitment to a combined tourism and economic development strategy remains strong. Bend's Visitor & Convention Bureau has been renamed *Visit Bend*. The organization's *Visit Bend Business Plan: FY 2009/2010* articulates a “completely re-engineered approach to economic development through tourism.”

Organization for Tourism & Economic Development. Even with this sense of shared purpose, tourism and economic development programs remain somewhat separated by function and geography:

City of Bend:

- Visit Bend is funded primarily by the City's Transient Room Tax (TRT). Key near term goals and strategies are to communicate a more compelling destination brand, improving tourism during shoulder season and winter months. An increased portion of the marketing budget is being oriented to group travel, including conferences and large events, viewed as less vulnerable to the tourism instability generated by current and future economic cycles.
- City of Bend Economic Development Department has five separate divisions covering two urban renewal districts (Downtown/Parking and Juniper Ridge), Bend Municipal Airport, CDBG/affordable housing, and Economic Development. As a result of recent re-organization, the City is now contracting with the regional organization EDCO for economic development and airport marketing. A major City focus continues to be on downtown development, including operation of an urban renewal funded parking garage completed in 2006. Downtown business occupancy has remained relatively strong through the downturn, even as the rest of the region has experienced significant increases in commercial space vacancy.

Central Oregon:

- Central Oregon Visitors Association (COVA) is responsible for regional tourism marketing, with primary funding from Transient Occupancy Tax collected from the unincorporated portions of Deschutes County. COVA responds to more than 250,000 visitor inquiries annually. As a partner with the Redmond Airport and EDCO, COVA has also been the “marketing force behind driving air travel to Central Oregon.”¹⁴
- Economic Development for Central Oregon (EDCO) is the region's private non-profit organization serving Deschutes, Crook and Jefferson Counties – “dedicated to diversifying our regional economy by attracting new investment and jobs.”¹⁵ This strategy is based on an area highlighted by “a mix of well-established manufacturers, an expanding high technology sector, world-class tourist destinations, and some of the nation's most livable communities.”

EDCO business recruitment activities are focused on the industry clusters of aerospace/aviation, firm headquarters, high technology, light industrial and manufacturing, recreational equipment manufacturing, research and development firms, and secondary wood products. A specifically articulated “big, hairy, audacious goal” (or BHAG) is the recruitment of the headquarters for a Fortune 500 firm to Central Oregon.

Case Study #2: Corvallis-Benton County Economic Vitality Partnership



Much of the impetus for forging community-driven economic development in Corvallis has come from downsizing by the county's major employer and taxpayer – Hewlett Packard. The resulting Economic Vitality Partnership (EVP) represents a consortium of 14 public and private organizations including the City, County, Chamber coalition, tourism and downtown organizations, Business Enterprise Center, Linn Benton Community College, and Oregon State University.¹⁶

Prosperity that Fits. Serving as more than just the title for what has become the city/county economic development plan, *Prosperity that Fits* was completed in 2006 as the “guiding principle behind all the actions” identified for EVP implementation.

Recognizing that “economic vitality does not happen by accident,” the pre-planning process began with a 600-person community survey that identified “staying like we are is the last thing Corvallis/Benton County should do.” This was followed by review of existing economic development and planning documents already on the shelf, focus area team formation, and two town hall meetings (with 450 attendees each) – all leading to a 48-task action plan.

To make sure that momentum continued and action resulted, the *Prosperity that Fits Committee* was created in 2007 to champion the Year 1-2 actions items – together with a monthly meeting open to the public and monthly reporting in a Partner Report by the EVP Coordinator.

Plan Focus. The combined goal of *Prosperity that Fits* is “continuing to strengthen our economic health while maintaining the livability we all enjoy.” The plan is built around four *focus areas*:

- *Strengthening and expanding existing business and industry* – including established downtown and other business districts, culture and arts, and business incubation
- *Recruiting targeted business icons* – focused on adequate land and building inventory, high tech opportunities, and a “tool box” of incentives and leadership resources*
- *Developing human and physical infrastructure* – including emphasis on balanced housing stock, workforce development, and filling physical / social infrastructure gaps
- *Integrating sustainability and economic development* – with promotion of sustainability initiatives and clarification / updating of local permit and development review processes

* *Note:* Traded sector growth business cluster priorities identified as of 2006 were microtechnology, automation, nanometrology, alternative/renewable energy, and pharmaceutical device delivery.

Action Initiatives. Of the 48 actions initially proposed, a *top 7* listing was identified as most critical based on level of “potential payoff”:

1. *Consolidation of economic development activities* – with a single point of contact for business needs
2. *Emerging technology forum* – to define best market opportunities and define pressing needs
3. *Business incubation to hatching program* – with “next step” assistance for small business to grow and stay
4. *Sustainable industry cluster ID and development* – as an “innovation seat” for sustainable energy research
5. *Blue Ribbon Permit and Code Review Panel* – rectifying business decision vs. review process conflicts
6. *Business Recruitment Specialist* – offering real time response to business inquiries and assistance requests
7. *Urban Renewal District* – to create a stable revenue source for ongoing downtown Corvallis improvements

Monitoring Progress. Recommended with the vitality plan were monitoring actions including an annual partner survey and developing a metrics system to empirically measure progress (a recommendation not yet accomplished at the time of initial plan completion). Ongoing community dialogue is promoted through an annual town hall meeting, monthly e-newsletter, and speakers bureaus.

At the most recent *Community Town Hall* progress meeting (mid-2009), 18 of the original 48 proposed actions were implemented or ongoing, another 16 were underway – with essentially 70% now “moving down the road.” Considerable success has been experienced with business incubation centered on “OSU Tech Transfer Biz” – and with “barrier busters” to resolve retail center review and annexation assessment. Voters did not approve a proposed measure for downtown urban renewal, leaving opportunities for long-term revitalization improvements less certain.

Case Study #3: Sustainability Assessment of the Kirkland Economy



In 2008, the City of Kirkland completed an assessment of the sustainability of its local economy.¹⁷ Kirkland is a well-known and highly sought after residential and destination retail community in the Seattle metro area, on the east side of Lake Washington.

The assessment was built around on-line community and business survey input together with consideration of economic benchmarks and comparable best practice experiences. For Kirkland, a sustainable economy has been defined in terms of community commitments that “include and support a network of local *green businesses*, good *green jobs*, and best *green business practices*.” Recommendations are organized to cover *Policy Guidelines, Green Economy, Messaging and Phase II Implementation*.

Policy Guideline Recommendations. Key recommended actions focused on City department head articulation of an overall sustainability strategy, emphasizing development of “green” and/or “locally-grown” businesses (as well as green job creation as with clean energy and innovation), creation of benchmarks to more sensitively measure Kirkland’s economic progress, and reduction of existing local sales leakage (especially for day-to-day convenience purchases and retail that can also serve visitor interests).

Green Economy Recommendations. A near-term priority is on implementing green practices within existing Kirkland businesses to reduce waste, eliminate toxics, and efficiently use natural resources. An example is encouragement of effective composting by restaurants. Other actions include linking a green *business* program with the City’s existing green *building* program, conducting outreach business seminars, and crating a home-based business-to-business and materials exchange network.

Messaging Recommendations. Business recruiting and community marketing would emphasize Kirkland as a *green, safe, healthy and active* community – essentially branding Kirkland as a regional sustainability leader. The community would be marketed for *live-work* opportunities as another step to reduce the city’s carbon footprint.

Phase II Implementation / Next Steps. Pivotal elements involve forming a public-private “Green Economy Team” for ongoing implementation guidance and feedback, creating a *tool kit* of green-compatible business recruitment, and conduct of more in-depth research ranging from options for waste stream reductions to branding tools effective for residents as well as potential green customers and local businesses.

A major implementation emphasis in 2009 has been the launch of a *buy local* marketing campaign. The City has launched *Kirkland First*, a free on-line directory encouraging residents to shop locally. The *Kirkland First* website was designed and created through the collaboration of the City, local business owners, journalists, arts and civic organizations.¹⁸ The City is also expanding its green building program by revamping its website, adding educational kiosks in City Hall, and providing free consultation for proposed projects and design professionals interested in green techniques.

Sample Economic Policy Metrics. Benchmarking measures identified in the Sustainability Assessment:

1. Diverse Economy

Measure 1: Share of jobs per sector compared with the 4-county region, current and trends

Measure 2: Sources of income

2. Strong Economy

Measure 1: Jobs-housing balance

Measure 2: Kirkland employment growth prospects by sector

Measure 3: Variation in economic growth over time compared with 4-county region

3. High Wages

Measure 1: Average sector wage equal to or above average wage of City employment

Measure 2: City of Kirkland average wage per sector compared with King County average wage per sector

4. Strong Tax Base

Measure 1: Total business revenue, tax revenue, and % taxable estimates by sector, 2000-2007

5. Broad Range of Services

Measure 1: Sales leakage by retail and service type, current and 5-year projection

END NOTES

- ¹ This EOA review and update assessment report has been prepared based on a review of planning and data source documents generally deemed to be reliable; however, accuracy is not guaranteed. The findings and opinions contained in this report are those of the author and should not be construed as representing the opinion of any other party prior to their express approval, whether in whole or part.
- ² Data provided with the current Ashland “economy” element to the Comprehensive Plan is as of the late 1980s. Economic data with the Jackson County Comprehensive Plan is as of 1978.
- ³ Both the EOA and Croman Master Plan are anticipated to be forwarded as technical documents for Comprehensive Plan updates anticipated for 2010. The Croman Master Plan is scheduled for formal public hearing before the Planning Commission in January 2010, with recommendations anticipated to be forwarded to the City Council for public hearings in February/March and Council action in March/April.
- ⁴ A key conclusion of the 2007 EOA regarding adequacy of land need was that: “The presence of the Croman Mill site will adequately meet the industrial site needs of the community for the 20-year planning period. The remainder of site needs can be met through redevelopment and employment that does not require vacant land.”
- ⁵ Key information sources for this analysis include varied research reports of the Urban Land Institute (ULI) including *Emerging Trends in Real Estate: 2010*, *The City in 2050: Creating Blue Prints for Change*, and *Global Demographics 2009*, together with research conducted by E.D Hovee & Company, LLC and Bonnie Gee Yosick, LLC as part of an *Employment & Economic Trends Analysis* prepared for the Portland area regional government Metro, March 2009.
- ⁶ Information is a new sector defined by NAICS that includes some previous industrially related SICs such as printing combined with more service sector related functions such as internet and software.
- ⁷ Jobs in finance, leisure / hospitality, and other services increased at rates of 1.4%, 2.2% and 1.6% respectively.
- ⁸ The U.S. Census Bureau defines the Portland-Beaverton-Vancouver PMSA as including Multnomah, Clackamas, Washington, Columbia and Yamhill Counties in Oregon and Clark and Skamania Counties in Washington. The calculation of Portland metro employment provided with this report is for the Oregon portion of the metro area only.
- ⁹ Source is the *Oregon Economic and Revenue Forecast*, prepared quarterly by the Office of Economic Analysis to the Oregon Department of Administrative Services.
- ¹⁰ From the U.S. Census Bureau and Population Reference Bureau.
- ¹¹ As cited by the Economic Development for Central Oregon website as of December 2009: <http://www.edcoinfo.com/communities/bend-profile/default.aspx>.
- ¹² City of Bend initiatives over the past several years are based, in part, on results of an *Economic Development and Tourism Promotion Study: Implementation Plan* prepared for the City of Bend by the consulting team of Barney & Worth, Inc. and E. D. Hovee & Company, February 2000.
- ¹³ Source of unemployment information is the Oregon Employment Department.
- ¹⁴ As cited by the Central Oregon Visitors Association, *Annual Report 2008: State of the Industry*.
- ¹⁵ For added information on Economic Development for Central Oregon, see the website www.edcoinfo.com.
- ¹⁶ The report “*Prosperity that Fits*”: *An Economic Development Plan for Corvallis and Benton County* was completed for the Corvallis-Benton County Economic Vitality Partnership by Barney & Worth, Inc. together with economic profile analysis by E. D. Hovee & Company, LLC, October 2006.
- ¹⁷ *A Sustainability Assessment of the Kirkland Economy* was prepared for the City of Kirkland Office of Economic Development by O’Brien & Company and E. D. Hovee & Company, LLC, July 22, 2008.
- ¹⁸ The *Kirkland First* website can be accessed at www.kirklandfirst.org.