



City Manager's Office  
Economic Development  
501 SW Madison Avenue  
Corvallis OR 97333

**Economic Development Advisory Board**

May 11, 2015, 3:00 – 5:00 p.m.

**Madison Avenue Meeting Room**

500 SW Madison

**Meeting Agenda**

Item

- I. Call to Order
- II. Approval of March 9, 2015 Minutes (Attachment 1)
- III. Visitor Comments
- IV. Strategy / Business Activity Reports (Attachment 2)
  - A. Business Activity update
  - B. EDO Activity
- V. Budget Update (Attachment 3)
- VI. RAIN Update – Jim Coonan
- VII. Regional Airport Discussion – Jackie Mikalonis
- VIII. Other Business
- IX. Future Agenda Items (Local Investing Update)
- X. Adjournment
- XI. Next meeting, June 8, 2015 – location TBD

Attachments:

- 1 – April 13, 2015 Draft Minutes
- 2 – Strategy/Business Activity Reports
- 3 – Budget Update
- 4 – Response from SBDC
- 5 – HBR Article

**CITY OF CORVALLIS**  
**ECONOMIC DEVELOPMENT ADVISORY BOARD**  
**DRAFT Minutes – April 13, 2015**

**Present**

Skip Rung, Chair  
Elizabeth French  
Jay Dixon  
Nick Fowler  
Jason Bradford  
Tim Weber  
Frank Hann, Council Liaison

**Staff**

Tom Nelson, Economic Development Manager  
Amy Jauron, Economic Development Officer  
Terry Nix, Recorder

**Visitors**

Geoff Huntington  
Fred Abousleman  
Charlie Mitchell

**Absent**

Ann Buchele (excused)  
Pat Lampton (excused)  
Brian Wall (excused)

**SUMMARY OF DISCUSSION**

	Agenda Item	Summary of Recommendations/Actions
I.	Call to Order	
II.	Approval of March 9, 2015 Minutes	Approved as presented.
III.	Visitor Comments	None
IV.	Strategy/Business Activity Reports	Information
V.	Public Records and Public Meetings Handout	Information
VI.	OSU School of Forestry Development Plans	Information
VII.	County GMO Ballot	Information
VIII.	Cascades West Council of Governments	Information
IX.	Other Business	None
X.	Future Agenda Items	Information
XI.	Adjournment	Adjourned at 4:55 p.m.
XII.	Next Meeting	May 13, 2015, Location TBD

**CONTENT OF DISCUSSION****I. CALL TO ORDER**

Chair Rung called the meeting of the Economic Development Advisory Board (EDAB) to order at 3:00 p.m. at the Benton County Sunset Building, 4077 SW Research Way.

## II. APPROVAL OF MARCH 9, 2015 MINUTES

Motion: Ms. French moved to approve the minutes as presented. Mr. Fowler seconded. The motion passed unanimously.

## III. VISITOR COMMENTS: None.

## IV. STRATEGY/BUSINESS ACTIVITY REPORTS

Economic Development Manager Nelson reviewed the Monthly Business Activity and Metrics Report. Economic Development Officer Jauron reviewed her business visits for the month and her work with the Workforce Investment Board. Brief discussion followed regarding business contacts that have occurred, as well as potential future contacts.

Mr. Nelson referenced the OSU Advantage Accelerator report which shows good progress. He shared a diagram on the ecosystem for RAIN, provided by Mark Lieberman. (Att. A)

## V. PUBLIC RECORDS AND PUBLIC MEETINGS HANDOUT

Mr. Nelson referred to information provided by the City Recorder. *Public Records and Public Meetings Information for Advisory Boards, Commissions, and Task Forces* is provided for information. Board members are asked to complete and return the *City of Corvallis Volunteer Application and Waiver*.

## VI. OSU SCHOOL OF FORESTRY – Geoff Huntington

Geoff Huntington, OSU College of Forestry, distributed *Oregon State University and University of Oregon, National Center for Advanced Wood Products Manufacturing and Design, Budget Proposal for 2015-2017* and *Oregon Forest Science Complex* project information.

Mr. Huntington said architects are beginning to embrace engineered wood products as a sustainable building material. The OSU and UO Advanced Wood Products Manufacturing and Design initiative would bring to Oregon a technology that has been commercialized in Europe for 20 years and has been getting a foothold in Canada and around the western rim as an alternative to concrete and steel. This would contribute to the value added manufacturer piece of the local economy. There is no better wood for this use than Douglas fir and there is an opportunity to export material to the Pacific Rim, as well as a growing domestic market. Manufacturers are interested and the technology is simple, but it has not been linked with demand, partly because of building codes in the United States and partly because technology for testing materials and proving performance hasn't been available. He showed several slides of the materials and buildings that were constructed using the materials.

In discussion and in response to inquiries, Mr. Huntington provided the following additional information:

- There is an opportunity for Oregon to become the hub for advanced wood products manufacturing for building components. Members of industry have been engaged around the idea of creating manufacturing jobs, particularly in timber dependent rural communities. A plant in Riddle, Oregon pressed their first cross laminated timber two weeks ago.

- LEEDS certified buildings are being accomplished without a lot of recognition of wood. LEEDS is becoming less of a standard for sustainable design in the architectural community.
- Engineered wood is passing seismic standards through the world.
- Wood sequesters carbon so there is no comparison in the context of a carbon footprint and that is driving a piece of the market.
- The Uniform Building Code has put in place proposed new standards around the use of wood in structural buildings above four stories. Oregon has a performance based code in place so there is no inhibitor. In most other states, it is currently necessary to go through the exceptions process.
- A lot of fire testing has been done on these materials. Steel has a point of failure at a lower temperature than the structural beams, and that the largest point of fire issue in these buildings is the steel connectors between the pieces.
- Business Oregon and the Oregon Business Council have been engaged in the initiative.
- The facility footprint in rural Oregon is well suited for the manufacture of engineered wood products, although there is an investment in the press. What may not be well suited for rural communities is the fabrication which involves robotic technologies.
- Research and education programs are being linked between the colleges to include workforce readiness, and there is a component of linking the community college programs as well.

Mr. Huntington said that at the same time the OSU College of Forestry began talking with UO and potential manufacturers in Oregon and started to form the advanced wood products manufacturing and design initiative, they were also considering expanding their footprint on campus and the two projects merged together. He showed photos of buildings at other schools of forestry in the U.S. and Canada. He showed schematics of the conceptual design of the Oregon Forest Science Complex, a \$60 million project that will showcase the use of engineered wood products and support innovative new wood products and commercializing wood products. (Att. B)

Mr. Huntington reviewed the project timeline, noting the completion date is Fall Term 2017. He reviewed the budget which includes \$30 million from the state capital construction budget and \$30 million in private funds. Over \$22 million in private funds have been raised in five months and they are in good shape to receive state funds. There will be a significant amount of public outreach and community events related to the project.

EDAB members expressed appreciation for the information.

#### **VII. COUNTY GMO BALLOT**

Chair Rung referred to the OSU statement on the GMO ballot measure, which does not take a position but simply presents information. He advised that the City Attorney has said it would not be appropriate for EDAB to take a position on the measure. In response to an inquiry, Mr. Nelson said the City Attorney stated that any individual can take a position but that the Board cannot.

#### **VIII. CASCADE WEST COUNCIL OF GOVERNMENTS – Fred Abousleman/Charlie Mitchell**

Fred Abousleman said Cascade West Council of Governments is a three-county planning and service delivery agency. They represent Lincoln, Linn and Benton Counties, the local

jurisdictions, the Port of Newport, and the Siletz Tribe, and their objective is to help retain businesses in the region. They are federally designated and have access to federal funding to create economic opportunity. The organization creates a plan which takes into account workforce, development opportunities, demographics and geographies. They then develop a strategy which is approved by their board and makes them eligible to pursue federal funding. The organization also staffs the area commission on transportation and the two metropolitan planning organizations which gives them access to federal dollars for transportation.

Charlie Mitchell reviewed his history working in economic development in Oregon. He said the Comprehensive Economic Development Strategy (CEDS) for the four-county jurisdiction (Lincoln, Linn, Benton, and Lane) is currently being updated. The five-year document is updated annually. Due to transition of staffing, they contracted out the updating service to a team at the University of Oregon. A survey has been sent to all stakeholders in the four-county region.

Brief discussion followed regarding who the organization considers to be stakeholders. EDAB members noted they had not received the survey. Mr. Mitchell said he would consider EDAB members to be stakeholders and they are invited and encouraged to complete the survey. He will work with Mr. Nelson to get it distributed. Mr. Abousleman said the goal is to make the CEDS a living document; however, it is important to get the update completed in a timely manner to ensure access to federal funds.

In discussion and in response to inquiries, Mr. Abousleman and Mr. Mitchell provided the following additional information:

- The idea of a regional branding effort was raised several years ago but ran into funding and political issues. COG will commit resources to a branding effort if there is agreement by the elected officials.
- It is difficult to get development in this area due to permitting for environmental issues. COG has worked with state and federal agencies over an eight-year period to premitigate 19 difficult properties which should now be able to get through the permitting process much faster. They are at the end of that process and ready for another round.
- COG understands that issues related to regional transportation are an obstacle to development. Decisions related to the Eugene Airport require an elected to elected discussion. COG's portion of the discussion is to categorize it as part of a larger regional strategy. They are in the process of collecting data on similar regions and infrastructures as part of the CEDS.

Discussion followed about whether it would be appropriate to ask the Mayor of Corvallis to have a conversation with the Mayor of Eugene around the issue of regional transportation. Mr. Nelson said he would like to first follow up with Jackie Mikalonis, Regional Solutions, who is working on this issue.

EDAB members noted that the Board's strategy clearly identified three regional priorities - transportation, food services kitchen space, and wet lab space. Mr. Abousleman said COG is happy to lead where they can or convene other partners if there is capacity by staff and if their Board so directs.

EDAB Draft Minutes  
April 13, 2015  
Page 5 of 5

**IX. OTHER BUSINESS**

**X. FUTURE AGENDA ITEMS**

Agenda items suggested by EDAB members for the next meeting include continued discussion on regional transportation with an update from Jackie Mikalonis from Regional Solutions; further discussion on major items from the strategy and the idea of a regional branding strategy; and an update from RAIN.

**XI. ADJOURNMENT**

The meeting was adjourned at 4:55 p.m.

**XII. NEXT MEETING**

The next meeting will be held on May 11, 2015, 3:00 p.m., location - Madison Avenue Meeting Room, 500 SW Madison.

*"What will be our common language to foster entrepreneurship to grow our economy?"*

*"How can we get the most synergy out of our entrepreneurship activities?"*

"How can entrepreneurship generate dignified jobs, inclusion, and a broader tax base?"

"How can entrepreneurship help us be more globally competitive?"

"Can entrepreneurship help us get safer or more profitable returns?"

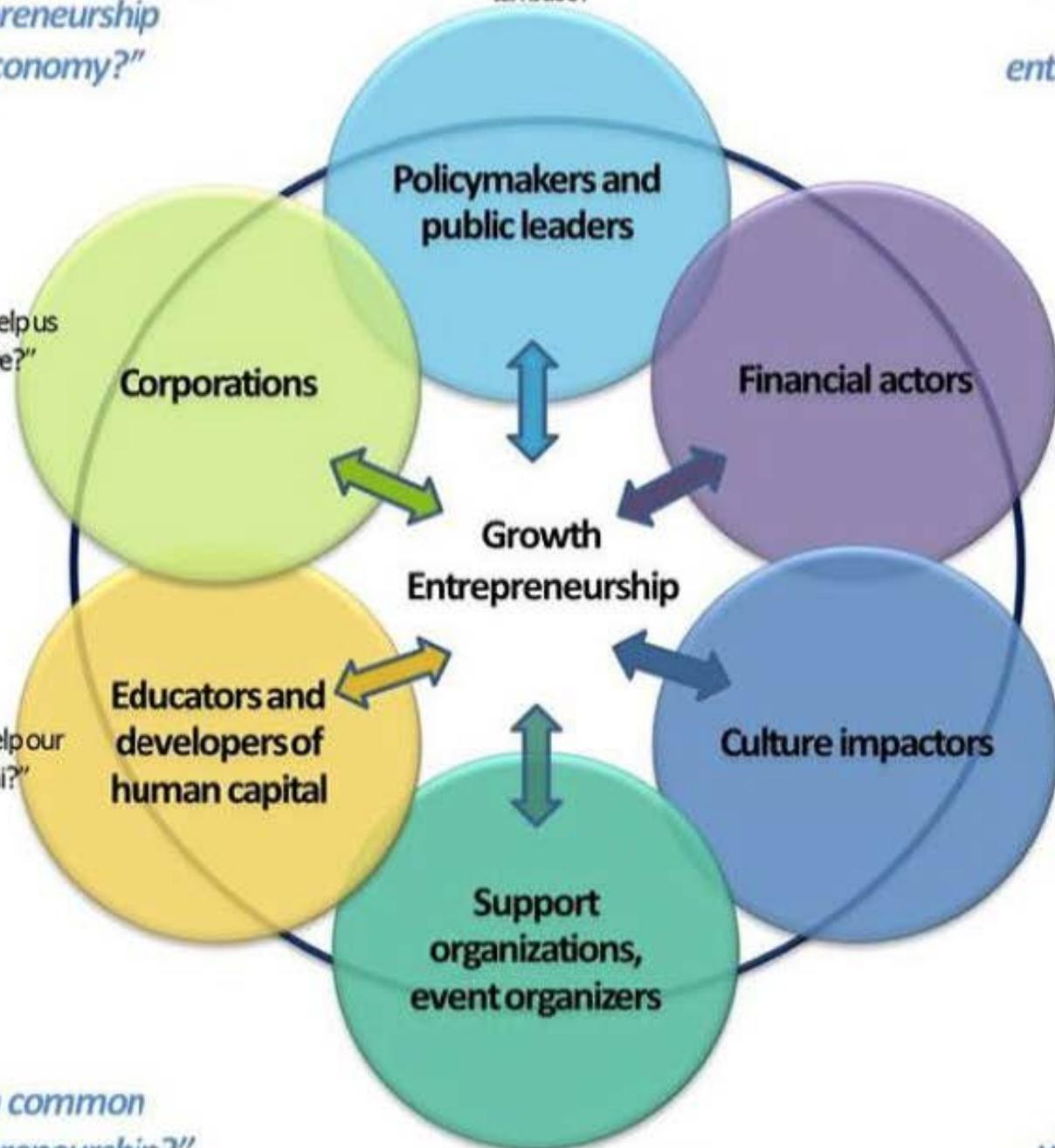
"How can entrepreneurship help our faculty, students and alumni?"

"How can entrepreneurship help us reach new and bigger audiences?"

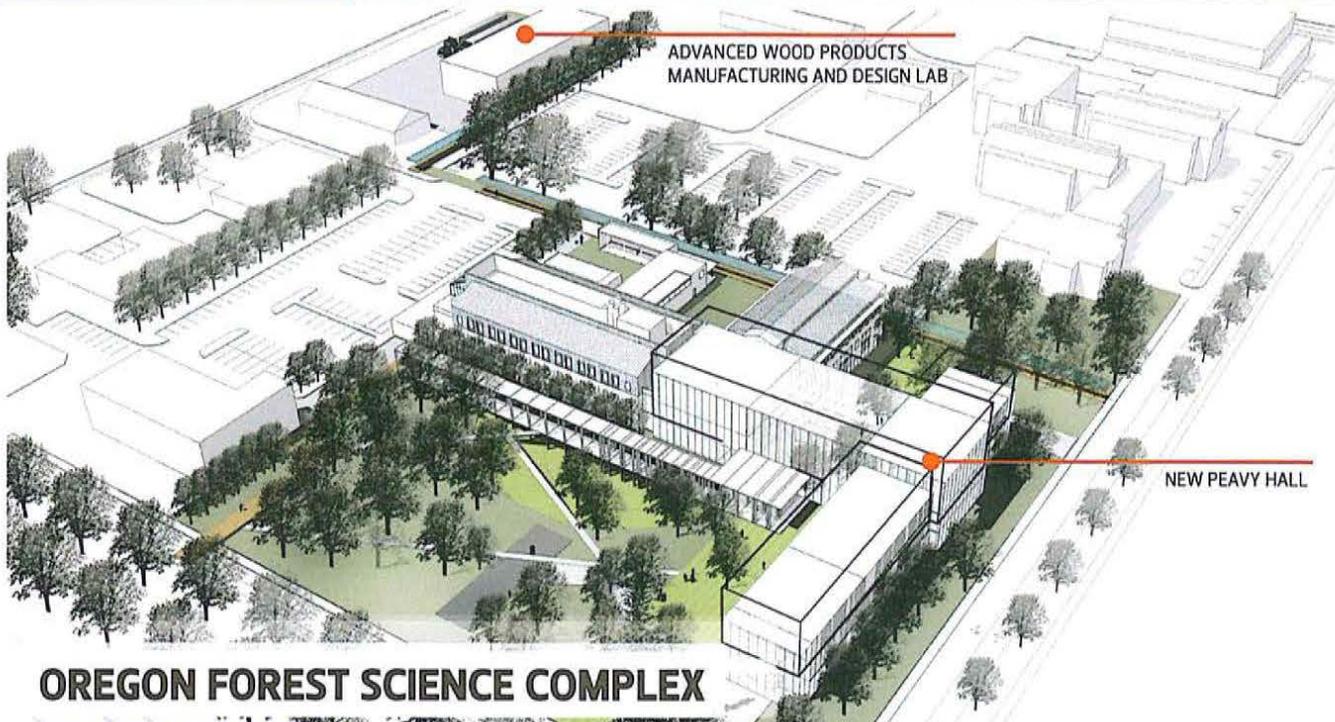
*"Can we agree on common objectives for entrepreneurship?"*

*"How can we align our visions of entrepreneurship?"*

"How can entrepreneurship best achieve our mission while becoming self-sustaining?"



## COLLEGE OF FORESTRY



## OREGON FOREST SCIENCE COMPLEX

### PROJECT DESCRIPTION

Oregon State University and the College of Forestry officially launched a \$60 million initiative in early January to build the Oregon Forest Science Complex. Once completed, the state-of-the-art facility will provide current and future students with a transformative educational experience across a full range of degree programs. The existing Peavy Hall will be replaced with expanded and innovative classrooms and laboratories, as well as new public spaces supporting student learning and continuing education programs.

A separate portion of the complex facilities will include a new Advanced Wood Products Laboratory with sophisticated manufacturing systems, a "high-bay" lab with a unique strong floor for full scale product testing, and a "design" lab to support interdisciplinary education programs. The lab will house a new National Center for Advanced Wood Products Manufacturing and Design that is a collaboration between the OSU College of Forestry, OSU College of Engineering, and the University of Oregon School of Architecture and Allied Arts to drive commercialization of new and innovative wood products in buildings.

Most special, the complex will demonstrate innovative uses of wood in building design and showcase different engineered wood products and materials made in Oregon, reinforcing OSU's international status as a premier forestry program.

### PROJECT GOALS

- Renew the built environment of the College
- Build modern research and teaching space to recruit students to the college and to forestry careers
- Grow opportunities for undergraduates in research, professional practice and collaborative learning
- Honor the legacy of the forestry profession
- Promote OSU/UO collaboration to position the State of Oregon as a hub for innovative and sustainable building design utilizing new wood products
- Eliminate \$6M to \$10M in deferred maintenance on existing Peavy Hall
- Showcase Oregon's forest products industry and support growth of manufacturing capacity in timber-dependent rural communities

### PROJECT INFORMATION

**Completion Date:** August 2017

**Budget:** \$60 million

**Size:** 100,000+ square feet

**Project funding:** Public/private partnership equally-funded by donations from members of the forest industry and state construction bonds

**Oregon State**  
UNIVERSITY

# Oregon State University and University of Oregon National Center for Advanced Wood Products Manufacturing and Design



Budget Proposal for 2015/2017 Biennium

## Background and Initiative Description:

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Oregon State University and the University of Oregon are joining forces to launch the National Center for Advanced Wood Products Manufacturing and Design. Housed at the OSU College of Forestry, the Center brings together a one-of-a-kind collaboration between leading architecture, wood science, and engineering programs to focus on development of innovative wood products and building components capable of being produced in Oregon. The applied research center will actively partner with Oregon building design professionals and wood products manufacturers to drive innovation and testing for engineered wood materials, allowing Oregon to compete in emerging domestic and global markets.

As the automation of existing commodity sawmills continues to advance, improving the economies of forest-dependent, rural communities will require intense focus on creating secondary manufacturing jobs producing engineered wood products. Demand in Asia and North America for these "green" products continues to grow, and Oregon's timber industry is positioned to capitalize by growing its capacity to manufacture mass-timber building components (like glulam beams, laminated veneer lumber, composite wood panels, and cross-laminated panels) as well as new wood product consumer items for use in households and commercial spaces.

Similarly, Oregon's building design profession is ideally positioned to expand on its stellar reputation for sustainable design, and establish itself as North America's hub for expertise in innovative wood building design. Engineered wood building components offer a host of new design opportunities, and the proximity of Oregon's design professionals to our forest products industry offers a synergy of expertise and story that cannot be duplicated anywhere else in the world.

The sole mission of the Center is to help position Oregon as a leader in emerging global markets for new wood products, thereby increasing the value of Oregon's forests to support sustainable management, and growing the number of manufacturing jobs in our rural communities. This unique partnership between the OSU College of Forestry, UO School of Architecture and Allied Arts, and OSU College of Engineering will expand Oregon's current stature as a worldwide leader in innovative design of sustainable buildings.

**Organizational Structure:** The Center will be housed at the OSU College of Forestry on the Corvallis campus with an Advisory Board comprised of Deans from the three Colleges, and professionals from Oregon's design, engineering, and wood products manufacturing sectors. In collaboration with University programs, the Advisory Board will set strategic direction and priorities for research initiatives. The Center Director will report to the Dean of the College of Forestry and will be responsible for all facets of Center administration, industry relations, project management, and fundraising for Center programs. The program budget for the Center will be administered by the OSU College of Forestry, with distribution of program funds to each of the Colleges participating in the research program initiatives.

The Center builds on existing faculty expertise at both Universities, but with a funding model that invests in project-based research opportunities that can change over time and are not tied to salaries for permanent/tenured faculty or staff. Center staff will be comprised of professionals with research and teaching portfolios directed by the Center Director and Advisory Board. All research funding will be targeted to support materials research, product testing, and new product development in collaboration with wood products manufacturers and design professionals.



UNIVERSITY OF OREGON



**Facilities:** A majority of research conducted at the Center will take place in the new Advanced Wood Products Laboratory. The new research facility is part of a \$60 million capital construction project to renovate and expand the OSU College of Forestry's current research and classroom facilities. The new "Forest Science Complex" on the Corvallis campus is a public/private partnership equally-funded by donations from members of the forest industry and state construction bonds.

The new teaching and research facilities will showcase engineered wood products manufactured in Oregon, and reinforce OSU's international status as a premier forestry program. A portion of the complex facilities will include sophisticated manufacturing systems, a "high-bay" lab with a unique strong floor for full scale product testing, and a "design" lab to support interdisciplinary education programs. The complex will simultaneously engage students from all three Colleges (architecture, forestry, and engineering) in project-based coursework addressing specific commercialization challenges posed by private sector collaborators.

## Expected Outcomes:

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The Center will produce positive outcomes in four important and connected areas to position Oregon as a leader in the industry and emerging global markets. These include:

1. **Applied Research** to expand and develop new commercial products, building components, and materials that can be manufactured in Oregon, including commercial applications for new technologies (such as 3D printer applications) in design and wood product manufacturing. All research will promote product innovation and commercialization.
2. **Expanded degree programs** that incorporate elements of wood science, engineering, manufacturing process design, and utilization of wood in building design and construction. Joint course offerings and concurrent degree programs will combine the expertise of OSU's Wood Science and Engineering and Civil Engineering programs with University of Oregon's Architecture and Product Design programs.
3. **Continuing education and hands-on training programs** in support of industry workforce needs. Co-designed training programs with employers will use computer controlled manufacturing systems at the Center that are continuously updated to reflect state-of-the-art manufacturing technology. Collaboration with Community College technical training programs will support the workforce needs of Oregon's timber industry.
4. **Product testing and certification** of materials needed to support commercial applications of wood products including testing design performance of structural building components, connection systems, coatings, adhesives, and materials for compliance with code and building certification requirements. On-demand expertise for projects seeking to incorporate innovative applications of wood building components and consumer products will be offered.

## Biennial Budget:

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OSU seeks \$3.4 million in state funds to match the anticipated \$4.0 million in federal and private funds for the Center's operational budget for the 2015/17 biennium. This will be "new" funding beyond existing faculty and resourcing commitments being made by OSU and UO. As such, the requested funding will build on existing research programs that also support the Center's mission and add expertise in new areas of applied research targeted to support the competitiveness of Oregon industry and products. The funding model for the Center will invest in project-based research that will change over time, and will not be used for salaries for permanent/tenured faculty or staff. Detailed information on the Center's research competencies and budget is available in documents separate from this overview.

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For questions regarding the Center contact Geoff Huntington, Director of Strategic Initiatives, OSU College of Forestry, at 541-737-9103 or [geoff.huntington@oregonstate.edu](mailto:geoff.huntington@oregonstate.edu); or, Judith Sheine, Professor and Department Head, UO Department of Architecture, at 541-346-3656 or [jesheine@uoregon.edu](mailto:jesheine@uoregon.edu).

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## Monthly Business Activity and Metrics Report – April 30, 2015

### Start-ups:

- Responded to a start-up request for a graphics company - Project Moss
- Responded to six start-up follow up requests

### Retention / Expansion:

- Six follow up meetings with existing expansion clients

### Recruitment:

- Two follow ups with recruitment clients

Assisted with	Past Month	Past 12 Months	This Fiscal Year
Start-up	1	19	12
Start-up Follow-up visits	6	35	23
Expansion	0	5	1
Expansion Follow-up visits	6	57	53
Retention	0	0	1
Retention Follow-up visits	0	10	10
Recruitment	0	28	27
Recruitment Follow-up visits	2	46	30
Economic Development Officer visits (1st time)	3	47	70
Economic Development Officer visits (Follow-up)	5	105	85

## Monthly Economic Development Advisory Board (EDAB) Strategic Plan Update

The EDAB has updated and submitted the Economic Development Strategy to the City. The update was presented to the Corvallis Administrative Services Committee (ASC) on February 4, 2015, and to the Corvallis City Council on February 17, 2015 for their concurrence. The ASC recommended concurrence, and the City Council adopted the updated Economic Development Strategy. The following is a report of Economic Development Office activity to address the Strategies and Tactics over the past month.

### 2015 Strategies

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- Support the development and deployment of resident and next stage capital, as well as identifying the likely financing sources for clients, when needed.
  - o *The EDO continues to assist clients with access to capital from a variety of sources.*
  - o *The Economic Development Officer estimates spending over 60 hours the past month coordinating the Willamette Angel Conference activities.*
  - o *The EDO is working with the Regional Accelerator Innovation Network (RAIN) to develop an umbrella Angel Fund for the region.*
- Support business growth by providing properly zoned and serviced land, buildings, and development projects and by maintaining a timely and predictable development review process. Verify via benchmarking that Corvallis is best-in-class regarding comparable university towns across the U.S.
  - o *The EDO continues to assist businesses in access to property for location or expansion.*
- Collaborate locally, regionally, and statewide on long-term transportation plans, including access to markets, surface transit, and people travelling. Corvallis is well positioned for ground transportation, but lacks access to convenient aerial travel and foreign markets.
  - o *Cascades West Council of Governments staff is working with Regional Solutions staff and the EDO to begin a Regional Airport discussion.*

### 2015 Tactics

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- Maintain and improve an effective communication plan that includes e-news, social media, and blog posts, as well as maintain a best-in-class information gateway portal that will provide resources to support business development with information about demographics and economics, technical and financial assistance programs, available land, and building resources.
  - o *The YesCorvallis and City websites continue to be updated with articles of interest connected with EDO work.*
  - o *The EDO posts social media updates weekly*

- Support programs sponsored by local and regional partners to facilitate innovation, entrepreneurship, and business investment. Examples include the Willamette Angel Conference (WAC) and Willamette Innovators Network (WiN).
  - o *The EDO contracts with the Small Business Development Center for business training and advisory services for all small businesses. .*
  - o *The Economic Development Officer estimates spending over 60 hours the past month coordinating the Willamette Angel Conference activities.*
  - o *The EDO continues to coordinate monthly board meetings and pubtalks.*
  - o *The Oregon Cascades West Council of Governments – Community & Economic Development Director has begun Regional Economic Development meetings that include his office, City of Albany, and our office.*
  - o *The Oregon Cascades West Council of Governments is leading a regional effort to update the Comprehensive Economic Development Strategy for EDA’s Economic Development District*
- Build a strong relationship with the local business community through the account manager concept, and an ongoing Business Visitation program.
  - o *The Economic development officer conducted 3 first-time visits and 5 follow-up visits with businesses. In addition, she had 28 resource partner visits, made 3 presentations, and attended 9 events.*
- Ensure that the City has an effective and productive relationship with Business Oregon, the State’s economic development agency, for access and response to business development leads.
  - o *The Economic Development Manager participated in the Oregon Economic Development Association Governmental Affairs Committee*
- Provide a business-oriented welcoming program for key recruits of local employers.
  - o *Our membership in Civic Outreach resulted in 11 new executive and 4 new business greets for the month.*



MEMO

Attachment 3

Date: May 11, 2015

To: Economic Development Advisory Board

From: Tom Nelson, Economic Development Manager

RE: FY 2016 Budget

The table below includes the Recommended FY 2015-16 Budget by the Budget Commission. It reflects a few changes from the February/2015 report. None of the Special Projects were funded.

Revenue		FY 15-16	FY 14-15	% Change
City (General Fund) (1)		\$176,830	172,300	2.63%
Airport (AIP) Marketing		21,190	21,000	0.90%
Benton County (2)		105,000	100,000	5.00%
<b>Total Revenue</b>		<b>\$303,020</b>	<b>293,300</b>	<b>3.31%</b>
Expenditures				
Personnel (3)		\$242,110	233,575	3.65%
Non-Personnel -ISC (4)		36,900	25,280	45.97%
Materials and Services				
Travel / Training (5)	5,000		4,000	25.01%
Dues/Subscriptions (5)	5,410		5,000	8.20%
Contracted Services	8,200		22,000	-62.73%
Local Mileage / Meals	5,400		3,000	80.00%
Total Materials and Services		24,010	34,000	-29.38%
<b>Total Expenditures</b>		<b>\$303,020</b>	<b>\$292,855</b>	<b>3.47%</b>

- (1) As recommended by Budget Commission
- (2) Assumes Benton County increases budget by 5% (verbal)
- (1) This is the final budgeted amount based on Class & Comp Study
- (4) Includes Internal Service Charges
- (5) Used (FY 2013-14) Special Project \$\$ to pay for some of these in FY 2014-15



**Nelson, Tom**

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**From:** Marc Manley [manleym@linnbenton.edu]  
**Sent:** Tuesday, April 14, 2015 5:09 PM  
**To:** Nelson, Tom  
**Subject:** Re: Report for EDAB

Tom, thanks for the reminder and apologies for not getting this to you sooner.

As I recall from the meeting, a question had been raised about what economic development efforts were targeted at businesses in the local economy, as opposed to focus on traded sector businesses. Four thoughts:

(1) Grow Oregon

The conversation with the Corvallis/Benton Economic Development board was primarily on the SBDC's Grow Oregon program, a statewide economic gardening initiative that targets well-established traded sector companies and helps them accelerate their growth. To date this program has helped businesses throughout Oregon generate \$48 million in direct economic impacts (capital, jobs, and revenue gains).

Clearly, Grow Oregon is focused on traded sector. I would suggest, however, to someone inquiring about how the Economic Development Commission is helping businesses in the local economy, that our work - which is supported by the Commission - with our one Grow Oregon client in Corvallis is strongly supporting a local business that started, grew, and stayed in Corvallis. Moreover, this business endeavors to contract with other Corvallis-area businesses which themselves are local economy businesses. So even the traded sector component of our partnership is supporting local economy businesses.

(2) Advisory Services To Local Market Companies

The SBDC is increasing services to larger companies through programs like Grow Oregon. However, our longstanding focus has been on helping people in our local communities to start, stabilize, and grow small businesses that principally are active - at least initially - in the local economy.

We don't track traded sector versus local economy in our database of client engagements, and are not able to simply run a query and produce a quantitatively accurate report. However, we can speak with confidence based on our experiences of working with business owners and pre-venture clients. The majority of our services are targeted at and consumed by businesses in the local market economy.

Some of these businesses grow and are able to serve customers outside of the initial market. For example, a clothing retailer opened in Corvallis, grew, opened stores in other towns, and began an internet business. Today we would likely classify this business as traded sector, or at least as having a traded sector component. But it is still a local market company relying on SBDC services supported by the Corvallis/Benton Economic Development Commission. Another example is a local manufacturer of building materials. His business started selling in the local area. As the business got established they began selling to customers outside of the local area.

We often advise people who are just getting started. Bakers, retailers, builders, local service providers - all local economy businesses, all local residents.

It's fair to say that most of the advisory services reported on our quarterly updates are to local market businesses.

### (3) Training Programs

SBDC training programs - again supported (thanks!) by the Corvallis/Benton Economic Development Commission - are focused exclusively on local economy businesses. Grow Oregon clients do not attend these trainings, as they receive one-on-one advise tailored to their unique situations.

Since our partnership began, we provided 47 training programs that were attended by 213 residents of Corvallis and Benton County. All of these program supported local economy businesses.

### (4) The Numbers

By backing Grow Oregon client results out of the numbers reported in our quarterly updates we notice the following:

- Approximately 95% of our advisory hours are focused at local economy businesses
- 26 of our 27 longterm client engagements are with local economy businesses
- 54% of the jobs created or retained were at local economy businesses

In summary, the partnership between Corvallis/Benton Economic Development and the Small Business Development Center at Linn Benton Community College is providing meaningful, helpful services to aspiring and established local economy businesses in Corvallis and Benton County, with economic development results that are significant, including:

- More than \$106,000 in new capital
- 33 jobs
- Year-over-year revenue increases of more than \$262,000.

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**Marc Manley, Director**  
Small Business Development Center at Linn Benton Community College

On Tue, Apr 14, 2015 at 9:21 AM, Nelson, Tom <[Tom.Nelson@corvallisoregon.gov](mailto:Tom.Nelson@corvallisoregon.gov)> wrote:  
Marc,

The EDAB asked if I had received the report that they requested when you presented to them last month. I don't think I have. As I recall, they had asked you for additional information when reviewing your quarterly numbers. Do you have that information?

Tom Nelson  
Economic Development Manager  
Corvallis Benton County Economic Development  
501 SW Madison Avenue  
PO Box 1083

POLICY

# The 4 Types of Small Businesses, and Why Each One Matters

by Karen Mills

APRIL 30, 2015



**America loves small businesses. A 2010 poll by The Pew Research Center found that the public had a more positive view of them than any other institution in the country - they beat out both churches and universities, for instance, as well as tech companies. As Janet Yellen**

pointed out in a speech last year, “the opportunity to build a business has long been an important part of the American Dream.”

Governors, mayors and presidential candidates are therefore eager to declare their support for small businesses, but what do we mean by “small” and why do they matter? This is the part where we’re usually told that it’s startups that matter, not small businesses, since they’re the ones that create all the new jobs. There’s some truth to that, but it’s misleading as well. A blanket policy that just tries to create another Silicon Valley can turn out to be a disaster.

Sure, the local dry cleaner isn’t going to employ radically more people next year than it did this year. But these Main Street businesses employ a lot of Americans -as many as 57 million- and the policies they need are not the same as the ones required by startups. If policymakers really want to help small businesses – and they should – they need to understand that not all of them are alike. Each type has a way it contributes to employment and the vibrancy of the American economy.

There are 28 million “small businesses” in America, defined as firms with fewer than 500 employees, and they fall into four different segments:

## The Four Main Types of Small Businesses

TYPES OF FIRMS	NUMBER OF FIRMS*	DESCRIPTION
Non-Employee Businesses	23 million	Sole proprietorships
Main Street	4 million	Local businesses serving consumers and other local businesses
Suppliers	1 million	Suppliers to other businesses (B2B) in the traded sector
High-Growth	200,000	Fast-growing, innovation-driven businesses

\*ESTIMATED. **NOTE** AN ESTIMATED 500,000 SMALL BUSINESSES ARE NON-SUPPLIERS IN THE TRADED SECTOR AND DO NOT FALL INTO ANY OF THE ABOVE CATEGORIES.

**SOURCE** ANALYSIS OF DATA FROM THE CENSUS BUREAU BY KAREN MILLS AND MERCEDES DELGADO

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**(Note that these segments are not mutually exclusive. They are intended to represent different categories of firms of interest to policy makers.)**

**Most of these small businesses don't actually have employees. Almost 23 million are sole proprietorships, covering a wide range of sectors, from consultants and IT specialists to painters and roofers. While only about 15 million of the self-employed earn receipts of over \$10,000, recent research shows that sole proprietorships are achieving record profit margins—and numerous indicators predict the number of these businesses will continue to grow as technology allows more geographic flexibility and a continuing number of baby boomers take steps to open their own firms. They provide income to their owners, but by definition are not job creators.**

**The next-largest segment of small businesses is comprised of what I call Main Street entrepreneurs. These are the dry cleaners, restaurants, car repair operations, and local retailers that are part of the fabric of our daily lives. There are about 4 million of them, and they employ a significant portion of the workforce. Many of these businesses exist largely to support a family and are not principally focused on expansion. While these businesses have high churn rates—opening and closing frequently- they are critical to America's middle class.**

**An important but less well-documented type is comprised of an estimated 1 million small businesses that are part of commercial and government supply chains (referred to as suppliers). These businesses are often focused on growth, domestically or through exports, and operate with a higher level of management sophistication than Main Street firms. These are companies like Hooven-Dayton in Miamisburg, Ohio which provides labels for Tide and Mr. Clean products. A robust network of small suppliers is important to the long-term competitiveness of large U.S. corporations and for companies considering moving production back to the U.S. from offshore. For example, a research and supplier park established in Prince George, Virginia in 2010 was part of bringing Rolls Royce production to the area. As Harvard Business School's Michael Porter and Jan Rivkin have noted, strong supply chains bring "low logistical costs, rapid problem solving and easier joint innovation."**

Of the remaining small businesses, about 200,000 qualify as high growth startups and firms. These are the companies that punch above their weight when it comes to job creation. A study by economist Zoltan Acs in 2008 found that only about three percent of all businesses can be classified as high growth businesses or “gazelles,” but that they are responsible for 20 percent of gross job creation. A recent breakthrough by MIT’s Scott Stern and Jorge Guzman showed that the 5% of firms registered in Massachusetts that delivered 77% of the growth outcomes could be identified by growth factors evident at the time of their original business registration. These high growth firms have a disproportionate effect on the U.S. economy.

Treating all small businesses the same can lead to potentially misleading declarations, and bad policy. For example, a “mom and pop” Main Street shop has different financing needs than a high-tech startup. One might need a bank loan while the other might need a patient equity investor like an angel or venture capitalist. Setting up an innovation ecosystem around a university or an emerging technology helps potential high-growth entrepreneurs, while downtown revitalization can help local businesses from the Main Street category. (In a forthcoming article we will review how in several policy areas – access to capital, skills and the creation of innovation ecosystems – the right policy depends on the type of small business you are trying to help.)

Once policymakers understand the different types of small businesses and hear that start-ups drive the bulk of new job creation, they are sometimes tempted to focus solely on those growth firms. That is a mistake. Just as important as differentiating between small businesses is realizing why each one matters.

Suppliers are an important, and underappreciated, part of this equation as they generate high paying jobs in both the small manufacturing and service sectors. And the success of large companies and growth start-ups often depend on a strong cluster of suppliers.

Sole proprietorships and Main Street businesses, for their part, can provide a critical pathway to economic mobility. And while Main Street may not create a lot of net *new* jobs, it does employ a large number of people. These businesses are also the restaurants, shops, and

storefronts that shape and reflect a community's identity and values.

Each type of small business matters for different reasons. The key is to remember that what helps one group will not necessarily have the equal or any impact for another. Praise for small businesses is warranted because of the role they play in driving an innovative and competitive economy and promoting social mobility, but when it comes to helping them succeed it's essential to avoid treating them all the same way.

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