

# CASE STATEMENT



***Forward Thinking***

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**DIRECT ACTION**

*A five-year economic development initiative by the*

**COLUMBIA RIVER ECONOMIC DEVELOPMENT COUNCIL**

**(2008 – 2012)**

**'We have a bright future because we have adopted a basic principle: the status quo in Washington is not good enough.' Governor Christine Gregoire - 2007 State of the State Address**

# Columbia River Economic Development Council

## *Forward Thinking – Direct Action*

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# Columbia River Economic Development Council

## *Forward Thinking – Direct Action*

Clark County, Washington, located in the Portland Metropolitan area, is one of the fastest growing communities in the Pacific Northwest. The area has strong industry clusters in semiconductors, high technology, diversified manufacturing and financial services. The advantages that Clark County offers are its location near a major metropolitan city combined with affordable land, housing and business costs.

Columbia River Economic Development Council (CREDC) is a proactive, results-oriented public/private partnership working with over 170 CREDC stakeholders whose expertise is utilized to assist businesses expanding in or relocating to Clark County. Over the last several years, the CREDC assisted in the recruitment or expansion of the following companies: nLight Photonics, Charter Communications, Wells Fargo Financial, Dollar Tree, Kokusai, Xtremez, Pacific Crest Cabinetry, Fisher Investments, SEH America, All Student Loans, United Natural Foods, Inc., Rose City Printing, and ROADMASTER. Though not a complete list, it exemplifies the diversity of the firms they have assisted. The CREDC drives economic growth, in part, through specializing in site location and acquisition, business data and demographics, and development process facilitation.

Serving Clark County since 1982, CREDC is the lead economic development organization in Southwest Washington. It has helped to create 10,250 new direct jobs and 9,676 indirect jobs that now generate almost \$1 billion of annual payroll in Clark County. CREDC clients have invested in excess of \$5 billion in plant and equipment. The average wage of workers at firms assisted by CREDC is 48% higher than the average wage in Clark County.

The CREDC has been successful. However, it must chart a new direction for the future. Global competition for economic development, an ever increasing pace of change, a need to react quicker, a more complex economy, and new ways of doing business mandate change. In order to take advantage of emerging opportunities, and minimize risks, many of the community's business and civic leaders see a need to pursue a more aggressive, proactive and strategic approach to ensure a vibrant and growing economy. The initiative proposed in this document represents the Columbia River Economic Development Council's response to this need and its initial five-year plan to map a new course for economic development in Clark County.

This plan represents the best thinking of Clark County's business leaders concerning global recruitment and restructuring of the CREDC's financial model to implement "best practices."

### **PROGRAM OVERVIEW**

This forward thinking strategy is to recruit and expand traded sector industries (industries which bring revenue into the community). It focuses on four critical success factors for economic development.

1. Development of necessary human resources and physical infrastructure to support regional economic growth including an adequate industrial land base, human resources, transportation infrastructure and competitive business tax policies.
2. Expansion of employment in global traded sector economic clusters through expansion of existing businesses and recruitment of targeted industries.
3. Develop the physical and intellectual infrastructure to support innovation with existing and recruited businesses to attract the next cycle of economic development.
4. Ensure well staffed, well paced, efficient, effective, and engaged organization to undertake and coordinate the implementation of programs and services to accomplish the aggressive goals that the CREDC has established.

**Goals of the Five-Year Work Program (2008-2012)**

➤ New Direct Jobs Goal	5,000
➤ Businesses Recruited/Expanded Goal	80
➤ Capital investment Goal	\$250 million
➤ Annual Average Wage Goal	\$55,000

**I. Business Expansion & Retention**

**Five-Year Cost: \$1,400,000**

The majority of new jobs created in the Clark County economy will be from expansion of existing employers. The objectives of the business expansion and retention component are to work with local jurisdictions and business groups to retain and expand existing high-wage primary businesses in targeted industries and other critical firms. The CREDC will:

**Increase focus on existing businesses**

- Conduct a minimum of 75 individual meetings with regional businesses annually to identify issues affecting the firm and opportunities to support growth and expansion. Use this information to modify action plans, influence policy and redirect resources as appropriate.
- Coordinate visitations with municipal economic development representatives and elected officials.

**Remove or mitigate barriers to the expansion of existing businesses**

- Supply timely, accurate and reliable information to support our client's investment decisions.

- Assist with, and supply information on site location and analysis.
- Continue to expand and update CREDC's vast databases of information on labor markets, economic data, and customer specified research and demographics.
- Advocate for infrastructure, regulations and economic development tools that will support success.

**Provide strategic services that increase market opportunities, productivity and profits for our clients**

- Coordinate complex development permit processes on behalf of our clients
- Through the Washington Manufacturing Service, provide clients with access to consulting services in the areas of Lean, Industrial Marketing and Quality, and in a variety of other areas including Safety, Energy Conservation, e-Business, Software Selection, Workforce Training and Product Development.
- Continue to support the implementation of “lean” manufacturing and “lean” office practices through individual outreach and workshops, offering a minimum of two workshops per year.
- Maintain a contractual relationship with the Procurement Technical Assistance Center (PTAC) with the goal of increasing government procurement opportunities for regional businesses delivering at least 2 public events/workshops annually to increase awareness of the program and conduct an analysis of program results.
- Through the CREDC's partnership with the Washington Technology Center help companies develop and commercialize new products and technologies.

***II. New Business Recruitment & Development Five-Year Cost: \$2,650,000***

With business expansion and retention as the foundation of Clark County's economic vitality, business recruitment is the driving force behind economic diversification and growth. The program of work will focus on global business relationships and increased attraction of foreign direct investment (FDI). The CREDC, with increased funds and professional staffing, will:

**Aggressively market the region**

- Become a leader in the design and use of web based site location tools including site search, virtual tours and GIS based site search.
- Create a positive and unique identity for the region in the minds of site selectors, corporate decision makers, and other relevant audiences through image and brand development.

- Actively participate in the Greenlight Greater Portland domestic and global recruitment program. Assure that Clark County and its communities are a visible sub-brand.
- Conduct annual survey of relocating businesses to identify trends and issues and quantify economic impact of locating firms.
- Continue monthly update of CREDC website to include most recent economic, demographic and related information.

### **Identify target markets and business sectors**

- Prepare global marketing and direct foreign investment plan by January 2008 and implement in conjunction with regional and State partners.
- Develop cost and implementation plan for foreign language translation of CREDC recruitment and marketing information, including web platforms by September 2007.
- Partner with the Washington Department of Community Trade and Economic Development as it implements foreign direct investment plans.
- Participate in and financially support state and regional global investment initiatives.
- Implement 2008 marketing program focused on traded sector recruitment and Foreign Direct Investment (FDI).
- Participate in high technology industry trade show with State of Washington and other partners to expand the regional high tech cluster.

### **III. Policy Development, Promotion, Opportunities Five Year Cost - \$250,000**

A primary role of the CREDC is to advise the public sector on economic development issues that affect the viability of the regional economy and communities. The organization must also develop, implement and secure new public/ private sector resources for transformational initiatives. The CREDC's previous success in securing sector specific tax incentives and funding for expansion of Washington State University – Vancouver are examples of successful policy initiatives that serve as the foundation for economic change in Southwest Washington. The CREDC will:

#### **Serve as a respected voice and advocate for economic development.**

- Establish and staff a standing public policy committee.
- Develop a protocol for identifying and engaging issues of economic development importance in SW Washington.

- Participate with select committees on issues of regional economic development importance. Identify CREDC members to represent the organization and to lead policy formations and implementation.
- Task the Public Policy to guide CREDC's participation in the Growth Management planning process to assure the County's plan remains supportive of economic development objectives.
- Represent the economic development community on the I-5 Columbia River Crossing Task Force.
- Participate on the Clark County Railroad Advisory Board

**Advocate for transformational initiatives**

- The CREDC will retain sufficient reserves to take advantage of emerging issues and opportunities.
- Aggressively support Washington State University's expansion to a full four-year research university before the Washington State legislature.
- Promote the development and designation of SW Washington as an 'innovation zone' as defined by recently adopted state legislation.
- Promote the development of a public/ private initiative to establish a research park associated with Washington State University – Vancouver.
- Promote the development of the Semiconductor Research and Innovation Center in SW Washington in cooperation with the public and private sector.

**IV. Organizational Development**

**Five-Year Cost: \$450,000**

The CREDC's goal is to be the focal point for all economic development in Southwest Washington and remain the preeminent economic development organization. This objective will be achieved by offering value to both our investors and the business community in terms of business intelligence, events, and economic development services. To achieve this, the CREDC will:

**Increase results while continuing to operate through lean office procedures**

- Manage the business and administrative affairs of the CREDC in a professional and financially prudent manner.
- Continue to improve the quality of CREDC stakeholder events by including speakers with timely topics or with significant expertise and reputations in their field. Increase level of financial sponsorship to support quality improvements and generate earned income.

- Refine and continue to implement a communications plan to inform the membership and public of the activities of the organization to generate support for economic development.
- The CREDC will convene an annual “think tank” for economic development and use the ideas generated to influence the organization.
- Facilitate and foster communication, cooperation and coordinated economic development with all public and private entities associated with economic development. Convene a bi-annual meeting of such public and private entities.

## **V. Program Oversight and Investor Relations      Five-Year Cost: \$250,000**

Administration and development of organizational capacity is the key to success. The CREDC administration and staff will develop and deliver professional practices that equal or exceed our peers. Continued success of the CREDC means the economy is growing and the community is prospering. In turn, the organization can only move forward with support and investment from local businesses, governments, and other stakeholders. To accomplish this, the CREDC will:

### **Provide the highest level of professional communication to investors**

- Provide consistent communications to investors through a specific newsletter and other forms of communication.
- Annual meeting – The CREDC will hold an annual meeting of its investors highlighting and reviewing the goals and results of the organization.
- Provide meaningful opportunities for investor involvement in the CREDC’s programming and high level networking, and provide investors with important information on the local economy that can benefit their companies.

### **Consistently review program goals and organizational priorities**

- Benchmark the CREDC against other organizations to demonstrate effectiveness and efficiency.
- Provide regular progress reports on specific goals and outcomes to allow investors to gauge the organization’s success.
- Involve key investors in developing strategies and tactics related to established objectives.

### **Raise the necessary funding for program implementation**

- Conduct a capital campaign to secure requisite funding for the five-year program.
- The CREDC will actively communicate the use of investor funds and provide “return-on-investment” analyses of the dollars invested.

## TOTAL FIVE-YEAR COST OF THE CREDC INITIATIVE

***FORWARD THINKING – DIRECT ACTION = \$5,000,000***

A total of \$5 million will be needed over five years to underwrite the implementation of the ***Forward Thinking – Direct Action*** program. \$3.7 million of these funds will be sought from both public and private sector sources in Southwest Washington and the region. Resources for the additional funding will come from the State of Washington and other sources.

### Proposed Five-Year Budget Summary

<b>Business Expansion and Retention Program</b>	<b>\$1,400,000</b>
<b>New Business Recruitment &amp; Development</b>	<b>\$2,650,000</b>
<b>Policy Development, Promotion and Emerging Opportunities</b>	<b>\$250,000</b>
<b>Organizational Development</b>	<b>\$450,000</b>
<b>Program Oversight &amp; Investor Relations</b>	<b><u>\$250,000</u></b>
<b>Total Five-Year</b>	<b>\$5,000,000</b>

## ECONOMIC IMPACT OF *FORWARD THINKING – DIRECT ACTION*

When asked to make a financial investment in the *Forward Thinking – Direct Action* Initiative (2008 -2012), our prospects will require a measurable return on their investments.

The immediate benefits of a strong economy brought about by planned economic development initiatives accrue to those who sell their products and services locally. However, economic development research indicates that more people are drawn to communities in which employment opportunities are increasing. Therefore, a strong economy in the end actually provides local employers with a larger employment pool, and a better-qualified workforce. Both the private and public sectors benefit from a larger local payroll, increased demand for goods and services, greater capital investment in plant and equipment and a broader tax base.

The attainment of the projected goals and the subsequent effect of the corresponding earnings will have an exciting impact on the businesses and communities in Clark County. The Economic Strategy Center in Atlanta, operated by National Community Development Services, Inc., has projected certain benefits using “personal consumption expenditure patterns,” produced annually by the US Bureau of Labor Statistics.

*Forward Thinking – Direct Action* is a five – year economic development program that is targeting the creation of **5,000 new direct jobs**. The table below shows a summary of the program’s estimated economic impact based on **regional multipliers**. These multipliers show the effect of the addition of one job or one dollar in any given industry to the employment and earnings for all industries.

	DIRECT IMPACT <sup>1</sup>	INDIRECT IMPACT <sup>2</sup>	INDUCED IMPACT <sup>3</sup>	TOTAL IMPACT
<b>JOBS</b>	5,000	3,592	2,420	<b>11,012</b>
<b>EARNINGS (PAYROLL)</b>	\$275,610,000	\$160,141,134	\$78,278,118	<b>\$514,029,252</b>

<b>DISPOSABLE PERSONAL INCOME<sup>4</sup></b>	<b>\$415,078,621</b>
<b>NET PERSONAL CONSUMPTION EXPENDITURES<sup>5</sup></b>	<b>\$353,314,922</b>
<b>DEPOSIT POTENTIAL FOR AREA FINANCIAL INSTITUTIONS<sup>6</sup></b>	<b>\$112,071,228</b>

<sup>1</sup>**Direct Impact:** Impact generated directly from the jobs created with the assistance of CREDC

<sup>2</sup>**Indirect Impact:** the changes in employment, income, and output (business sales) in various industry sectors of the local economy that supply goods and services to the companies that have expanded.

<sup>3</sup>**Induced Impact:** the increased sales from household spending of the income earned on various supporting industry sectors of the local economy.

<sup>4</sup>**Disposable Personal Income:** Personal Income less Personal Tax and Nontax Payments

<sup>5</sup>**Net Personal Consumption Expenditures:** Percentage of Disposable Personal Income less Interest, Personal Transfer Payments & Personal Savings

<sup>6</sup>**Deposit Potential:** Personal Savings Rate less Deposit Leakage Estimate with area turnover (Reserve Req. Ratio)

The calculations were computed based on the following inputs:

- § Creation of 5,000 new direct jobs in the following industries:
  - Semiconductor and Microelectronics
  - Design and Manufacturing
  - Software R & D and Services
  - Financial and Investment Services
  
- § The impact was calculated with IMPLAN input/output economic model customized for Clark County, WA.
  
- § The direct payroll was calculated based on the average wage rate of the targeted industries.
  
- § Consumption Expenditures were adjusted for “leakage”. Leakage identifies the portion of expenditures that leave the region thus, have no impact in the region’s economy.

## **EARNINGS/EXPENDITURE IMPACT**

The earnings impact displays the impact of the projected total payroll – \$514,029,252– to be generated by 5,000 jobs created in the region plus the additional 6,012 jobs created as a ripple effect of the direct jobs (total of 11,012 jobs).

A portion of total earnings will be used for *personal consumption expenditures*. That portion is addressed below as an expenditure detail in which the personal consumption expenditures are dispersed following a consumption pattern consistent with the West region.

The expenditure detail determines the estimated annual impact to regional companies - with knowledge of their regional market share - due to the job creation activities of the Columbia River Economic Development Council.

### **Projected Average Annual Expenditures: \$353,314,922**

The Expenditure percentages are derived from the annual **Consumer Expenditure Survey**, which is conducted by the Bureau of Labor Statistics (BLS) and provides information on the buying habits of American consumers and data on their expenditures in four regions (Northeast, Midwest, South, and West).

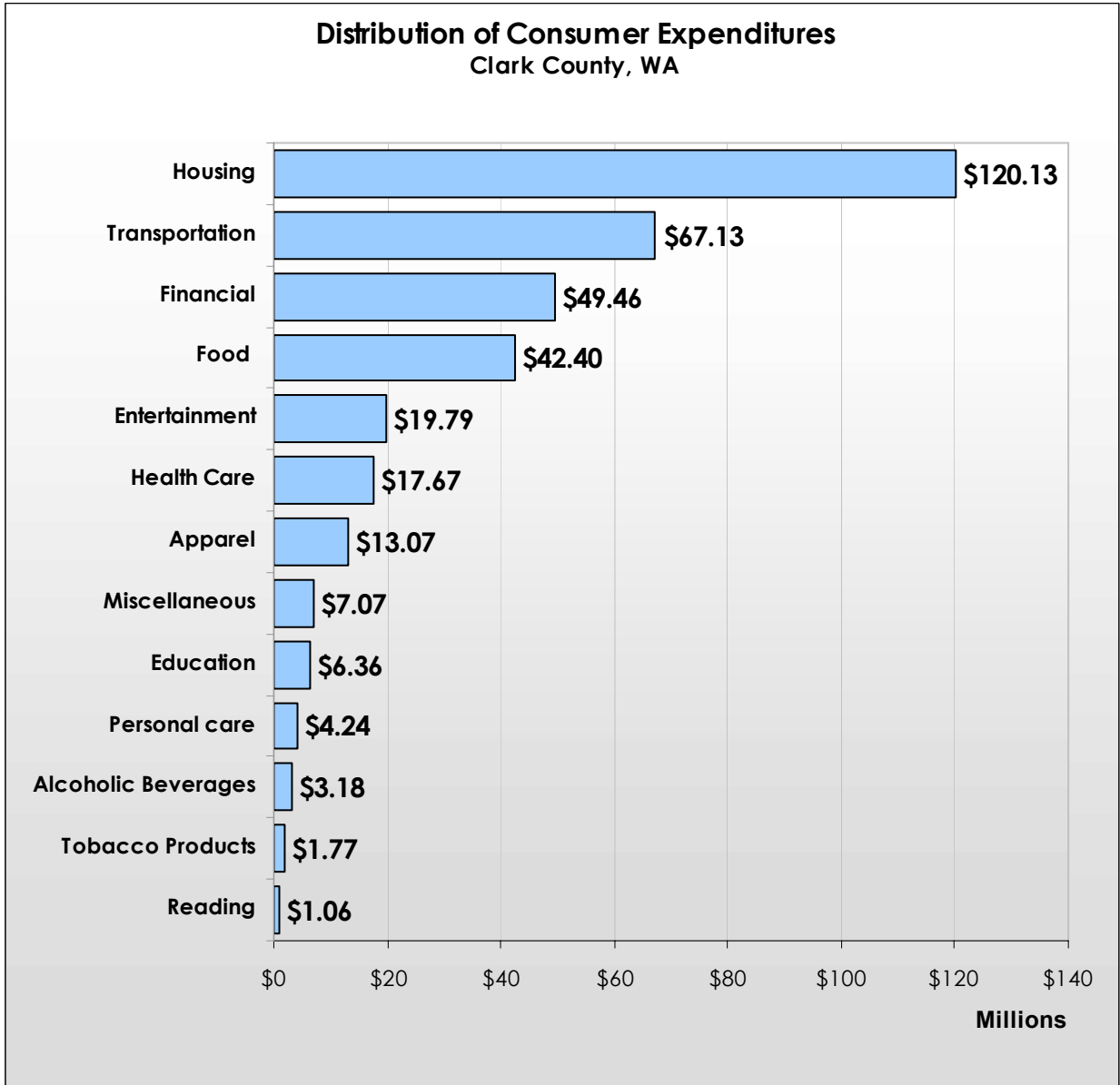
<b>Categories</b>	<b>Total</b>	<b>% of Total</b>
<b>Food</b>	<b>\$42,397,791</b>	<b>12% of Expenditures</b>
<b>Alcoholic Beverages</b>	<b>\$3,179,834</b>	<b>0.9% of Expenditures</b>
<b>Housing</b>	<b>\$120,127,074</b>	<b>34% of Expenditures</b>
<b>Apparel</b>	<b>\$13,072,652</b>	<b>3.7% of Expenditures</b>
<b>Transportation</b>	<b>\$67,129,835</b>	<b>19% of Expenditures</b>
<b>Health Care</b>	<b>\$17,665,746</b>	<b>5% of Expenditures</b>
<b>Entertainment</b>	<b>\$19,785,635</b>	<b>5.6% of Expenditures</b>
<b>Personal Care Products</b>	<b>\$4,239,779</b>	<b>1.2% of Expenditures</b>
<b>Financial</b>	<b>\$49,464,089</b>	<b>14% of Expenditures</b>
<b>Reading</b>	<b>\$1,059,945</b>	<b>0.3% of Expenditures</b>
<b>Education</b>	<b>\$6,359,669</b>	<b>1.8% of Expenditures</b>
<b>Tobacco Products</b>	<b>\$1,766,575</b>	<b>0.5% of Expenditures</b>
<b>Miscellaneous</b>	<b>\$7,066,298</b>	<b>2% of Expenditures</b>

**Note:** Total may not equal Net Personal Consumption Expenditures fro Job Impact due to rounding.

### **Financial Institutions Benefit**

The financial institutions of the area will also benefit by the increase in employee earnings. Clark County’s banks should recognize over \$112 million in new personal deposits by the end of the program and annually after that.

## Consumer Expenditures Highest to Lowest



## TAX REVENUE ANALYSIS COUNTY AND STATE

This can be the best time in Clark County's history. With economic uncertainty largely behind us, Clark County is at a crucial and potentially exciting time in its history. We have a tremendous opportunity to pursue the kinds of jobs, companies, and people that will ensure our current and future prosperity and make us the envy of communities across the country. We are fortunate to have certain assets that will make us competitive, but we must commit the resources and execute

the strategies that will lead to success. If we do not, then we will not control our economic future.

Looking to the future, the CREDC has drafted a focused, aggressive five-year economic development program that capitalizes on Clark County's strengths and addresses its challenges. Utilizing existing relationships, the CREDC is poised to raise the bar on business expansion results and recruitment successes with staff and budget equal to the challenge.

The future growth depends on the continued, enhanced participation among its public and private economic development partners, with participation by all members.

By making use of strategic alliances already formed and forging new ones, Clark County will be recognized as a place of choice – to locate a business, to live, and to work.

The job creation efforts of Columbia River Economic Development Council provide significant tax benefits. Based on the estimated consumer expenditures, the sales tax impact is estimated to be approximately **\$11.5 million**. The **State of Washington** is estimated to receive **\$9,281,739** and **Clark County/Local Cities** will collect an estimated total of **\$2,194,648**.

#### **ASSUMPTIONS:**

- Tax revenue calculations are based on projected annual average expenditures of **\$353,314,922** and *taxed expenditures* of **\$142,795,978**.
- The estimated taxed expenditures **exclude tax-exempt categories:**
  - Groceries (Food at Home)
  - Prescription drugs
- Local tax distribution is based on the 2006 annual local share of retail sales.
- The estimated **state revenue** is based on the current **state sales tax rate of 6.5%**. The model does not take into account any future changes (increases or decreases) to the tax rate.
- The **local tax revenue** is calculated based on the current **local city/county tax rate**

## **CONCLUSION/PREMISE FOR FUNDING**

Clark County must gain control of its economic destiny and capitalize on available opportunities. We simply cannot afford to rely on “chance” and the continued health and growth of a few key industries and companies. If we do not pursue an aggressive and strategic path to economic growth and prosperity, we put our businesses, families, and future generations in jeopardy. Moreover, we face growing and intense competition from other communities who have their own programs to target many of the same industries and jobs we rely on.

To gain control will require a modified approach, new strategies, updated services, a coordinated effort, the marshalling of resources, and additional funding. The Columbia River Economic Development Council serving Southwest Washington believes it has developed an effective program to secure and enhance our economic vitality. However, it must have the endorsement and buy-in of the region’s stakeholders. Funding for this initiative will be sought from public and private stakeholders – anyone with a vested interest in the local economy’s growth and development. Individual investments will be based on each organization’s capacity, potential for direct benefit, and community leadership.

## APPENDIX I.

### OVERVIEW OF METHODOLOGY

Regional economic impact analysis focuses on what investors in economic development programs demand: *measurability*, *accountability*, and *return on their investment*. In order to estimate economic impacts of job creation, the model translates the change in initial employment into changes in employment and output from other interdependent sectors. These effects are described as direct, indirect and induced and are defined as follows:

- ◆ *Direct Impacts* represent the change in earnings and output attributable to a change in demand or supply. Specifically, direct impacts are those numbers resulting from the new jobs created in Clark County, Washington.
- ◆ *Indirect Impact* represents the impact (e.g. change in employment or earnings) caused by changes in a specific industry. These are typically industries such as food supplies to restaurants, construction services to motels, repair and maintenance to transportation, etc.
- ◆ *Induced impact* captures the ripple effect of increased household and/or institutional income. The spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy.
- ◆ *Total impact* is the sum of the direct impact, the indirect impact, and the induced impact. The total effect measures the impact of an activity as it “ripples” throughout the region’s economy.

The results of the Regional Economic Impact Analysis must be interpreted within the limitations of the study itself. These limitations include:

1. All benefits accrue to the local economy. The economic development practitioner realizes that the benefits of job creation rarely accrue solely to the immediate area. The methodology used in this study cannot precisely state the geographic parameters to which these benefits accrue; however it is assumed that the majority of benefits will accumulate within Clark County.
2. Program’s impact is calculated based on the current structure of the regional economy. Annual impacts may increase and decrease over time as changes occur within the regional economy.
3. Economic success that would naturally occur in a region does not find its way into this type of analysis. Also, the model does not use macro economic measures to describe an area’s economic health.

## APPENDIX II.

### Columbia River Economic Development Council

#### Organizational Structure

