

MINUTES

Lane Economic Committee

Lane Council of Governments – 5th Floor Large Conference Room
859 Willamette, Suite 500 – Eugene

October 19, 2009 – 11:30 A.M.

PRESENT: Rob Scoggin, Chair; Pat Albright, Mike Blommé, DeAnn Cherbas, Chuck Forster, Mike Galvin, Phillip Hudspeth, Greg Rikhoff, Faye Stewart, Ellen Teninty, *members*; Jay Bozievich, Deb Schmidt, *ex officio members*; Howard Schesser, Robin Scott, Mike Sullivan, *alternate members*.

ABSENT: John Sullivan, Vice Chair; Tim Black, Denny Braud, Jacque Morgan, John Tamulonis, Warren Weathers, Lynette Wikstrom, *members*; Kari Westlund, *ex officio member*; Betsy Boyd, Lou Christian, Lawrence Brice, Scott English, Ric Ingham, Don Lindsey, Mike McKenzie-Bahr, Hal Reed, Jack Roberts, Brett Yancey, *alternate members*.

STAFF: Steve Dignam (LCOG), Kathi Wiederhold (LCOG).

GUESTS: Robin Burk (US Bank), Craig Norris (Umpqua Bank), Craig Wanichek (Summit Bank).

1. WELCOME / INTRODUCTIONS / CHANGES TO THE AGENDA

Chairperson Rob Scoggin called the meeting of the Lane Council of Governments (LCOG) Lane Economic Committee (LEC) to order at 11:33 a.m. He noted that a quorum was present at that time. Mr. Scoggin invited those present to introduce themselves.

2. PUBLIC COMMENT

None.

3. COMMENTS FROM THE CHAIR

None.

4. STAFF COMMENTS

None.

5. MINUTES OF 7/20/09 MEETING

Mr. Scoggin referred members to the minutes of the July 20, 2009 LEC meeting.

Mike Blommé moved, seconded by Pat Albright, to accept the minutes of the July 20, 2009 LEC meeting as written. The motion was adopted unanimously, 15:0.

6. FUTURE OPENINGS ON LEC

Mr. Dignam noted that some LEC members' terms will be expiring on December 31. These include Denny Braud, Pat Albright, Greg Rikhoff, and Phillip Hudspeth. Mr. Dignam said he will contact those members and remind them they will need to reapply. He also noted that LCOG had issued a press release inviting members of the public to apply for these potentially vacant positions and he encouraged LEC members to pass the word on to people they know. Applications are available on the LCOG website. The LEC will need to fill any vacancies at its November or January meetings.

7. TRANSPORTATION COMMITTEE RECRUITMENT

Mr. Dignam introduced Kathi Wiederhold from LCOG who works as lead staff for a Citizens Advisory Committee to the Metropolitan Policy Committee (MPC). The MPC is made up primarily of local elected officials and representatives from LTD and ODOT. The Citizens Advisory Committee makes recommendations to the MPC on regional transportation issues. The Citizens Advisory Committee is looking to recruit 3-4 new members, particularly people with business or economic development interests, and Ms. Wiederhold would appreciate any help LEC members can provide in encouraging people to apply. The open positions have three-year terms and the Citizens Advisory Committee meets on the third Thursday of the month from 5:30 – 7:30 p.m. Ms. Wiederhold distributed flyers in English and Spanish and said applications are available on the LCOG website.

Mike Sullivan suggested that Ms. Wiederhold check with the City of Eugene, which recently compiled a list of people interested in serving on a variety of boards and committees, and with the Chamber of Commerce. Jay Bozievich asked about geographic representation areas for those willing to serve on the Citizens Advisory Committee and how the MPC was different from the new Area Commission on Transportation (ACT). Ms. Wiederhold noted that people only have to live within the MPC boundaries to serve on the Citizens Advisory Committee. Faye Stewart explained that the ACT covers all of Lane County and deals with State of Oregon funds, while the MPC focuses on the Eugene-Springfield-Coburg metropolitan area and deals with federal funds.

8. LANE WORKFORCE PARTNERSHIP PRESENTATION: “JOBS OF THE FUTURE”

Robin Scott provided a PowerPoint presentation on employment projections for Lane County that included handouts detailing the main points of the presentation and a sample list of emerging occupations. Ms. Scott began with an overview of the current wage and employment situation. The largest sectors presently are: trade, transportation and utilities (19%); government (17%); educational and health services (14%); manufacturing (12%); professional and business services (11%); and leisure and hospitality (10%). The Oregon Employment Department projections for 2006-2016 indicate that Lane County employment will grow the most in the following sectors: educational and health services; government; retail trade; trade, transportation, and utilities; leisure and hospitality; and professional and business services. By occupation, Lane County will need to place the highest priority on training and recruiting people for a range of health care-related jobs, which comprise 12 out of the 18 anticipated top demand occupations.

Based on these projections, Ms. Scott said the Lane Workforce Partnership is focusing on two sectors – health care and manufacturing. Health care, which currently employs about 17,000 people, is projected to increase employment by 31%. Ms. Scott reviewed some of the factors prompting that growth and described the occupations likely to be most in-demand. Manufacturing, which currently employs about 14,000 people, is less predictable as a growth sector, but there will clearly be a large number of replacement openings in skilled manufacturing occupations due to retirements. Ms. Scott also described the state’s recent study of “green” jobs, which found that approximately 3% of Oregon’s jobs are “green”. Many “green” jobs are existing jobs with “green” skill sets added, such as electricians who install solar panels. Such jobs are also expected to expand.

Mr. Dignam asked what the Lane Workforce Partnership (LWP) is doing to facilitate these jobs of the future. Ms. Scott noted that LWP regularly scans the employment situation and publishes reports every two years to help policy makers understand what is happening in the workforce. It also is a training resource for dislocated and low-income workers and at-risk youth. Chuck Forster added that last month LWP awarded 350 scholarships to low-income adults for training and re-training primarily at Lane Community College. Half went into health care occupations; a large number went into computer and information technologies; and 10% went into “green” occupations. Over the past year, Mr. Forster said, LWP has awarded about 1,000 such scholarships.

Mr. Stewart asked about the level of unemployment in Lane County. Ms. Scott said it is projected to remain around 12% until early 2011. Mike Sullivan asked about growth projections for clean technology jobs, such as solar technicians. Ms. Scott said the advanced manufacturing sector, which includes such jobs, is expected to grow. Ellen Teninty noted that some states are studying the likely employment impacts of potential federal cap and trade legislation and asked if LWP is involved in any of that. Ms. Scott said they aren’t, but would be glad to know more about what other states are doing.

9. BANK PANEL PRESENTATION: “SHORT TERM OUTLOOK FOR BANK LENDING”

Mr. Dignam introduced the members of the panel and asked them to talk about the short term outlook for bank lending.

Craig Wanichek, Senior Vice-President and Chief Banking Officer, Summit Bank: Mr. Wanichek noted that Summit Bank is a community bank and much of its activity is focused on real estate. Over the past year, values have declined significantly. However, sales in Lane County have recently increased by 23% and the inventory of new homes is down. Low end residential home sales are doing well, thanks in large part to the federal \$8,000 tax credit for first-time buyers. In Western Oregon, including Lane County, community banks are performing well and lending money, but this is not the case in Southern Oregon and Central Oregon. Locally, the health care and education sectors are stable, which has helped the banking and retail sectors. Staffing levels at many employers are increasing, but other economic indicators are mixed. Community banks are gaining confidence about lending. In the past year, Summit Bank has seen a 10% increase in deposits and a 10% growth in loans. At the same time, credit standards have tightened and there is an ongoing re-appraisal of real estate values. These have been inhibiting factors, particularly for commercial loans.

Robin Burk, Regional President, US Bank: Ms. Burk noted that US Bank is the 6th largest bank in the United States and has branches in 24 states. She is responsible for Lane, Douglas, and Coos counties. Ms. Burk said there is now a much tighter federal regulatory environment that banks such as hers face. She mentioned, as an example, that three regulators from the OCC have permanent space in US Bank's national headquarters reviewing their loans and lending practices. All loans have to have risk ratings attached to them to gauge the probability of default and reserves must be set aside to protect against loan loss. US Bank is growing loans nationally, but they have to be high quality loans. US Bank is overflowing with deposits, but they aren't making a lot of money on them, because of the tight lending environment. Ms. Burk said locally they are doing some commercial lending, but not very much construction lending. They are in very good shape on delinquencies locally. Small business lending in her region is up 32% this past year, which is important, since Oregon is a small business dominated state. US Bank is seeing solid growth in home equity loans and their home mortgage loan business has increased greatly. The main problem they are encountering in this area is conservative appraisals. US Bank is very interested in making more loans.

Craig Norris, Executive Vice-President and Chief Lending Officer, Umpqua Bank: Mr. Norris offered some history about the subprime crisis and the current banking situation. Before the mid-1990's, he said, large banks controlled most of the Northwest banking market. Since then, community banks, particularly the mid-sized ones, have greatly increased their share of the market. Real estate lending grew significantly, because the Federal Reserve decided to let housing values appreciate. West Coast banks devoted a very high percentage of their assets to real estate loans – more than any other region of the country. Beginning in August 2007, European banks began refusing to deal in collateralized subprime debt obligations. This caused a few US banks to fail. A year later, this led to the meltdown on Wall Street. National banks couldn't sell their subprime paper and many were hurt right away. Smaller community banks that were focused on residential mortgages didn't feel the impact immediately, but the credit crisis has been gradually working its way through these banks and their communities.

This has resulted in tighter regulation of banks' lending practices. Four banks in Oregon and 14 in Washington are currently working under cease and desist orders from the FDIC due to problems with their loan portfolios. All the banks that received such cease and desist orders this past year have collapsed, so Mr. Norris is very concerned about the outlook for Northwest banks. He expects to see tighter financial regulations passed into law, much like what happened after the savings and loan crisis. Hard limits may well be placed on land development and construction investments. There may be limits placed on how much of a bank's business can be concentrated in real estate. With 99 banks in the country failing in the past year, the FDIC's insurance funds are being depleted rapidly.

This makes it imperative, Mr. Norris said, for people to know the banks they're dealing with. He suggested three indicators of a bank's financial health for people to consider – the total percentage of non-performing assets (NPA), liquidity (loan to deposit ratio), and the percentage of risk-based capital. People also need to look at how these factors are trending. He said it is imperative now for people to keep their funds under the FDIC insured limits or they may be lost if the bank fails.

Locally, the Lane County economy is in reasonable shape compared to other parts of the country. We didn't see the highs of the real estate boom and we won't see the lows that some areas, like Bend, will experience. Mr. Norris believes Lane County will have a soft landing in this economic crisis. There will be an excess of all types of property for a long while and construction demand will be down, except for publicly-funded projects, because financing will be difficult to obtain.

Phillip Hudspeth asked if any industrial sectors are having more success or difficulty than others securing financing for their projects. Each of the panelists said they are loaning to all sectors, as long as the business is sound. Mr. Norris and Mr. Wanichek said their banks are making small business loans through the federally-subsidized 504 and 7A programs. Ms. Burk added that there are a variety of other helpful Small Business Administration programs, as well.

Mr. Sullivan asked what regulators are doing that may impact the availability of short-term credit for employers to purchase equipment or use as working capital. Mr. Norris said there is little going to equipment, unless a company can show there will be a clear return on the investment, such as with solar panels. Unsecured credit is a problem for small banks. Ms. Burk said regulators are more concerned about fair lending practices and indicators of good financial health, such as FICO scores, annual sales, etc. US Bank has limited itself in making loans to the construction and trucking industries, unless it has a strong relationship with the applying firm.

Ms. Teninty said she had heard that in other parts of the country there has been a severe contraction in the lines of credit available to small businesses and that non-profits are having to fill the gap. She asked if that was the case here and what resources are available to small businesses. The panelists said that was not the experience in this region. Mr. Dignam said there used to be a micro-loan program out of the SBA for loans in the \$10,000-\$25,000 range, but it was discontinued several years ago, so these kinds of loans continue to be a problem.

Ms. Teninty also asked if any of the panelists' banks were taking part in the federal ARC program that helps small businesses pay off their debts under \$35,000. Ms. Burk and Mr. Norris said their banks were not participating, but Mr. Wanichek said Summit Bank is using the program and considers it great for businesses that qualify, despite the required paperwork. Ms. Burk said they have their own programs that do the same things much more efficiently. She has heard from a number of small businesses that are frustrated with the paperwork and all the reviews involved in the ARC program. Mr. Norris said Umpqua Bank considered the program's qualification standards poorly defined and the procedural requirements on participating banks onerous. They felt they could do a better job through their existing channels.

Mr. Scoggin thanked the panelists and they each expressed appreciation for being invited.

The next LEC meeting will be November 16, 2009.

The meeting adjourned at 1:00 p.m.

(Recorded by Kurt Willcox)