



ADMINISTRATIVE SERVICES COMMITTEE

Agenda

**Wednesday, February 4, 2015
1:00 pm**

**Madison Avenue Meeting Room
500 SW Madison Avenue**

- | | |
|------------------------------------|---|
| Discussion/ Possible Action | I. Economic Development Strategy Update
(Attachment) |
| Information | II. Other Business |

Next Scheduled Meeting

Wednesday, February 18, 2015 at 1:00 pm
Madison Avenue Meeting Room, 500 SW Madison Avenue

Agenda

Open Carry of Loaded Firearms Policy and Resolution
Council Policy Review and Recommendation: 2.10, "Use of
Electronic Mail by Mayor and City Council"

Memorandum



To: Administrative Services Committee
From: Tom Nelson, Economic Development Manager *TN*
Date: February 4, 2015
RE: Economic Development Strategy Update

Background

On December 6, 2010, the City Council passed Ordinance 2010-28, establishing the Economic Development Commission (Advisory Board) to advise the City Council in all matters pertaining to Economic Development, ensuring that Economic Development is a civic priority. Subsequently, the Economic Development Commission developed, and the City Council adopted an Economic Development Strategy.

Discussion

Since it has been more than two years since the strategy was adopted, the Economic Development Advisory Board developed an update that reports on the progress made since 2010, as well as a proposed revised and updated strategy (attached).

Staff Recommendation

Staff recommends adoption of the updated strategy.

Review and Concur:



Nancy Brewer
City Manager *Pro Tem*

The Corvallis Economic Development Strategy – 2015 Update

January 12, 2015

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Executive Summary

Background

The Corvallis / Benton County area economy was at a crossroads in 2012. Earlier city surveys had shown low citizen satisfaction with economic development efforts. Responding to the economic situation, the City of Corvallis in 2010 undertook a review of the Council Policy related to economic development and formed the Economic Development Commission, later designated as the Economic Development Advisory Board (EDAB), which acts as an advisory body to the City Council on all matters related to economic development. Subsequently, the Benton County Board of Commissioners recognized the same need, and formally partnered with City of Corvallis to provide economic development services county-wide through an intergovernmental agreement.

The Economic Development Advisory Board (EDAB) recognized the need, and the opportunity, to foster a well-defined economic renaissance in a manner that honors our community's character and values. This document updates EDAB's first strategy document, developed in 2012. Much has been accomplished since then, which is detailed in this update.

Unemployment remains low compared to the rest of Oregon. Job creation has slowly increased in most sectors and 2014 showed the first increase in the manufacturing sector employment over the previous year since the great recession. The manufacturing sector, which pays higher wages and adds more significantly to the property tax base on which city and county finances depend, is still highly important. Without a healthy economy, the City and County will be hard pressed to support the public services and amenities that its citizens desire.

After assessing the economic situation in 2014, EDAB has made the following conclusions on which the current goals and strategies are based.

- Corvallis and Benton DO need an effective economic development strategy and program emphasizing a) high-wage traded sector employment that is diversified among many industries and b) property tax base growth.
- Corvallis's and Benton County's main opportunities lie in the area of innovative startups (especially out of OSU) and organic growth in local fast-growing companies.

Goals

The goals for economic development remain valid and are shown here with key updates.

1. **SUPPORT INNOVATION AND STARTUPS** – Provide a local business environment that supports a successful, diverse traded-sector entrepreneurial community, including a supportive services infrastructure, long-term transportation strategy, and access to markets.

Update – A-round metrics have greatly exceeded the original goal of raising \$10 million per year. The B-round goal of \$20 million per year has not been met, and this will need more focus.

- Number of Seed Stage companies: 5-10
- Series A: 8 companies raised \$21.3 million (does not include \$434 million raised by NuScale to be spent over a 5-year period)

¹ Early stage capital, typically a mix of private investors, venture capital institutions, and strategic investors. Goal is to advance the proof of concept to product readiness. Amounts vary widely, but are generally less than \$5,000,000.

² Majority of Series B funding is institutional: venture capital institutions and strategic investors. Goal is to advance the product into the market. Magnitude can be more than \$5,000,000.

- Series B¹: 5 companies raised \$6.5 million

2. **PROMOTE ORGANIC GROWTH** – Identify opportunities and support the retention and growth of companies that are currently located in Benton County.

Update – An “Account Manager” (Economic Development Officer) was hired July 1, 2013. “Top 20” companies have been identified, and 86 different “traded sector” companies were visited with 150 follow-up visits in the first year. The Economic Development Officer was recognized by the International Economic Development Council as one of the “Top 40 under 40 Economic Development Professionals in the Nation”.

3. **LEVERAGE LOCAL ASSETS** – Develop a program that will focus on increased tenancy in existing vacant buildings and Enterprise Zone locations by business and industry types that are consistent with the Prosperity That Fits Plan.

Update – Vacant properties have been identified and are listed on the Oregon Prospector website database. The database continues to be updated. Businesses have expanded into some of these spaces, and the EDO has responded to 60 recruitment solicitations in its two years of operations.

- Since its inception in 2010, the Enterprise Zone has attracted six businesses which have invested over \$12 million, and added close to 300 new employees.
- Several expansions have occurred in new and existing space in rural Benton County, as well as in Corvallis and North Albany.

2015 Strategies

To accomplish its goals, the EDAB will take strategic action in the following areas.

1. Support the development and deployment of resident and next stage capital, as well as identifying the likely financing sources for clients, when needed.

Update – The Economic Development Office (EDO) has held a Business Resources Workshop for those seeking various types of business financing. The EDO continues to identify the likely financing sources for clients, when needed. The EDO will continue its focus on Next Stage or B-round financing needs.

2. Develop and maintain relationships with Corvallis’s largest employers, including OSU, HP, CH2M HILL, and Samaritan Health Services, to provide unprecedented advantages to Corvallis-based startups, including research infrastructure access, accelerator resources, services infrastructure, and innovative community networking.

Update – With the development of the OSU Advantage Accelerator (OSUAA) and RAIN, efforts have been made and some success has been achieved to address this idea. Also, the Economic Development Office has successfully addressed innovative community networking with its support of the Willamette Innovators Network and the Willamette Angel Conference. The OSUAA, RAIN, and the EDO will continue to focus on development of the service infrastructure.

3. Support business growth by providing properly zoned and serviced land, buildings, and development projects and by maintaining a timely and predictable development review process.

¹ Majority of Series B funding is institutional: venture capital institutions and strategic investors. Goal is to advance the product into the market. Magnitude can be more than \$5,000,000.

EXECUTIVE SUMMARY

Update – Properties have been identified and listed on Oregon Prospector. Corvallis Community Development Department has implemented measures, such as a project management system to assist developers with timely development review and more certainty. Two more Enterprise Zone applicants have been approved. Over \$12 million has been invested, and close to 300 jobs have been created in the Enterprise Zone. Corvallis Community Development and the EDO will continue to focus on a commitment to streamline development services, and remedy development services issues.

4. Collaborate locally, regionally, and statewide on long-term transportation plans, including access to markets, surface transit, and people travelling. In addition, the EDAB has identified a number of tactical measures that will support the strategies.

The EDAB intends that the goals, strategic directions, and tactical measures presented in this strategy document represent the start of a more urgent and closely managed approach to local economic development. Long-term success will be linked to an ongoing commitment, the ability to adjust to changing conditions, and the agility to respond to future opportunities.

With this update, we think we have seen the “valley” – the economic low point, and we think we are seeing the results of diversification. However, economic outcomes will be the net of growth and decline, starts and failures, and comings and goings. Even staying flat in terms of employment and per capita income will require investment and effort.

Introduction

This document includes an introduction placing this strategy in the context of other economic development work, a review of the economic situation in Corvallis and Benton County when the strategy was first written in 2011, and progress made to 2014, the identification of three major goal areas, an initial look at metrics for success in achieving these goals, and several recommended major actions (Strategic Direction) and other activities (Tactical Measures).

In 2010, the City of Corvallis reviewed the Council Economic Development Policy and formed the Economic Development Commission, later designated as the Economic Development Advisory Board (EDAB), which acts as an advisory body to the City Council on all matters related to economic development. A subsequent municipal ordinance formally established the EDAB and assigned responsibilities including developing a strategic economic development plan. While the Commission's primary responsibility is the City of Corvallis, it is recognized that the local economy extends beyond the City limits and includes Benton County as a whole (and proximate areas outside of Benton County). In fact, the Corvallis Metropolitan Statistical Area (MSA) for which Census and other data sources report is considered to include all of Benton County. Further, a Benton County Commissioner serves as a member of the Corvallis Economic Development Advisory Board. Subsequently, the City and the County developed a Intergovernmental Agreement (IGA) so that economic development services could be realized county wide, and the County could participate in funding of that effort.

In addition to the revised Council Economic Development Policy, the EDAB considered several sources of information in guiding the development of this document. This includes the Vision 2020, Corvallis Comprehensive Plan, the Prosperity That Fits plan, and results of the 2010 Corvallis Citizen Survey. Common themes include economic diversity, creation of family wage jobs, and pursuit of opportunities associated with emerging technologies especially related to Oregon State University.

The Prosperity That Fits plan was completed in 2006 with the involvement and support of a large and diverse set of community organizations and engagement of many community members. The Corvallis Economic Development Strategy, as recommended by the EDAB, is founded upon and consistent with Prosperity That Fits, but builds on that plan by identifying a focused set of goals and actions with associated metrics to promote the economic health of the Corvallis and Benton County community.

After studying the local economic situation and surveying peer Oregon cities and other university towns across the U.S., the EDAB identified these key findings:

- The local economy was experiencing slow job growth overall, lack of diversity especially in the private sector, and a major decline in manufacturing employment.
- This economic underperformance has resulted in higher unemployment, less disposable income, and a stagnant tax base which impacts the ability to fund public education and local government services needed to fulfill Vision 2020.
- Corvallis and Benton County have the potential to be a center for innovation and technology-based businesses, especially considering the broader community's current business assets and the presence of Oregon State University, one of the nation's top research universities, and one whose education and research portfolios are an outstanding match with state and local economic development needs.
- The greatest opportunities for family-wage job creation are associated with innovative startup companies and growth of local small, medium, and large fast-growing traded sector² companies.

² <http://www.oregonclusters.com/>

INTRODUCTION

In 2012, the EDAB recommended acting on these three principles:

- A focused economic development program, adequately funded and supported by local government, is a key mechanism needed to take advantage of these opportunities.
- A package of tools, such as financing assistance, land and building resources, an efficient and predictable development review process, and business information resources, must be available.
- Emphasis should be placed on building strong relationships among the City, the County, OSU, and the local business community.

Corvallis Economic Landscape - At a Crossroads

Corvallis and Benton County Economic Potential

The future Corvallis and Benton County can be a first-tier innovation center and an excellent location for innovative businesses from all industries. The City and County can maintain a compact size and character while being home to a top research university. Oregon State University is likely to be increasingly known for its ability to foster useful technologies and bring them to life, by transferring them to successful new private ventures. [In fact, since the strategy was first written, OSU has formed the OSU Advantage Accelerator, which has resulted in several successfully graduated cohorts of concept companies that are well on their way to adding a significant boost to the regional economy. OSU has also, in collaboration with University of Oregon, and communities in Linn, Benton, and Lane counties, created a legislatively approved and funded Regional Accelerator Innovation Network (RAIN).]

The area can have a vibrant mix of age groups and continue to enjoy unusual cultural diversity for a small metropolitan area. The Hewlett-Packard campus, Sunset Research Park, and other industrial sites can be full of R&D-intensive companies, and the Airport Industrial Park can be home to several companies with significant manufacturing operations. High average wages can allow more people who work in Corvallis and Benton County to live here as well. Neighborhoods can be livable and the downtowns can be lively centers for retail businesses, professional offices, entertainment and restaurants, maintaining Corvallis' status as one of the most desirable locations in the country. New investment and the development of jobs by "traded-sector" businesses will support quality of life, more local non-traded sector jobs, and desired services.

To realize this potential, the City and the region must overcome recent economic underperformance.

Recent Economic Performance

In 2012, the Corvallis area economy and the resultant governmental revenue were at a critical juncture considering slow overall job growth, steep manufacturing job loss, and continuing low economic diversity. In sharp contrast to the 1980s and 1990s, Corvallis and Benton County became job creation underperformers. For the years 2005-10, of the 179 smallest metropolitan areas in the country, Corvallis ranked³ 90th in 5-year job growth and 113th in 5-year wage growth. In 2013, the most recent Milken Report, Corvallis had improved to 42nd in 5-year job growth and 110th in 5-year wage growth out of the 179 small metro areas.

Unemployment

The Corvallis unemployment rate, at over 7 percent was high by historical standards in 2012 but still among the lowest in the state of Oregon. It has since returned to a normal 5.5 percent. (Mainstream economist define the the Non-Accelerating Inflation Rate of Unemployment (NAIRU) as "full employment, and that rate for the Unites States for 2010-2013 was 6.1%.) With a low point of 2.2 percent in 1995, Benton County unemployment remained below 3 percent from 1994-97. Benton County unemployment rates tell only part of the story, however. A significant portion of Corvallis' labor market is found in Linn County, which has a much higher unemployment rate, typically 3-5 percentage points higher than Benton County over the past twenty (20) years. Linn County's August 2014 rate was 8.5 percent. Economic development in Benton County needs to consider the effect of the larger available labor pool in Linn County. Linn and Benton counties combined had a seasonally adjusted unemployment rate of 7.1 percent in October/2014. Most importantly, Corvallis had not been performing to its potential as "the most innovative city in America," as reflected in its performance relative to peer cities, and particularly in its high-tech GDP growth

³ (Source: 2013 Best Performing Cities – 179 Smallest Metros - Milken Institute <http://bestcities.milkeninstitute.org/>)

(see Appendix chart at the end of this document) when the strategy was first written. It is no surprise that this weak performance has taken a severe toll on both city and county budgets. It should be noted that between 2010 and 2013, Corvallis improved by 10 points, from 46 to 36 in overall ranking of the “best performing small cities” in the Milken Report. So, while we have seen progress, the economic development efforts outlined in this report need to continue, and the gaps listed need to be addressed.

Employment and Wages

Although Corvallis has had recent population growth, most has come from non-employed residents, such as OSU students and retirees, who are not strong contributors to economic growth. Hewlett-Packard Company employment, which peaked at around 7,000 in 2000, is now about 1,550. Though there was a slight uptick in manufacturing employment in 2014 in Benton County, it is still nearly 50 percent lower than it was in 2002 (Figure 1). This lower employment in manufacturing persists despite the increase in the number of manufacturers as shown in Figure 2.

FIGURE 1
Manufacturing Employment in Benton County 2001-2014.

Source: Oregon Employment Department

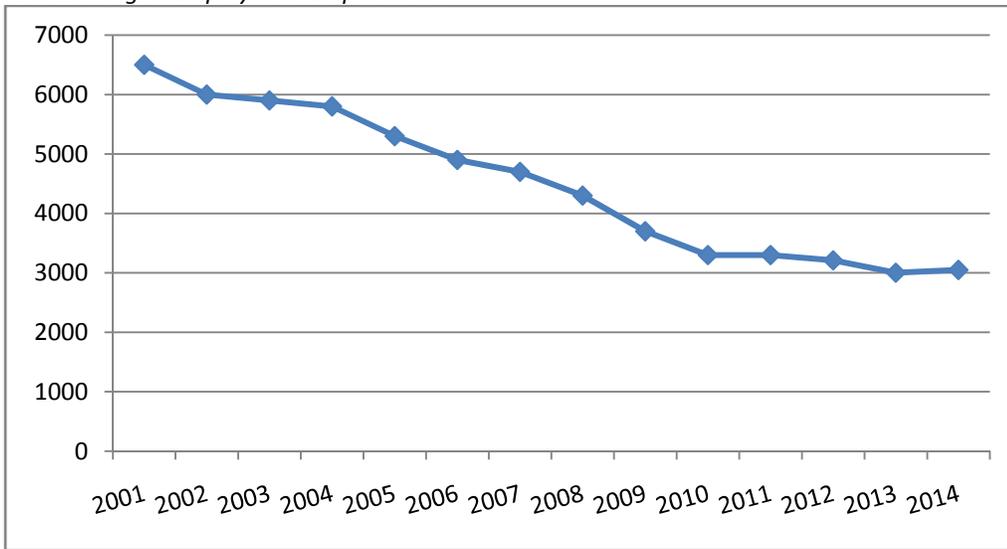
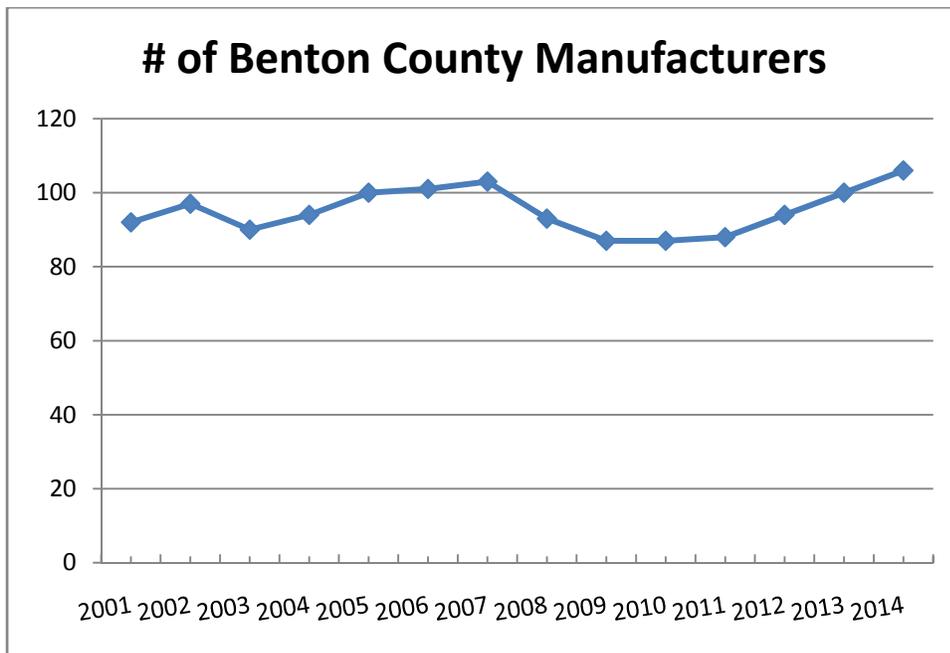


FIGURE 2
Number of Manufacturers in Benton County 2001-2014

Source: Oregon Employment Department



Total employment is roughly flat over the same period, but the pronounced shifts from manufacturing and traded sector company employment to education and healthcare services employment is cause for concern (Table 1). Healthcare, which is mostly non-traded sector (and frequently non-profit), is currently expected to be the fastest growing employment segment. It would be nice if we could simply say that “jobs are jobs” and that maintaining the current employment blend is what most Corvallis community members want; however, these shifts have some serious downsides:

- Wage levels in the growing sectors of education and healthcare services tend to be lower (Table 2) than in manufacturing or in industries that sell their goods or services outside the area (the “traded sector”).
- The availability of less disposable income puts pressure on the retail sector, resulting in business closings and empty storefronts.
- Education, government and not-for-profit entities (healthcare providers mostly) do not pay property taxes, and indeed, the Benton County’s property tax base has not kept up with desired public expenditure levels.
- The decrease in property values has had a noticeable and telling affect in funding Local education and government.

TABLE 1
Corvallis MSA (Benton County) Nonfarm Employment 2014

Source: Oregon Employment Department	% Change				
	2002	2010	2014	2002-2014	2010-2014
Total nonfarm employment	37,200	37,370	39,140	5.2%	4.7%
Total private	25,160	24,720	25,310	0.6%	2.4%
Mining, logging, and construction	1,160	1,150	1,290	11.2%	12.2%
Manufacturing	6,016	3,350	3,050	-49.3%	-9.0%
Durable goods	5,620	3,040	2,670	-52.5%	-12.2%

TABLE 1

Corvallis MSA (Benton County) Nonfarm Employment 2014

					% Change
Trade, transportation, and utilities	4,040	4,280	4,230	4.7%	-1.2%
Information	950	840	560	-41.1%	-33.3%
Financial activities	1,380	1,350	1,270	-8.0%	-5.9%
Professional and business services	2,720	3,590	3,900	43.4%	8.6%
Educational and health services	4,680	5,610	5,970	27.6%	6.4%
Health care and social assistance	4,390	5,200	5,530	26.0%	6.3%
Leisure and hospitality	3,060	3,370	3,790	23.9%	12.5%
Other services	1,160	1,160	1,300	12.1%	12.1%
Government	12,060	12,650	12,200	1.2%	-3.6%
Federal government	710	590	540	-23.9%	-8.5%
State government	8,450	9,120	9,340	10.5%	2.4%
State education	8,040	8,710	8,930	11.1%	2.5%
Local government	2,880	2,940	2,640	-8.3%	-10.2%
Local education	1,590	1,570	1,340	-15.7%	-14.6%

Table 2 indicates improvement in Oregon Average Pay since the strategy was first written in 2010. Also, compared to Oregon, Benton County has higher pay in most sectors (Table 3).

That being said, while Manufacturing appears to finally begin making a positive turn, it is unlikely that we will see a return to the levels seen in the 1990s for quite some time.

TABLE 2

Oregon Statewide Workforce Comparisons

2014 - Oregon	Employers	Employment	Payroll	2014 Average Pay	2010 Average Pay
Manufacturing	5,684	171,420	\$10,655,562,689	\$62,161	\$57,411
Professional & Business Services	21,660	194,240	\$10,112,117,350	\$52,060	\$48,302
Education & Health Services	14,115	231,181	\$10,225,437,307	\$44,231	\$42,208
Health & Social Assistance	12,304	202,984	\$9,307,261,141	\$45,852	\$43,709
Agriculture (includes Forestry)	3,733	49,261	\$1,433,697,514	\$29,104	N/a
Retail / Wholesale	22,291	262,540	\$9,603,972,709	\$36,581	N/a

TABLE 3
Benton County Workforce Comparisons

2014 - Benton County	Employers	Employment	Payroll	Average Pay
Manufacturing	100	3,050	\$229,796,235	\$76,522
Professional & Business Services	423	3,878	\$229,796,235	\$53,352
Education & Health Services	305	5,549	\$229,796,235	\$49,781
Health & Social Assistance	269	5,113	\$229,796,235	\$52,094
Agriculture (includes Forestry)	102	1,081	\$40,061,776	\$37,060
Retail / Wholesale	325	3,729	\$229,796,235	\$28,845

Source: Oregon Employment Department

Since 2012, the agriculture sector has changed, offering both opportunity and challenges. The demand for grass seed, which is significantly sourced from Oregon, has decreased due to the drought in the southwest U.S., along with changes in homeowner preferences. At the same time, the Southwest is producing fewer food items, opening up the opportunity for more high value agriculture in Oregon.

Reductions in budgets for local government made it necessary to cut staff. This also led to cuts in services, some of which have recently been restored by a special levy. Oregon current tax structure forces local governments to rely primarily on property taxes. In order to support the plethora of desired local government services, new investment is needed in property and equipment to increase the current tax base, and raise revenue for local government.

Property Values

Taxable commercial/industrial property value has declined significantly since the major HP investments (1977-91). However, in the mid-2000s those values stabilized. While HP values somewhat declined, other commercial development took its place. Values have improved somewhat since the strategy was written in 2010, as can be seen in Figure 3, below. Real Market Values (RMV) are on an upward trend the past three years, and in FY 2015, RMV and Assessed Value (AV) increased significantly. The significant decrease in RMV and AV from 2010-2013 can be attributed to a downturn in the economy.

FIGURE 3
Taxable Real Market Value and Assessed Value

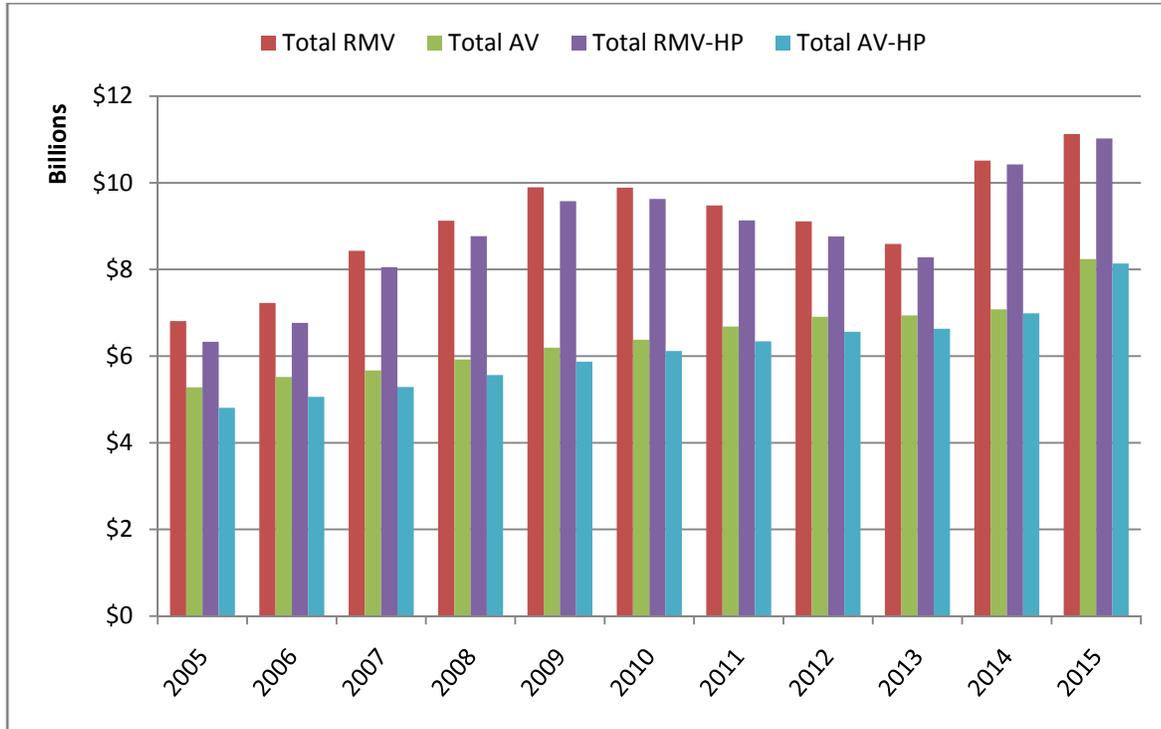
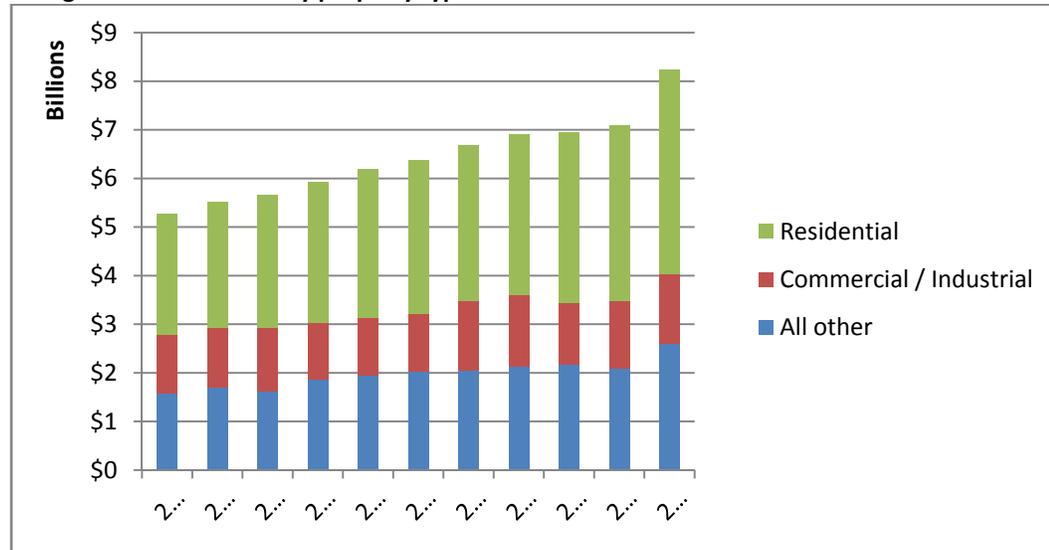


FIGURE 4
Changes in taxable value by property types



We are also seeing significant increases in residential assessed value over the past year, and this trend should continue over the next couple of years with projects currently slated for development.

The “All other” category captures all agricultural, range land, and forest land. An increase in this category does not bode well for tax collection since much of this property is tax-deferred.

The good news is that the Commercial/Industrial category has increased since 2010. In real numbers, the increase was \$263,527,030 or over 22 percent. The increase taxable value in the Commercial / Industrial category over the past year was \$54,272,370 or 4%, indicating continued positive business investment.

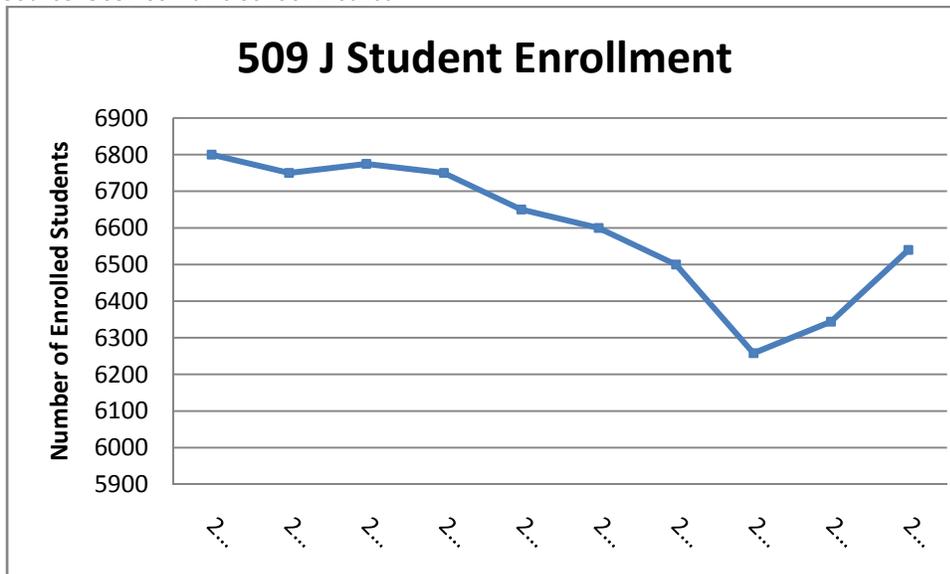
School Enrollment

Retirees and students do not tend to have children attending Corvallis schools, resulting in declining student enrollment (Figure 6) and constrained public school budgets.

FIGURE 6

Total 509J Student Enrollment 2002-2014

Source: 509J Corvallis School District.



It should be noted that 509J enrollment has increased the past two years, but has not yet returned to 2005 levels. Increased hiring at OSU, NuScale, Samaritan Health, and other organizations, as well as district transfers and implementation of full day kindergarten have attributed to this positive growth.

Conclusions

With this update, we think we have seen the “valley” – the economic low point, and we think we are seeing the results of diversification.

The recent success and growth of Oregon State University and Samaritan Health Systems have contributed significantly to Corvallis and have come at a good time. This growth may well continue, but it does not contribute to diversity in private sector employment and is not without its own set of market sector risks. Federal and state payments for healthcare could grow with demand or budget pressures may bring this trajectory down. The belief that an undergraduate college degree is a gateway to a highly paid job may weaken as a result of global economic shifts. Neither usually contribute to the tax base.

Finally, it is important to consider Corvallis’ characteristics: Corvallis is a highly educated college town, perceived to be geographically isolated, and severely lacking in business cluster strength and intensity. Thus the community must have realistic economic development expectations. It is unlikely that the community will recruit another major industrial manufacturing site; however, innovation-based OSU spinouts and other startups that remain and grow in the Corvallis MSA present significant opportunity. This is familiar ground, and the plan described in the rest of this document has carefully taken this into account.

The Corvallis Economic Development Advisory Board has based its recommended economic development action strategy on these conclusions:

- Corvallis DOES need an effective economic development strategy and program emphasizing a) high-wage traded sector employment that is diversified among many industries and b) property tax base growth.
 - This strategy must not attempt to be all-things-to-all-people but rather make focused choices and be driven by rigorous, achievable, and measurable goals that are consistent with community values.
 - The program must be fiscally responsible and scalable to accommodate potentially high returns on the investment. At the same time, it must be stressed that Corvallis economic development is a public good and responsibility. It is not something that can be expected to be funded primarily by the business community.
- Corvallis’s main opportunities lie in the area of innovative startups (especially out of OSU) and organic growth in local fast-growing companies.
 - There are significant ways these opportunities can be enhanced by taking advantage of Corvallis’ excellent economic and business assets, chiefly OSU, HP, Samaritan Health Services, and CH2M HILL as well as the highly educated Corvallis citizenry.

Goals

Support Innovation and Startups

Provide a local business environment that supports a successful, diverse traded-sector entrepreneurial community, including a supportive services infrastructure, long-term transportation strategy, and access to markets. Corvallis has been very successful in nurturing seed-stage⁴ and Series A⁵ start-ups, as can be seen in the metrics below. These Corvallis companies were able to raise over \$22 million in 2014 from a mixture of foreign and local investment pools including Samsung, Intel, the U.S. Department of Energy, and others.

METRIC – For each year, 5-10 new seed stage (startup) companies, 3-5 A-round (emerging) companies raising approximately \$10 million/yr, 1-3 B-round (growth) companies raising approximately \$20 million/yr.

Update – A-round metrics have been exceeded, but B-round metrics have not yet been met.

- Number of Seed Stage companies: 5-10
- Series A: 8 companies raised \$21.3 million (does not include \$434 million raised by NuScale to be spent over a 5-year period)
- Series B⁶: 5 companies raised \$6.5 million

The EDAB believes that this is still a valid goal and should be maintained.

Gaps -

- B-round funding is in shortfall.

Promote Organic Growth

Identify opportunities and support the retention and growth of companies that are currently located in Benton County.

Seek out the most promising Stage 2 companies⁷ in Benton County as determined by local employment growth and capital investment and provide services that will support these companies' continuing local presence and enhance revenue and employment growth opportunities.

METRIC – Corvallis "Top 20" employment and payroll.

⁴ First outside-of-company-founder financing, typically private investors sometimes called "angel investors." Goal is to advance an idea to proof of initial concept. Amounts raised vary, but are generally less than \$500,000.

⁵ Early stage capital, typically a mix of private investors, venture capital institutions, and strategic investors. Goal is to advance the proof of concept to product readiness. Amounts vary widely, but are generally less than \$5,000,000.

⁶ Majority of Series B funding is institutional: venture capital institutions and strategic investors. Goal is to advance the product into the market. Magnitude can be more than \$5,000,000.

⁷ Stage 2 – High Growth Company - Second-stage companies are those that have grown past the startup stage but have not yet grown to maturity. They have enough employees to exceed the comfortable control span of one owner/CEO and benefit from adding professional managers, but they may not have a full-scale professional management team. A business typically begins to enter its second stage when it approaches \$1 million in total receipts. The transition process may continue until it hits \$100 million in receipts, although for most companies \$50 million represents the upper limit of second stage. By \$100 million, a firm will have to be professionally managed in order to continue to thrive and grow and be in its third stage of development. Employee numbers and revenue ranges vary by industry, but the population of firms with 10 to 100 employees and/or \$750,000 to \$50 million in receipts includes the vast majority of second-stage companies.

GOALS

Maintain and support a business retention program that will proactively address the needs and growth opportunities of the Benton County's traded sector employers.

METRIC – Major Account Managers assigned and frequency of contact/reporting

Update – An “Account Manager” (Economic Development Officer) was hired July 1, 2013. “Top 20” companies have been identified, and 86 different “traded sector” companies were visited with 150 follow-up visits in the first year. Due to this effort businesses have been retained and have expanded, two of them in unincorporated Benton County. The EDAB believes that this is still a valid goal and should be maintained.

Gaps –

- In the first year, the Economic Development Office (EDO) utilized existing contacts from the EDAB members and resource partners, as well as cold calling, to meet and begin developing relationships with the local traded sector. In the coming years, new business connections may be more challenging due to access and limited staff time. Focus will be placed on providing high-quality and timely responses to business issues, retaining acute focus on rural Benton County companies, and maintaining proactive outreach through new and repeat business visits. The EDO has developed relationships with the “Top 20” companies, and has been able to assist them some, though the type of assistance they need tend to be at the federal and state levels. However, small and mid-sized companies in Benton County have been assisted in a bigger way.
- The EDAB has identified the following issues that need to be addressed to fill the gap in B-round growth:
 - Space: Insufficient light-industrial, production, office, and outfitted lab space exists to retain B-round companies in the area.
 - Infrastructure:
 - Those sites that are on the market, and could be developed into flex-space are not yet annexed, have unmotivated sellers, and/or do not have the necessary infrastructure to spur development in a timely manner.
 - Other infrastructure, including legal, accounting, and human resources, is lacking in the area, making it difficult to retain and grow B-round companies.

Leverage Local Assets

Develop a program that will focus on increased tenancy in existing vacant buildings and Enterprise Zone locations by business and industry types that are consistent with the Prosperity That Fits Plan.

METRIC – Tenants identified, permitted, moved in, and employing local citizens. (Benchmark evidence to show Corvallis has best-in-class site readiness and business expansion support processes.)

Update – Vacant properties have been identified and are listed on the Oregon Prospector website database. The database continues to be updated. Businesses have expanded into some of these spaces, and the EDO has responded to 60 recruitment solicitations in its two years of operations. The EDAB believes that this is still a valid goal and should be maintained.

Gaps – The Economic Development Office has recognized the following gaps:

- Property information needs continual update, which is time-consuming. It is difficult to get commercial brokers and property owners to provide updates.
- There is a lack of properly zoned and served properties, light industrial/flex development projects, laboratory space, and pre-existing buildings that are actively being marketed.

GOALS

Additional metrics will be developed in order to evaluate performance in addressing the above goals. The connectivity among a variety of factors that contribute to the performance of the local economy is acknowledged. Therefore, overall economic health indicators such as private sector employment, wage levels and property tax growth shall be identified and tracked.

Update – These metrics have been updated in this report, indicating measured success.

2015 Strategies

Support the development and deployment of resident and next stage capital, as well as identifying the likely financing sources for clients, when needed.

Update – The EDO has held a Business Resources Workshop for those seeking various types of business financing. The EDO continues to identify the likely financing sources for clients, when needed. The EDO has identified and listed the 2014 Capital Scan (http://www.oregoncf.org/Templates/media/files/jobs_and_economy/or-capital-scan-2014.pdf). The EDAB believes that this is still a valid strategy and should be maintained.

Gaps – The Economic Development Office has recognized the following gaps:

- Growth-stage capital

Develop and maintain relationships with Corvallis's largest employers, including OSU, HP, CH2M HILL, and Samaritan Health Services, to provide unprecedented advantages to Corvallis-based startups, including research infrastructure access, accelerator resources, services infrastructure, and innovative community networking.

Update – With the development of the OSU Advantage Accelerator and RAIN, efforts have been made and some success has been achieved to address this idea. Also, the Economic Development Office has successfully addressed innovative community networking with its support of the Willamette Innovators Network and the Willamette Angel Conference. The EDAB believes that this is still a valid strategy to be addressed.

Gaps – The Economic Development Office has recognized the following gaps:

- Attracting, legal, accounting, human resources, and other needed service infrastructure to the area is challenging.

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.

- In particular, pursue opportunities to develop properties for new and emerging companies, ideally ones that have strong synergy with OSU research strengths. Consider public investment opportunities for development, ranging from public ownership to infrastructure development and business financing tools.
- An opportunistic, but nevertheless valuable, strategy is to recruit new tenants for vacant space in Enterprise Zone areas (HP campus, Sunset Research Park, Airport Industrial Park) as well as to invest in additional land and building resources designed to meet the needs of scientific- and technology-oriented business and industry.

Update – Properties have been identified and listed on Oregon Prospector. Corvallis Community Development Department has implemented measures, such as a project management system to assist developers with timely development review and more certainty. Two more Enterprise Zone applicants have been approved. Over \$9 million has been invested, and 287 jobs have been created in the Enterprise Zone. Corvallis has improved its ranking among comparable university towns. (See Appendix 1) The EDAB believes that this is still a valid strategy, that there is still room for improvement, and should continue to be addressed.

Gaps – The Economic Development Office has recognized the following gaps:

- While some private sector investors have been identified, and appear willing to develop, little properly zoned and serviced property appears to be available.
- No public investment has been identified or implemented at this time.
- The perception that it is difficult to develop in Corvallis and Benton County is persistent.

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.

Gaps – The Economic Development Office has recognized the following gaps:

- Difficult for people (i.e., employees and customers) to travel in/out of Oregon from Corvallis.
- Consistent flights are not available out of the Eugene Airport for Corvallis-based travelers.
- Need to tie into a long-term statewide initiative.

2015 Tactics

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.

Update – The Economic Development Office has a web portal (www.YesCorvallis.org) that provides these details, and is continually updated. The EDAB believes that this is still a valid measure and should be maintained.

Gaps – The Economic Development Office has recognized the following gaps:

- While award-winning, the website will become dated, and require an update in the coming year.
- Maintenance of YesCorvallis and development of e-newsletters, blog content, and social media falls to the EDO currently, more staff is needed to properly market the EDO and local successes.

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).

Update – EDO has assisted The Willamette Innovators Network in forming a 501(c) (6) organization, and coordinates monthly “pub-talks,” and annual WiN Expos. The EDO has assisted in coordination of the Willamette Angel Conference for the third year. The EDAB believes that this is still a valid measure and should be maintained.

Gaps – The Economic Development Office has recognized the following gaps:

- Support for WiN and WAC consumes considerable staff time and is still dependent on the follow-through of other individuals and organizations to achieve success.

Build a strong relationship with the local business community through the account manager concept, and an ongoing Business Visitation program.

Update – An “Account Manager” (Economic Development Officer) was hired July 1, 2013, and continues to maintain an ongoing Business Visitation program. “Top 20” companies have been identified, and 86 different “traded sector” companies were visited with 150 follow-up visits in the first year. The EDAB believes that this is still a valid measure and should be maintained.

Gaps – The Economic Development Office has recognized the following gaps:

- In the first year, the Economic Development Officer made fairly easy in-roads into developing relationships with businesses. In the coming years, new relationships may be more challenging due to access.

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.

Update – The EDO continues to have an effective and productive relationship with Business Oregon. The EDO has responded to 60 development leads primarily from Business Oregon Recruitment Department. The Economic Development Manager serves on the Board of the Oregon Economic Development Association that represents Business Oregon interests. The EDO is a member of Team Oregon Food Processing and Team Oregon Advanced Manufacturing, both of which are targeted efforts to market Oregon to these specific sectors. The EDO is also a member, along with Business Oregon of the Pacific

Northwest Manufacturing Partnership. The EDAB believes that this is still a valid measure and should be maintained.

Gaps – The Economic Development Office has not recognized any gaps for this tactic.

Provide a business-oriented welcoming program for key recruits of local employers.

Update – The EDO has become a member of Civic Outreach. Since 2012, 112 new businesses and 189 business executives have been greeted through this program. In addition, the Economic Development Office has coordinated confidential business meetings in conjunction with potential recruitments, as needed. The EDAB believes that this is still a valid measure and should be maintained.

Gaps – The Economic Development Office has not recognized any gaps for this tactic.