

**DRAFT**  
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For Review and Comment

TRACKING THE ROLE OF LOCAL GOVERNMENT  
IN ECONOMIC DEVELOPMENT

A research publication of  
The City Club of Eugene  
September 2010

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## ABSTRACT

In this study we attempt to answer a question posed on our first page: “Can a small group of reasonably intelligent people understand the who, what and how of economic development in Eugene?” The study is more a narrative than a formal report, but it has five distinct themes:

First it has an account of our early efforts to find a way into the topic – a preliminary definition of economic development followed by remarks on our search for sources of information and an overview of the City of Eugene’s activities. Next it offers a closer look at Eugene’s programs policies and programs for economic development, including the City’s two urban renewal districts. Brief comparisons with organizations Portland and Salem offer some perspective on different approaches to local economic development. Third, the narrative gives our evaluation of how effective the City’s economic development programs are – what problems and opportunities they present. The fourth theme presents eight suggestions for what should be done to make future policies and programs more effective. We also submit three examples of different approaches the City of Eugene might take in future development. And finally, we sound a call for action, give our reasons for starting now, and suggest who should make the first moves.

An Appendix list major sources of information we used, including the names and affiliations of the more than 30 persons we interviewed for the study

Dan Herbert, Pat Skipper and Rick Gates  
Study group on local economic development

*. . . local economic development should make sense to taxpayers, not just experts.*

**CITY CLUB OF EUGENE**

**Research Reports**

- *Initiative Process*, May, 1992
- *Voters' Pamphlet*, November, 1993
- *Alternative Revenue Sources*, August, 1994
- *Hult Center*, March, 1995
- *County Management*, April, 1995
- *School Safety*, September, 1995
- *High-Speed Rail*, April, 1997
- *Domestic Violence and the Workplace*, April, 2001
- *City of Eugene Ward Redistricting*, May, 2001
- *Health Care Trends*, February, 2005

**Publications**

*Eugene 1945-2000: Decisions That Made a Community.* Xlibris, (2000). 22 essays by City Club members.

**A KEY REFERENCE**

Bartik, Timothy J., *Local Economic Development Policies.* The W. E. Upjohn Institute for Employment Research, Staff Working Paper No.03-91.

*Overview of local economic development policies; addresses the roles of local governments along with other private and non-profit organizations.*

What is local economic development? Who does it? How do they do it? How many public dollars do they spend doing it? Does one group do local economic development or does it involve many groups?

These are the seemingly simple questions that drove a group within the City Club of Eugene to take a close look at local economic development.

The Club has a long history of close looks. Various groups within the Club have looked at such diverse topics as health care, bullet trains and domestic violence. In each case, members did a careful examination of an issue, weighed various perspectives, generated a substantive report of their findings and, in some cases, made specific recommendations.

Our goals are similar, in that we've taken a close look at our topic and we'll make some recommendations that we hope policy makers will consider.

Our approach is different in that we're telling a story. It's the story of what we looked for, and what we found.

Accompanying this story are the charts, graphs and explanatory material you'll see in the margins.

But there's another reason that we're not generating a rigorous research report. This is not rigorous

research. We are not experts. We are not trained in economics, or economic development. We haven't spent any time actually performing economic development.

What we are is a group of motivated Club members who feel that local economic development should make sense to taxpayers, not just experts.

In short, our search for answers generates the broader question, "Can a small group of reasonably intelligent people understand the who, what and how of local economic development?"

Our first task was to define what we meant by local economic development. This is harder than it sounds.

The problem in defining is that almost everything that happens in a community can be considered economic development (we can call it ED). If a street in front of a business is re-paved, then it's a much nicer environment for customers, and that benefits the local economy, right? Well, yes. And if the police engage in a program to make downtown streets safer, that benefits the local economy, right? Again, yes.

In fact, nearly everything a city does is an attempt to benefit not only its citizens, but also for those living outside its boundaries that

## ECONOMIC DEVELOPMENT AIN'T URBAN PLANNING

Economic development typically includes physical development, too – that is, infrastructure, site development and buildings.

Also, remember that economic development and physical development are different from urban planning. *Urban planning* involves policy decisions about land use and urban form; *Development* involves ways to carry out planning decisions.

## A FOCUS FOR ECONOMIC DEVELOPMENT

“Local economic development should be focused on providing employment and fiscal benefits to local residents, while preserving the local quality of life. Evaluations of local economic development programs should focus on how the program affects achievement of these goals.”

--From Bartik. page 42.

*Who does  
What  
Now in  
Eugene,  
Salem and  
Portland.*

spend their money in the city. That benefits businesses and thus the local economy.

So it appeared that we needed to focus on those things that a city does that are specifically designed to enhance the local economy. For instance, most cities today have economic development departments whose primary charge is to do just that. Clearly the activities of those departments were within our scope.

Timothy Bartik, writing for the W.E. Upjohn Institute for Employment Research in Kalamazoo, Michigan recommends part of a definition:

*“Special activities, undertaken by public or private groups, to promote economic development.”*

Bartik has defined what’s local, but leaves us to define economic development. Like many others, we took economic development to be synonymous with “economic growth”, or perhaps something more vague like economic vitality. As we learned more, we came to

see economic development in both broader, and more specific terms.

Bartik goes on to break these activities, or economic development programs, into two categories:

1. *Providing customized assistance to local businesses*
2. *Strategic initiatives involving more general tax, spending and regulatory policies.*

Providing a tax break to a local developer trying to build in a downtown is a good example of the first category of programs. So is funding for a job training program that teaches skills that local businesses need. This is akin to helping businesses that have already taken root in the local economic landscape.

Bartik’s second category of programs is like preparing the ground for seeding. For example, enterprise zones are a state program that allows cities to make tax incentives available to businesses that are willing to locate within a specific area, and to hire local employees. The zones are designed to encourage growth in employment and

**In Eugene,** The mayor, city council and city manager, in addition to their other duties, direct the policies and programs that support economic development.

They are responsible for policy direction and administration of the Downtown and Riverfront urban renewal districts, a Mayor’s Committee on Economic Development and other development workshops, an Enterprise Zone, other tax incentive programs, the sale of surplus property and cooperation with the Chamber of Commerce and Lane Metropolitan Partnership. Individual councilors sit on various economic boards and commissions.

The principal administrative support for economic development is the Community Development Division of the Planning and Development Department.

Support for economic development comes mainly from tax increment funds, federal grants and the city’s General Fund.

**A SKEPTIC'S VIEW OF GOVERNMENT PLANS FOR ECONOMIC DEVELOPMENT**

"I can't imagine why anyone thinks a bunch of bureaucrats loosely directed by a bunch of politicians could ever effectively manage an economic development program"

- Paul Nicholson, local business owner, in an interview for this study.

**MISSING INFORMATION**

"There is a level of information that we are missing. . . . We never hear about the successful things, so there is a public myth of distrust in government. . . . This should be countered by better marketing of the accomplishments, of the long view."

- Sara Bergsund, local architect, in an interview for this study.

eventually, to increase local tax revenues.

Other programs in this second category might attempt to streamline regulatory policies, such as business permits.

The focus on specific programs allowed us to study something which was, in principle, measurable.

So now we had a goal. We would study those activities that the City of Eugene funds or engages in an attempt to promote economic development.

To accomplish that goal, we needed more information. One obvious source was the Planning and Development Department at the City.

Through meetings with city staff, particularly senior loan analyst Denny Braud, we began to see those economic development activities that the City was engaged in.

It turns out that the City funds and organizes some economic activities entirely on its own, but it also funds and participates in larger, regional efforts. These programs seek to benefit Springfield and other local municipalities as

well as Lane County.

In dollars, the largest portion of what the City does is managing urban renewal districts (UR districts). Most of the money that the city's development department spends is on its two UR districts, one for the Riverfront, but mainly for the Downtown Urban Renewal District.

Monies provided to other types of organizations doing economic development activities on the City's behalf are a much smaller portion of the City's budget pie. The Lane Metro Partnership is the most visible group of this type.

That's the general scenario in Eugene. But do all communities organize their economic development activities in the same way? We found otherwise.

**T**he City of Portland Oregon has a long history of active involvement between city government and economic development. In 1958, the citizens of Portland voted to create the Portland Development Commission. The PDC is governed by a volunteer board of commissioners who are appointed

**In Salem**, (pop. 143K), The mayor, city council and city manager administer the city's housing authority and eight urban renewal districts. Its economic development is contracted to the Salem Strategic Economic Development Corporation.

Members of SEDCOR are business and community leaders of Marion and Polk Counties. It is governed by an executive committee and a Board of Directors; among them are the mayor and city manager of the City of Salem and two county commissioners.

SEDCOR is the largest economic development organization in Oregon and maintains business information databases, incentives for attracting new businesses, expanding existing businesses and programs for employee and workforce development.

**In Portland**, (pop. 545K), The mayor and council set overall economic development policies and delegate the Portland Development Commission to coordinate public and private programs.

PDC has its own volunteer policy board, appointed by the mayor and city council, and its own executive director and staff. It is funded by federal and other grants, service contracts, allocations from the city's General Fund and tax increment financing.

PDC manages eleven urban renewal districts; it promotes development for large and small businesses, housing, jobs and other workforce issues, and integrates sustainability concerns.

## ANOTHER KEY REFERENCE

Greenwood, Daphne T. and Holt, Richard P.F., *Local Economic Development in the 21<sup>st</sup> Century: Quality of Life and Sustainability*. M.E. Sharpe, Armonk, New York, 2010.

*Greenwood and Holt explore four "rules" that define a new path for sustainable economic development in comparison to ten "myths" that have been the conventional ED wisdom in the past.*

*"The purpose of an economy is to serve the needs of people, not the other way around. Economic growth that supports economic development is based on and around people and reflects values and goals throughout the community."*

— page 7

## SPEAKERS FOR THE FIRST CITY CLUB PROGRAM ON ECONOMIC DEVELOPMENT

**Jack Roberts**, Director, Lane Metro Partnership;

**Bonny Bettman**, Former City Councilor;

**Abe Farkas**, Development Director, ECONorthwest.

*A video and an audio recording of the program are available at: <http://www.cityclubofeugene.org/index.php>*

directly by the Portland City Council and who report directly to the Mayor's office. The PDC has its own staff hired by an executive director.

We next asked ourselves if the development commission model that Portland uses would be appropriate for Eugene. Would it work here politically? Would it fit in a significantly smaller city?

As we looked around, we saw that there were other organizational schemes at play. In fact, you really have to look hard to find two cities with the same scheme.

Billings, Montana has a public agency paired with a private corporation performing economic development together.

Boise, Idaho relies on a separately funded division of the local Chamber of Commerce to provide development services.

Burlington, Vermont provides services directly to businesses via its own development department.

There are many ways to organize local economic development efforts. They differ in funding and membership, depending on whether they are entirely public, entirely private or, more typically, some blend of the two. They can also be appointed or elected.

At this point, with some basic figures and concepts in hand, we decided to interview local stakeholders. A list of business leaders, elected officials, and appointed commissioners constituted an early list. But we began to add

names on an *ad-hoc* basis as we sought to include those who were critical of the current process. Eventually, we interviewed more than 30 individuals.

The interviews turned out to be of mixed utility. We learned that many respondents had as little information about local economic development as we did. But we found value in the form of unique ideas, pungent quotes and, always, diverse perspectives.

Crucial among our early list of stakeholders were those who are most deeply engaged in the process of economic development, both from the practice and the policy ends. What perspectives come from those attempting to implement programs? How well do they meet the expectations of elected officials

who set broad policies? What are the general theories for how this should all work?

We thought it was important to keep Club membership apprised of our progress throughout our several-months' long look at these issues.

Consequently we prepared a Friday Forum program to look at local economic development through the eyes of three people who'd spent a lot of time wrestling with both practice and policy.

One of them, Jack Roberts, is the head of the Lane Metro Partnership, one of the primary organizations engaged in ED activities in our community. Lane Metro Partnership bills itself as "the official

*"The number of jobs, and the pay and benefits that go with them determine the economic health of the community."*

—Jack Roberts

## ONE DEFINITION OF ECONOMIC DEVELOPMENT

"I think it's important to understand what we at the Metro Partnership and our local governments consider economic development. The definition we've come up with is trying to attract 'traded sector' businesses."

—Jack Roberts, at the first City Club program.

[Traded sector means industries in which member firms sell their goods or services into markets for which national or international competition exists. —ORS 285A.010.]

## MORE THAN GROWTH

"Economic development is much more than economic growth."

"True economic development is represented by increases in the standard of living that are broadly based and sustainable. Economic growth may or may not support that goal, depending on the composition and distribution of growth."

— From Greenwood & Holt, page 13.

source of economic development and business information for Eugene, Springfield and Lane County". Lane Metro is perceived by many in the community as focusing primarily on industrial development, and they maintain an inventory of industrial sites and buildings. They analyze sites and provide cost comparisons for prospective businesses. And they work with local governments on regulations and the permitting process. To many, Jack Roberts is the face of local economic development.

Another speaker on the program was Bonny Bettman, a two-term Eugene City Councilor. As she's outspoken in her opposition to many ED programs, we felt that she'd be an energetic critic of how growth is managed.

Abe Farkas was our choice for the third speaker. He's the development director for ECONorthwest, an economic consultancy. Farkas has worked with and for cities (including Eugene) and for private businesses for many years. He was invited to supply an outside perspective that also contained a lot of deep knowledge about local issues.

Farkas put economic development in context, both historically (ED started with public/private partnerships to explore and settle North America), and politically, in the context of regulation (Oregon has more restrictive ED policies

than many other states).

Roberts pointed out that most of the local economy is "what we buy and sell to each other". A new restaurant doesn't attract new money, but simply spreads out the money that people already spend on dining. The focus of Lane Metro Partnership is on bringing new dollars into the community by focusing their activities on those businesses that sell goods and services in regional, national and global markets.

Both the recruitment of new traded sector businesses (see sidebar) and the encouragement of broader markets for existing businesses are the goals of the Partnership.

Bettman echoed Farkas' assessment of Oregon as restrictive in its economic development policies. However, her

objection was not with state barriers to business growth, but with state barriers to those wishing to moderate growth. She felt that the state constrained local officials' abilities to control ED.

Bettman felt that economic development practiced in Eugene contained a core "economic fundamentalism" which was pre-occupied with job creation. She questioned this focus, and talked instead of "economic security" which she defined as "a livable community, local food production, good schools, attractive, accessible parks, safe streets, clean air and

*"Economic security . . . is a livable community, local food production, good schools, attractive, accessible parks, safe streets, clean air and water, and community services."*

—Bonny Bettman

## PUBLIC AND PRIVATE SPENDING

"A university that draws students (and dollars) from other regions is likely to bring more "outside" money into an area than a manufacturing plant importing raw materials, adding an additional layer of value to them, and shipping them elsewhere. This is not to say that public or nonprofit expenditures are any better than private spending, but that they both can have the same economic impact on a local community."

– From *Greenwood & Holt*, page 16.

## URBAN RENEWAL PROJECTS IN DOWNTOWN EUGENE

A few of the projects that have been built with assistance of the Downtown Urban Renewal District:

### Private projects:

- Tiffany building
- Hilton Hotel
- US Bank
- Downtown Athletic Club
- Parkview Place
- Broadway Place
- Symantec (now Enterprise)

### Public projects:

- The failed Pedestrian Mall
- Hult Center
- Public Library
- Lane Transit station
- Saturday Market upgrade
- Four parking structures
- Infrastructure to support other projects

water, and community services." While she felt that ED was needlessly reallocating public dollars into private hands, she admitted the need for a limited "surgical approach" for ED activities.

The program raised some interesting questions for our team to explore. One question emerges from Jack Roberts' contention that Lane Metro and local governments concern themselves primarily with the traded sector. What are the impacts of this focus on bringing new money into the community?

The converse idea deserves exploration as well; Bettman talks about accountability in more directions than just growth and jobs. Should quality of life be taken into consideration by economic development policies? Can quality of life even be measured? And is there a relationship between ED policies and quality of life?

**S**leuthing the inner workings of government or politics is a big undertaking. Simple axioms like "Follow the money" may sound good, but they mask complexities. This is especially true when tracking economic development where there's a question of what even constitutes money.

Money spent on a specific program, such as job training, is plainly ED money. But what about a revolving loan fund for small business improvements? It disperses money into the community, but is self-supporting. Does that count as ED dollars spent? How about tax deferrals to businesses that locate in enterprise zones and hire local employees? How should these be accounted for when determining how much money is spent on economic development?

We began to look deeper than just dollars spent, and started considering the economic impacts of a variety of activities.

## DOWNTOWN URBAN RENEWAL DISTRICT

The Downtown District was set up in 1968 to include 18 blocks of the city's central business district - about 70 acres. Initially intended for a 20-year life, the district was amended, enlarged and extended through ordinances passed in 1989, 1998, 2004 and 2010. One of its original features was the development of a pedestrian mall, which closed many of the main streets to vehicular traffic. The mall strategy was unsuccessful and it was progressively dismantled through subsequent years. A large scale project was referred to the voters in 2007 and was not approved.

The downtown district has been a focus of controversy, initially because of its having required the demolition of many substandard buildings. Later objections have been raised due to the impacts of the district's tax increment financing structure on revenues for other jurisdictions. Computing these impacts is very complex, however, due to Measure 5 and other state and local offsets.

In June 2010, the city council moved to extend the maximum indebtedness of the plan by about \$13 million to assist three projects that included up to \$8 million to help LCC build a new center downtown, make public safety improvements, and to provide infrastructure for the Farmer's Market on the Park blocks site. The council also moved to sunset the Downtown Urban Renewal District -- to expire as soon as the debts for these three projects was scheduled to be paid off, estimated to be in about 8 years.

## TAX INCREMENT FINANCING

... a simple example:

Sheila owns a piece of downtown property. Her property in 1985 is valued at \$100,000. If her total tax rate is \$5 per thousand, she pays:

$$\$100,000 \times \$5/1,000 = \$500$$

So the city, county and other taxing entities combined receive \$500 in tax revenue from Sheila in 1985.

Then, in that year, Sheila's city forms an urban renewal district that includes her property. Her property value for taxing entities is frozen at these 1985 values.

25 years later in 2010, her property is worth \$500,000. If her tax rates have remained the same, she pays:

$$\$500,000 \times \$5/1,000 = \$2,500$$

So who gets this \$2,500 in 2010?

- Taxing entities still get only \$500
- The Urban Renewal district gets \$2000

The taxing entities calculate their share of Sheila's taxes based on the property values frozen in 1985. The taxes based on the extra, current value go to the UR district.

*(Note: In reality, tax rates can change, new taxing entities form, and even the frozen base can be adjusted. Also, cities don't wait for the incremental value of each year's taxes to roll in. Instead, they float bonds based on the expected future value of those taxes.)*

## SPEAKERS FOR THE SECOND CITY CLUB PROGRAM ON ECONOMIC DEVELOPMENT

Paul Nicholson; Local small business owner; former city councilor.

Jared Mason-Gere; Director of Business Advocacy, Eugene Chamber of Commerce.

Urban renewal districts are an attractive tool for community planners. What's compelling about a UR district is that it can raise real dollars that planners can spend today, without raising taxes.

To do this, an urban renewal authority (the City Council in Eugene's case), freezes the taxable value of all properties in an urban renewal district. Taxing entities (cities, counties, school districts, etc.) continue to receive revenues from the UR district, but only on the frozen value of properties.

The difference between the frozen values, and the real assessed values of the properties is known as the increment. The taxes on this growing amount go to the urban renewal authority. The job of this URA is to fund activities that will benefit the UR district.

Essentially, tax increment financing is a mechanism for redistributing taxes. Cities decide that they, and other taxing entities, will forgo taxes now in the hope that the extra money poured into a UR district will be of benefit to the entire community. The promise is that investment in

the district will create a more attractive environment for private capital.

Many states, including Oregon, have statutes that allow cities to use this tool. Tax increment financing has its roots in the desire to resurrect decaying downtowns. Statutes restrict its use to "blighted areas". In theory, the extra dollars invested in an urban renewal district will, over time, provide a more stable and attractive location for private investment. In turn, this is assumed to yield a greater value to the community than if the district had never been formed.

There are many critics of urban renewal. One of the most scathing is Paul Nicholson, who participated in our second program. Paul is a former Eugene city councilor who owns several bicycle shops, one on the edge of downtown.

Balancing Nicholson on the program was Jared Mason-Gere of the Eugene Area Chamber of Commerce.

*"We're all familiar with the phrase 'When opportunity knocks, open the door'.*

*In Eugene we have a tendency when opportunity knocks to cock a shotgun and shout at it to get off our porch."*

*-- Jared Mason-Gere*

Nicholson began by stating that the 42 year old downtown urban renewal district was designed originally with a focus on housing, but that it was hijacked by the Chamber of Commerce and its allies. He claims that properties just outside

### ONE REPORT ON THE EFFECT OF ENTERPRISE ZONES

“. . . the audit agency of the Colorado state legislature surveyed 18 businesses that had located or expanded in Colorado enterprise zones, and 10 of these businesses said that the zone incentive has not affected their location or expansion decisions.”

—From Bartik, page 42

the district have appreciated at a rate four times that of properties within the district. He said he believed that private investment would have done a better job of improving the district and that UR projects actually reward inactivity by property owners waiting for a lucrative buy-out. He said “The basic problem with UR is that it attracts speculators instead of entrepreneurs.”

Mason-Gere said that urban renewal is the “cheapest and most easily implemented” of the options at this time, and that it has the fewest number of “negative side-effects” on other jurisdictions. He expressed both his impatience with debate over what has or hasn’t worked in the past, and his eagerness to move forward. He told the audience “We’re all familiar with the phrase ‘When opportunity knocks, open the door’. In Eugene

we have a tendency when opportunity knocks to cock a shotgun and shout at it to get off our porch.”

An interesting point that came out of this program was the uncertainty over how well the goals of urban renewal matched reality. Urban renewal districts and tax increment financing are tools that are designed to improve the economy and ultimately, private investment in blighted areas. However, much of the public spending in the Downtown UR district has been and will be on public development. These include the Hult Center, the public library, and soon a downtown campus for Lane Community College. There is a question of whether this level of investment in public infrastructure provides more benefit than investment in projects that might more directly assist private businesses.

### NEW BUILDINGS IN THE RIVERFRONT RESEARCH PARK

Three research buildings have been built so far, all on the Millrace site south of the rail line. One of the buildings - an incubator facility for start up businesses -- is owned by the UO. The other buildings were planned, built and are maintained by private owners on land leased from the UO.

A current plan for Oregon Research Institute building on a site north of the rail line was caught up in controversy that has now been resolved, affirming that a conditional use permit issued under the master plan is still in force.

Another research building is being planned by a private developer.

### RIVERFRONT URBAN RENEWAL DISTRICT

The Riverfront Urban Renewal District dates from 1985. Its purpose was to assist the development of UO, EWEB and Agripac (now Courthouse) properties. The District was enlarged and amended in 2004 to include land between the EWEB site and the Downtown Urban Renewal district for a total of 178 acres. Privately owned development generates tax increment funds of about \$700,000 per year from the whole district – about one third from the UO’s Research Park.

In 1988, a master plan for the Research Park called for about one million square feet of research buildings, plus infrastructure and parking structures. The Research Park now employs about 300 people. Several hatchling businesses from the incubator building have now moved elsewhere in the city— one of them plans to lease space downtown in the redeveloped Center Court Building.

Agripac abandoned its buildings in 2000 and most of the site was chosen for the new Federal courthouse, which was completed in 2006; other parts of the site are yet to be developed.

A master plan for the EWEB site, completed in 2010, includes residential, office and commercial buildings, infrastructure, parking and open space. UO President Lariviere has stated that the university will conduct an update of the master plan, presumably modeled on the recent process used to develop a master plan for the EWEB site.

*The inside story:*

## MARKET OF CHOICE

*-- From an interview with Rick Wright, President, Market of Choice, Inc*

In 1998, Rick Wright's grocery store, called Price Chopper, began business in Eugene. PC, as it became known, was located in a remodeled building at 29<sup>th</sup> and Willamette. Conceived as an independent grocery – the store was intended to compete with national chains such as Walmart and Safeway. But PC's customers soon began asking for more variety in food products and expressed an interest in more locally grown fruits and vegetables

Wright and his employees listened. They began a transition from a conventional low-cost outlet to a market that emphasized quality and choice. They redesigned their advertising, their product lines, their displays and even the store buildings that housed them -- and they rebranded the business as Market of Choice. (cont.)

*More* 

Of course, for many critics, a more fundamental question remains, that of the seeming endlessness of the Downtown UR District. It's certainly legitimate to ask if 42 years of urban renewal have given us the downtown we want.

**O**regon state law provides another class of tools to those attempting local economic development. The phrase 'enterprise zone' refers to specific geographic areas where newly locating businesses can gain a three to five year exemption from local property taxes. The businesses are typically non-retail. The zones are sponsored by a local government (city or county).

The intended purpose of enterprise zones is to create jobs, and qualifying businesses must meet employment requirements to maintain their tax exemptions. (Local zone sponsors can adopt resolutions relaxing employment requirements for very large firms, or those who invest substantially in workforce training.)

A West Eugene Enterprise Zone was established in 1986. In 1995 Hyundai Semiconductor proposed building a \$1.3 billion plant in the zone.

The plant began operation in 1998. In 2001 the manufacturer, now known as Hynix, furloughed 600 of its 800 employees citing turmoil in the chip industry. After a retooling in 2002, Hynix employed up to 1,100 employees and 300 contractors before closing its doors permanently in September of 2008.

A frequently asked question with enterprise zones is "Would companies have settled in the zone and created jobs without tax incentives?" This is an extremely difficult question to answer and much of the empirical work done has delivered mixed conclusions.

Tax incentives play a role in another, large program run by the city's Planning and Development Department, the Multi-Unit Property Tax Exemption (MUPTE). This is a state sanctioned program designed to stimulate the construction of multi-unit housing in a core

## MARKET OF CHOICE (cont)

The first full redesign was realized in 2000 by taking over the former Food Value building on Franklin Boulevard for the current store. Since then, the business has grown to comprise a total of eight stores, including five in Eugene, two in the Portland area, one in Ashland and one under construction in Corvallis. Altogether, the seven current stores provide competitive, family wage jobs and benefits for more than 700 employees. The transition has not been easy, Wright said; it has meant developing a team willing to learn creative new ways of approaching every aspect of the business.

It's worth noting for this City Club study that the growth of Market of Choice has not relied on financial help from any government programs. And Wright found that working with Eugene's Building Department posed no special difficulties in the company's design and construction for their projects – city regulations, he said, are OK as long as they apply equally to everyone. He commented further that "Eugene has gotten a reputation as not being good for business. It's a bum rap — undeserved."

AN OVERVIEW of ANNUAL INVESTMENTS  
**CITY OF EUGENE ECONOMIC DEVELOPMENT PROGRAMS**  
 for FY 2009-10, (or noted 2008-09)

\$1M

<b>URBAN RENEWAL</b>	<b>DOWNTOWN</b> About \$1.73M / yr	<b>Downtown</b> UR activities are project-driven, including marketing the district's attractions and incentives, processing RFPs, preparing sites and infrastructure, locating and coordinating public and private financing, budgeting project costs, coordinating w/ utilities, public works and other city departments, providing public information and liaison w/ city council. Administrative costs and the district's share of project costs are paid by TIF funds. <b>Examples:</b> <b>Past:</b> Symantec (now Enterprise), LTD Station, Library; <b>Current:</b> Beam/Centre Court project, LCC, Farmer's Market, Safety Program.
	<b>RIVER-FRONT</b> About 700K / yr	<b>Riverfront</b> UR (Same activities as above.) <b>Examples:</b> Federal Courthouse, cooperation w/ EWEB Master Plan.
<b>LOAN PROGRAMS</b>	<b>BUSINESS DEVELOPMENT FUND</b> Av \$1.5M / yr.	<b>(BDF)</b> Loan program for startup or existing businesses citywide (incl. districts); can be used for capital, inventory, equipment, land, construction. Revolving loan fund is self-supporting, including admin costs. Works w/ Lane Micro-Business (below), State and Federal agencies to provide advice, training and access to capital. <b>Examples:</b> Bike Friday, Sweet Life, Poppa's.
	<b>DOWNTOWN REVITALIZATION LOAN PROGRAM</b> Av. \$350K / yr	<b>(DRLP)</b> Revolving loan program for large or small projects by owners or tenants in UR district only. Typically 4-6 loans / yr at below-market interest rates using non-TIF balances from the UR district such as interest income, sales of property, grants, etc. Eligibility considers job creation. Administrative costs and the district's share of project costs are paid by TIF funds. <b>Examples:</b> DAC, Tiffany Building, McDonald Theater.
<b>TAX EXEMPTIONS</b>	HYNIX \$2.421M (DISQUALIFIED) WEST EUGENE ENTERPRISE ZONE \$257K FY 2008-09	<b>West Eugene Enterprise Zone</b> (est. 2005), jointly sponsored by City of Eugene and Lane County. The Zone has been designated by the State of Oregon for a ten-year period. Primary purpose: to stimulate new investments that create jobs. Eligible new investments within the Zone can be exempted from property taxes for 3-5 years. <b>Example:</b> Hynix, Glorybee Foods.
	<b>MULTI-UNIT PROPERTY TAX EXEMPTION</b> \$1.323M FY 08-09	<b>MUPTE</b> program offers tax exemptions for the construction, addition, or conversion of rental or ownership multi-unit housing within the MUPTE boundary. Maximum 10 year exemption granted on new investment for a minimum of five new housing unit. Land and non-housing value not included in the exemption. Tax exemption requests reviewed and approved by council.
<b>PARTNERSHIPS</b>	<b>LANE MICRO - BUSINESS</b> \$30K / yr	<b>LMB</b> Lane Micro Business; Funds from Eugene and others. Trains low income citizens how to start or build a small business of 5 or fewer employees: one-on-one technical assistance or access to capital of \$35K or less. Started 1998 as coop w/ LCC, Saturday Market and OUR credit Union.
	<b>LANE METRO PARTNERSHIP</b> \$50K / yr	<b>Lane Metro</b> , under contract w/ Eugene, Springfield & Lane Co recruits established large businesses - mainly industry and manufacturing -- to locate in Lane County. Lane Metro provides information on available sites and buildings, business costs and local business & industry, enterprise zone; assists new businesses with planning for move-in. Provides community profiles and information on the local workforce; coordinates with other city, state and federal programs. <b>Examples:</b> Hynix, Life Technologies (300 empl.)
	<b>CHAMBER OF COMMERCE</b> \$10K / yr	<b>Eugene Chamber of Commerce</b> uses these funds, w/ other sources, under a contract for services to run the Lane Venture Forum, which advises on launching new businesses: making & presenting business plan, locating investors, sites, etc

## OTHER ECONOMIC DEVELOPMENT PROGRAMS

The City of Eugene partners with many other federal, state, and local organizations to pursue economic development programs that aren't shown in the graphs on the left page. Examples include the Oregon Employment Department, the Lane Workforce Partnership, LCC, the U of O (including PPPM and the Business School), NEDCO and LCOG. These organizations provide economic analysis and advice as well as services such as employee training programs. Eugene's roles include direct participation, financial contributions and membership, economic analysis and advice. The city also offers employee training programs and related services.

## HYNIX TAX EXEMPTION DISQUALIFIED

As the graphs on the left page show (at the bar for the West Eugene Enterprise Zone), the tax exemption of \$2.421 million for the Hynix project would have been by far the largest of all those in the zone. But, because they had not complied with all the state's requirements, Hynix received notice that exemptions from '06 thru '09 (total of \$5.4 million) were disqualified and all must be paid back. Prior exemptions dating back to 1997 are not disqualified because they met the criteria throughout the 3-year exemption periods.

area. New or improved structures of at least 5 units are exempt from property taxes for up to 10 years. Eugene exempts approximately \$1.25 million in taxes for the MUPT program each year.

Another tool in the development professional's belt is the revolving loan fund. This is a pot of money, often started by federal or state grants, that is used to make loans to small businesses. In Eugene, the Business Development Fund dispenses, on average, \$1.5 million per year to companies.

This program has few detractors, in large part because there are no out-of-pocket costs like tax increases, or general fund disbursements. Loans are repaid and the interest gained pays for the administration of the program.

Eugene is a college town and no analysis of economic factors would be complete without a look at the impact the University of Oregon has. It's obvious that 20,000 students have an impact on the economy; they spend money in local establishments, and the university is the largest employer in the area.

But what is the impact of the UO in terms of economic development, particularly in relationship to the city?

Much of that impact is in the UO's Riverfront Research Park which is located in the Riverfront Urban Renewal District. The Research Park was developed on 67 acres in 1988. The Park currently has 3 fully-leased research buildings with 29 tenants and over 400 employees. These are engaged in diverse fields of research and development.

Several firms that incubated in the Park have grown and moved to other locations in Eugene, includ-

ing SeQuential Biofuels is one of the most prominent.

One of the buildings in the Park is owned and managed by the university. The others were built by private companies on land leased by the UO. The university is also planning two new buildings. One is a multi-tenant research office and the other is the new home for the Oregon Research Institute.

Finally, we need to say talk not only about current programs, but about the current attempts to plan a course into the future. What are the future goals of economic development within the city of Eugene?

The city is engaged in a number of new initiatives related to economic development. In November 2009, city officials met with counterparts in Springfield, Lane County and the University of Oregon at a Regional Prosperity Summit. Outcomes from the summit included the creation of a policy group and a technical advisory group, but it also agreed on common economic goals, including a recognition of quality of life.

The city has been moving gradually toward a greater focus on quality of life issues. Beginning in 2005, Mayor Kitty Piercy's formed a Sustainability Commission, with an emphasis on a triple bottom line of society, environment and economy (or people, planet, profits) for the creation of a sustainable business environment.

In January, 2010 the city began collecting citizen input about city goals through a process called Eugene Counts. This ties big-picture council goals to concrete results asked for by citizens. A number of outcomes were agreed upon including increased downtown development, support for small and

local business, investment in arts and culture as an economic engine, and decision-making that weighs the triple bottom line.

Evaluations often say as much about the evaluator as they do the thing being evaluated. Our's are no exception. As we're a group of non-experts our findings have certain limitations. One is the fact that we can only talk about what we know, and what we have is pretty recent knowledge. Another limitation is that we're bound to rely on what we can learn from other experts, both from personal interviews and from their writings.

One advantage we do have over the experts is our ability to assess the difficulty of penetrating the world of economic development. We have a good idea of how difficult it is to get solid facts since we've spent the last several months attempting just that.

Our conclusion is that it's more difficult to obtain information on

local ED programs and policies than it ought to be. Why is that? A big hurdle for us has been that the various programs are almost wholly separate from one another; they're not presented or operated as a coordinated whole. Coordination appears to happen through staff activity but this is not apparent to the public; it's not transparent. Egregious examples are the apparent lack of coordination between the Riverfront Urban Renewal District and the Riverfront Research Park. The Riverfront Research Park Master Plan, much in the news recently regarding the ORI project, isn't even mentioned in the 2004 UR report. And urban renewal is *barely* mentioned in the EWEB Master Plan, which says only "redevelopment will contribute to the tax base and Riverfront Urban Renewal District."

Another hurdle is that program goals, objectives, and other data about them are not easily accessible

*The inside story:*

**CENTRE COURT BUILDING**

Centre Court has been a retail location on Willamette & Broadway since the 1920's. With the opening of the pedestrian mall and departure of J.C. Penney in the 70's, the building has been a mixed-use retail and office space. Until 2008, no public financing was used to develop the property. In 2007, voters rejected an urban renewal extension to fund a downtown project, including Centre Court. In 2008, Beam Development received a package of federal and urban renewal to purchase the property.

**MORE!**

**MORE! —> Centre Court Building Willamette & Broadway**

**1924** George McMorran and Carl Washburne build a 3-story building for their department store.

**1939** Building sold to J.C. Penney.

**1956** J.C. Penney remodels, adds two stories and facade.

**1977** J.C. Penney moves to Valley River Center, Donald and Jean Stevenson purchase and renamed Centre Court converted to small retail shops and offices.

**1983** Centre Court sold to Paul Schierholz.

**1984** Schierholz's partnership files for Chapter 11 bankruptcy.

**1986** Willamette Savings & Loan acquires building.

**1987** Centre Court purchased by Midland Pacific Oregon Corp.

**1997** Tom Conner & Don Woolley purchase Centre Court & let leases expire.

**2002** Broadway reopens to traffic, Centre Court is vacant.

**2004** St. Vincent de Paul withdraws offer to purchase Centre Court, citing costs of renovation along with objections from downtown property owners.

**2006** Opus Northwest cancels \$1.65M housing, shopping and entertainment project development on Broadway, including Centre Court.

**2008** City buys Centre Court and adjacent properties and assembles a \$6.2 million financing plan for Beam Development to purchase.

**2009** Beam begins renovation for ground floor retail and office space on the upper stories of the renamed Center Court.

**2010** Beam signs tenants for more than two of the building's five floors.

## ECONOMIC DEVELOPMENT FOR BUSINESS

“... as a government, we can ask ourselves, ‘how can we effectively motivate private local businesses to grow and become stronger; what can we do to support them and give them more confidence to take risks, make their own investments and proceed with development activities now?’”

— Eugene City Councilor  
Mike Clark in the Mayor and  
City Council Economic Development  
Statement, January  
28, 2009

and . . .

## ECONOMIC DEVELOPMENT FOR OTHER THINGS, TOO

“Our area boasts the physical beauty and natural and recreational amenities that create a lifestyle that few would contest. We need to promote the region’s quality of life that attracts people to the area and builds on our dynamic community. Our region’s economic quality of life benefits from the staying power businesses have because their employees choose to live and grow in our community.”

— From the final report of  
*Building Our Next Economy*  
Regional Economic Summit,  
November 2009.

because they are scattered among plans, ordinances, studies and memos. These are not in any common format nor, with a few exceptions, explicit. Where objectives are explicit, they are often an ad hoc mixture of broad and narrow provisions.

It’s also important to note that with few exceptions, local ED programs offer no criteria for the measurement of goals and objectives. Economic development professionals will admit that it’s difficult to measure the effectiveness of any given program. Part of the reason for this was mentioned in our review of enterprise zones. It’s difficult to know if companies would have located in the zone and hired people if there were no tax incentives. Still, it seems to us that a greater emphasis on providing specific criteria for measurement and evaluation can make these programs easier to assess, and provide greater accountability for the citizens of Eugene.

As we’ve said, since we’re newcomers to this field we’ve had to rely on the advice and words of experts. One source we’ve found particularly useful is *Local Economic Development in the 21<sup>st</sup> Century* by Daphne T. Greenwood and Richard P.F. Holt (2010). This book was especially useful to us in that it draws a clear distinction between economic development and economic growth. The authors have convinced us that it is faulty to equate improvements in the standard of living with economic growth. Growth brings both positive and negative impacts to a community.

They summarize the idea quite nicely, first with the positive aspects of growth...

*People are generally better off with higher incomes than lower, because they can more easily afford higher quality goods and services. Higher pay can also allow more leisure or earlier retirement. Economic growth often brings a vitality that accommodates change and innovation. More income and consumer spending creates local retail opportunities and can bring higher tax revenues to support schools, parks, and roads.*

...and then with some of the negative impacts...

*However, growth can also subtract from quality of life and lead to unsustainable development. Growth can lead to urban sprawl and increase the cost of public utilities such as water or power. It can affect the social life of communities if neighborliness or civic engagement is harder to maintain. It can mean changes in the pace and lifestyle that people experience at home and at work that are not always positive. Growth can produce higher levels of carbon in the air and pollute water with agricultural pesticides.*

They go on to explain a fundamental difference between two concepts: economic growth is one dimensional, economic development should be multidimensional. There are echoes here of Eugene’s emphasis on the triple bottom line of economics, society and environment

## MEASUREMENT INDICATORS

"Indicators . . . create a frame of reference in which policy decisions are made, since their very existence implies certain priorities. Probably as difficult as selecting indicators or sustaining their collection is getting people to acknowledge that there are trade-offs. It is easy to get people to agree that they want more of everything good and less of everything bad. . . . Dealing with trade-offs is never politically popular."

— Greenwood & Holt,  
page 157

## WORKFORCE IS KEY

"A talented workforce is the key to our region's economic success. Building programs, partnerships and a regional culture that values learning and entrepreneurial spirit and creativity will help us grow and attract innovative talent to our region."

—Richard Lariviere,  
University of Oregon  
President, from his keynote  
address at the Regional  
Prosperity Summit,  
November 19, 2009.

A video of the five speakers at the summit is available; see:

<http://140.211.82.139/cs/econ/summit09.wmv>

Greenwood and Holt discuss the traditional view of economies in which private capital investment is the primary catalyst for wealth creation. They argue that this view de-emphasizes society (workers), and the environment (raw materials), as other valid sources of capital investment.

They propose another view, that of capital stocks. In this view, money is one source of capital, but so are people, and the environment in which they live. They believe that how we view the relationship between these capital stocks determines how we handle economic development. They put forward what they believe to be a more accurate model that places the economy as a subset of social relationships, which is itself a subset of the larger environment.

With this model quality of life issues become more evident. Greenwood and Holt believe that the standard of living is more than income, and that it includes many non-monetary aspects. They believe standard of living improvements should be broadly based, reaching an overwhelming majority of the population. Consequently they propose a number of economic indicators that don't figure into traditional measures of an economy. These fall into categories such as environment, land use, health, public safety, civic and social participation, culture, education and transportation. They include actual, measurable *community indicators* such as poverty rate, waste generation, infant mortality, crime rates, voter turnout, high school graduation rates, and many others.

The model also helps explain seeming contradictions in our country today. For instance, gross do-

mestic product in our country is increasing which means, in a technical sense, that we've recovered from the recession. However unemployment at this time is hovering near double digits. A one-dimensional perspective of economic development allows terminology like "job-less recovery". A multi-dimensional analysis would not call this a recovery at all.

We assume this focus on a variety of indicators would doubtless require much more time and effort than traditional economic development. First, a large effort must be made to gain the participation of community members in choosing which indicators are most important. Second, considerable time must be spent attempting to determine which of the numerous policies the guide the city are most likely to affect the community indicators. Third, a willingness to evaluate success throughout time is an ongoing cost.

In spite of the time and effort required, we feel that an attempt to focus on specific indicators is important. For one thing, it would meet our desire for accountability to be able to measure the success or failure of programs that cost millions of taxpayer dollars. For another, it offers a rational, defensible argument for the directions chosen for development. In communities like Eugene, we believe this can help diffuse contentiousness.

**I**n light of what we learned from Greenwood and Holt, we looked more closely at some of the questions raised during our study.

In our first program, Jack Roberts spoke of Lane Metro and local government's definition of economic development as attracting traded

## HOW TO DO IT: SUSTAINABLE SEATTLE

The first set of comprehensive sustainability indicators was developed in Seattle in 1993 by a network of volunteer groups with local corporate and foundation funding. Sustainable Seattle received substantial national, and even international, recognition for this effort.

—Greenwood and Holt,  
Page 148

[www.sustainableseattle.com](http://www.sustainableseattle.com)

**Sustainable Seattle** used a very easily understood format with a one-page summary chart that provided a quick overview. The supporting document contained more detail. Arrows showed either improvement ^, worsening v or no change +---+ for each individual indicator. Full-page discussions for each indicator explained 1) its importance and why it was chosen; 2) how the indicator was affected by other factors; 3) the effects of changes in the indicator on quality of life or sustainability; and 4) the source of the data and any measurement issues. Several indicators were collected in each group (environment, population and resources, economy, youth and education, health and community). Each of these groups also received a directional arrow reflecting overall level and degree of change.

—Greenwood and Holt,  
Page 158

sector businesses. Since these businesses increase the amount of money coming into the local economy, we can surmise that this is a traditional ED philosophy that focuses on economic growth. As has been pointed out, growth is important, but that's not all there is. We hope this characterization is not true of all the city's economic development policies.

We also looked closely at the Downtown Urban Renewal District as it has been in the news a lot in 2010. In much of the public discussion about the district people bring different, often mutually exclusive, assumptions. Some say that the city should let market forces alone determine development of the downtown with no government role at all; others say that the public, through its government, should have a direct say in development directions. Some say that urban renewal should concentrate on increasing the tax base by supporting private development; others say that it should concentrate on public projects (like the library, LTD and Hult Center) that wouldn't otherwise be built. And some hold all — or a mixture of these positions at the same time.

The Downtown UR District's stated purpose is to stimulate extra growth in tax revenues, which, after a stated time, are to be returned to the General Fund. Instead the District has been used as a continuing protected channel for support of the downtown. Even if such support is a worthy goal, it seems evasive to keep extending its time — 42 years and counting. This perception can breed suspicion and distrust.

With the prevalence of public projects in the UR district, Eugene

has avoided some of the criticisms often leveled at TIF — that it merely puts money into the pockets of private developers by spending on the kinds of infrastructure improvements which are often made by private entities.

Instead the Public Library, Hult Center and LTD are public projects which, it can be argued, bring benefits to the community. But do they bring increased tax revenues and a more vital economic base? There seems to be no way to know for certain.

Though it's difficult to discern the economic benefit of these public projects, it may be easier to gauge their support. Witness the defeat of the November, 2007 ballot measure 20-134 which was widely viewed as benefiting large property owners downtown. Contrast this with the opposition to the current extension of the downtown UR district. Support for a ballot initiative failed to materialize, in part because of the popularity of the leading project; a new, *public*, LCC campus. Perhaps public projects generate greater support, which eases the political process.

Of course, the debate over investing in public vs private development is pointless if we don't have some way of determining success downtown. That's why it's important to us to see some measurables in the debate.

But this is a problem that runs through so much of what the city does with its economic development dollars.

For many years, elected officials in Eugene have implicitly decided that it's in the public interest for city government to take part in local economic development — as shown in many of their policies,

## RECOMMENDATIONS FOR ECONOMIC DEVELOPMENT IN EUGENE

Eugene should have:

**A policy** expressing the need for transparency and public participation in development decisions. Such a policy is already implicit in many programs; it should be made explicit throughout. The level of public participation should be appropriate to the kind of decisions to be made; it is not a substitute for technical expertise.

**An explicit definition** of its economic development policies. Perhaps some version of our definition above: "The role of city government in economic development is to provide coordinated and sustainable policies designed to increase the overall standard of living for most individuals living in the community." Such a definition could begin to re-establish trust that development is driven by more than just the growth of business.

**A statement** of overall goals and measurable objectives for the role of government as defined above. These goals and objectives should:

- State the intended relationship of public and private development.
- Require coordination of all policies and programs for economic development so that no program stands alone.
- Incorporate compatible goals and objectives from other efforts such as the Sustainability Commission and the Regional Prosperity Summit.
- Provide openings for present and future integration with economic development programs by other jurisdictions such as Springfield and Lane County.

**A resolution** that economic development programs will include coordination with large components such as the University of Oregon, the EWEB master plan and the Riverfront Research Park.

**A study** to consider phasing out both of the city's urban renewal districts and replacing their functions with an new approach to economic development consistent with other recommendations in this list. Whatever new approach is chosen should have stable funding as part of the city's General Fund.

**An objective system** to evaluate new **proposals** for economic development according to their potential for reaching the city's adopted goals and objectives. Such a system is now in place for the state's Enterprise Zone program and the city's MUPTTE program.

**A system** of measurement indicators to evaluate economic development objectives, **programs** and policies. The current effort from City Manager's office for introducing objective measures of city programs deserves support. Such efforts should be expanded, with more public participation to cover all economic development programs. The city should not set up or continue any economic development program without a set of measures to track its performance.

**A requirement** for periodic review, update and revision of all provisions above.

## LESSONS LEARNED

"Keep goals in mind but look for steady incremental progress rather than politically volatile "All-or-Nothing" achievements. Private investment can be helped by a small amount of public help; the criterion for public help is whether the project helps make progress toward adopted goals. Public help should be offered according to scaled rating – a point system like LEEDS could provide incentives for more progress toward goals."

—John Lawless, local architect, in an interview for this study.

## LEVELS OF PUBLIC PARTICIPATION

The International Association for Public Participation (IAP2) publishes the Spectrum of Public Participation, designed to assist with the selection of the level of participation that defines the public's role in any public participation process. The Spectrum shows that differing levels of participation are legitimate and depend on the goals, time frames, resources, and levels of concern in the decision to be made.

statements and actions. But the council has not said explicitly what it considers ED to be – what's included and what's not, and how various parts are related to one another to make an effective whole. And it appears that the council has had no process for measurement of the programs it supports.

We see the city council as unable to cope effectively with all the case-by-case economic development decisions it has taken on in addition to its many other duties. This has partly to do with the amount of work required to initiate and then handle the city's various economic development policies and programs, and partly with the fact that few councilors, as elected officials, are themselves economic development experts. Like us, they are taxpayers, trying to make sense of a complicated system with too few tools for measurement.

Controversy over the role of urban renewal is temporarily on hold with the recent amendment that imposed a sunset on the downtown district after completion of current projects. This, in addition to the current economic situation, offers time for council to re-evaluate its financing of economic development. But new problems and opportunities will come up – already a proposal for construction that could fill the pit on Willamette and the possible reactivation of the Hynix plant require attention and possible resources from the city. In the absence of an overall approach to ED it seems likely that these will be addressed by a series of ad hoc decisions without the benefit of an overall plan – a way to see each new proposal in the context of other opportunities or restraints – and to consider what trade-offs might

be involved.

The City already has a well-developed performance measurement system, collecting data across thirty-eight *internal* services, and using it to inform nuts-and-bolts management decisions and report on the City's performance.

Eugene Counts begins a process that might apply some of the same measurements to the city's economic development decisions. We're excited that the process will include an evaluative tool. The Eugene Counts Dashboard, is an online, interactive application that "will debut in the fall to easily and clearly share information about progress and performance." We hope the Dashboard will reflect a real, transparent attempt to tie a variety of community indicators to this evaluation.

Readers may recall our first definition of the role of local government in economic development – that it has to do with *special programs designed either to assist individual businesses or to promote development through general public policies*. But our interviews and research told us that economic development is broader than this definition allows and that we needed to broaden our view of economic development to include the *quality of life of the whole community*, not just the business sector.

A key reference in our changed view was the Greenwood and Holt book. So we came up with what we think is a better definition for the role of city government in economic development:

*To provide coordinated and sustainable policies designed to improve the overall standard of living*

## THE IMPACT OF THE UNIVERSITY

Below are some data about the impact of the UO on our local economy:

- The UO is the city's largest employer, with more than 4,200 jobs, paying more than \$250 million in wages.
- UO students account for about \$200 million in off-campus expenditures.
- Ninety percent of the university's vendors last year were small businesses
- Since 2000, the university has completed or is under way on construction projects totaling more than \$730 million.
- UO's innovation and entrepreneurship programs spin off many new companies, such as Perpetua Power Source Technologies Inc., MitoSciences Inc., Avant Assessment LLC, Dune Sciences LLC, FloraGenex Inc., Insignia Health LLC, Life Technologies LLC, Electrical Geodesics Inc., ParaTools Inc., and Kaibridge Inc.

for most individuals in the community.

By *standard of living* we mean to include quality of life—the overall well being that goes beyond income. We mean to include just those values noted above in the city's *Sustainability Commission* and in the report of the *Regional Prosperity Summit*, such as health and wellness, safety, civic amenities and concern for natural resources. And we follow Greenwood and Holt's example in adding human skills and talents, and summing up these non-monetary values under the term *social capital* as a part of the community's total capital stock.

Our broader definition implies a new approach to economic development. With this definition in mind we offer a series of general recommendations. These eight recommendations, (shown on page 16), are based on the information we found by looking at the City of Eugene's past and present efforts toward economic development, and on our own evaluation of what works well and what doesn't — all as told on the previous pages of this report.

Many of the recommendations suggest clarifying and organizing, or revising, policies and programs that are already in place. This is certainly the case with our first entry that speaks about the values of transparency and public participation. These are values we suppose no one would oppose and are implicit in most of the individual programs that now go on every day; yet we believe that making them explicit would reinforce their significance. We also note that public participation is not a substitute for technical expertise. Many of the

individuals we interviewed, from all sides of the issue, doubted that the public/professional roles were well understood. We suggest wider use of the model proposed by the International Association of Public Participation (IAP2), which defines different levels of expectation in public participation.

Our second recommendation, concerning a definition of ED policies, is based on the fact that we've had to guess at what all the ED policies and programs have in common, whatever their individual merits, and just where they're headed. A clear statement of common purpose and direction for economic development efforts would be a real benefit to the community. And part of the same concern would be the suggestion in our third recommendation that asks for more specific statements on what to expect for Eugene government's role in ED. One special note in this proposal is that objectives ought to be measurable, that is, we should be able to see if we're making progress toward something we really want to have happen.

Wouldn't it be encouraging to learn that the City of Eugene and the University of Oregon had coordinated plans for economic development, as our fourth recommendation suggests? Such coordination has great potential for both: UO students and employees would have access to urban amenities and Eugene would have stronger ties to a huge economic potential. The UO's Research Park and the EWEB/Courthouse areas are natural add-ons to cooperation between the city and the university.

We expect our mild suggestion about Eugene's urban renewal districts will stir up some controversy.

### LIKE . . . HOW MANY?

"Usually a small number of interested people pick up on forthcoming issues. This gives city leaders and staff a clue as to where to go."

— *John Lawless, from an interview for this study.*

Yet the city council has already stated its intention to sunset the Downtown UR District, and it's conceivable that the Riverfront District ought either to be changed to another form of support or, maybe, to become an urban renewal district with much more emphasis than it has had so far. The issue certainly seems worth considering.

Our recommendations six and seven go together to propose that Eugene get some hard, objective facts on our community table. Greenwood and Holt have many suggestions for indicators, as they call them, criteria a community might agree on that could measure progress toward adopted goals and objectives. Impossible in Eugene? Maybe not, if we considered some of the measures the authors give as examples:

- Percent of residents living near parks or other open space;
- Percent of children in free/reduced rate school lunch program;

- Emergency room use for non-emergencies;
- Percent of people who feel streets are safe to walk at night.

Any objections? Can we agree that such quality of life concerns measure the economic well-being of our community? We don't have to start with a hundred measures, just experiment with a few to see how it goes. The measures that the city's Service Improvement Manager is scheduled to release in September will be good start toward objective evaluation and will deserve all Eugeneans' attention.

And finally, our proposal for periodic review acknowledges that plans and goals and objectives and measures are never really done. They are more like mowing the lawn than buying the house.

To illustrate how the application of our recommendations might be put into practice, we offer three examples of alternative approaches to how the City of Eugene might organize its role in economic devel-

## ALTERNATIVE APPROACH #1 FOR ECONOMIC DEVELOPMENT IN EUGENE

*Adapted from Eugene's current approach:*

### KEEP MAYOR AND CITY COUNCIL AT THE CENTER

#### CHANGES TO IMPLEMENT NEW RECOMMENDATIONS:

Implementation of the eight general recommendations listed in this report would require many new and revised procedures, and probably more staff for the Community Development Division of the Planning and Development Department. A major change would be in budgeting if the city council chooses to replace tax increment funding from the phased-out urban renewal districts with revenues from the General Fund.

#### EVERYTHING ELSE ABOUT THE SAME AS NOW, BUT MAYBE SMALLER:

Any economic development policies, programs and individual projects would still be initiated and pursued on a case-by-case basis by the mayor, city council and city manager -- all to be implemented by the city manager mostly through the Community Development Division of the Planning and Development Department. These efforts might be smaller than at present because there would be no fixed commitment to urban renewal or any particular program. As before, these responsibilities could include programs such as enterprise zones, tax incentives, the sale of surplus property, and cooperation with Lane Metro, the Housing Policy Board, state and federal agencies and private business organizations.

## ALTERNATIVE APPROACH #2 FOR ECONOMIC DEVELOPMENT IN EUGENE

*Adapted from Portland's current approach:*

### EUGENE'S OWN DEVELOPMENT COMMISSION

One important feature of a new Eugene Economic Development Commission (let's call it the EDC) would be to relieve city councilors from the case-by-case supervision of economic development. The elected City Council could keep in touch with general development policies while the EDC would be charged with detailed management and implementation of all other development policies, programs and individual projects. Major decisions of the EDC would be submitted for approval of the city council. The council would have to set up some means of long-term stable funding to assure continuity of the EDC.

An unpaid EDC board would be appointed by and answerable to the mayor, council and manager. Members of the board should consist of representatives from all constituencies of the city, including members with development experience. EDC would take over the existing Community Development Division of the Planning and Development Department, probably with an increase in staff.

EDC, like its counterpart in Portland, would coordinate public and private development programs throughout the city. In this coordinative role EDC would promote economic and physical development "designed to improve the overall standard of living for most individuals in the community."

Implementation of the eight general recommendations listed in this report and changing to an EDC would require many new and revised procedures. A major change would be in budgeting – to replace tax increment funds with revenues from the General Fund. A new director of the Planning and Development Department would be a key player in the transition to an EDC and then making it work.

## ALTERNATIVE APPROACH #3 FOR ECONOMIC DEVELOPMENT IN EUGENE

*Adapted from Salem's current approach:*

### A REGIONAL NON-PROFIT CORPORATION

This alternative also relieves city councilors from the day-to-day supervision of economic development. Patterned after Salem's approach, an Economic Development Corporation (EDCOR) would have Eugene, Lane County and adjacent cities become partners in a private non-profit membership organization. It would elevate economic development from a citywide to a regional concern in one move.

Such an organization could be built around ideas put forward in the Regional Prosperity Summit mentioned earlier in this report or a modified Lane Metro Partnership.

Eugene's EDCOR, like Salem's, would be governed by an executive committee and a board of directors. But ours would have a more broadly-based board that would include would include the mayors of Eugene, Springfield and adjacent cities, a county commissioner and leaders of business and citizen groups. The organization would also have its own staff, but Eugene would probably still require a reduced staff in the Community Development Division of the Planning and Development Department to handle matters within city limits.

EDCOR would coordinate public and private development programs throughout the local region. In would be charged to promote economic and physical development "designed to improve the overall standard of living for most individuals in the community."

In addition to the new and revised procedures required to implement the eight general recommendations listed in this report, changing to an EDCOR would require a major change in focus for regional politics. One heavy change would be in budgeting to replace tax increment funds with revenues from the General Fund. As in other alternative approaches, a new director for the Eugene's Planning and Development Department would be a key member of the transition and operations team.

**"A development commission . . .**

. . . could be a tool for incremental private investment - like a college savings fund. A development commission should be for the whole city, not just for downtown; it could be used to provide infrastructure to move toward infill and mixed-use development. For example, a development commission could do incremental improvements along South Willamette to make it a truly walkable demonstration street, as a demonstration that can't happen when urban renewal just goes on downtown.

—John Lawless, in an interview for this study.

**THE RIGHT PLANNING DIRECTOR**

"Getting the right planning director is critical. Look for an open-minded person, not just expert on planning, but someone able to see the big picture and bring in long range expertise. It's difficult for neighborhoods to be under Planning and Development Department; they should be under the City Manager's office; same for economic development. Economic development isn't just about planning but about a systemic approach with everybody at the table."

—Marilyn Milne, South University Neighborhood Assoc., from an interview for this study.

opment. These examples, on this and the following page, incorporate our eight recommendations. The examples are based on adaptations of approaches now used in Eugene, Portland and Salem. As we noted earlier in this report, every city in the country seems to have its own approach. So these examples don't exhaust the possibilities, they just show how different approaches might look in Eugene. Our numbers on the alternative approaches don't indicate a priority; we hope only to remind Eugene readers that there's more than one way to skin a development cat.

One provision that should apply to all the alternatives is to conserve and incorporate successful programs now in place. We were especially impressed with the main loan programs: the Business Development Fund, the Downtown Revitalization Loan Program, and the Lane Microbusiness Fund. These loan funds are self-sustaining, and have helped small business get started - business we are all glad to have, like Bike Friday, Sweet Life, Poppa's Pizza, the DAC, the Tiffany Building, McDonald Theater, Saturday Market and OUR Credit Union, to name just a few.

Given the possibility of alternatives to the present course of economic development in Eugene, what should we do about it? What next steps might be taken to consider alternatives further than our amateur analysis has done? We offer the following next steps

**O**ur purpose in this report is more than just to analyze the local economic situation and state recommendations. We urge action. Now. And it seems clear that the initiative for action depends on the mayor, city council and city manager.

We see four reasons for action now, all rooted in a tangle of past, present and future:

**1) The selection of a new Director of the Planning and Development Department.**

Many of the individuals we interviewed mentioned the importance of a new director, stressing the need for a creative and comprehensive approach to the position. We agree. The city manager has said he plans a nationwide search for applicants to begin soon. In our list of recommendations and in our alternative examples we have emphasized the

*The Planning Director can do only as much as the City Manager allows.*

—From an interview for this study

essential role for a new director. We believe that any candidate worth considering will ask what expectations people here have for development. The candidate should ask whether community leaders have their own creative and comprehensive approach to development issues and whether that approach has public support. Unless we want to say "It will be pretty much the same as we have now," we - that is, all of us in Eugene - had better have answers to the kind of concerns raised in this report. Or, even better, be able to say, "We think we need a

## INVEST IN PEOPLE

"In summary, the economic development discussion should be driven by people, not businesses. The current model of economic development is backwards; it says 'invest in business, which will create jobs that will employ people.' Rather, we should say 'Invest in people, who will ultimately create businesses that will create jobs.'"

—Eben Fodor, Fodor Assoc.,  
from an interview for this study.

## A PLACE TO EXPERIMENT

"Eugene has lost some of that quality of life, lost its appeal as a place to come and experiment. Now Portland has more of everything, including quality of life, and sense of experiment, so most young people leave Eugene to go there.

—From an interview for this study.

*"It is vitality and openness to change that are important for long-term community survival, not growth in terms of getting larger."*

— Greenwood & Holt  
page 30

new approach. We see new problems and exciting new opportunities for this city and region. We need a new director who can help us determine how to address them. We'd like a person who wants more than just to run a development organization but to create one. It's not a three year job, it's a career."

### 2) The phasing out of the Downtown Urban Renewal District.

Let's assume that the Eugene City Council will follow through with its intention to terminate the downtown district in about eight years. But then what? Certainly no one should expect that all need for development funding will disappear and that all staff now running the Community Development Division can be laid off to realize big savings. New proposals and new projects, such as filling the pit on Willamette or other projects not in the downtown, will show up. Given the stated three-project limit of the district, there must be some method in place to handle new situations. That can't be done overnight, so it seems prudent to start soon.

### 3) New directions in economic development.

All Eugeneans can be sure that our economic development in the next 20 years won't be much like the last 20 years, whatever happens to the national economy. Aside from major adjustments that must result from closing the Downtown Urban Renewal District, the Regional Economic Summit suggests significant new directions. And surely no one wants our county to keep its repu-

tation as leader in the rate of undernourished children. Economic development in Eugene will change. Do we try to shape that change or just let it wash over us? If we want to shape it, or even influence it, who should take the next steps . . . and when?

### 4) Current practices of the City Council.

We have argued in this report that, given all its other duties, the Eugene City Council has taken on more case-by-case economic development decisions than it can handle effectively. Furthermore, with the planned demise of urban renewal and the inevitability of new challenges, the overload on the council will likely get worse. At some time the council will have to change this pattern and reduce the load either by shedding programs or by reorganizing so as to delegate detailed decisions to others.

We began this report by acknowledging that we had no special credentials in economics. Through our research, interviews, discussion and writing, we've learned a little more, but not enough to claim that we have found all the significant issues or made all the best recommendations. At best we hope we have challenged other citizens to think about the role of local government in economic development. And we hope we have made a case for community leaders – both public and private – to address these issues, not some day but now.

## APPENDIX

### SOURCES OF INFORMATION USED IN THIS STUDY:

#### INDIVIDUALS WHO WERE INTERVIEWED FOR THIS STUDY

- Susan Ban, Executive Director, ShelterCare
- Sara Bergsund, Bergsund Delaney Architects.
- Denny Braud, Senior Loan Analyst, Community Development Division, City of Eugene Planning and Development Department.
- John Brown, Evan, Brown & Elder
- Dan Egan, Director, Springfield Chamber of Commerce
- Ron Farmer, Bank of America
- Eben Fodor, President, Fodor Associates, Community planner and author.
- Beth Gerot, Eugene 4J School District
- Dan Hill, Arbor South Architects.
- Harris Hoffman, Retired developer.
- Anita Johnson, Publisher, Eugene Weekly.
- Mandy Jones, President, Oregon Community Credit Union
- Bridget Baker Kincaid, Corporate & Public Relations Director, Guard Publishing Co.
- John Lawless, President TBG Architects and Planners.
- Terry McDonald, Director, St. Vincent de Paul
- Marilyn Milne, President, SUNA Neighborhood Association.
- Paul Nicholson, Local small business owner; former city councilor.
- Kitty Piercy, Mayor, City of Eugene
- Hugh Prichard, Broker, developer.
- Chris Pryor, Councilor, Ward 8, City of Eugene
- Stuart Ramsing, City of Eugene Building & Permit Services.
- Lisa Roney, Department Manager, Enterprise Holding, Inc.
- John Ruiz, Eugene City Manager.
- Jennifer Solomon, Councilor, Ward 6, City of Eugene

- Mike Sullivan, Director, Community Development Division, City of Eugene Planning and Development Department.
- Cary Thompson, Chairman, Board of directors, Helios Network.
- John Tamulonis, Development Director, City of Springfield
- Jim Torrey, Former Mayor, Eugene 4J School District
- Rick Wright, President, Market of Choice, Inc.
- Rob Zako, West Eugene Collaborative.

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- Diane Wiley, Director Riverfront Research Park.
- Peter Reaksecker, Lane County Department of Assessment and Taxation.

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## REGIONAL ECONOMIC DEVELOPMENT GROUPS

The City of Eugene has utilized the Joint Elected Officials (JEO) to set economic goals and strategies. One goal is to create a Regional Prosperity Council to act as the "guiding coalition."

The following organizations, boards and committees also have common members:

Lane Council of Governments, Lane Economic Committee: 15 voting members, including member representing local governments. The LEC advises LCOG on regional ED issues and coordinates with nearby counties.

Lane County, Economic Development Standing Committee: 7 members appointed by the Board of Commissioners. This committee makes project and funding recommendations to the Board of County Commissioners for workforce training programs, distance learning programs, business retention and expansion, lean management training, telecommunications research and implementation, and public works improvement projects. This board also recommends funding of the county's Lane Metro Partnership membership.

Lane Workforce Partnership: 40 members represent businesses, educational institutions, Chambers of Commerce, non-profit organizations, state economic development and employment departments. This group coordinates workforce training and placement with economic development and educational activities in Lane County communities.

Lane Metro Partnership operating board with 27 members that includes the mayors of Eugene, Springfield and Veneta; two county commissioners, representatives from Chambers of Commerce (Eugene & Springfield), the presidents of Lane CC and the UO, and business representatives.

Lane Community College Small Business Development Center is a partnership program with Lane Community College, the Oregon Business Development Department, and U.S. Small Business Administration.

eDev, formerly Lane Microbusiness, is a non-profit that provides business development services small businesses. They have a board of 5 members representing small businesses, non-profits, and financial institutions.

Other organizations with an ED interest:

Eugene Chamber

Springfield Chamber of Commerce

CVALCO/Travel Lane County

St. Vincent de Paul

Oregon Employment Department