



Work Session

WS

Milwaukie City Council



MILWAUKIE CITY COUNCIL
WORK SESSION

City Hall Conference Room
10722 SE Main Street
www.milwaukieoregon.gov

REVISED AGENDA
MAY 3, 2016
(Revised April 27, 2016)

A light dinner will be served.		Page #
1.	4:00 p.m. Introduction to Rights of Way (ROW) Staff: Reba Crocker, ROW and Contract Coordinator	1
2.	4:30 p.m. Intergovernmental Agreement (IGA) with Clackamas County for Solid Waste Rate Setting Staff: Casey Camors, Finance Director Reba Crocker, ROW and Contract Coordinator	2
3.	4:45 p.m. Economic Opportunities Analysis (Attachments added April 27, 2016) Staff: Alma Flores, Community Development Director	7
4.	5:45 p.m. Adjourn	

Meeting Information

- The time listed for each item is approximate; the actual time each item is considered may change due to the length of time devoted to the previous item. The Council may vote in Work Session on non-legislative issues.
- Executive Sessions: The Milwaukie City Council may meet in executive session immediately following adjournment pursuant to ORS 192.660(2).
 - All Executive Session discussions are confidential and those present may disclose nothing.
 - Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed.
 - Executive Sessions may not be held for the purpose of taking final actions or making final decisions.
 - Executive Sessions are closed to the public.
- For assistance/service per the Americans with Disabilities Act (ADA), please dial TDD 503-786-7555. During meetings the Council asks that all pagers and cell phones be set on silent mode or turned off.



MILWAUKIE CITY COUNCIL
STAFF REPORT

Agenda Item: **WS 1.**
Meeting Date: May 3, 2016

To: Mayor and City Council
Through: Casey Camors, Finance Director
Subject: **Introduction to Rights of Way**
From: Reba Crocker
Date: May 3, 2016

ACTION REQUESTED

None. Information on Rights of Way management and discussion on the future needs of the City.

BACKGROUND

The City has recently filled the position of Rights of Way Contract Coordinator. Previously the duties were distributed among staff members in different departments.

DISCUSSION

In order for the City to plan for future use and oversight of the Rights of Way, changes in the current code are necessary. Changing the codes and the way utility providers are managed is necessary to streamline the process. A change in the City's code will also ensure the City is resilient and adaptive to future changes.

Under the current code, payments are received at different intervals, different amounts and tracked by different staff members. Users of the City's Rights of Way are treated differently depending on the agreements, thus increasing staff labor to correctly manage the Rights of Way. In addition the current process cost a significant amount of staff time and attorney fees to negotiate individual franchise agreements.

Staff requests the support of City Council in updating the City's Codes.

CONCURRENCE

City Council approved the creation of the position with the intention of streamlining the process of managing the City's Rights of Way.

FISCAL IMPACTS

Modification to the City's code will increase the City's revenue by collecting Rights of Way usage fee from anyone that uses the City's Rights of Way. This modification will also reduce the labor costs associated with the current procedures.

ALTERNATIVES

N/A

ATTACHMENTS

1. None



**MILWAUKIE CITY COUNCIL
STAFF REPORT**

Agenda Item: **WS 2.**
Meeting Date: May 3, 2015

To: Mayor and City Council

Through: Bill Monahan, City Manager

Subject: **IGA with Clackamas County for Solid Waste Rate Setting**

From: Casey Camors, Finance Director

Date: May 3, 2016

ACTION REQUESTED

Discussion of an IGA (intergovernmental agreement) with Clackamas County for assisting the City in its annual review and adoption of solid waste and recycling collection fees.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

May 2016

Rick Winterhalter (County staff) assisted the City with annual solid waste rate setting. During City rate setting meetings, staff and the City Council discussed the approaching need to pay the County for rate setting assistance provided by the County.

BACKGROUND

The City has utilized and appreciated the assistance of County personnel for annual production review and rate development. These services have been provided at no cost to the City.

CONCURRENCE

The City desires continued assistance from the County on the annual production review of the solid waste rate setting. The review includes the services of the County staff, a CPA, staff report with findings and recommendations. The County, if requested, will attend and present City specific recommendations at City Council meetings.

FISCAL IMPACTS

The IGA will cost \$3,500 per fiscal year. Contracting with a CPA for garbage rate analysis would be a direct cost to the City estimated to be around \$7,000, in addition to additional staff hours (approx. 100 hrs).

WORK LOAD IMPACTS

Executing the IGA will add no additional work load to City staff.

ALTERNATIVES

City staff with additional professional services could perform the solid waste rate review.

ATTACHMENTS

1. Resolution
2. Draft IGA



CITY OF MILWAUKIE
"Dogwood City of the West"

Resolution No.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, AUTHORIZING THE MAYOR TO SIGN AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF MILWAUKIE AND CLACKAMAS COUNTY FOR ASSISTING THE CITY IN ITS ANNUAL REVIEW AND ADOPTION OF SOLID WASTE AND RECYCLING COLLECTIONS FEES.

WHEREAS, ORS Chapter 190 allows for units of local government to enter into agreements for the performance of any or all functions and activities which such units have authority to perform; and

WHEREAS, Clackamas County has adopted a Solid Waste and Waste Management Ordinance on June 10, 1970; and

WHEREAS, Clackamas County has franchised the collection of solid waste and collects certain fees from the collection of such solid waste; and

WHEREAS, the City desires a contractual relationship with the County whereby the County will be responsible for assisting the City in its annual review and adoption of solid waste and recycling collection fees; and

Now, Therefore, be it Resolved that the City Council of the City of Milwaukie authorizes the Mayor to sign an Intergovernmental Agreement with Clackamas County to assist the City of Milwaukie with annual production and rate review for solid waste franchises.

Introduced and adopted by the City Council on _____.

This resolution is effective on _____.

Mark Gamba, Mayor

ATTEST:

APPROVED AS TO FORM:
Jordan Ramis PC

Pat DuVal, City Recorder

City Attorney

INTERGOVERNMENTAL AGREEMENT

Between the City of Milwaukie and Clackamas County

This agreement is entered into this ____ day of _____, 2016, between the City of Milwaukie (“City”), a municipal corporation of the State of Oregon, and Clackamas County (“County”), a political subdivision of the State of Oregon.

WHEREAS, ORS Chapter 190 allows for units of local government to enter into agreements for the performance of any or all functions and activities which such units have authority to perform; and

WHEREAS, Clackamas County has adopted a Solid Waste and Waste Management Ordinance on June 10, 1970; and

WHEREAS, Clackamas County has franchised the collection of solid waste and collects certain fees from the collection of such solid waste; and

WHEREAS, the City desires a contractual relationship with the County whereby the County will be responsible for assisting the City in its annual review and adoption of solid waste and recycling collection fees; and

NOW THEREFORE, Clackamas County and the City of Milwaukie hereby agree to the following:

A. Effective Date and Termination

Upon execution by both parties this agreement shall have an effective date of February 19, 2016 and shall apply retroactively to that date, and shall continue in full force and effect until terminated by either party.

A party may terminate the Agreement without cause upon 90 days prior written notice, or upon 30 days prior written notice for failure to perform as required by this Agreement, including failure to pay amounts appropriately due.

B. The County Shall:

1. Perform an annual production record review of the City’s solid waste collection franchisees in coordination with the County’s annual review. The review includes the services of County staff, the contracted services of a CPA, and a staff report with findings and recommendations from the review.

2. If requested by the City, attend and present at City of Milwaukie Council work sessions and public meetings.

C. The City shall:

Collaborate with the County on the annual production record review.

D. Compensation

County shall provide the annual review of financial and production records and fee setting services for the annual sum of \$3,500.

E. Amendment

This Agreement may be amended upon signed, written agreement between the City and the County.

F. Indemnity

Subject to the limitations of liability for public bodies set forth in the Oregon Tort Claims Act, ORS 30.260 to 30.300, the City shall hold harmless and indemnify County, its officers, employees, and agents against any and all claims, damages, losses and expenses (including attorney(s) fees and costs), arising out of, or resulting from the performance of this Agreement when the loss or claim is attributable to the acts or omissions of the City.

G. Severability

County and City agree that if any term or provision of this Agreement is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the agreement did not contain the particular term or provisions held to be invalid.

H. Other Terms

1. Compliance with Laws. County and City agree to comply with all applicable local, state, and federal ordinances, statutes, laws and regulations.
2. No Assignment. This agreement may not be subcontracted, assigned or transferred by either party without the express written consent of the other party.
3. Entire Agreement. This agreement constitutes the entire agreement between the parties, and may be modified only in writing signed by both parties as indicated in section E above.

I. Liaison and Contact Person

Liaison and Contact Person from City for the Agreement will be:

Rebecca Crocker, 10722 SE Main St., Milwaukie, OR 97222
503-786-7516, CrockerR@milwaukieoregon.gov

Liaison and Contact Person from County for the Agreement will be:

Rick Winterhalter, 150 Beaver Creek Rd., Oregon City 97045
503-742-4466, rickw@clackamas.us

CITY of Milwaukie

By: _____ Date: _____
Mayor

ATTEST:

By: _____ Date: _____
City Recorder

Approved as to Form:

By: _____ Date: _____
City Attorney

CLACKAMAS COUNTY

By: _____ Date: _____
County Administrator

Approved as to Form:

By: _____ Date: _____
County Counsel

ATTEST:

By: _____ Date: _____
Recording Secretary



MILWAUKIE CITY COUNCIL
STAFF REPORT

Agenda Item: **WS 3.**
Meeting Date: May 3, 2016
Revised April 27, 2016

To: Mayor and City Council

Through: Bill Monahan, City Manager

Subject: **Economic Trends and Analysis—Economic Opportunities Analysis**

From: Alma Flores, Community Development Director
Jerry Johnson, Johnson Economics

Date: April 27, 2016

ACTION REQUESTED

Listen to a presentation given by Johnson Economics, the city's consultants on the development of the Economic Opportunities Analysis (EOA)—a supply and demand analysis of employment lands, industry typologies, target industries, and economic development strategy.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

There have been no historic discussions or analysis on the state mandated employment land analysis (EOA) for the city. In fact, this is the first time the city has embarked on such a study to help inform the comprehensive planning update by meeting the guidelines listed in Statewide Planning Goal 9—Economic Development.

BACKGROUND

The Oregon Department of Land Conservation and Development (DLCD) oversees the development of the Economic Opportunities Analysis (EOA), which is a study that identifies and analyzes the supply of land for industrial and other employment uses in communities. The EOA is the first step in understanding the trends (which will speak to the demand for employment land by industry type), the land supply, and preliminary policy recommendations to address a possible shortage in employment lands. The EOA is used to serve as a background report to the development of, or update to, the Comprehensive Plan, and must follow the guidelines in Statewide Planning Goal 9 to provide a 20-year outlook of supply and demand for the economy element of the Comprehensive Plan. Below is a summary of the Goal 9 requirements (per the DLCD guidebook):

I. Economic Opportunities Analysis (OAR 660-009-0015)

Compares the demand for land for industrial and other employment uses with the existing supply of such land and includes:

- Review of national, state, regional, county, and local trends
- Identification of site characteristics
- Inventory of industrial and other employment lands
- Assessment of community economic development potential

II. Industrial and Other Employment Development Policies (OAR 660-009-0020)

Comprehensive plans must include:

- Community economic development objectives
- Commitment to provide a competitive short-term supply for jurisdictions within metropolitan planning organizations
- Commitment to provide adequate sites and facilities
- Detailed strategies for preparing the total lands supply for development and replacing the short-term supply as it is developed for jurisdictions within metropolitan planning organizations.

In addition, cities and counties are encouraged to adopt plan policies relating to:

- Brownfield redevelopment and maintaining industrial lands in industrial use
- Expansion, retention and increased productivity from existing industries and firms
- Protection of prime industrial lands
- Additional approaches to achieving local objectives

III. Designation of Lands for Industrial and Other Employment Uses (OAR 660-009-0025)

Cities and counties must adopt measures adequate to implement policies, including:

- Identification of needed sites
- Total land supply
- Short-term supply of land
- Uses with special siting characteristics

According to the Goal 9 administrative rule, local jurisdictions must adopt comprehensive plan policies to implement local economic development objectives. These policies and associated strategies should be revised and updated regularly, at least when land supply, economic, or demographic conditions change. The city's Goal 9—Economy Element (Economic Base and Industrial/Commercial Land Use Element) was adopted in 1989 and has only been updated to reflect the Moving Forward Milwaukie project in 2015. .

Goal 9 requires cities and counties to provide an adequate supply of sites of suitable sizes, types, locations, and service levels for a variety of industrial and other employment uses. The EOA contains four elements: trend analysis, identifying site characteristics, land inventory and assessment of community economic development potential.

An adequate land supply provides sites suitable for the 20-year planning period as well as for the short-term to meet development opportunities as they occur. This is necessary to accommodate a varied range of small, medium and large employers, for new and expanding businesses and to ensure land is available for immediate development.

Land qualifies as short-term if it is ready for development within one year of a permit application or request for service extension. A 20-year land supply where 25 percent of the land is available short-term is considered competitive. This means there is a sufficient range of site sizes and locations to respond to economic development opportunities as they arise. Under the Goal 9 administrative rule, jurisdictions may participate in the industrial site certification program or set targets other than 25 percent for their short-term supply of land.

The objective of the EOA is to match expected demand for industrial and other employment lands with the supply and to provide a basis for local governments to accommodate identified needs.

CONCURRENCE

Community Development Director, Planning Director, Senior Planner, and the City Manager concur.

FISCAL IMPACTS

The contract is underway so there is no further budget request or additional fiscal impact.

WORK LOAD IMPACTS

Typical contract project management work currently being done by the Community Development Director and an associate planner.

ALTERNATIVES

None.

ATTACHMENTS

1. Economic Trends Analysis
2. Target Industry Report

CITY OF MILWAUKIE: ECONOMIC OPPORTUNITIES ANALYSIS



Economic Trends Analysis

Regional Context:



The City of Milwaukie functions in a regional economy that is influenced by broader economic trends and conditions in the Portland Metropolitan area and the nation. This section summarizes anticipated and observed national, state, and local trends and their likely influence on the Milwaukie economy.

Short-Term Trends:

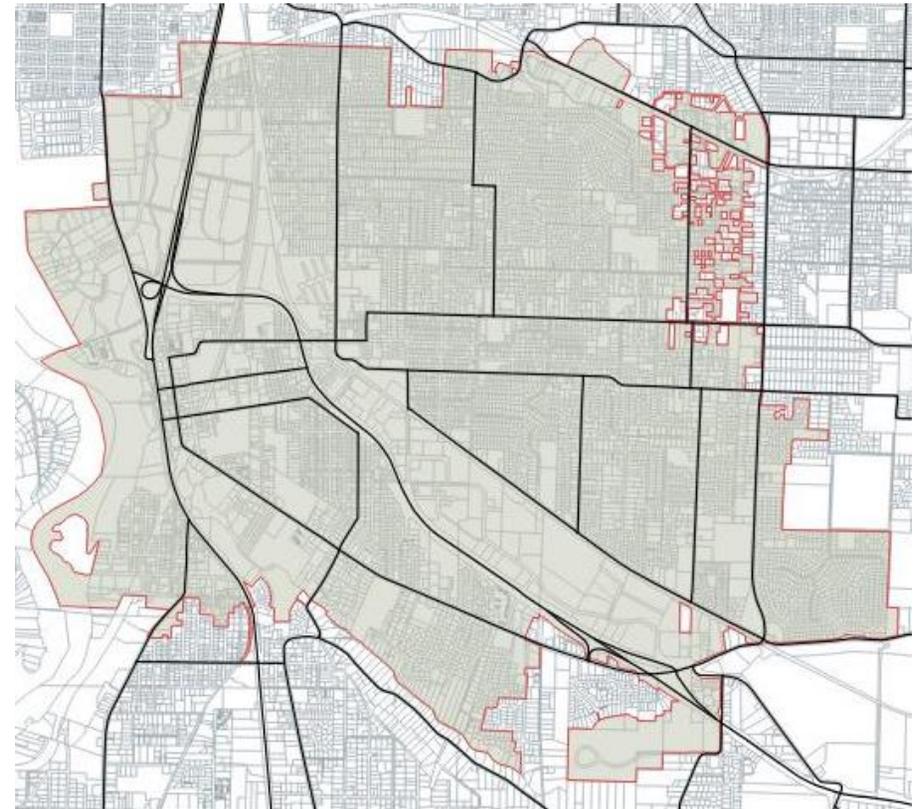
0 – 5 Years

An Economic Opportunities Analysis (EOA) is primarily focused on long-term structural cycles. However, the Portland Metropolitan area is currently exhibiting unprecedented trends across many metrics that are clearly indicative of structural changes in the regional status quo. Short terms trends are easier to discern, as well as more relevant to current economic development needs.

Long-Term Trends:

0 – 20 Years

Economic growth in Milwaukie over the twenty-year planning period will occur in the context of long-term economic and demographic conditions.

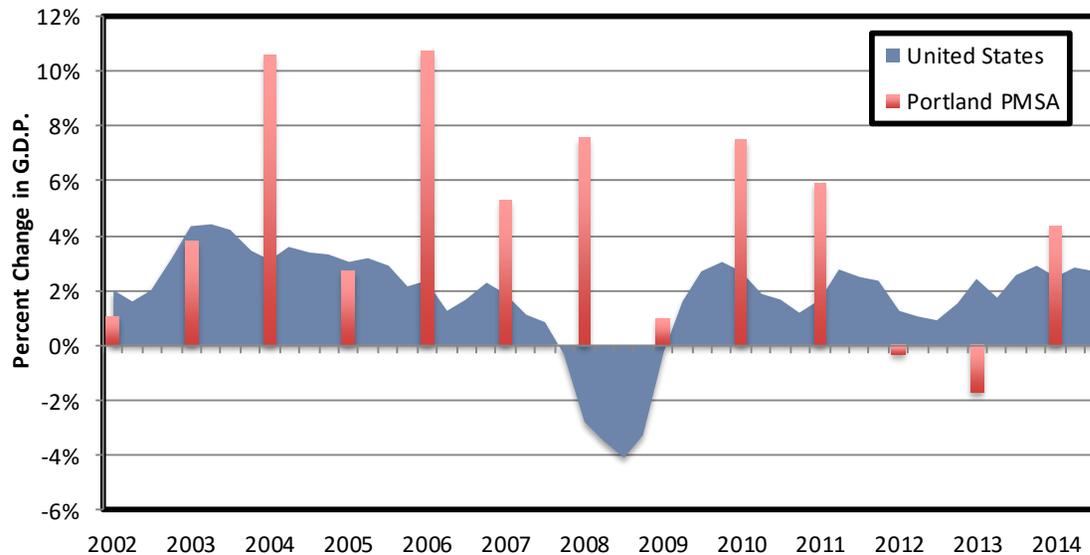


OAR-660-009-0015

The economic opportunities analysis must identify the major categories of industrial or other employment uses that could reasonably be expected to locate or expand in the planning area. This determination is based on local economic development aspirations, grounded in observed national, state, regional, county or local trends. This review of trends is the principal basis for estimating future industrial and other employment uses.

Economic Trends Analysis

Current Business Cycle Conditions—Output: U.S. Gross Domestic and Portland Metropolitan Product, 2002 through 2015



Source: U.S. Bureau of Economic Analysis (BEA)

The Great Recession officially brought six consecutive quarters of negative economic growth in 2008 and early 2009. The depth of and duration of this downturn was the most pronounced since World War II. The recovery and current expansion cycle has been particularly modest to date, as credit markets are more stringent, businesses are more cautious, and housing construction has yet to emerge as a driving catalyst.

While the narrative for labor markets is slightly different, recession era declines in output growth were less severe locally, a likely product of a high share of traded sector industries. Similar to previous cycles, inflection points in economic cycles continue to lag national trends by several years. For example, local negative output occurred in 2012-2013, not 2008-2009.

Over the near-term, the Congressional Budget Office (CBO) forecasts continued moderate growth in the 3% range, with long-term growth expected to be slightly lower than past expansion cycles¹.

Monetary Policy Outlook

The Federal Reserve (The Fed) uses monetary policy to influence business cycles to meet targets for employment and inflation. During the great recession The Fed employed unprecedented measures to stave off a financial crisis and repair economic conditions. In 2015, the Federal Funds Rate remains near 0%. With the current business cycle now in its sixth year, some economists are concerned that not coming off the zero bound will limit The Fed's ability to combat the next downturn.



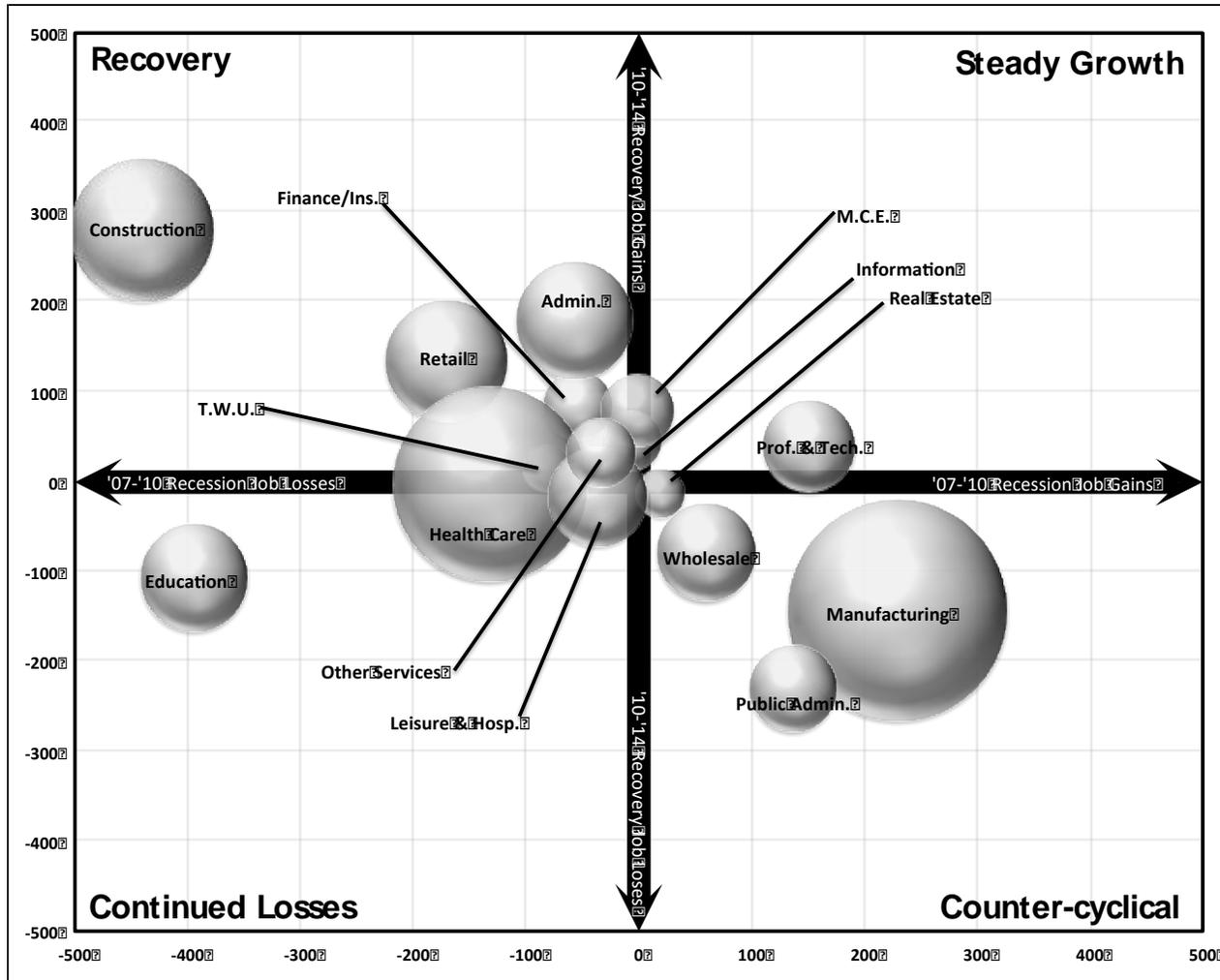
Impact on Milwaukie:

In the near-term, borrowing costs for local companies will increase over the next several years, as interest rates are allowed to trend upwards. However, this should occur in the context of continued economic growth. Milwaukie should see positive economic growth exceeding national levels through 2020. Pressure for increased housing density and business investment in capacity expansion will lead to growth in coming years.

¹ Congressional Budget Office, The 2015 Long-term Budget Outlook (June 2015)

Economic Trends Analysis

Current Business Cycle Conditions—Labor Market Recovery by Industry Sector, Milwaukie, Oregon (2010-2014)



Source: Oregon Employment Department and Johnson Economics

Most cities in Oregon experienced negative employment growth between 2007 and 2010. And Milwaukie was no different. During this period the City shed over 6.3 percent of its job base. Most of the City's industries were affected, led by construction, education, retail, and health care. Declines in health care and subsequent lackluster recovery is surprising, as health care maintained steady growth through the recession in most markets. Equally surprising is the counter cyclical nature of the Milwaukie's manufacturing base. We can likely attribute this to the industry's dominance by large firms who tend to be more resilient.

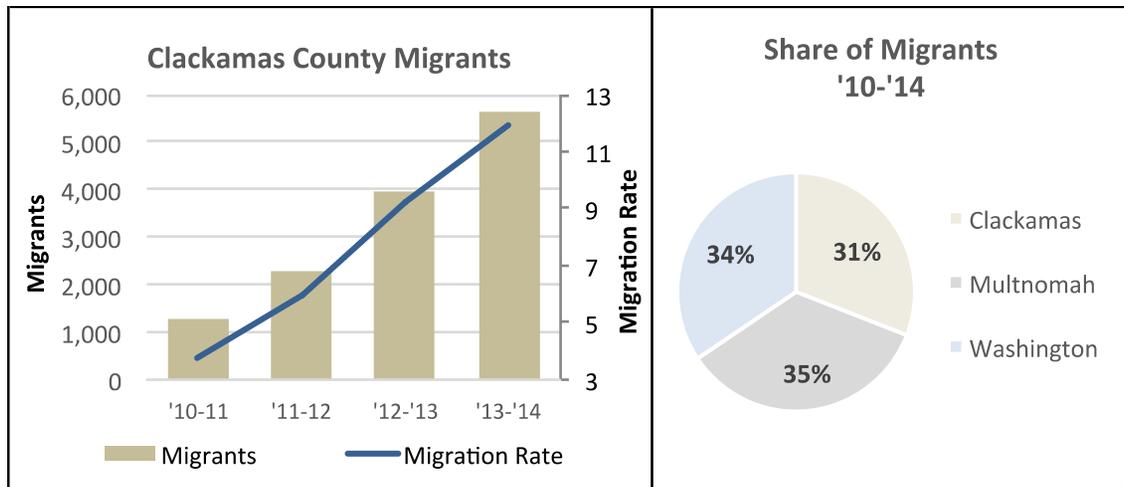
Despite recovery in many industries, Milwaukie is still roughly 500 jobs below the pre-recession peak.

Impact on Milwaukie:

On whole, future business cycles in Milwaukie are likely to follow regional trends. However, recent experience suggests that on an industry sector basis, local trends deviate for some industries from the status quo. With the exception of a few sectors (construction, education, manufacturing), employment volatility was relatively moderate through what has been dubbed the worst economic recession since the depression. Lower volatility provides greater certainty throughout business cycle inflection points.

Economic Trends Analysis

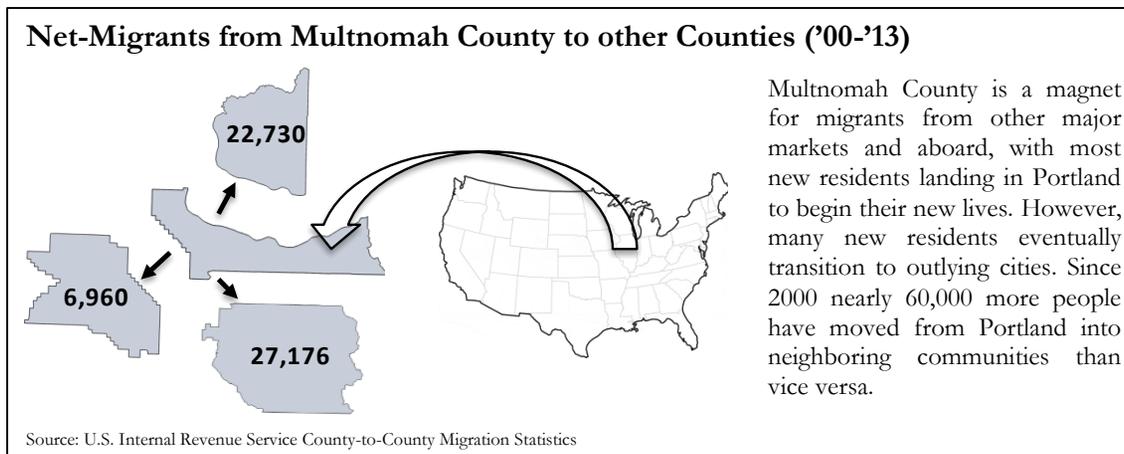
Migration Trends—Clackamas County and the Portland Metropolitan Area



Commensurate with economic expansion and increased employment opportunities, migration into Clackamas County from other regions in the United States and abroad has accelerated rapidly. Since 2010, Clackamas County has accounted for 31 percent of new migrants to the region and nearly 15 percent of all net-new migrants to the state of Oregon.

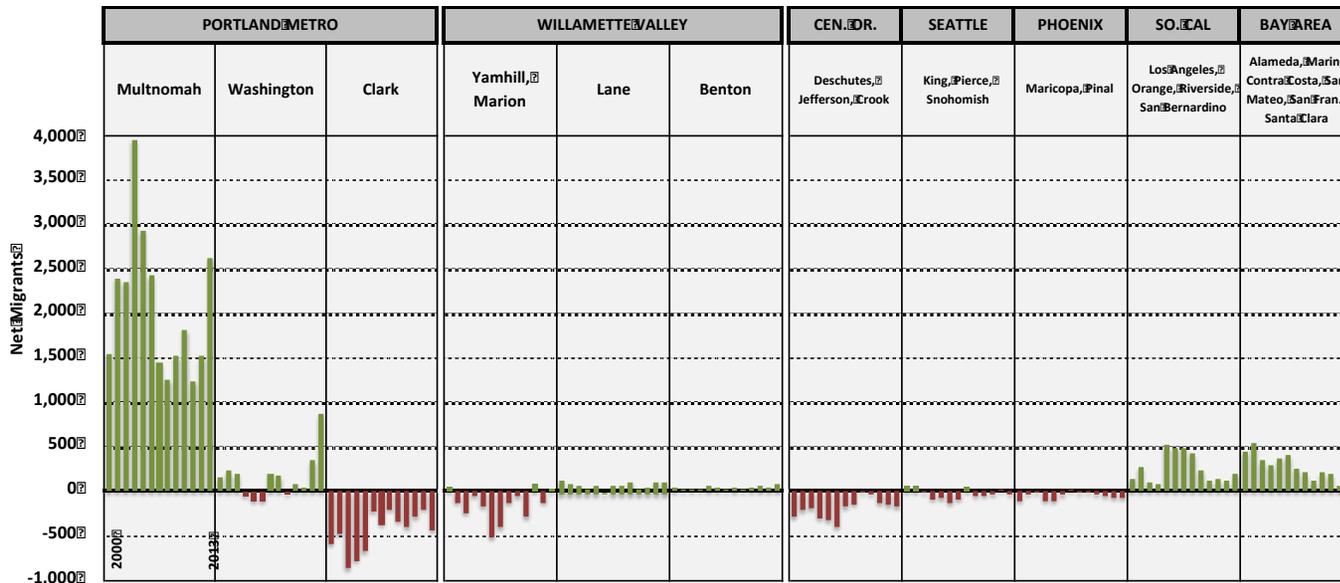
For much of Oregon, the aughts were defined by high rates of net in-migration, averaging between seven and eight persons per 1,000 residents annually at both the local and state level. In the current decade, net in-migration rates in Clackamas County have exploded to nearly 12 persons per 1,000 between 2013 and 2014. This is among the highest migration rates in Oregon and the highest in the Metro area.

Multnomah County—The Metro Region’s Ellis Island



Economic Trends Analysis

Net Migration Between Clackamas County and other Major Markets, 2000 through 2013



Source: U.S. Internal Revenue Service County-to-County Migration Statistics

Impact on Milwaukie:

A history of strong net-migration coupled with a rosy outlook is indicative that migration-driven population growth in the region is likely to continue throughout the planning period. While the extent to which this will translate into increased household growth in Milwaukie through increased density remains to be seen, regional pressure will be there. This is a positive sign for industries that derive a significant share of their support from the local population base. This includes health care, retail, food services, education, financial services, housing construction, and most of the other services sector.

Multnomah County has also exhibited a doubling of its migration rate in recent years. Given the systematic relationship of flows between Clackamas and Multnomah, an above average influx of inter-region migrants should be expected over the next five years.

The figure aside exhibits net-migration flows between Clackamas County and the primary markets from which people have “flowed” in and out of since the start of 2000. The connection to the rest of the Portland region is as expected, with heavy inflows from Multnomah County and outflows to areas with lower housing costs in Clark County and the Willamette Valley. Persistent inflows from Lane and Benton counties are likely the result of student migration from the University of Oregon and Oregon State University.

Clackamas County’s relatively older age profile is also reflected in outflows to Central Oregon, a hotbed for retirees.

Between other major markets, Clackamas County is a slight exporter of residents to both Seattle and the Phoenix area. However, a considerable share of net-migrants originates from California’s two largest markets.

Economic Trends Analysis

Potential for Future Growth—Has Milwaukie been Discovered?

The Portland region is going through an unprecedented transition, with strong net-migration impacting the character of communities and placing regional pressure to expand housing and commercial development stock. In part the result of a billion-dollar transit investment to link the community with the Portland Central City, the community of Milwaukie is shaping up to play a considerable role in accommodating growth.

During the current housing cycle, median home prices in the Portland Metro area have climbed rapidly, growing from \$221,000 in 2012 to \$306,000 in 2015, an increase of 30%. Rental apartment rates have followed a similar trajectory. Price appreciation in both cases is driving more residents to look into secondary markets with strong connectivity and community “bones”. The data would suggest Milwaukie fits that mold. Over the same period home sale velocity in Milwaukie increased 31% with median prices growing by 43% since 2012. This trend is even further pronounced within station areas (defined here as within a half-mile radius of a light rail station). Since 2012 station areas have seen a 66% increase in home sales and 51% increase in median prices. Price appreciation has been greatest near the Milwaukie/Main station which saw a 69% increase in median sale price. This conditions indicative of several factors that will influence economic conditions over the planning period:

Underlying Demographics

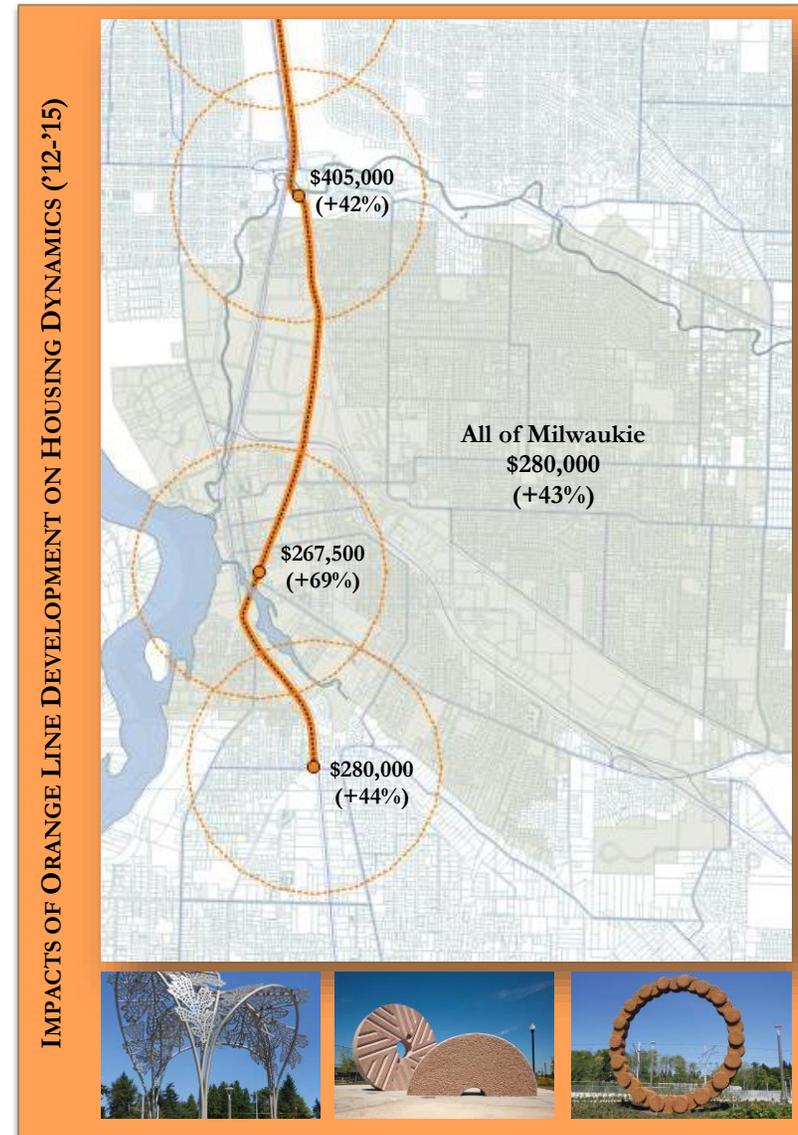
In addition to growth in the number of “rooftops” in the community, Milwaukie is likely to exhibit an uptick in median resident incomes as well. Affordability relative to proximate markets will also likely begin to attract a younger demographic base as a segment of Millennials begin to establish families. Combined these effects will create additional demand for retail goods and other household services.

Retail Tenant Types

By extension, a younger and more affluent demographic base will in turn begin to attract a different mix of retail and leisure tenant profiles.

Transition of Product Types

All else equal, increases in achievable pricing will translate into greater redevelopment potential. In combination with economic development tools an uptick in redevelopment in strategic areas will be increasingly likely.



Economic Trends Analysis

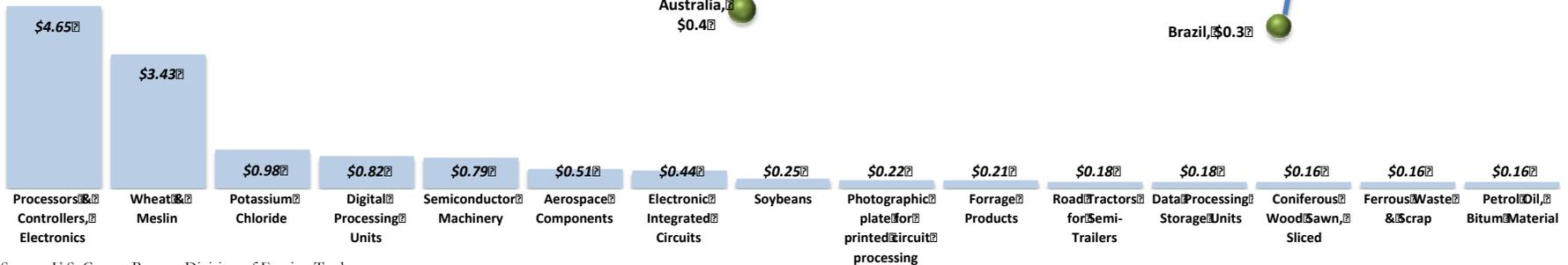
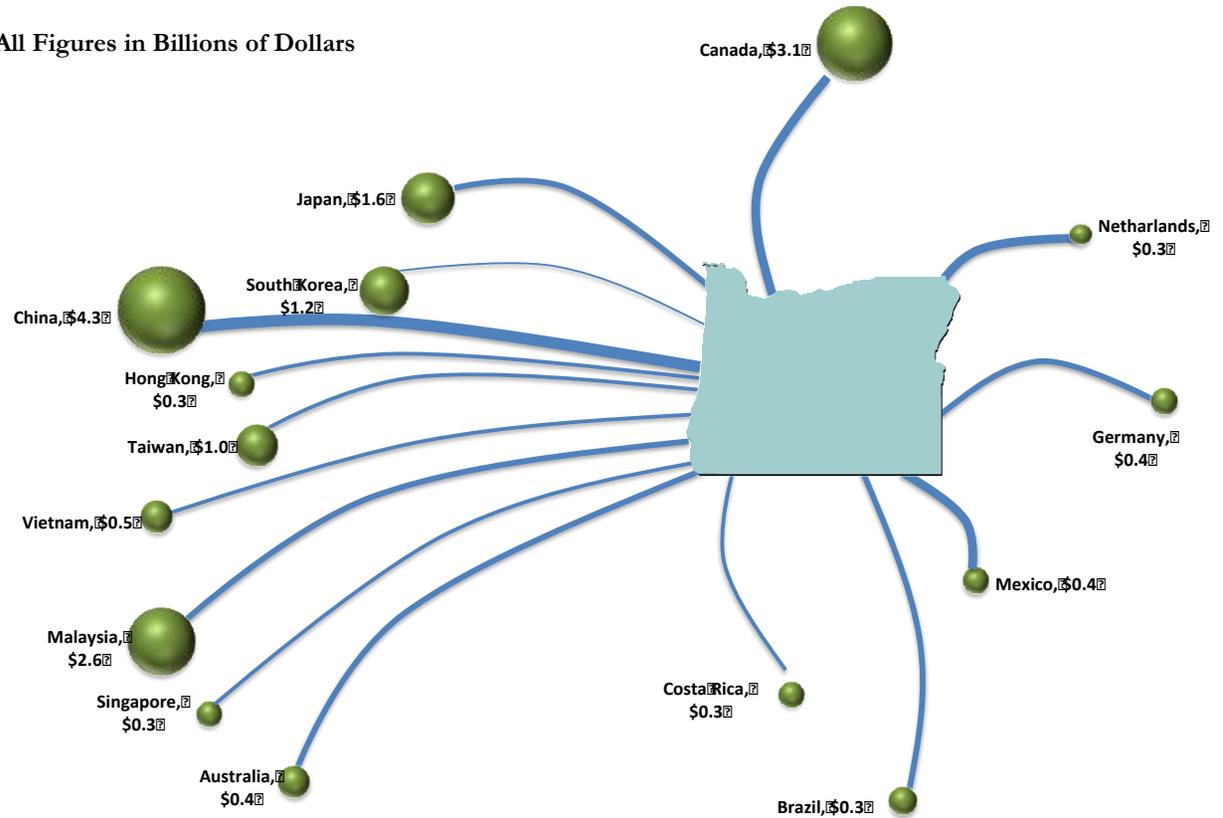
Oregon Exports: The Connection to a Global Marketplace (2014)

Oregon's Economic health is largely connected to growth in the export market. This is especially true in Washington County, which accounts for a considerable share of Oregon's traded-sector output. In 2014, Oregon's total export value reached nearly \$20.8 billion, a 12.1 percent increase over the previous year. Recent export growth has been driven by increased trade with China (+34%), Canada (+15%), Malaysia (+16%), Vietnam (+94%), and the emergence of trade with the United Arab Emirates (+224%).

With the exception of Canada, Oregon's second largest export partner, Oregon businesses are largely connected to eastern Pacific Rim economies that produce high-tech goods.

Oregon primarily exports computer & electronics products, led by semiconductors & equipment, agricultural products, transportation equipment, and wood products.

All Figures in Billions of Dollars



Source: U.S. Census Bureau, Division of Foreign Trade

Economic Trends Analysis

Oregon Exports: Economic Growth of World Markets

In 2014 Oregon exported over \$20.8 billion dollars in products. Economic development leaders in the region are confident that there is more room for growth. Increasing exports has become a central component of regional economic development strategies. The connection of export growth to job creation is clear; the Oregon Office of Economic Analysis estimates that 86,500 jobs are directly supported by Oregon exports. A key element in the Greater Portland Export Plan is catalyzing under exporting firms, emphasizing creation of global opportunities for small and medium sized firms.

“We are looking at 10,000 new jobs [U.S.] in manufacturing and engineering... and up to 40,000 jobs across our supply chain.”

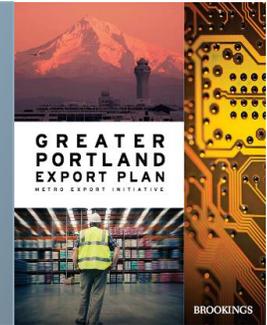
- Mark Parker, CEO Nike Inc. on the T.P.P

In 2015, negotiations were underway for the Trans-Pacific Partnership, a free-trade agreement with twelve Pacific Rim countries, including seven of Oregon’s top fifteen trading partners. Over 31 percent of all Oregon exports are currently with existing FTA partners, a full one-third increase in ten years. If approved, the agreement could expand Oregon’s export potential markedly.

While many structural conditions are in place to facilitate strong export expansion, prospects for growth are not without risks. Most notably, on-going and reoccurring labor disputes threaten to undermine the stability and certainty of exporting firms in the Portland market. A long-term resolution and return of shipping business will be necessary for the region to meet its export goals. A strengthening U.S. dollar has also begun to erode export growth, a condition that will persist over the intermediate-term.

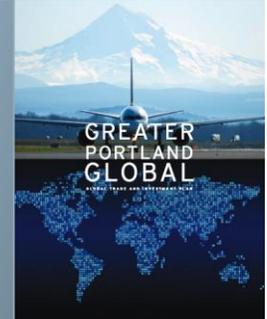
Greater Portland Export Plan (Four Strategies):

1. Leverage Primary Exporters
2. Catalyze Under Exporters
3. Build a Healthy Export Pipeline
4. Branding



Greater Portland Global

A joint project between the Brookings Institute and JP Morgan Chase. The plan’s focus is on the interaction of exports and Foreign Direct Investment (FDI). A key finding was that excluding Japan; the region lacks FDI out of Pacific Rim partners.



Trans-Pacific Partnership

The largest FTA since NAFTA. Agreement between 12 Pacific Rim countries to lower trade barriers and expand markets.



Labor Disputes

Labor dispute between the longshore union and ICTSI led to the loss of the Port of Portland’s two largest container carriers, resulting in an 84 percent drop in container traffic.



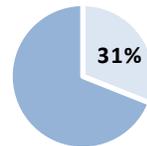
Impact on Milwaukie:

The manufacturing economy in Milwaukie has been, and will continue to be, highly reliant on global marketplace trends. On the positive side, expanded wealth and purchasing power in emerging markets on the Pacific Rim and in Latin America should continue to drive demand for products and services made locally. However, this reliance goes hand-in-hand with exposure to global instability and volatility.

In the near-term, a stronger dollar will temper export growth, as U.S. products are more expensive to foreign buyers. In the long-term, structural conditions and economic development initiatives are in place for continued export growth.

\$20.8 BILLION EXPORTED

Share of Exports to FTA Partners **10-Year Change**



Source: Oregon Office of Economic Analysis

86,500 JOBS SUPPORTED

Economic Trends Analysis

Oregon Economic Outlook

The Oregon Office of Economic Analysis produces a forecast outlook for the Oregon economy on a quarterly basis. Information here is largely derived from these reports and other third party sources.

Both of the indices that track economic conditions in Oregon continue to signal positive growth on the horizon. Unemployment levels are at their lowest levels since January 2000. Several indicators have recently moderated, specifically housing starts and business investment. However, these areas are broadly expected to turn positive beyond 2016.

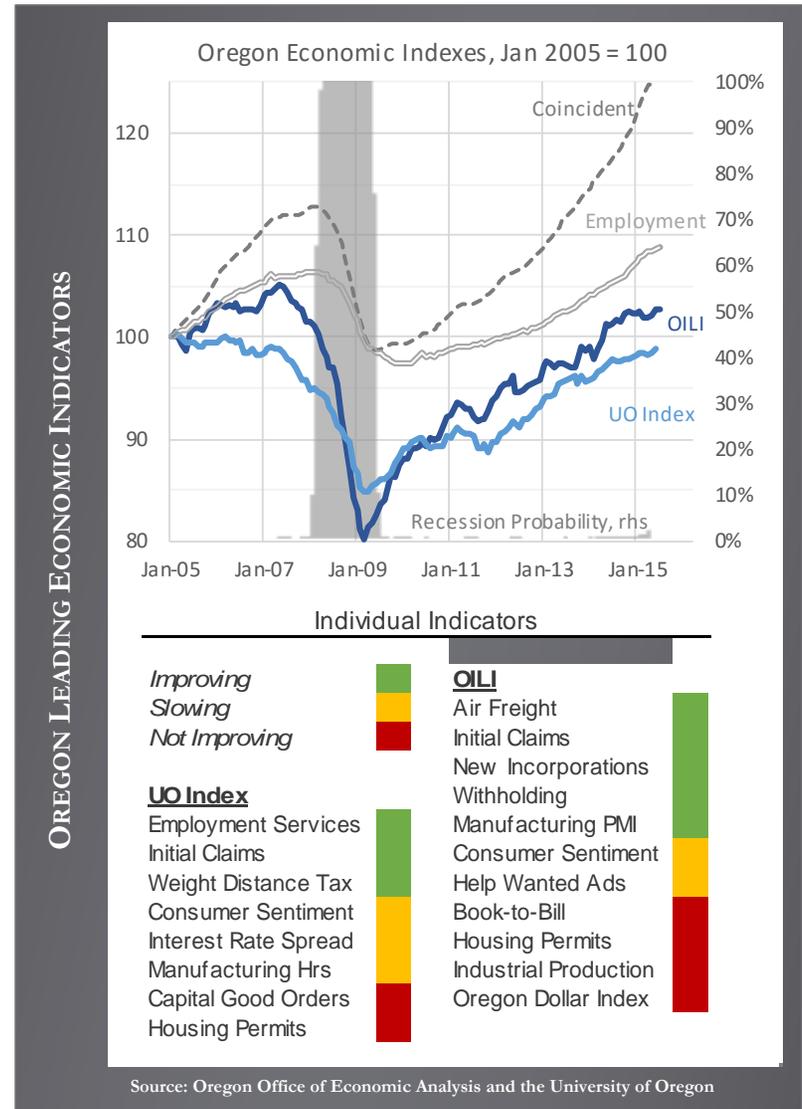
The near-term economic outlook for Oregon calls for stable employment growth in the neighborhood of 3 percent annually. Private sector growth will be driven in large part by gains in service employment; however, goods producing industries will grow at above average rates. Over the intermediate-term, Oregon's GDP is forecasted to be the third fastest among all states through 2020 at 3.8 percent annual growth. Manufacturing employment growth is expected to be the second fastest in the nation at 1.8 percent annual growth.

Forecast Risks:

- Federal austerity will have a downward pressure on growth. However, federal cuts will impact Oregon to a lesser degree due to an overall lower federal presence.
- The extent that housing construction will maintain pace with growth in demand.
- The European debt crisis will continue to act as a drag on global economic growth. A worsening of conditions will amplify this impact.
- Commodity prices remain low relative to recent highs but could trend upward.
- Other unforeseen global price shocks.
- Exit strategy from fiscal stimulus.

Impact on Milwaukie:

The direction of the local economy will generally move in line with state trends. Economic indices measure the health and direction of many elements of the economy. Inflection points in these series can act as warning signs of cyclical fluctuation. Current strength across most metrics signals that we can be fairly confident in a strong short-term growth forecast in Oregon and more specifically in Milwaukie.

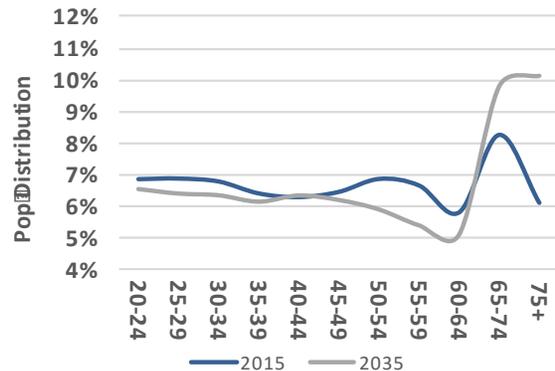


Economic Trends Analysis

Demographic Shifts—Impact on Labor Market Availability

Aging of the Workforce

The aging of the Baby Boomers into their retirement years will perhaps be the greatest challenge to the U.S. economy over the planning period. By 2035 the share of the population age 65 and older will balloon to 21 percent, up from 14.5 percent today. The effects of this condition will be a decline in labor force participation, an increase in federal liability for health care services, and an increased need for replacement workers.



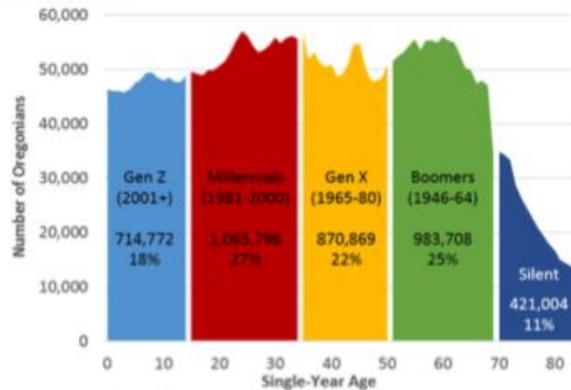
Source: U.S. Census Bureau, Population Division

Impact on Milwaukie:

Milwaukie’s population is roughly on par with the metro area in the 25-34 age range. However, the City is slightly skewed toward a lower concentration of families and higher concentration of older residents. Given the manufacturing concentration in the economy, demographic challenges in the workforce may be more exasperated locally.

Millennials

Millennials are now the largest demographic segment in the United States, comprising 27% of all residents and an even greater share of net-migrants. Leading into and during the Great Recession, this cohort faced a woeful labor market. Many opted to enter or continue post-secondary education, at which point the college enrollment rate for 18-24 year olds rose from 37 to 42 percent.



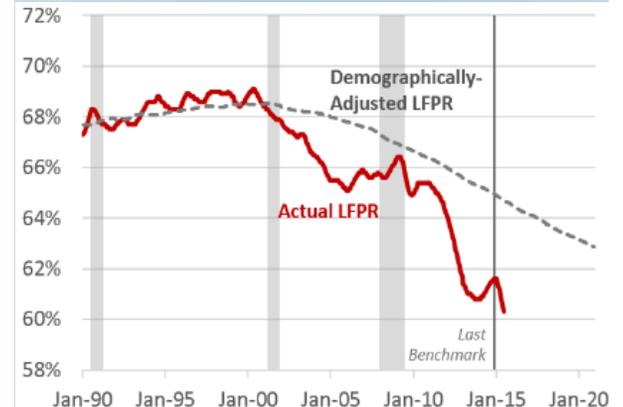
Source: Oregon Office of Economic Analysis

Impact on Milwaukie:

The Millennials represent a demographic “blip” that is both large and better educated than previous generations. As they move into their most productive working years, they will be instrumental in driving up productivity per worker through innovation. Communities like Milwaukie with an affordable housing stock, a proximity to the central city and an ability to attract Millennial populations will have a competitive advantage.

Labor Force Participation (LFP)

The aging of the labor force as well as generational preferences are putting downward pressure on the labor force participation rate. This rate measures the share of the working age population that is employed or is actively seeking work. In 2015 Oregon’s rate of 60.2 percent was the lowest on record. The “participation gap” is the difference between actual LFP and where LFP should be given underlying demographics. Currently this gap is quite large, structurally reducing potential output in the economy.



Source: Oregon Office of Economic Analysis

Impact on Milwaukie:

Companies in Milwaukie will have increasing difficulty finding trained labor. High migration will be necessary to accommodate needs. Difficulty finding labor may accelerate investments in capital to replace labor. The economy overall is at greater risk of performing below potential.

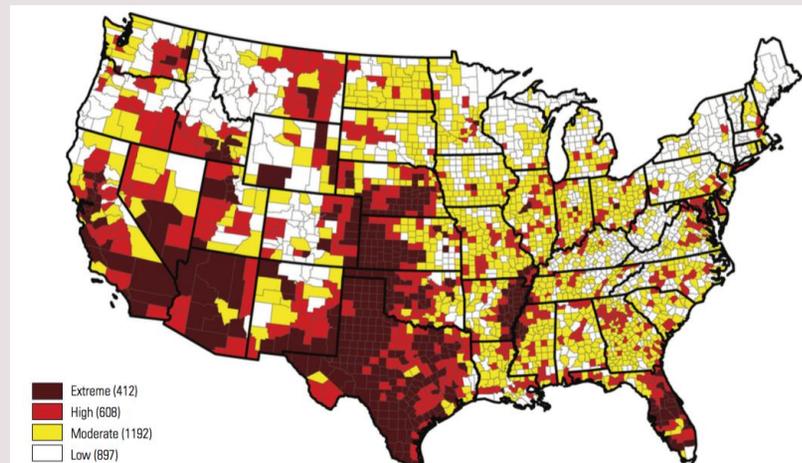
Economic Trends Analysis

Long-Term Migration from Other States and Abroad

The Pacific Northwest: A Climate Refuge?

Continued in-migration from other states will maintain sustained growth in population and labor force locally. Long-term, an acceleration of net-migration rates is increasingly likely in the context of water resource constraints in the U.S South and Southwest. The Pacific Northwest, and more specifically the Willamette Valley is among the only regions in the United States with an overall low risk of future water resource constraints. The ability of population centers in the South and Southwest to accommodate projected population growth is questionable, with proximate high resource areas like Oregon being a likely outlet to accommodate future growth.

Water Supply Sustainability Risk, 2010 through 2050



Source: Natural Resource Defense Council (2010)

Global Impacts on Migration

Rising globalization has driven growth in emerging economies over the last twenty years, specifically in China, Southeast Asia, India, Latin America and some African countries. This growth has increased incomes and purchasing power in many parts of the world. With incomes in emerging economies expected to grow at an accelerated rate relative to the U.S. over at least the next 50 years, the differential between domestic and foreign incomes and standards of living will certainly decrease.

Impact on Innovation & Entrepreneurship

The effects of lower international migration could potentially have adverse impacts on innovation in America over the long-term. Foreign-born residents have been found to be twice as likely to start a business compared to domestic counterparts. In the high-tech sector, 25 percent of U.S. tech & engineering companies started over the last 20 years had at least one immigrant founder.

Source: Wadhwa, Vivek, et al. *America's New Immigrant Entrepreneurs*, 2007

**Foreign Born
Founded
Businesses**

**2x
more likely**

While undoubtedly a positive for reducing poverty and increasing global demand for goods and services (some of which are produced in the United States), the improved incomes of emerging countries will reduce the competitive labor advantages of those nations. Many who otherwise would chose to migrate to the U.S. for better opportunities will begin to find those opportunities at home—resulting in lower rates of international migration to the U.S. Over the last 25 years roughly 35 percent of population growth in the U.S. was derived from international migration.

Economic Trends Analysis

Reshoring Prospects: Reimagined U.S. Manufacturing

The offshoring trend that occurred over the last half century saw firms capitalize on the cost advantages of labor and to some extent materials in foreign markets, resulting in a shift in production and investment abroad. This phenomenon extended beyond production activities and into some back office functions (i.e. call centers, IT Services, etc.) to shift millions of jobs into emerging markets.

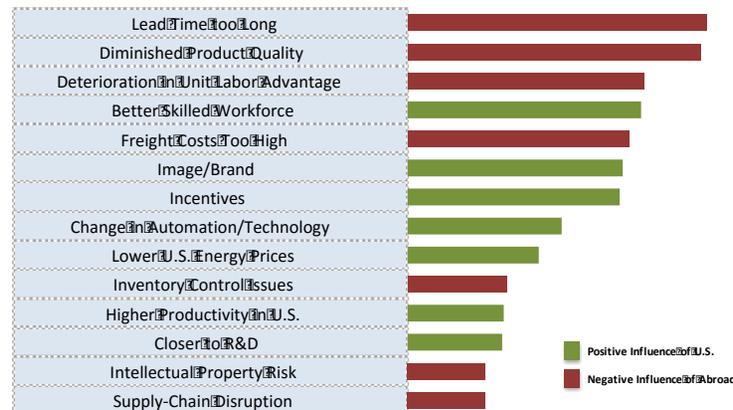
This offshoring trend has begun to decline over the last decade, with companies facing mounting challenges to their offshore production functions. New offshoring activity is down 70 percent for the decade with new reshoring activity up 1,500 percent, representing 30,000 to 40,000 new jobs in 2013. New Foreign Direct Investment (FDI) added 20,000 jobs nationally².

The key premise behind reshoring is that closeness to product design, reduced order cycles and lower costs of carrying inventory in the pipeline should offset higher absolute production costs."

-M.I.T. Sloan Management Review (2014)³

The most commonly cited challenges to sustained foreign production are a deterioration of unit labor cost advantages and increasing times to market. Many manufacturing processes are also transitioning toward higher capital utilization that requires a more technically skilled labor force. These conditions have found the United States back in the game for siting manufacturing facilities domestically.

Influences on Reshoring Decision of Reshoring Firms



Source: Reshoring Initiative Library of Reshoring Firms (2014)



Source: M.I.T Forum for Supply-Chain Innovation. Survey of 340 large U.S. based manufacturers with production in foreign markets⁴

What Makes the United States More Attractive?

Transportation Costs & Domestic Demand:

The U.S. wealth advantage will persist over the foreseeable future, maintaining depth as a consumption market. Products with domestic demand and low value to weight ratios have the most difficulty absorbing higher transportation costs.

Domestic Energy Costs:

Relatively cheap energy in the U.S., in part a function of the shale revolution and natural gas reserves could translate into 1.0 to 1.5 million manufacturing jobs through 2035.⁵

Supply Chain Risk:

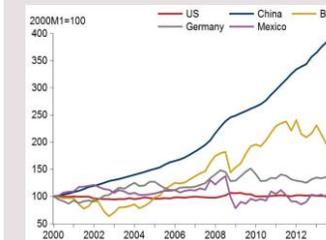
The United States' geographic diversity protects well against supply-chain shocks (i.e. Japanese Earthquake, Thailand Tsunami, etc.)

Regulatory Environment & Taxation:

Better legal protection of intellectual property and more favorable tax climate.

Talent & Workforce:

The United States still maintains a strong institutional advantage over other manufacturing nations in training and expertise infrastructure. Historic labor cost advantage of emerging economies is deteriorating.



Unit Labor Costs in Manufacturing, U.S. and major Manufacturing Markets

Source: Oxford Economics/Haver Analytics

2 Moser, Harry, "To Reshore or Offshore: How to Objectively Decide," The Reshoring Initiative January 2015

3 Shih, Willy C. "What It Takes to Reshore Manufacturing Successfully" MIT Sloan Management Review 56, no. 1 (Fall 2014): 55-62.

4 Simchi-Levi, David. "U.S. Reshoring, a Turning Point." MIT Forum for Supply Chain Innovation. Web. 2012

5 Pricewaterhousecoopers. "Shale Oil, the Next Energy Revolution" (2013)

Economic Trends Analysis

Reshoring Prospects: Observations and Outlook:

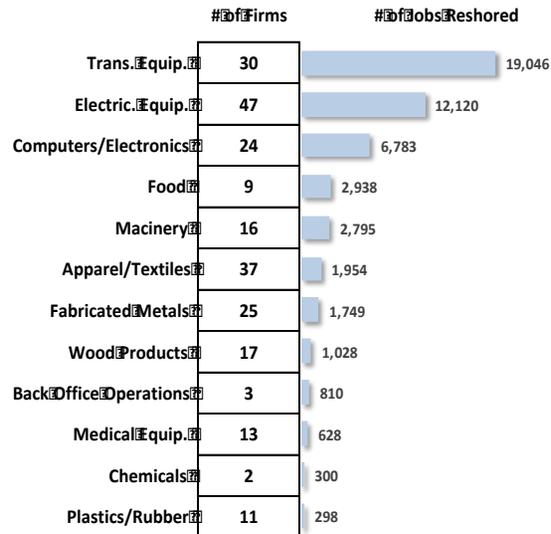
According to the Reshoring Initiative, a non-profit organization dedicated to bringing manufacturing jobs back the United States, high-technology and transportation equipment are the most common industries finding value domestically. Specifically, in the high-tech sector, non-cost factors such as reestablishing linkages between R&D and production have been found to improve product design and accelerate innovation⁶. A recent analysis of leading manufacturing “boomtown” markets ranked the Portland-Vancouver-Hillsboro MSA the 10th best market for manufacturing revival in the U.S.⁷



Companies that have reshored manufacturing operations in recent years.

Source: Boston Consulting Group

Reshoring Activity by Industry Since 2007



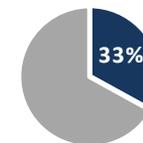
Source: Reshoring Initiative Library of Reshoring Firms (2014)

Reshoring Outlook

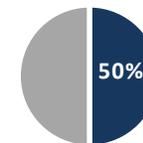
The extent to which reshoring is a permanent phenomenon that will continue or perhaps accelerate remains to be seen. What is clear is that reshoring will be limited to sectors where it is most advantageous. Specifically, firms with low labor force utilization in their production activities that can capitalize on the United States’ growing energy advantage will see the biggest shift. Firms with less reliance on foreign demand will also find advantages. Many large corporate manufacturers are now considering domestic production operations. The primary impediments to reshoring will be reestablishing an eco-system around supply chain infrastructure as well as overcoming labor skill atrophy. Local and state governments can strengthen their appeal to reshoring firms through favorable corporate tax structures, incentives for R&D, education & training assistance, and investments in infrastructure.

PRIMARY INDUSTRIES IMPACTED

- Appliance & Electrical Equip.
- Computers/Electronics
- Transportation Equipment
- Next Gen Textiles/Wearables
- Furniture
- Fabricated Metals
- Plastics & Rubber



Executives surveyed at companies of **more than \$1 billion** that are planning or considering reshoring



Executives surveyed at companies of **more than \$10 billion** that are planning or considering reshoring

Source: Boston Consulting Group

⁶ Shih (2014)

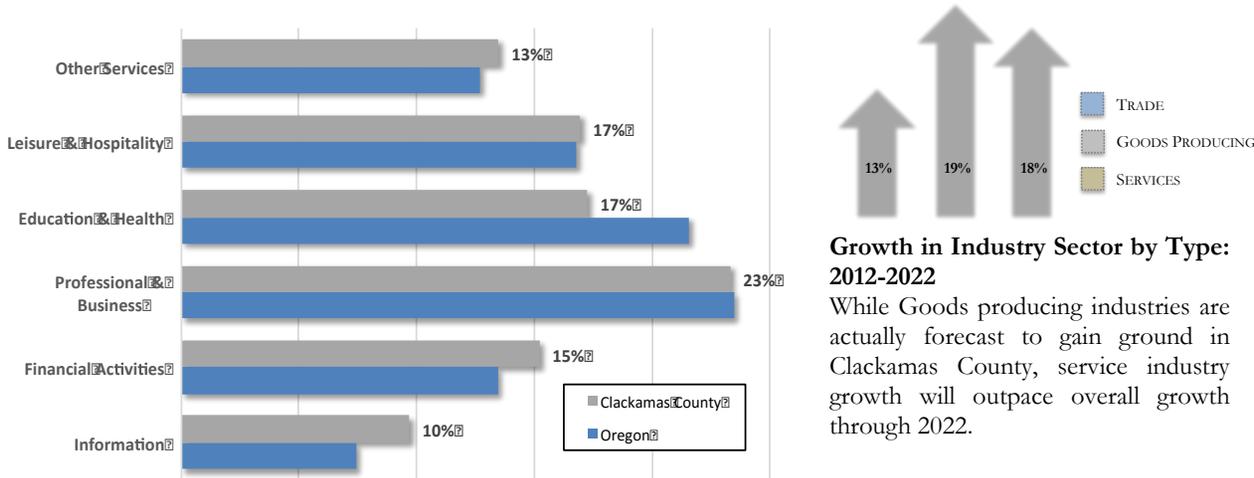
⁷ <http://www.forbes.com/sites/joelkotkin/2015/07/23/the-cities-leading-a-u-s-manufacturing-revival/>

Economic Trends Analysis

Shifts in Industrial and Occupational Composition

While renewed optimism for the manufacturing economy is a positive sign for goods producing sectors, the U.S. economy will continue to be driven by service industry growth. Through 2022, estimates from the Oregon Employment Department suggest service industry growth will increase by 18 percent. Growth rates will be most pronounced in Leisure & Hospitality, Health Care and Professional Services.

Estimated Growth in Service Sectors (2012-2022)



Source: Oregon Office of Economic Analysis, 2012-2022 Occupational Demand Forecast

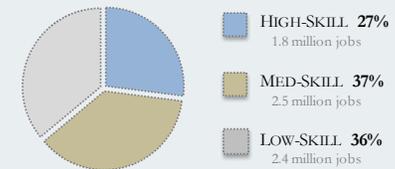
Changes in Occupational Demands⁸

Over just the next two years, 37 percent of job demand (2.5 million jobs) in the United States economy is expected to be for medium-skilled workers, a significant shift from previous years. These positions often require Associate's level training or specialized training programs ranging from 12 to 24 months, with many paying above median family wages.

For lower-skilled workers, demand forecasts are also high. However, low-skilled jobs ranging from cashiers to mechanical assemblers are at the greatest risk of becoming automated. Up to 70 percent of low-skilled jobs are at risk of being automated over the next 20 years.

New U.S. Jobs

Middle-skill jobs are expected to make up the largest share of new jobs in coming years.



Impact on Milwaukie:

The ways that firms across all sectors utilize labor will continue to change in coming cycles. Automation and capital investment will continue to drive gains in productivity per employee, partially overcoming demographic and labor force challenges on the horizon. Forward looking communities will be cognizant of these shifts, working with local colleges, training institutions, and even major employers to tailor workforce skills around shifting occupational needs. A focus on medium and higher-skilled occupations with a low risk of becoming automated will be critical. From a land use perspective, higher rates of capital utilization could mean lower employment densities and unforeseen shifts in the way firms utilize commercial/industrial space and land.

8 U.S.A. Today Series, "Where the Jobs Are?" (2015) <http://www.usatoday.com/topic/9f65db3e-8cf8-4180-a9fe-cb96dfbba681/where-the-jobs-are/>

Economic Trends Analysis

California Disinvestment in Services, Software, & Technology

While the Portland Metropolitan Area has benefited from California driven resident migration for many years, recent experience would suggest that California business migration is a relevant economic driver as well. High business taxes and stringent regulatory policies have made business increasingly costly in California, with many companies considering relocations, outposts, or future expansion in lower cost markets. A recent survey of California disinvestment events found as many as 9,000 businesses or business divisions have left California over the last seven years⁹. This trend is increasingly common in the software/technology sectors, where Silicon Valley strongholds are establishing lower cost West Coast outposts in high-talent markets. The Portland Metropolitan Area is a strategic market to capture these expansion opportunities, offering abundant talent, less competition, high quality of life, and a cultural connection to many of these firms' ideals.

Portland Metro Rank in Capturing California Disinvestment Events

Portland is among the top landing spots for California disinvestment events. The Portland-Vancouver-Hillsboro MSA ranked 6th in the top landing spots for California firms (31 events). By municipality, Portland ranked 7th.

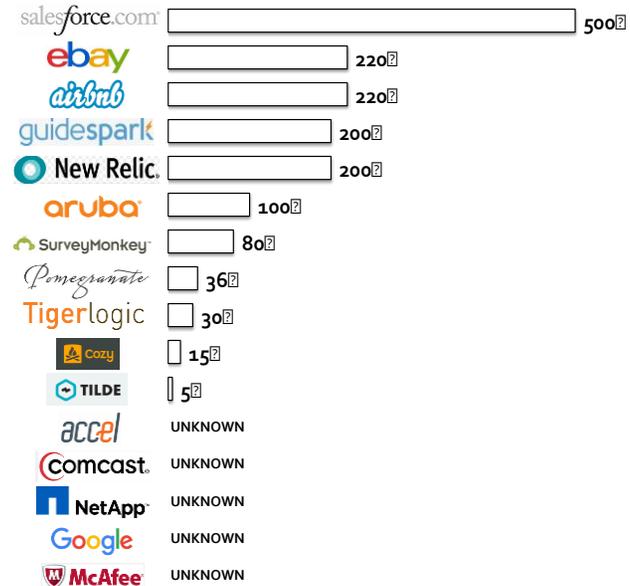
Portland Metro Rank in Capturing California Disinvestment

6th

TOP WESTERN LOCATIONS (MSAs) CAPTURING CALIFORNIA DISINVESTMENT



California Service Companies and Announced Capacity Jobs Entering the Portland Metro Market (2008-2015)

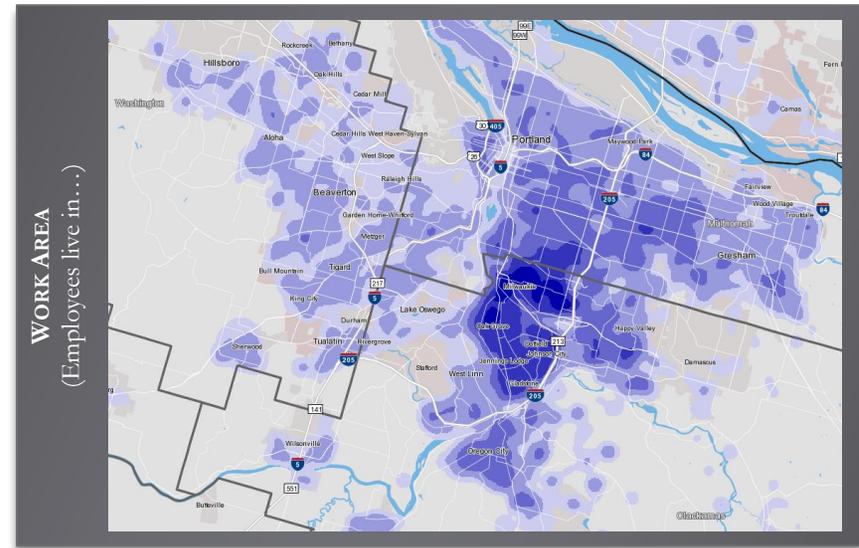
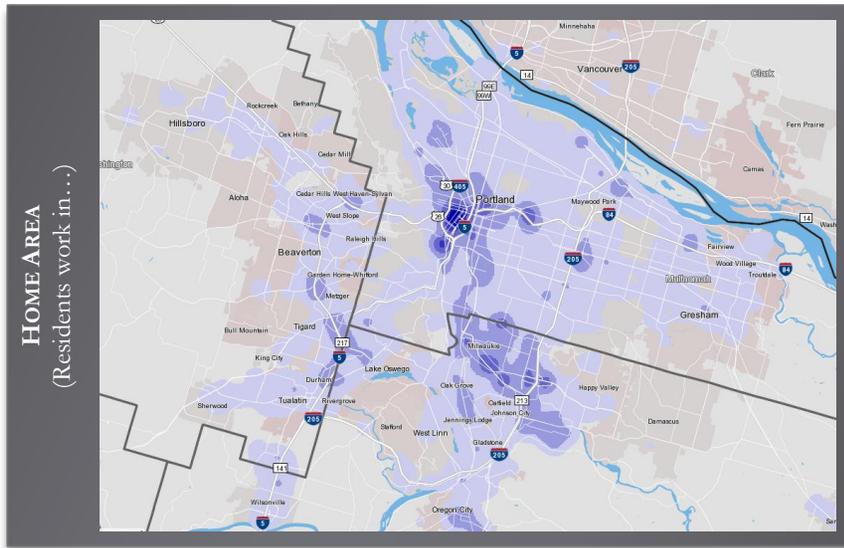


⁹ Vranich, Joseph. "Businesses Continue to Leave California: a Seven-Year Review", Sproctrum Location Solutions (2015)

Economic Trends Analysis

Commute Patterns—City of Milwaukie

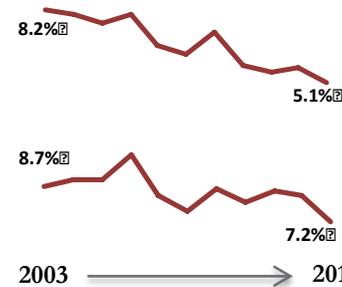
Commuting patterns are an important element in the local economy. They are indicative of the labor shed companies can draw workers from, the extent to which job creation translates into increased demand for housing, goods, and services, and the overall balance of population and employment in the community. Overall, Milwaukie has a broad labor shed, drawing workers from western Multnomah and northwestern Clackamas County. The combination of the Willamette River and access to the westside generally limits Milwaukie’s access to Washington County labor markets. In Milwaukie, roughly 63 percent of the workforce lives within 10 miles of their job.



Inflow-Outflow Map (2013)

Most workers in Milwaukie live elsewhere in the region, but within a 10-mile buffer. Workers take advantage of ample quality housing stock in Southeast and Northeast Portland.

Source: U.S. Census LEHD Program



Employment Efficiency measures the share of workers in Milwaukie that live in the community. Fewer workers are choosing to live locally.

Labor Force Efficiency measures the share of residents who work in the community. Fewer Milwaukie residents are finding jobs locally.

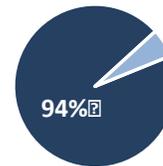
Economic Trends Analysis

Small Business and New Business Formation

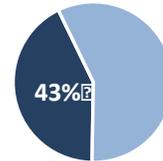


Source: Oregon Employment Department Quarterly Census of Employment & Wages

Percent of Milwaukie Business Activity in Small Business (2014)



Establishments



Employment

Small businesses with 50 or fewer employees comprise roughly 94 percent of private sector establishments in the local economy. However, large firms comprise a considerably larger share of employment (57 percent). Milwaukie’s 10 largest enterprises account for one out of every three private sector jobs.

A high rate of small businesses is important in “planting the seeds” for future economic growth, while large businesses provide an anchor for the economy, training of workers across a broad range of skills, and attracting outside investment. Local examples include the recent sales of Precision Castparts and Blount.

Small businesses generally pay relatively lower wages than the large economy-wide average. However, this is in large part a function of a higher concentration in lower wage industries such food services and retail.

New Business Formation

Following several years of relatively flat new business growth, new business formation in Clackamas County skyrocketed in 2014, increasing by over 22 percent. This is an encouraging sign for the local economy, indicating an increased appetite for risk and an improved flow of capital through the economy. In Milwaukie, business formation was also strong. Between 2013 and 2014 the community posted a net increase of 90 private sector businesses.



Source: U.S. Census Bureau, Statistics of U.S. Businesses Division (SUBS)

Impact on Milwaukie:

Small businesses present a diverse range of opportunities for growth, while large firms anchor the local economy. High rates of business formation are indicative of ease of market entry and inclination for risk. This has a strong correlation to innovation and economic growth.

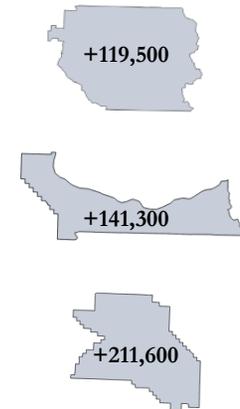
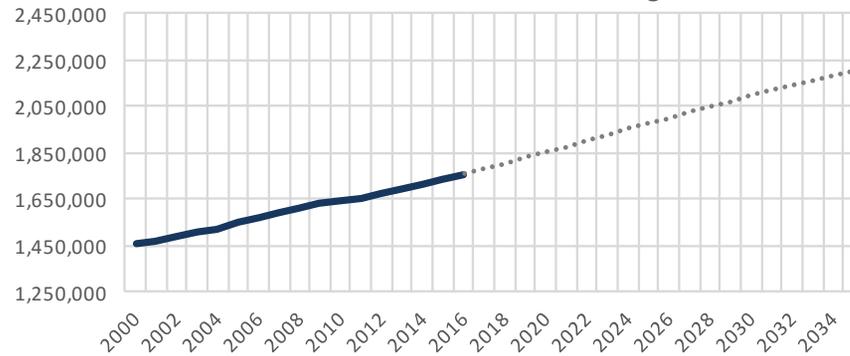
The exhibited increase in new business formation will ultimately result in winners and losers, as some firms mature to become foundations in the economy. Strategies to support small business growth and provide opportunities to expand in place (retention) will facilitate higher overall economic growth in the community.

Economic Trends Analysis

Regional and Local Population Forecasts

Over the next 20-years, the three-county region is expected to add nearly a half-million new residents. The lion's share of growth will be captured in Washington County, representing 44.7 percent of regional growth (221,600 new residents). This represents a slight acceleration of the 42 percent capture rate exhibited since 2000.

20-Year Population Forecast (2015-2035)
Clackamas, Multnomah, Washington

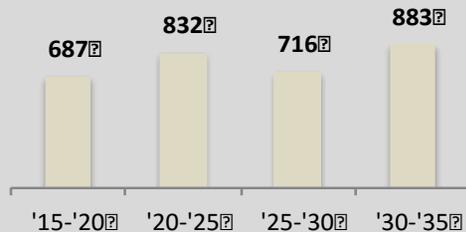


Source: Oregon Office of Economic Analysis

MILWAUKIE'S POPULATION FORECAST

Since the 2000 Census, Milwaukie's population has remained effectively unchanged, posting a slight decline of 41 residents over a 14-year period. Expectations are that growth will occur in the community. However, with little available land for new housing development, marginal growth will come largely through redevelopment and infill. Over the next 20 years, Metro's Subarea 6 (which includes Milwaukie and part of Gladstone) is expected to add over 3,100 new residents. However, this forecast was made in advance of a billion dollar transit investment through Milwaukie that should translate into greater redevelopment potential.

2015-2035 Subarea Forecast¹¹

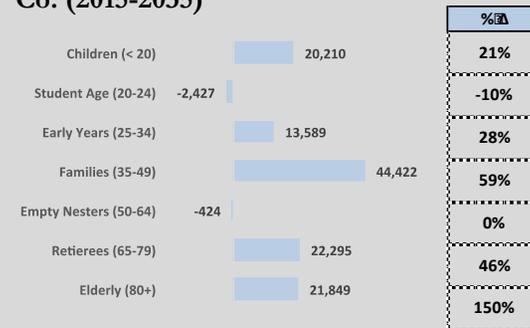


Source: Metro. Housing Needs Study for the Portland Metropolitan Area (2008)

FUTURE AGE COMPOSITION

Clackamas County, and by extension the City of Milwaukie, will undoubtedly be older on average in 2035 relative to today. Over 44,000 new residents will be retirees or elderly. The next highest growth segment will be families (59 percent).

Population Forecast by Age—Clackamas Co. (2015-2035)

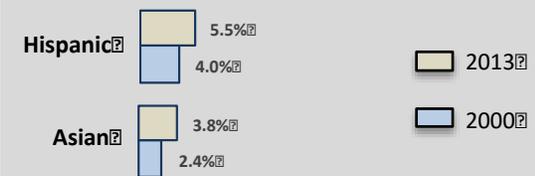


Source: Oregon Office of Economic Analysis

SHIFTING DIVERSITY

Milwaukie is not a particularly diverse community, with only 13.6 percent of the population identifying as non-white. However, this is up from 9 percent in 2000. Hispanic and Asian populations are the largest minority group. Greater community diversity is correlated with growth in new business formation, a sharing of new innovative ideas, growth in productivity¹², and greater cultural engagement.

Change in Racial Composition—City of Milwaukie



Source: U.S. Census, American Community Survey

¹¹ Subarea for this Forecast includes all of the City of Milwaukie and part of Gladstone
¹² Ottaviano, Gianmarco I.P. and Peri, Giovanni, Rethinking the Effects of Immigration on Wages (August 2006). NBER Working Paper No. w12497. Available at SSRN: <http://ssrn.com/abstract=927381>

Economic Trends Analysis

Income and Wages

Incomes of local households define the purchasing power of local residents, and are an indicator of the economic prosperity of a community. Wage levels of the local workforce are determined in the competitive marketplace for labor. All else equal, businesses generally prefer locations with lower overall wages, reducing the cost of conducting business operation. The City of Milwaukie measures below average in both areas in 2014.

DISTRIBUTION OF HOUSEHOLDS BY INCOME (2014)

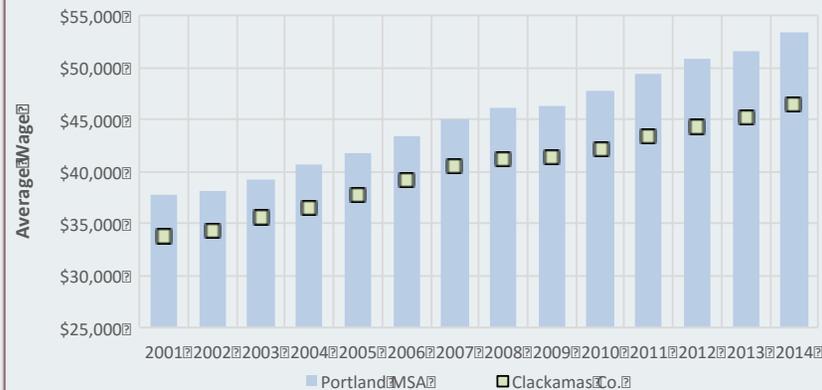
Incomes of Milwaukie residents are generally on par with regional counterparts, which are slightly higher than the national average. In 2014, 32 percent of local households earned greater than \$75,000 annually compared to 38 percent at the regional level. Higher household incomes translate into greater purchasing power, influencing demand for goods and services as well as the types of businesses that are attracted to the community.



Source: U.S. Census Bureau, American Community Survey

AVERAGE ANNUAL WAGES (2014)

Wages in Clackamas County are structurally lower than the regional average by a margin of 13 percent. This is a gap that has been widening over the last ten years. Within industry sectors, local wages in Milwaukie are lower as well. Only the retail and construction sectors in Milwaukie have wages above the regional average for those sectors. The highest wages in the community are in the manufacturing, construction, and wholesale sectors.



Source: Oregon Employment Department, Quarterly Census of Employment & Wages



Construction
\$62,000



Manufacturing
\$61,400



Wholesale
\$62,400



Health Care
\$43,600



Professional
\$48,400

Impact on Milwaukie:

Higher resident incomes drive demand for goods and services. As Milwaukie gentrifies, the community will increasingly attract higher end retail tenants and amenities. Lower wages relative to the region in some sectors will work for Milwaukie on inter-region business decisions, particularly in the context of the region's national reputation as lower cost labor market.

Economic Trends Analysis

Other Factors and Conditions

INCREASED LIFE EXPECTANCY

Increased life expectancy along with demographic shifts will continue to support accelerated growth in demand for health care, financial, legal, and assisted living services.

This condition will also place additional pressure on the transfers of income necessary to support federal obligations for Social Security and Medicare.

GLOBAL CLIMATE CHANGE

Global climate change has the potential to reduce global gross domestic product by as much as 1.5 percent and as high as 6 percent in Southeast Asia if unmitigated¹².

In the Pacific Northwest, unmitigated climate change will adversely impact agriculture & forestry markets and tourism to the greatest degree.



RISING GLOBAL DEMAND

Rising global demand is expected to benefit the primary sectors of resource rich countries to the greatest degree. This bodes well for U.S. energy and agricultural markets.

An ancillary benefit of rising global interdependency is a dilution of risk associated with domestic shocks, a product of which could lead to greater global stability.

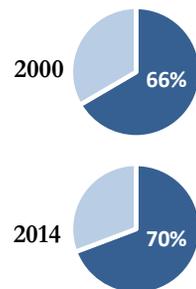
SHIFT IN PREFERENCES: URBANIZATION

In addition to trends and conditions previously reviewed in this report, the following factors are expected to influence economic conditions nationally and locally over the planning period.

Within Oregon, the broader trend of increased urbanization is likely to continue. A larger share of the world's population is living in urban areas and Oregon is no different. Since 2000 the share of Oregon's population living in cities has increased from 66 percent to 70 percent.

Source: Portland State Population Research Center and the Oregon Office of Economic Analysis

Share of Residents in Incorporated Cities



FULFILLMENT OF REPLACEMENT WORKERS

Filling net -new job growth in an environment of a declining labor force is only a part of the problem. Perhaps an even greater concern will be firms' ability to find replacement workers as retiring Baby Boomers exit the workforce. In Oregon, replacement openings will reach 392,000 jobs between 2012 and 2022. Occupational groups most affected will include retail and food service workers, teachers & nurses, office workers, and medium-skill health care workers. The share of Oregon residents living in the Willamette Valley is expected to reach 71% by 2035

Source: Oregon Employment Department, 2012-2022 Occupational Forecast

Oregon Demand for Replacement Workers

392,000

¹² Elwell, Craig. CRS Report to Congress: Long-Term Growth of the U.S. Economy: Significance, Determinants, and Policy (2006)

CITY OF MILWAUKIE: ECONOMIC OPPORTUNITIES ANALYSIS



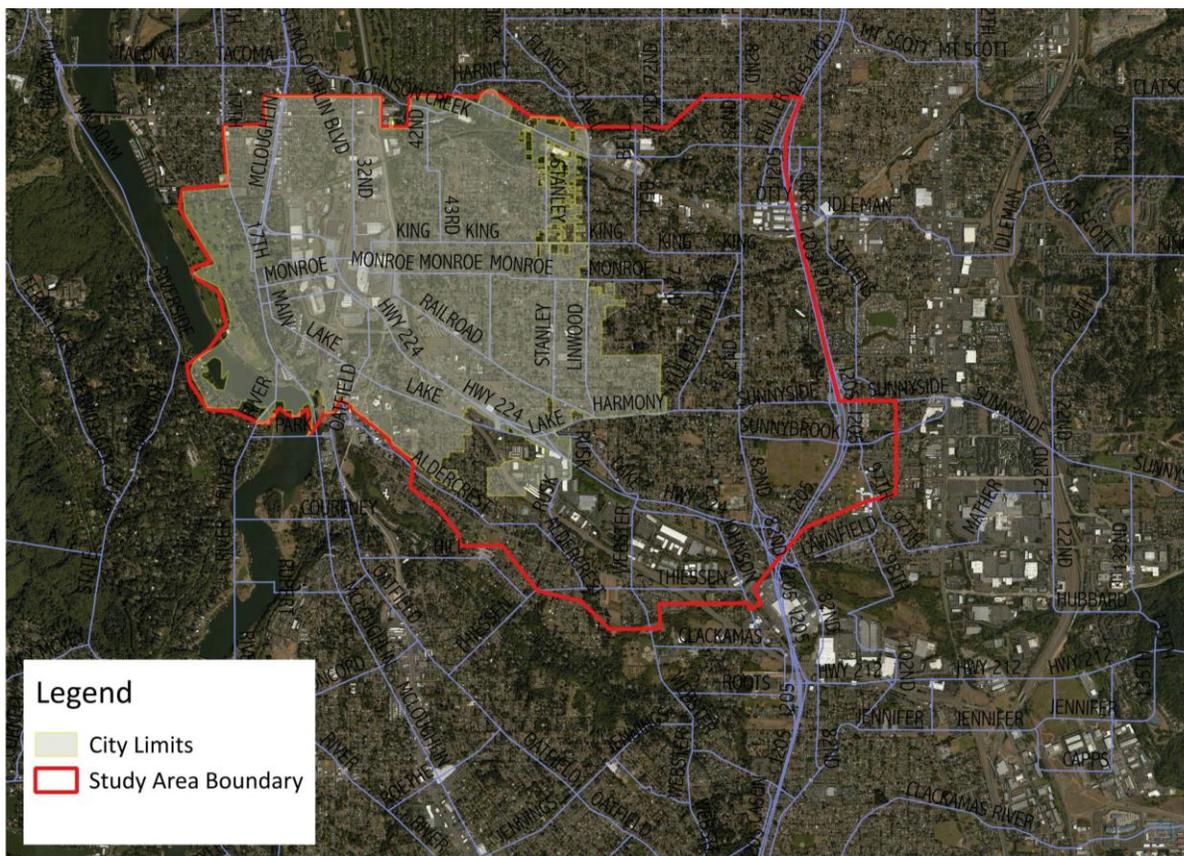
Target Industry Analysis

Introduction

This element of the Economic Opportunities Analysis utilizes a range of analytical tools to assess the economic landscape in Milwaukie. The objective of this process is to identify a range of industry typologies that can be considered targeted economic opportunities over the planning period.

In this process, we identify the anchors and clusters of interrelated industries that have already capitalized on Milwaukie’s competitive advantages and assembled locally. However, this analysis will also consider how economies and industries are changing, the impact of recent investments in infrastructure, and how exogenous factors may shape future economic growth. In other words, an industry typology does not have to have a large existing presence to be considered a targeted opportunity.

Taken together, the research and analysis in this section and in the previous section represents an evaluation of the likely forces that will drive economic growth, and by extension land need, in coming cycles.



Target Industry Study Area:

While some planning decisions are made at the jurisdictional level, in reality economies do not conform to jurisdictional boundaries. Businesses in the City of Milwaukie function in a regional and in some cases global context. Milwaukie’s existing city limits abuts a considerable amount of unincorporated employment land, which may be considered for future annexations. As such, to assess targeted industries in this analysis, we relied on Milwaukie’s urban services boundary, which is roughly approximated in the map above.

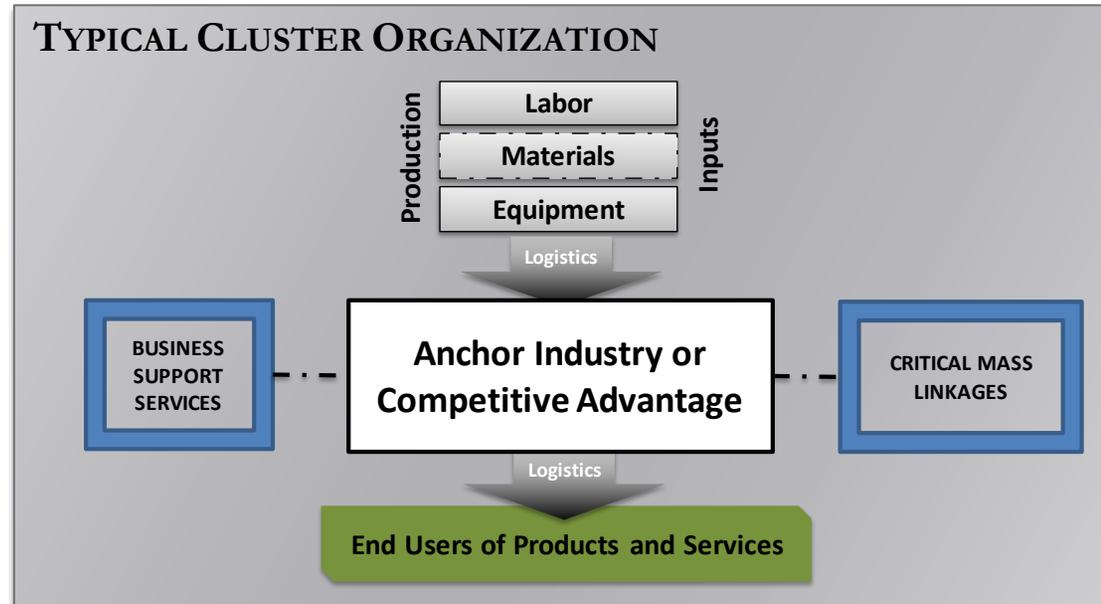
Target Industry Analysis

Industry Clusters vs. Targeted Industries

Sound regional economies are best organized around a healthy set of **industry clusters**—similar and related businesses and industries that are mutually supportive, regionally competitive, attract capital investment, and encourage entrepreneurship. Generally, clusters develop as an agglomeration of businesses in a geography that holds an innate competitive advantage in that industry—whether it is natural resources, human capital, political policies, or geography. For example, Oregon’s oldest industries—namely forestry and agriculture, emerged from physical and environmental attributes such as its climate, trees, soils, and access to shipping and distribution networks. In turn, these industries spawned interrelated clusters that include Food Processing & Manufacturing, Wood Product Manufacturing, Wholesaling & Distribution, Machinery Manufacturing, and host of other industries. In many local economies, we find also that a large firm or group of firms can often anchor a local cluster—the most obvious examples in Milwaukie being Blount and PCC Structurals anchoring the Metals and Machinery manufacturing cluster.

While specialization is a critically important factor, it is important for communities to understand that a cluster goes beyond a high concentration of employment or output within a given sector or group of similar sectors. Rather, it is the vertical integration of supply chains, distribution, wholesaling, or even the horizontal linkage between formally unrelated industries that share common inputs such as materials and trained labor. Clusters can organize around natural resources, training institutions, a particular firm or group of firms, among many other factors.

Targeted industries, in contrast, are industries within those clusters where a particular community may have a competitive advantage. For example, an industry that fills an existing gap in the supply chain network, or a completely unrelated industry that has similar labor demands. Further, a targeted industry does not have to be part of an existing cluster network, or even be present in the local economy. In this analysis we identify some “aspirational” industries with emerging opportunities for the City to use its economic development “toolbox” to target.



The distinction between targeted industries and industry clusters is commonly lost in economic development, with the two terms often used synonymously. We make the

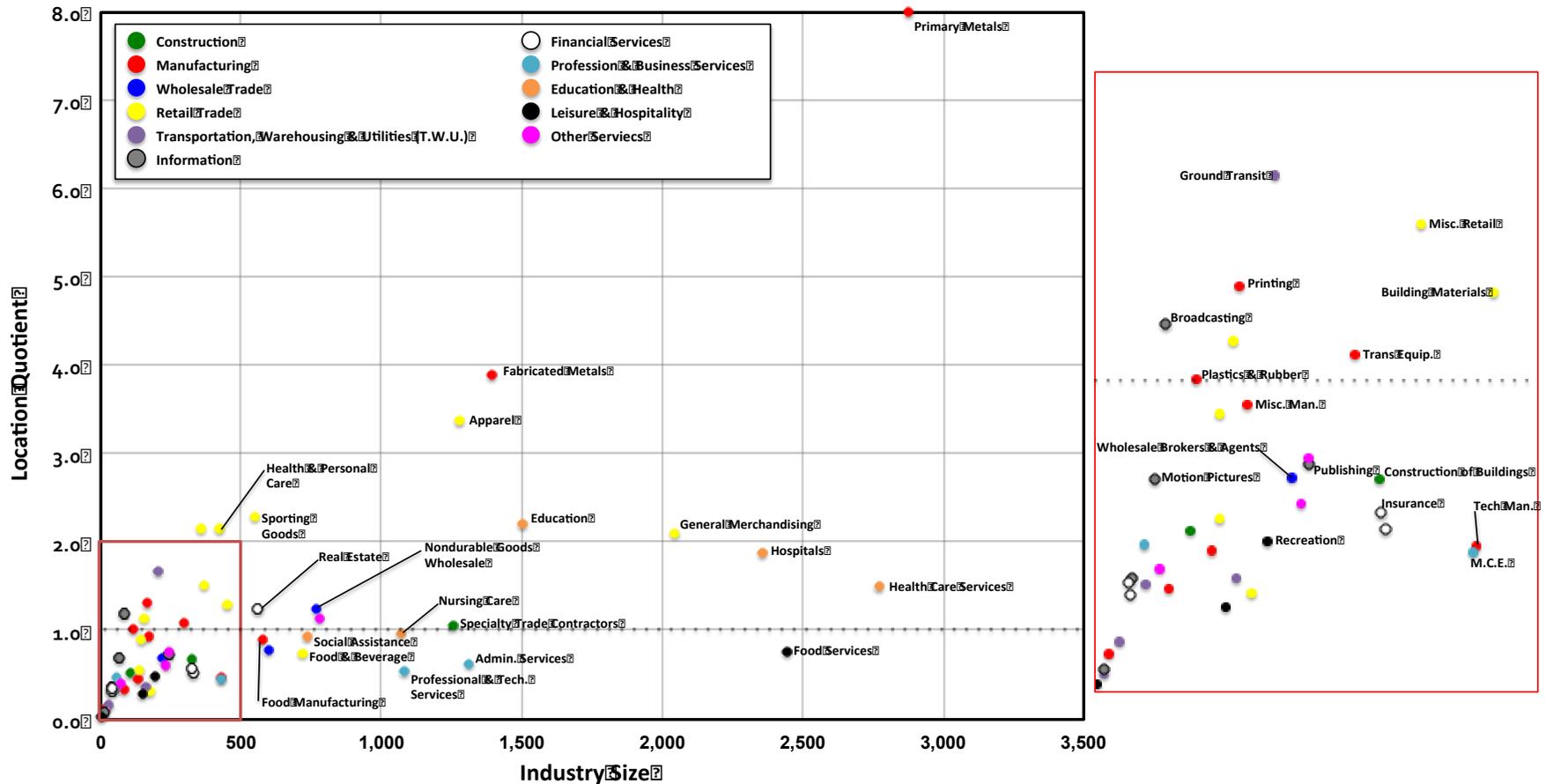
CITY OF MILWAUKIE: ECONOMIC OPPORTUNITIES ANALYSIS



Target Industry Analysis

Economic Specialization

The most common analytical tool to evaluate economic specialization is a location quotient analysis. This metric compares the concentration of employment in an industry at the local level to a larger geography. For example, a location quotient of 1.50 for widget manufacturing would indicate that the share of employment in widget manufacturing locally was 50% higher than the national average. Generally, 1.50 is a common threshold indicating a relatively high specialization. Large industries are also obviously considerable components of the local economy and should also be considered when evaluating economic specialization. The graphics below indicate the location quotients of industries in the Milwaukie UGMA using 2014 QCEW data. When we plot these industries graphically by size, specialization, and sector, we can begin to see some patterns in the data.



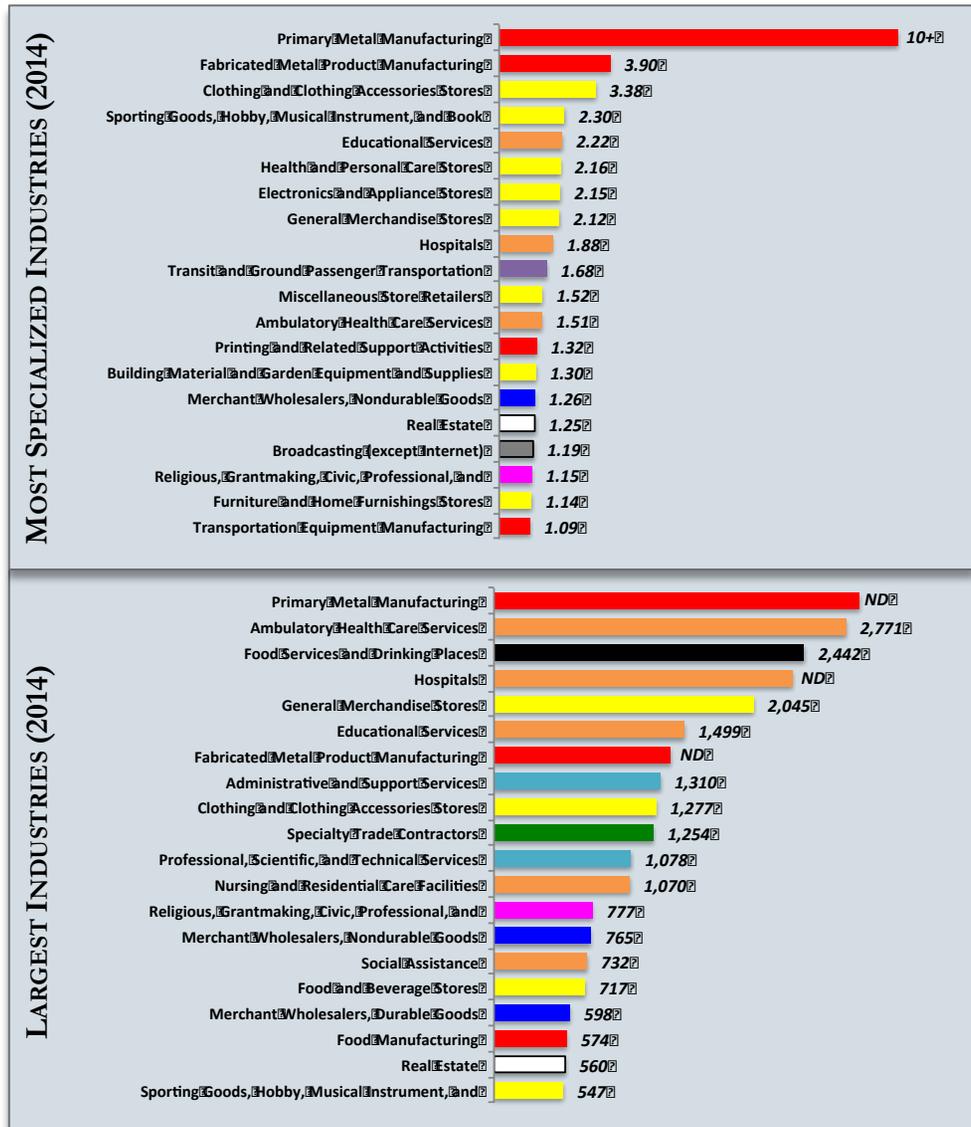
CITY OF MILWAUKIE: ECONOMIC OPPORTUNITIES ANALYSIS



Target Industry Analysis

Economic Specialization—Milwaukie UGMA’s Largest and Most Concentrated Industries

- The 20 most specialized industries (highest location quotient) in the study area account for over 57 percent of all employment in the economy.
- Metals manufacturing is clearly a critical industry locally. Combined, primary and fabricated metals manufacturing locally is nearly eight times more concentrated than the national average. This segment employs one out of every eight workers in the economy.
- The study area has an abundance of retail services. However, this can largely be attributed to the inclusion of Clackamas Town Center in the study area. Without Clackamas Town Center retail concentrations are more in line with typical averages.
- Due to disclosure reasons¹, computer and electronics manufacturing does not show up as a top industry because it has been combined with another segment. However, the study area does have measurable high-tech employment, albeit limited to a few firms.
- Health care is by far the largest segment of the economy, accounting for 20 percent of the economy with an above average specialization.
- The study area has a strong foundation in the construction sector, where all three subsectors combine to account for nearly 1,700 jobs.
- Service industries in professional, technical, and information services are not highly concentrated in the study area, but still represent a measurable share of the economy.
- Wholesaling and transportation is a final economic segment that has both an above average concentration and top share of the economy. This segment is generally tied to existing production operations in the study area.

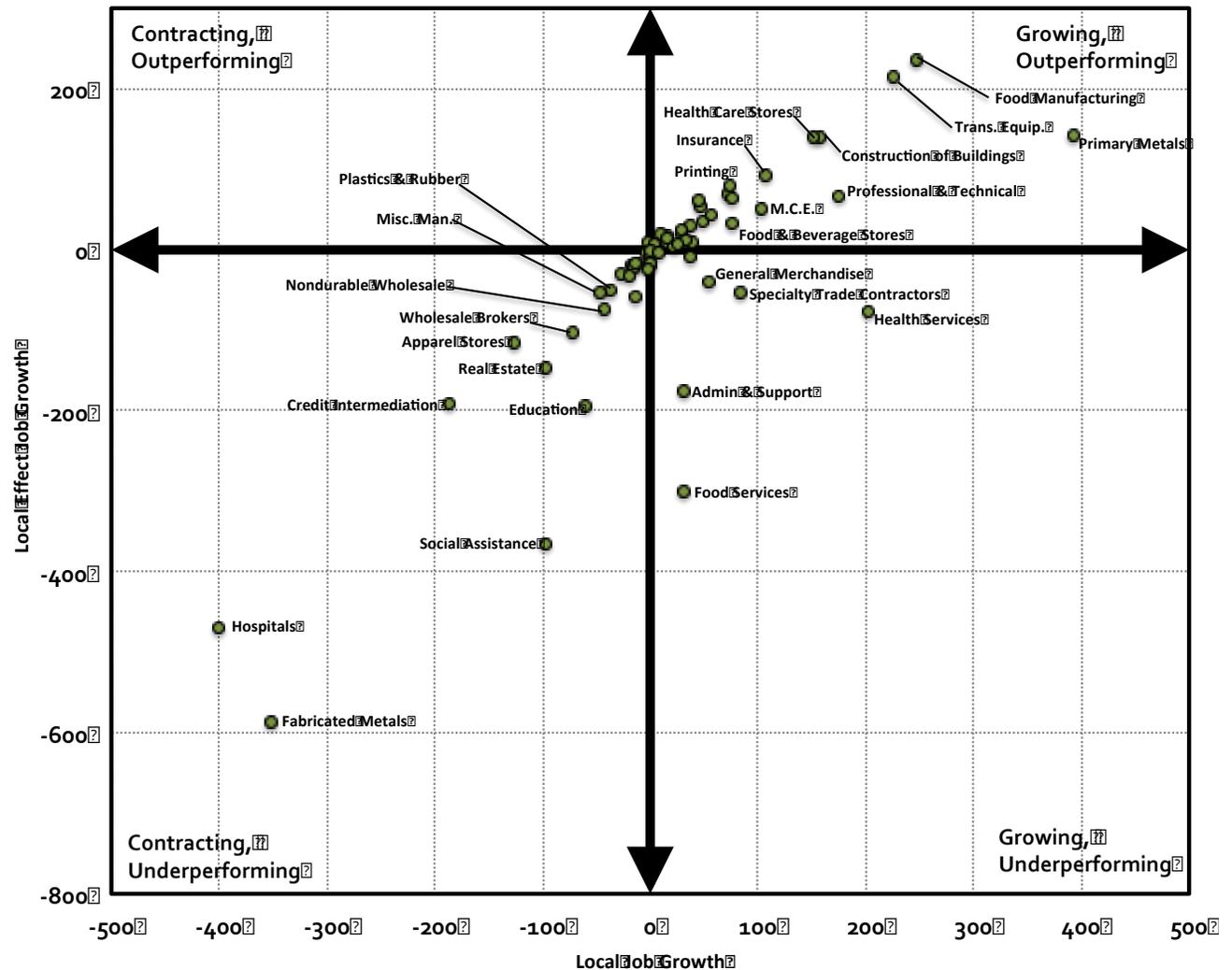


¹ State law prohibits the disclosure of employment information about a particular industry when information about a specific firm can be ascertained from the data. For this reason industries are commonly aggregated to avoid disclosing confidential information

Target Industry Analysis

Economic Drivers—Shift-Share Analysis

The identification of the unique and shifting economic drivers of a local or regional economy are critical in informing the character and nature of future employment, and by extension land demand over a planning cycle. To this end, we employ a shift-share analysis of the local economy emerging out of the current expansion cycle. A shift-share analysis is an analytical procedure that measures local effect of economic performance within a particular industry or occupation. The process considers local economic performance in the context of national economic trends—indicating the extent to which local growth can be attributed to unique regional competitiveness or simply growth in line with broader trends. For example, consider that Widget Manufacturing is growing at a 1.5% rate locally, about the same rate as the local economy. On the surface we would consider the Widget Manufacturing industry to be healthy and contributing soundly to local economic expansion. However, consider also that Widget Manufacturing is booming across the country, growing at a robust 4% annually. In this context, local widget manufactures are struggling, and some local or regional condition is stifling economic opportunities.



Target Industry Analysis

Economic Drivers—Champions and Challenges in the Milwaukie Economy

- With the exception of a select few industries (contractors, health services, restaurants, administration services), the economic direction of most industries locally is in line with national trends. Not a single industry is contracting locally but performing better than the national average.
- The balance between industries that are outperforming and underperforming sectors locally represents net economic expansion during the cycle. Champions are pulling the economy forward while challenging industries are draw growth down. Challenging sectors can reverse course over the duration of a cycle and turn positive, but champions are finding local competitive advantages in a growth market.
- It is clear that balanced, low volatility is the norm across most industries, with high volatility in several key sectors. Large local effect losses in fabricated metals and hospitals are largely isolated to large key employers, however some firm departures in fabricated metals have occurred.
- Contraction and underperformance across all three wholesaling subsectors is also cause for concern. Firms in these industries are facing local structural challenges.
- Conversely, it is encouraging for an economy with a large manufacturing base to exhibit three manufacturing sectors atop its champion sectors.
- Additional strength in professional services, construction, and high-tech manufacturing are also positive signs for expansion.

LOCAL EFFECT JOB GROWTH (2010 – 2014)

<i>Food Manufacturing</i>	237
<i>Transportation Equipment Manufacturing</i>	214
<i>Primary Metal Manufacturing</i>	142
<i>Health and Personal Care Stores</i>	141
<i>Construction of Buildings</i>	141
<i>Insurance Carriers and Related Activities</i>	92
<i>Printing and Related Support Activities</i>	81
<i>Heavy and Civil Engineering Construction</i>	68
<i>Professional, Scientific, and Technical Services</i>	66
<i>Nonstore Retailers</i>	63
<i>Private Households</i>	61
<i>Computers, Electronics, and Appliances</i>	54
<i>Management of Companies and Enterprises</i>	51
<i>Personal and Laundry Services</i>	42
<i>Truck Transportation</i>	35
<i>Miscellaneous Manufacturing</i>	-53
<i>Specialty Trade Contractors</i>	-54
<i>Merchant Wholesalers, Durable Goods</i>	-57
<i>Merchant Wholesalers, Nondurable Goods</i>	-74
<i>Ambulatory Health Care Services</i>	-77
<i>Wholesale Electronic Markets and Agents and Brokers</i>	-101
<i>Clothing and Clothing Accessories Stores</i>	-116
<i>Real Estate</i>	-148
<i>Administrative and Support Services</i>	-176
<i>Credit Intermediation and Related Activities</i>	-191
<i>Educational Services</i>	-193
<i>Food Services and Drinking Places</i>	-301
<i>Social Assistance</i>	-366
<i>Hospitals</i>	ND
<i>Fabricated Metal Product Manufacturing</i>	ND

Target Industry Analysis

Target Industry Identification—Clackamas County and Regional Context

The profiles identified on the following pages represent an assessment of potential target industries derived from the analysis above. However, as we have already established that Milwaukie functions as part of a regional economy, our approach considers this broader economic context.

As a component of its on-going “Economic Landscape” project, Clackamas County tracks countywide conditions across a range of identified industry targets. Clackamas County’s Comprehensive Plan further identifies additional industry targets including destination retail/hospitality, tourism, and specialty agriculture.

In a metro-wide context, the Greater Portland 2020 initiative identified key sectors influencing growth in targeted industries for the Portland region, several of which are directly applicable to Milwaukie and Clackamas County.

Future Refinement

This assessment of potential industry targets is a preliminary draft. Prior to development of economic forecasts, this analysis will be refined and improved upon through coordination with City officials, stakeholders, and interviews within the business community.

GREATER PORTLAND TARGETED INDUSTRIES



Clean Tech

Athletic &
Outdoor

Metals &
Machinery

Health
Science &
Tech

Software &
Media

Computers &
Electronics

SOURCE: Greater Portland Inc.

CLACKAMAS COUNTY TARGETED INDUSTRIES

PROFESSIONAL & BUSINESS SERVICES

HEALTH CARE

WHOLESALE TRADE

METALS & MACHINERY MANUFACTURING

HIGH-TECH MANUFACTURING

NURSERIES & GREENHOUSES

TRUCKING & DISTRIBUTION

FOOD & BEVERAGE PROCESSING

WOOD PRODUCTS MANUFACTURING

AGRICULTURE & FOOD PRODUCTION

SOURCE: Clackamas County Economic Landscape Report (June 2012)

Target Industry Analysis

Food Processing & Storage

Food Processing in Milwaukie is organized around several large employers, and can be considered an extension of a regional food processing cluster that extends across I-205 and into the Clackamas Industrial Area.

While commercial brewing does not show up in the state employment data (the employer most likely claims it's employment at another location), Breakside Brewing's commercial operations and taproom have become a staple of the Milwaukie Expressway industrial corridor.

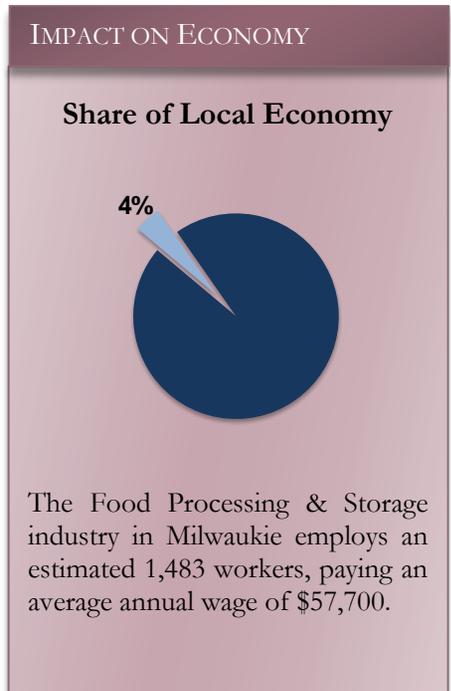
Food manufacturing was identified as the leading driver of growth in the economy since 2010, with the combined industries identified here growing by 29 percent over the same period.

Looking forward, an infusion of capital from recent acquisitions and investments should facilitate expanded markets for existing firm. However, real opportunities for growth exist for smaller craft firms and startups, which are surprisingly absent in the market (see Maker Manufacturing Profile for additional information).



ANCHOR TARGET INDUSTRIES
➤ Commercial Baking
➤ Flour Milling
➤ Grocery Merchant Wholesalers
➤ Alcohol Merchant Wholesalers
➤ Commercial Printing
➤ Specialty/Craft Manufacturers

MAJOR EMPLOYERS
Bob's Red Mill
Dave's Killer Bread
Breakside Brewing
Alpine Foods
Unified Grocers
Core Mark International
Craftsman Label



- TRENDS AND EVENTS
- Dave's Killer Bread becomes best selling organic bread in the U.S. Is acquired by Flower Foods for \$275 million.
 - Breakside Brewery opens 30-barrel production facility and tasting room. Expands to a second brewpub in NW Portland.
 - Bob's Red Mill sales expand rapidly on strong export growth.
 - Uncertainty around the U.S. Export-Import Bank threatens export growth for small businesses.

Target Industry Analysis

Metals, Machinery, & Transportation Equipment

Metals and Machinery Manufacturing is a legacy industry in Clackamas County, having been a mainstay of the economy for decades. In Milwaukie, the majority of metals manufacturing activities are tied to the machinery or transportation equipment industries, specifically aerospace. Recent landmark acquisitions signal change on the horizon at the industry level, as several of the region's largest firms reorganize and position for a new generation of products.

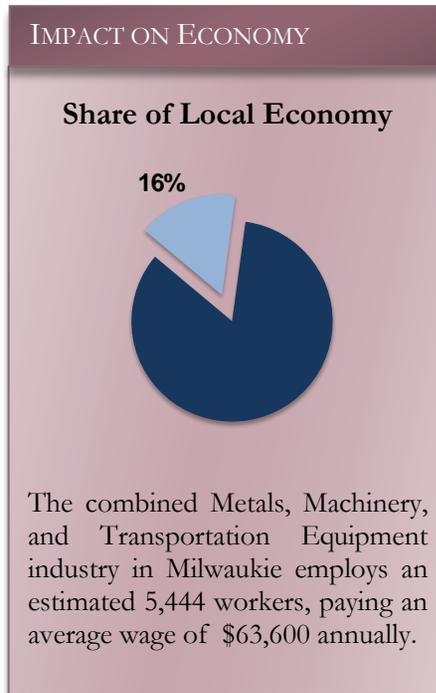
The future is likely to bring increased integration of microelectronics, software, and optics into transportation and equipment systems, creating opportunities for horizontal pivots into new industries outside of metals. Successful firms in this industry will be those that adapt well to new additive manufacturing practices and overcome labor challenges associated with replacement workers.

The study area also has an established network of associated wholesalers. Ancillary industries that support this group include construction and maintenance of buildings, systems, and equipment.



ANCHOR TARGET INDUSTRIES
➤ Primary & Fabricated Metals
➤ Machinery
➤ Transportation Equipment
➤ Metals and Equipment Wholesalers
➤ Testing & Calibration Labs
➤ Computer & Electronic Systems for Aerospace
➤ Software & R&D

MAJOR EMPLOYERS
Miles Fiberglass
PCC Structurals
Blount
Grovtech
American Metal Specialties
Warn Industries
Ran-Tech Engineering
OECO



TRENDS AND EVENTS

- Blount International struggles to maintain export growth in light of currency headwind. Is acquired by American Securities and P2 Capital Partners for \$855 million. Company will be taken private.
- Precision Castparts and its subsidiaries are acquired by Berkshire Hathaway for \$37 billion in one of the largest acquisitions in U.S. History, signaling Warren Buffet's company is banking on growth in the aerospace industry.
- The industry will continue to shift toward increased automation and adoption of advanced practices.
- Companies pivoting to advanced materials will have a competitive advantage.

Target Industry Analysis

Health Services and Continuing Care

Health Care and Health Services is the single largest sector of the study area economy, accounting for one out of every five jobs. Despite continued growth in the Health Service sector at the regional and even national level, growth among local companies has been stagnating. The sector is well balanced across subsectors, with considerable employment in hospital, health services, and continuing care. However, Milwaukie's health sector is largely population-serving health care services. The economy does not have much activity in medical manufacturing, laboratories, research, or biotechnology.

Looking forward, demographics and policy will continue to drive need for these types of health services, specifically continuing care. The extent to which the local economy can capitalize on anticipated regional growth in biotechnology research/development remains to be seen. Workforce characteristics may be favorable but an anomalous/catalytic event would likely be required to see the cluster expand beyond population serving functions.

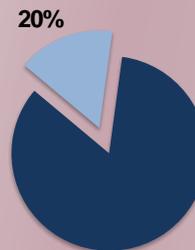


TRENDS AND EVENTS

- The OHSU Knight Cancer Challenge offers opportunity to put Oregon “on the map” for bio-tech research.
- The Affordable Care Act is passed, likely leading to permanent increases in demand for health services. The ACA is broadly expected to lead to market consolidation in the hospital and insurance industry.
- Over the next 20 years nearly one million Baby Boomers in Oregon will be entering their retirement years and beyond. An estimated five to eight percent of Boomers will age in multi-family retirement and care facilities⁹⁹.

IMPACT ON ECONOMY

Share of Local Economy



The Health Services industry in Milwaukie employs an estimated 7,129 workers, paying an average wage of \$70,000 annually.

ANCHOR TARGET INDUSTRIES

- Hospitals
- Offices of Physicians, Dentists, and Specialists
- Kidney Dialysis Centers
- HMO Medical Centers
- Nursing and Residential Care
- Pharmacy Services

MAJOR EMPLOYERS

Sunnyside Hospital
Providence
Kaiser
Consonus
American Medical Response
Rehab Specialists
Willamette View

Target Industry Analysis

Warehouse & Distribution

Businesses in Warehousing and Distribution include those involved in the wholesale, storage, or movement of goods and services. Warehousing and Distribution is generally an ancillary economic function in the economy. That is, W&D firms agglomerate in proximity to the firms they serve. In some instances, geographic location (proximity to markets) and site advantages (multi-modal transit linkages) attract regionally serving distribution and logistics activities exogenous of local industry. In Milwaukie, it would appear most of this sector's impact is driven by local business factors.

Over the last several years, the industry has declined slightly in the local market. However, the region is currently in a development cycle for W&D space, largely locating on greenfield sites.



ANCHOR TARGET INDUSTRIES

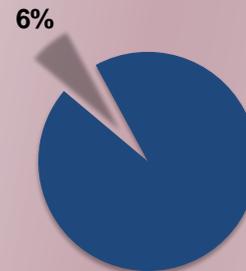
- Durable Goods Wholesale
- Nondurable Goods Wholesale
- Wholesale Trade Agents & Brokers
- Truck Transportation
- Warehousing & Storage
-

MAJOR EMPLOYERS

Unified Grocers
Core Mark International
Cross Point NW
Norlift
Titan Freight
HD Supply Management

IMPACT ON ECONOMY

Share of Local Economy



The Warehouse & Distribution industry in Milwaukie employs an estimated 2,041 workers, paying an average wage of \$58,000 annually.

TRENDS AND EVENTS

- In 2014-2015 over three million square feet of industrial space in the Portland Metro Area had been delivered or is under development. The majority is for distribution uses.
- Large distribution center tenants are announced in Gresham, Tualatin, and the Columbia Corridor.
- Emerging trends in distribution and logistics include a growing influence of e-commerce, greater reliability on information technology, decentralization & nearshoring, and investments in automation.

CITY OF MILWAUKIE: ECONOMIC OPPORTUNITIES ANALYSIS



Target Industry Analysis

Business, Professional, and Information Services

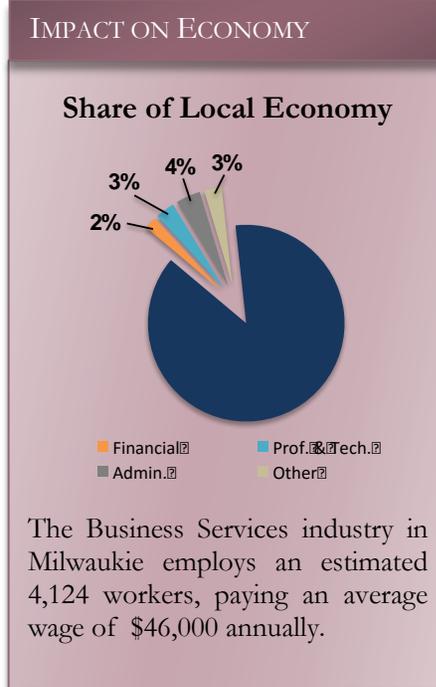
Business and Professional Services industries are expected to make up the lion's share of regional growth over the next 20-years. These businesses include a range of services from creative design, computer programming, technical engineering, call centers and financial services.

They are industries that more commonly require more traditional office space, but some sectors locate in either creative office or flex business parks. New applications in business technology (IT) and strong corporate profits provide a rosy outlook for businesses in this sector. Specifically, Professional and Technical Services is expected to expand by over 26% over the next ten years. Increasing rents for Class A office space in the Central Business District will increasingly drive small and medium sized firms into secondary locations. Milwaukie currently has a below average supply businesses in these industries.



- #### ANCHOR TARGET INDUSTRIES
- Software/Computer Programming
 - Specialized Design
 - Engineering & Technical Consulting
 - Financial, Legal, & Real Estate Services.
 - Temporary Help Services
 - Enterprise Headquarters
 - Administration Services
 - Back Office Functions

- #### MAJOR EMPLOYERS
- Princeton Prop. Management**
 - Active Telesource**
 - Moda Health**
 - Crossmark**
 - Pacific marketing**
 - K & B Engineering**
 - Advantis Credit Union**
 - Warehouse Demo Services**



- #### TRENDS AND EVENTS
- The Oregon Employment Department forecasts Professional & Technical Services will be Clackamas County's 2nd fastest growing sector over the next ten years, led by Computer Systems Design.
 - Information Technology and Cloud based business systems will continue to permeate through all facets of industry.
 - The Portland Metropolitan Region has emerged as a hotbed for software development and computer programming talent.

Target Industry Analysis

Maker Manufacturing & Amenity Retail/Hospitality

In addition to the aforementioned sector based targeted industries, Milwaukie should prioritize recruitment and development in the following areas. These industry groups have community-wide ancillary impacts ranging from a positive influence on property values to attracting new residents and tenants. These industries often influence the culture and character of districts within a community.

MAKER/CRAFT INDUSTRIAL

In Portland's Central City, the Central Eastside Industrial District has undertaken a considerable transition over the last ten years. The district emerged as a low cost incubator district, with some of the region's most successful businesses starting up in the area. However, the district has transitioned in recent years as space costs have increased markedly. The recent SE Quadrant Plan changed zoning in parts of the district to accommodate higher intensity uses. The lack of affordability will increasingly displace niche and incubating firms. As a part of the SE Quadrant process, areas of the Central Eastside—including Milwaukie, were identified as likely outlets for future incubating activity.

Support for these industry types represents a targeted opportunity for Milwaukie to establish a new generation of future businesses to grow and thrive in the community.

PUBLISHING & SOFTWARE

COFFEE ROASTING/BAKING/FOOD PRODUCTS

BREWING/VINTING/DISTILLING

CRAFT MANUFACTURING/CUSTOM FABRICATION

SPECIALTY AGRICULTURE

APPAREL/JEWELRY/RECREATION EQUIP.

AMENITY RETAIL/HOSPITALITY

Quality retail, restaurant, recreation, and hospitality tenants make a community an attractive place to live and work. Studies have shown that amenity based supportive uses have a positive impact on housing values and attract residents and businesses alike. This is a growing phenomenon in the context of emerging consumer preferences observed across Millennial and Boomer generations. Attraction of these types of businesses offers Milwaukie to raise its amenity profile and work toward becoming a true 18-hour community where people gather to work as well as recreate.

SPECIALTY FOOD/GROCERY

COFFEE/CAFÉ

BREW PUB/WINE OR BOTTLE SHOPS

FULL SERVICE LOCAL RESTAURANTS

FOOD CART PODS

BOOKSTORES AND BOUTIQUES

WELLNESS AND SPA SERVICES