CENTRAL OREGON 2017 - 2021 COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

Building Our Future for Regional Prosperity

Prepared by the Central Oregon Intergovernmental Council, CEDS Strategy Committee, and COIC's Community and Economic Development Department

CENTRAL OREGON INTERGOVERNMENTAL COUNCIL

Adoption

The 2017 - 2021 Central Oregon Comprehensive Economic Development Strategy was adopted by the Central Oregon Intergovernmental Council Board on August 3, 2017.

Purpose of the CEDS

COIC is a Council of Governments formed in 1972 by the cities and counties of Central Oregon, and a federally-designated Economic Development District (EDD). As part of COIC's EDD role, COIC prepares a Comprehensive Economic Development Strategy (CEDS) every five years. The COIC Board governs the CEDS, and is responsible for approving the plan, which will have a formal update and review process in 2019. The CEDS:

- ***Articulates the region's priority community and economic development needs***, and as such serves as a five year plan for COIC's Community and Economic Development Department. All of the CEDS Strategies involve multiple organizations, therefore the CEDS also serves as a collaborative tool for inter-organizational action towards common priorities. COIC takes particular care to make sure that other regional organizations are engaged in the process – Economic Development for Central Oregon, the East Cascades Workforce Investment Board, the Governor's Regional Solutions Team, and many other regional organizations participated on the CEDS Strategy Committee.
- ***Identifies strategies*** to build regional and community capacity/readiness to support business retention, expansion, and recruitment, and to improve economic resilience, including:
    - Public infrastructure, community facilities, and other capital needs
    - Program/project development and coordination needs, and
    - Policies
- ***Communicates regional priorities to state, federal, and private foundation funding partners*** – strategies and projects that are identified in the CEDS are more likely to be funded as they are the result of an open, collaborative process to identify regional needs and priorities.
- ***Helps COIC serve its mission*** to "serve the local governments of Central Oregon, providing regional collaboration, efficiencies and service delivery for a stronger local economy and quality of life." The CEDS also contributes to the following elements of COIC's Vision Statement:
    - "…provide collaborative leadership on issues across jurisdictional boundaries…."
    - "…regional planning, problem solving, prioritization…."
    - "… build economically successful communities…."
    - "promote collaboration among a wide variety of private, public, and nonprofit partners to effectively leverage state, federal and other resources for the greater benefit of the region."

The priorities and strategies identified in this year's CEDS process serve as perhaps the most comprehensive and integrative view of regional needs of any recent Central OR CEDS. The priority Issues and Strategies were developed in consultation with dozens of regional organizations and most if not all strategies will require integration of effort to achieve success. Community and economic development issues are complex, and must be addressed with the combined, concerted effort of multiple organizations.

Attributions

The CEDS was developed by staff in the COIC Community and Economic Development Department, under the guidance of the COIC Board and the CEDS Strategy Committee.

COIC 2016-17 Board Members:

The development of the CEDS was overseen by the 2015-2016 and the 2017-2018 COIC Board.

2015-2016 Board

Chair Jason Carr, City of Prineville
Commissioner Alan Unger, Deschutes County
Councilor Andy Byrd, Culver
Councilor Bill Montgomery, Madras
Councilor Bill Reynolds, Metolius
Councilor David Asson, Sisters
Councilor Jay Patrick, City of Redmond
Mayor Ken Mulenex, La Pine
Judge Mike McCabe, Crook County
Councilor Sally Russell, Bend
Commissioner Wayne Fording, Jefferson County

Chris Bellusci, GeoEngineers
David Dona, COCC
Jim Wilson, JTS Animal Bedding
John McLeod, Mt. Bachelor
Lonny Macy, Confederated Tribes of Warm Springs
Jim Kirkbride, St. Charles Health System

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Chair Jay Patrick, City of Redmond
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Commissioner Tony DeBone, Deschutes County
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Casey Kaiser, Prineville-Crook Co. Chamber
Lou Capozzi, Bend 2030
Katy Brooks, Bend Chamber of Commerce
Chris Bellusci, GeoEngineers
Katie Condit, Better Together
David Dona, COCC
Jim Wilson, JTS Animal Bedding

For more on the COIC Board, see: https://coic2.org/about/coic-board/

CEDS Strategy Committee 2015-2016

The Strategy Committee advises the COIC Board, and guided the development of the Regional Issues and Strategies in Section 3:

Name	Organization	Community
Alan Unger*	Deschutes County	Deschutes County
Jason Carr*	Prineville City Council	Prineville
John McLeod*	Mt. Bachelor	Region
Katie Condit*	Better Together	Region
Lonny Macy*	CTWS	Warm Springs
Wayne Fording*	Jefferson County	Jefferson County
Annette Liebe	Regional Solutions	Region
Carolyn Eagan	City of Bend	Bend
Damon Runberg	OR Employment Dept.	Region
Della Mosier	ODOT	Region
Heather Ficht	ECWIB	Region
Jerry Shulz	COCC	Region
Jim Long	City of Bend (housing)	Bend
Joe Centanni	City of Redmond	Redmond
Joni Bramlett	ODOT (transit)	Region
Karen Friend	COIC	Region
Katelyn Pay	COBA	Region
Kelly Sparks	OSU-Cascades	Region
Ken Fahlgren	Crook County	Crook County
Kim Travis	OHCS	Region/state
Melissa Murphy	Business OR IFA	Region/state
Patrick Davenport	Sisters	Sisters
Roger Lee	EDCO	Region
Sandy Stephenson	Bend Chamber	Bend
Steve Curley	SBDC	Region
Scott Edelman	DLCD	Region/state
Tom Kemper	Housing Works	Region

*COIC Board Members

Regional Stakeholder Meetings and Focus Groups

COIC held regional stakeholder meetings in late 2015 and focus groups on certain Strategy areas in May and June 2016:

Crook County Meeting
November 3, 2015

Caroline Ervin, EDCO Prineville
Casey Kaiser, Prineville/Crook County Chamber
Eric Klann, City of Prineville
Ken Fahlgren, Crook County
Phil Stenbeck, City of Prineville
Steve Forrester, City of Prineville
Suzie Kristensen, COCC

Deschutes County Meeting
November 17, 2015

Andrew Gorayeb, City of Sisters
Ann Gawith, La Pine
Caprielle Lewis, EDCO Sisters
Carolyn Eagan, City of Bend
Cory Misley, City of La Pine
Dana Perry, Citizen, Sisters
Doug Mercer, Better Together
Eric Sande, Redmond Chamber
Janet Burton, EDCO La Pine
Jim Long, City of Bend
Councilor Joe Centanni, Redmond
Jon Stark, EDCO Redmond
Kathy DeBone, Citizen, La Pine
Katie Condit, Better Together
Kelly Sparks, OSU – Cascades
Patrick Davenport, City of Sisters
Paul Rheault, City of Bend
Robyn Sharp, EDCO Bend
Roger Lee, EDCO
Steve Curley, COCC
Teri Myers, La Pine Chamber

Jefferson County Meeting
November 30, 2015

Joe Krenowicz, Madras Chamber
Jeff Hurd, City of Madras
Jeremy Green, COCC
Gus Burril, City of Madras
Councilor Tom Brown, City of Madras
Janet Brown, EDCO Madras
Lonny Macy, Confederated Tribes of Warm Springs
Roger Lee, EDCO
Steve Curley, SBDC
Commissioner Mae Huston, Jefferson County
Jeff Rasmussen, Jefferson County

Emerging Workforce Focus Group
May 6, 2016

Andrew Spreadborough, COIC
Camara Bedell-Stiles, OSU-Cascades student
Heather Ficht, ECWIB
Jerry Schulz, COCC
Josh Lagalo, COIC Youth Program
Katie Condit, Better Together
Kevin Bradley, COIC Youth Program
Laura Handy, Heart of OR Corps
Nathan Moses, OSU-Cascades

Housing Affordability & Availability Focus Group
May 16, 2016

Connor McDonnell, HUD
Emily Lieb, Metro
Heather Richards, City of Redmond
Jim Long, City of Bend
John Gilbert, Acadia Properties and Pacific Crest Affordable Housing
Katelyn Pay, COBA
Kim Travis, OHCS
Roger Lee, EDCO

Office, Industrial, Incubator Spaces Focus Group
May 19, 2016

Carolyn Eagan, City of Bend
Chuck Arnold, City of Redmond
Chris Watson, WS CAT
Katelyn Pay, COBA
Melissa Murphy, Business OR IFA
Roger Lee, EDCO
Tierney O'Dea, Bend Tech

COIC Staff

COIC staff in the Community and Economic Development Department designed the overall CEDS process, facilitated all CEDS meetings, gathered data, compiled information, and spent countless hours in meetings with dozens of regional organizations.

Scott Aycock, CED Manager
Hallie Adams, CED Program Coordinator
Shelby Knight, CED Program Assistant
Kiley Rucker-Clamons, CED Program Coordinator

COIC staff are also in debt to Damon Runberg, Regional Economist, Oregon Employment Department, for a wealth of data and advice in building the CEDS.

For more information on CED, see https://coic2.org/community-development/

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Executive Summary

CEDS Purpose

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CEDS Process

COIC staff developed the CEDS in coordination with the CEDS Strategy Committee, and with the oversight and review of the COIC Board. The CEDS is built by using the following sources of information to create a set of Regional Priority Issues and Strategies (Section 3 and Appendix C):

- Expert opinion (CEDS Strategy Committee meetings, economic development stakeholder meetings, and focus groups; Appendix A)
- Regional data gathering (Appendix B and throughout the document)
- Regional Strengths Weaknesses, Opportunities and Threats analysis (Section 2)
- Development of a CEDS Project List (Section 4 and Appendix D)
- Regional Resilience Analysis (Section 6)

Vision

The CEDS Vision reflects the fact that the economy is an extraordinarily complex system with thousands of variables, many of which are outside the control of COIC and our partners. The vision statement therefore focuses on how partners will work together to implement the Priority Strategies:

> *Central Oregon's economic, workforce development, and related partners are working collaboratively to implement a broad array of shared CEDS Regional Prosperity Strategies in order to build a better future for all Central Oregon communities and citizens.*

Regional Priority Issues and Strategies

The Regional Priority Issues and Strategies are the most important part of the CEDS, as they articulate what the COIC Board (representing all of Central Oregon's local governments) and the region's economic development stakeholders state are the most important community and economic development actions to maintain and improve the economic success of the region. The Issues and Strategies were prioritized by the CEDS Strategy Committee into the following categories:

<u>Top Three Issues:</u>

- Housing Affordability and Availability
- Emerging Workforce
- Regional Transportation: Access to Work and School

<u>Other Regional Priorities:</u>

- Economic Development-Related Public Infrastructure
- Move-In Ready Commercial and Industrial Buildings; Incubator and Shared Work Spaces
- Freight Mobility
- Broadband Capacity
- Rural Community Amenities
- Natural Resources: Environmental Assets and Resource Utilization
- Regional Coordination and Cooperation

Each of the Priority Issues is described in Section 3, and are presented in their entirety in Appendix C, including all of the Strategies, Actions for each Strategy, desired outcomes, evaluation measures, and lead agencies.

CEDS Project List

The CEDS Project list was developed in fall 2016 as a complement to the CEDS. The purpose of the CEDS Project Solicitation process was to inventory and prioritize economic development project needs and promote high priority projects to state, federal, and private foundation funders. Projects were solicited from all Central Oregon cities and counties, and any organizations that participated in CEDS-related

meetings (see the Attributions section at the beginning of this document). Project proponents submitted 73 projects, including public infrastructure, community amenities, transportation projects, business and entrepreneurial facilities, planning processes, program development, and desired policy changes. The CEDS Project list is further described in Section 4 and the complete list is provided in Appendix D.

Implementation and Evaluation

Implementation of the CEDS will be delivered through the concerted effort of COIC and a host of regional partners (partners are identified in the "Lead" column in the CEDS Priority Issues and Strategies action plans in Appendix C) over the next five years. The CEDS Strategy Committee will oversee implementation coordination and outcome evaluation, and recommend CEDS revisions to the COIC Board.

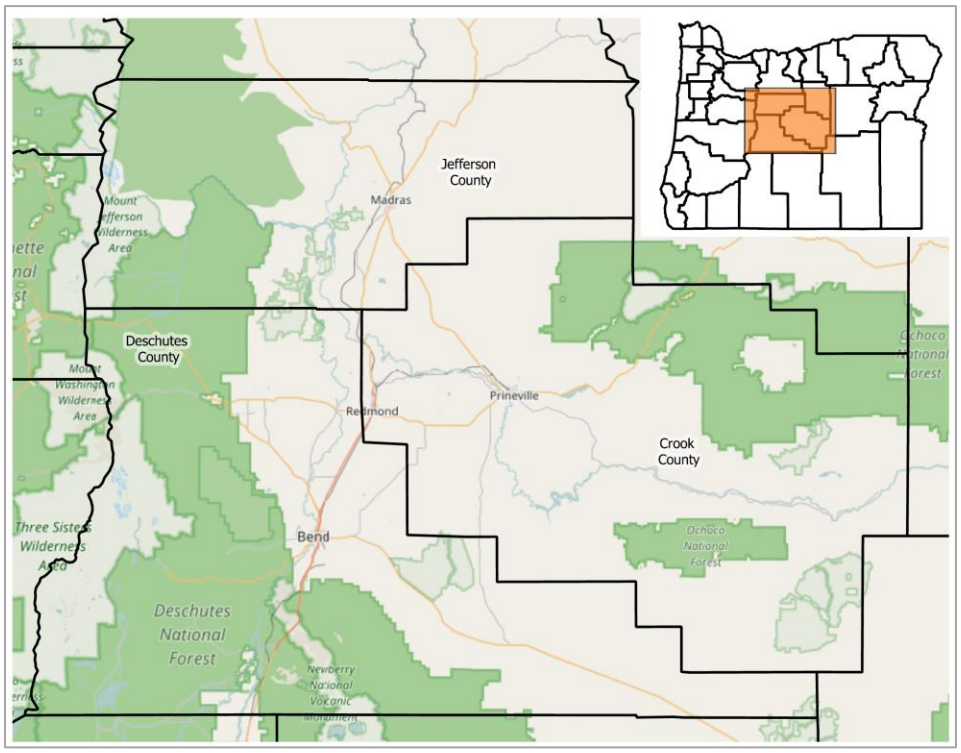
1. Regional Economic Profile

1.1. Central Oregon

Central Oregon is defined as Crook, Deschutes, and Jefferson counties, Oregon; including eight incorporated cities (Bend, Redmond, Prineville, Madras, Sisters, La Pine, Culver, and Metolius), several unincorporated rural communities, and dozens of dispersed rural residential areas. The region is bound on the west by the mighty Cascade Mountains, with abundant forests, trails, and mountain peaks, and on the east by the juniper-sage dominant high desert. The climate is largely arid due to the rain shadow effect produced by the Cascades.

Central Oregon is a large region, covering 7,833 square miles and measuring nearly 100 miles north to south and 50 miles east to west. Most of the land base is managed as public lands, with federal agencies (U.S. Forest Service and BLM) managing 75% of Deschutes County, 50% of Crook County, and 29% of Jefferson County. Additionally, 22% of Jefferson County is owned by the Confederated Tribes of Warm Springs.

Figure 1-1 *The Central Oregon Region: Crook, Deschutes, and Jefferson Counties.*



Central Oregon is predominately rural; Bend is the only city with more than 30,000 in population, but the region is growing rapidly both in terms of population and economic activity (Figure 1-2 and Figure 1-

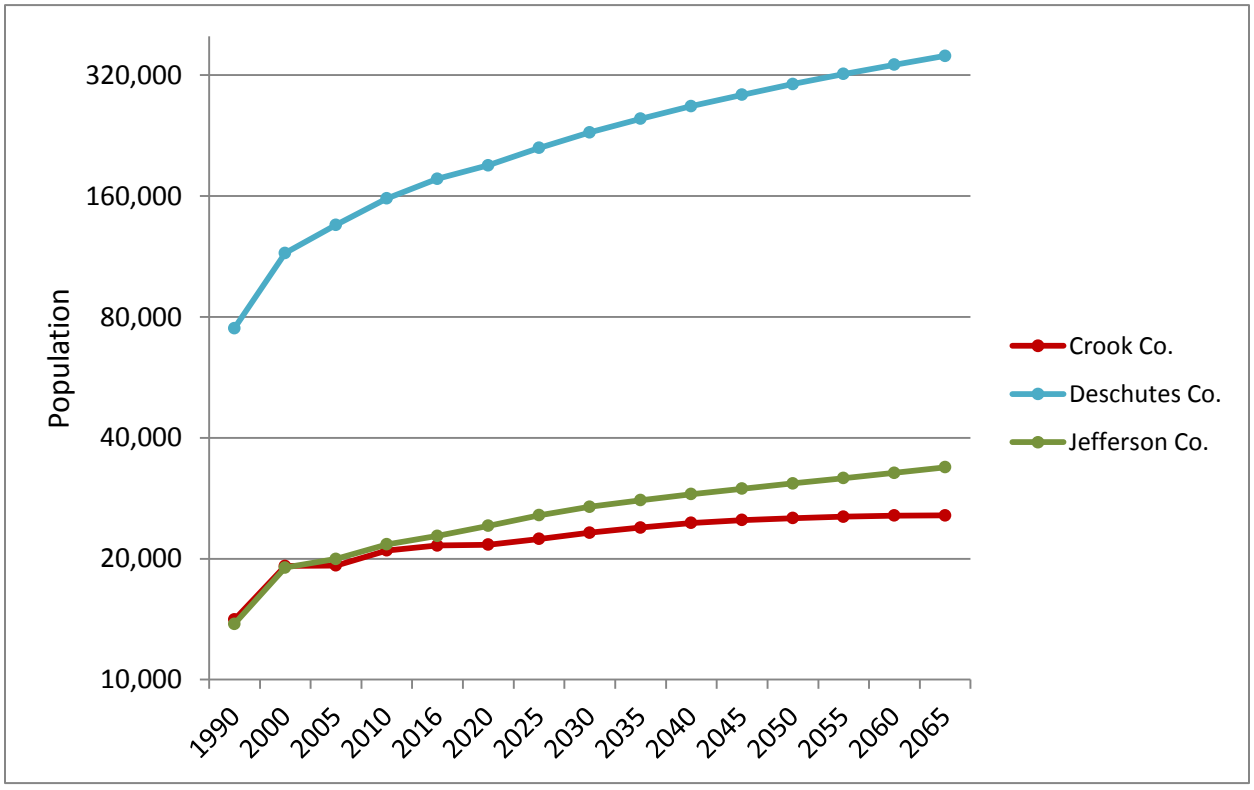
3). Deschutes County led the state in population growth (2.61%)[1] as well as growth in overall GDP (6.9%) from 2014-2015; this GDP growth was the eighth-fastest of all metro areas in the nation[2]. Deschutes County is also a high performer in terms of job growth, with the fifth-fastest job growth of all metro areas in the nation (see Figure 1-3).

Table 1-1 *Central Oregon Population, 2016*

County	Population
Crook	21,580
Deschutes	176,635
Jefferson	22,790
Tri-County Region	221,005

Source: Portland State University Population Research Center, Certified Population Estimates, 2016.

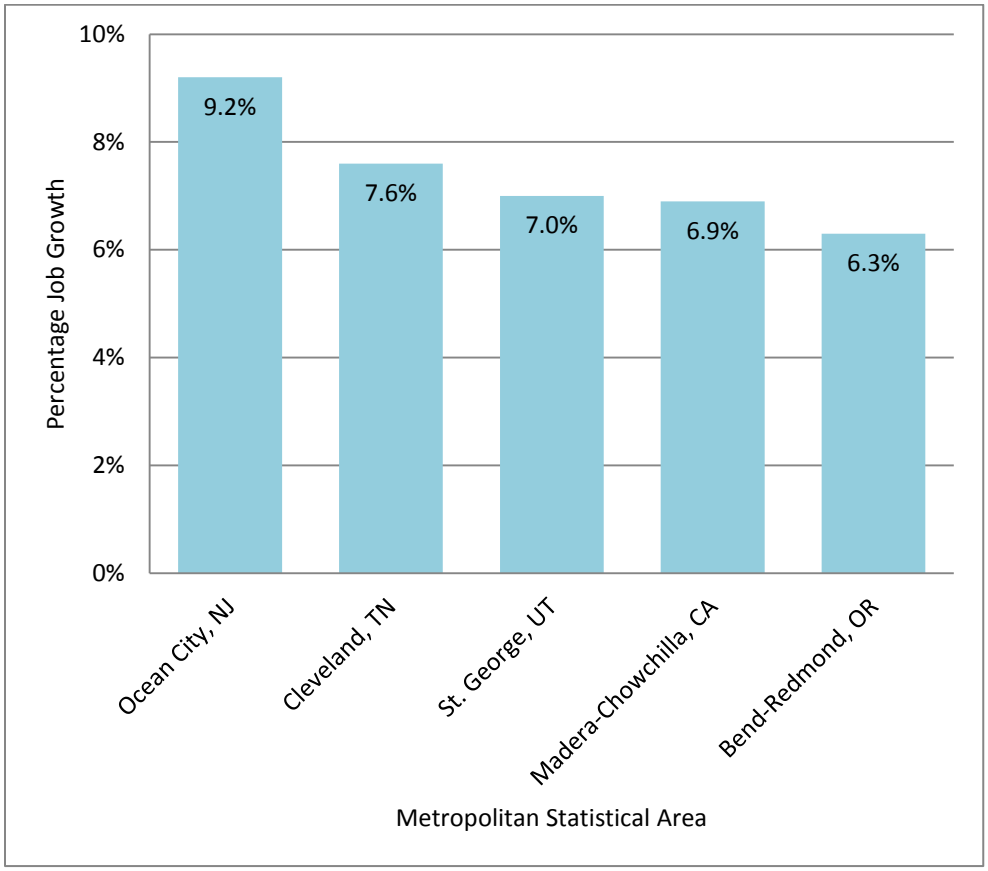
Figure 1-2 *Population Trends and Growth Forecast, 1990 – 2065*



Source: Portland State University Population Research Center, 2015.

[1] Portland State University Population Research Center, 2015.
[2] Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, Email communication: 2015.

Figure 1-3 *Top Five Metro Areas in the U.S. for Percentage Job Growth, January 2015 – January 2016*



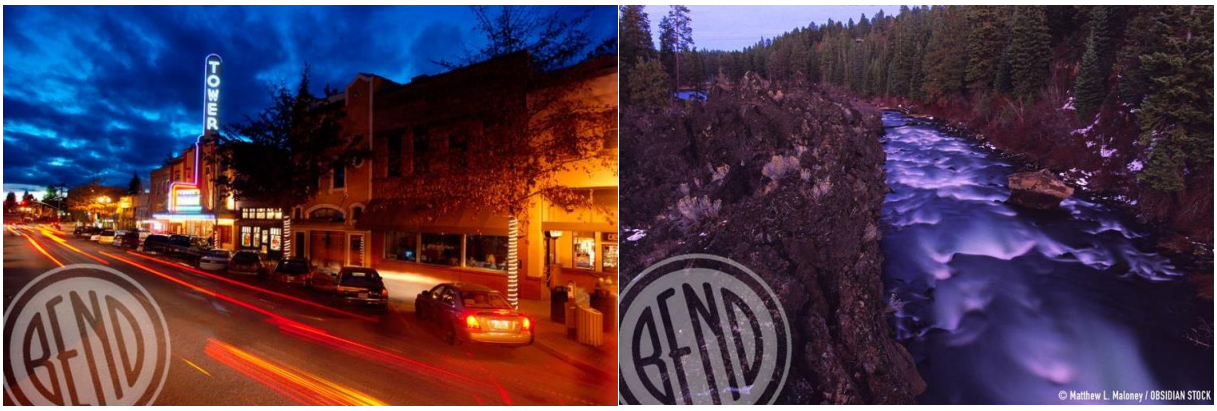
Bend-Redmond (which includes all of Deschutes County) is the fifth-leading metro area for percentage job growth from January 2015 – January 2016. (Source: U.S. Department of Labor, Bureau of Labor Statistics. https://www.bls.gov/news.release/metro.t03.htm).

1.2. Central Oregon's Buzz

Since the last full CEDS rewrite (2007), Central Oregon has continued to transition away from its traditional natural resource extraction-based economy towards a more diverse industry base (Figure 6-1). Central Oregon (taken as a whole at least) has been a roaring success in that endeavor, with considerable job and wage growth (Table 6-1; Figure B-2), a diversifying economy (Section 5), and low unemployment (Figure B-2). The region's striking environmental amenities – soaring Cascade Mountains, pristine rivers and lakes, wide-open desert spaces, clean air and water – in the context of a bucolic and friendly small town and rural environment, have generated a culture of outdoor recreation and associated "quality of life" amenities such as brew pubs, artisanal coffee houses, and a plethora of restaurants and shops. Much of this activity is centered on the region's small urban hub – Bend – which has experienced significant national buzz as an "outdoor lifestyle center" in media as diverse as Outside Magazine, the New York Times, and Forbes Magazine, among dozens of others.[3] This coverage has

[3] See http://www.visitbend.com/About-Us/Press/Media-Articles/ for a recent list of magazine coverage of Bend and Central Oregon.

helped to spur rapid population growth, which in turn has triggered the relocation of businesses and skilled labor, as well as assisting the growth of local businesses by providing a local market for goods and services.



Source: http://www.visitbend.com/Discover-Bend-OR/Photo-Gallery/#

Central Oregon's environmental and lifestyle amenities are likely the most significant element of its economic base. Other important factors include the presence of skilled labor, low wholesale power rates, generally low taxes and other business operating costs, high quality health care and other related services, and a highly entrepreneurial economic ecosystem.

1.3. Key Industries

Traditionally, the regional economy was dominated by natural resource industries, including forestry, crop agriculture, and ranching. These industries have gradually given way due to a variety of primarily external forces, but agriculture is still very important to the Jefferson County economy, and ranching remains a significant (but diminishing) factor in Crook County. Almost all of the region's primary and secondary wood products mills have closed over the last few decades, with the remaining lone primary mill remaining in Gilchrest, just south of Deschutes County. Central Oregon has become a recreation hot spot, with an estimated 4.3 million visitors to the region in 2015 (Central Oregon Visitors Association, 2016).

While extraction industries and much of the general manufacturing base have declined, there has been considerable growth in key family-wage paying industries such as aviation/aerospace, bioscience, brewing/distilling, high tech, outdoor gear and apparel, and value-added food products. Other more traditional industries such as building materials are still strong[4]. The health care sector is also large and growing steadily, and headquarter operations (such as Keith Manufacturing, Les Schwab tires, Bank of the Cascades, etc.) provide a significant source of jobs and income into the region (Figure 6-1; Figure 6-2). There has also been significant growth in administrative/call/data centers, with particularly striking development in Prineville/Crook County (Apple and Facebook).[5]

[4] Damon Runberg, Central Oregon Regional Economist, 2017.
[5] Industry list based on EDCO's 2016 Central Oregon Profile.

Similar to many economies, the service sector is amongst the largest employers in Central Oregon. However, the leisure and hospitality sector is disproportionately large as the region is a major tourism destination. The predominately low-wage leisure sector accounts for nearly 18 percent of all nonfarm jobs in the region compared to just 13 percent for the state of Oregon[6]. Still, this sector has indirectly contributed to the attraction of business and skilled labor to the region – without a diversity of tourism-related opportunities (destination resorts, the Mt. Bachelor ski hill, fine dining, etc.), much of the aforementioned business and labor relocation to the region would not have happened[7].

Much of the growth in these industries can be attributed to the attractive lifestyle factors discussed above, which serves to attract business owners and professional or high-skill labor to live in Central Oregon.

1.4. Growing Economic Diversification

The regional economy was traditionally reliant on natural resource industries. Much of the employment growth during the early 2000s was concentrated in construction as the region experienced a large population boom (Figure B-24). In our most recent expansion, the regional economy has diversified significantly in terms of employment and by industry (Figure 6-1; Figure 6-2) as well as in size and number of firms (Table 6-1; Table 6-2). This is more thoroughly discussed in Section 6.

1.5. Uneven Economic Development

When viewing the region as a whole, most of the key economic indicators – unemployment, wage growth, job growth, economic diversification, etc. – look very good. However, the benefits of growth are not distributed evenly across the region, nor have all communities recovered from the significant contraction in the extraction economy. For instance, La Pine's 2016 average annual unemployment rate was 14.4 percent compared to just 3.8 percent in Bend[8]. Economic performance in Bend and Redmond is simply not matched in many rural areas, which lag on economic indicators and have a number of troubling demographic trends (e.g. aging population/workforce, lower educational attainment, youth flight, higher poverty rate, etc.) (Figure B-10; Figure B-3; Figure B-4).

Furthermore, individual populations within the region (regardless of geography) are lagging behind – youth unemployment is high (Figure B-17; Figure B-18), women and minorities earn significantly less[9,10], and many residents do not necessarily have the necessary training or pathways to benefit from growth in the higher-skilled growth industries (Figure B-10; Figure B-12). Economic development and workforce development professionals point to the emerging workforce in particular as not having the necessary "soft skills" or formal training to participate in the region's economic growth.

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[6] Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017.
[7] Headwaters Economics, 2010 "Improving Deschutes County's Competitiveness." Visit Bend and EDCO.
[8] Portland State University Center for Population Research, 2015.
[9] Runberg, Damon and Bechtoldt, F. 2016. Women Earn Less Than Men in Every Industry in Deschutes, Jefferson, and Crook Counties. https://www.qualityinfo.org/-/women-earn-less-than-men-in-every-industry-in-deschutes-jefferson-and-crook-counties
[10] Starbuck, Emily. 2017. Race and Ethnic Diversity in Oregon's Workforce. https://www.qualityinfo.org/-/race-and-ethnic-diversity-in-oregon-s-workforce

1.6. Housing and Other Growing Pains

Housing values in Central Oregon are approaching the pre-Great Recession levels of 2006/7, making it increasingly difficult for low and middle income families and individuals to find housing that they can afford. Housing availability is also a challenge, with rental vacancy rates in every community hovering near zero (Figure B-5). The affordability and availability crisis is driving many workers to find housing at greater distances from employment centers, and businesses are increasingly challenged to find local workers to fill jobs or to entice desired workers to relocate to the region – according to Economic Development for Central Oregon, a top 3 issue for new or expanding manufacturing and tech industry businesses is finding appropriate housing for their workforce. Exacerbating the problem is the fact that costs of construction are rising and the region does not have as many contractors and associated (plumbing, electrical, framing, etc.) firms as it did prior to the Recession.

Regional population growth is also driving increases in traffic congestion; Bend in particular has found it difficult to provide necessary street maintenance, and has faced some significant challenges in providing necessary transportation and sewer infrastructure to service new residential and commercial development. Further, there is a growing sense among many residents that the region is growing too much, too fast, which has occasionally generated opposition to important community and economic development projects such as OSU-Cascades, multifamily housing developments, or urban growth boundary (UGB) expansion[11].

1.7. Significant Developments Since the 2007 CEDS and 2011 Update

The ongoing evolution of the regional economy has been marked by key, catalytic developments since the CEDS was last updated in 2011:

[11] Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017.

Picture courtesy of OSU-Cascades

- **The development of OSU-Cascades** – The development of a four year university in Central Oregon has been a regional priority for three decades. OSU-Cascades, a branch of Oregon State University, opened in September 2016. The opening of this campus marks the end of the region's dubious status as Oregon's largest "education desert"[12]. Today, the university boasts a student population made up of 70% Central Oregon residents. OSU-Cascades currently offers degrees in various arts and humanities, natural resource and environment, business administration, health, and tourism studies and is in the process of identifying and developing future degree programs. Located on the west side of Bend, the university began with an enrollment of 1,120 students and is slated to grow to 3,000-5,000 students over time. The ability of the campus to grow to this size is by no means certain, as it will require significant capital construction funding from the Oregon Legislature.
- **Data Center Development** – Apple and Facebook have developed very large (the Apple facility alone is nearly 700,000 square feet) data centers in Prineville. These facilities offer very different types of employment than the community's traditional natural resource-based industries, and represent a major socio-economic step towards a new type of economic growth for the region. They also provide significant revenue to the city in the form of "franchise fees".
- **Continued decline in manufacturing, particularly in the wood products sector**– In 2015, Prineville's Woodgrain Millworks closed, and in 2016 the region's last primary sawmill, Warm

[12] "Education deserts" are defined as areas having zero colleges or universities nearby, or having one community college that is the only public and broad-access institution nearby. High school students matriculating in education deserts are considered to be much less likely to pursue higher education.

Springs Wood Products Industries, shuttered for good. Figure 6-1 and Figure 6-2 show how the overall manufacturing sector has diminished over time.

- **Aviation-related growth** – the region's airports – Roberts Field (commercial) in Redmond, Bend Municipal Airport, Prineville Airport, Madras Airport, and smaller airports in Sisters and Sunriver – continued to grow as economic engines for the region and communities. Each airport serves its own niche, Roberts Field as the regional commercial airport is the primary air-passenger link to the region, while the others serve as hubs for aviation industries, executive and high-end tourist and fly-in facilities, staging for wildfire suppression, and airplane and helicopter training facilities. Together, the airports directly supported 1,783 jobs and $57 million in payroll in 2012 (Figure B-26); while this is the most recent information available, anecdotal evidence suggests significant expansion in economic activity since that time.
- **Continued Increases in Tourism** – Tourism has continued to grow in importance to the Central Oregon economy. Total annual visitation to the region increased from 2,600,000 to 2,875,000 person nights from 2013 to 2015, an increase of 10.6%. The economic impact of tourism activity is likewise increasing – in 2010 the industry employed approximately 7,000 individuals; this increased to 8,900 in 2015 (27% increase). And from 2010-2015, total tourist spending in the region increased from 617 to 746 million (21%)% increase).[13] The impact of tourism goes beyond direct jobs, however, as a 2010 Headwaters Economics study found that "Almost every business owner we talked to for this report visited Deschutes County first as a tourist, and there is evidence from around the West to confirm a connection between pleasure and business travel-stimulated entrepreneurial migration."[14] In other words, a strong base of tourism and recreational opportunities introduces the region to business owners and entrepreneurs, which in turn leads to business development and job growth. The increase in tourism activity has not been without some growing pains, as residents have become concerned about increasing traffic and feeling overwhelmed with visitation during the summer high season, and public officials have begun looking for ways to capture more revenue from tourists to mitigate their impact on public infrastructure.
- **Emergence of Bend as a Tech Hub** – Bend has grown into a high-tech hub for the region and the state of Oregon, with dozens of high tech (e.g. G5), bioscience (e.g. BendResearch/Capsugel), and advanced manufacturing facilities (e.g. Epic Air) starting up and growing in the community. In fact, the Milken Institute rated Bend-Redmond as the #1 "Best Performing Small City" for job creation in the nation, and cites the development of these types of industries as a significant reason for why.[15]

[13] Dean Runyan Associates, May 2016; "Oregon Travel Impacts", 1992-2015p".
[14] Headwaters Economics, 2010 "Improving Deschutes County's Competitiveness." Visit Bend and EDCO.
[15] Milken Institute, 2017 "2016 Best-Performing Cities".

1.8. Economic Forecast

1.8.1. Industry Growth

Every two years, the Oregon Employment Department's Research Division calculates 10-year industry and occupational employment projections. The most recent projection cycle shows Central Oregon adding over 14,000 jobs to the tri-county area between 2014 and 2024, a growth of 16 percent.

The private sector is expected to dominate job growth in the long term, adding around 94 percent of the 13,160 payroll jobs projected to be added by 2024. In fact, every private industry sector is expected to add jobs through 2024. Job gains are expected to be concentrated in four industries:

- Health care (+2,250) is expected to add more jobs than any other industry, which is highly influenced by the aging population.
- Leisure and hospitality, which is largely tourism based jobs, is expected to add 2,240 jobs (+19%) by 2024.
- Professional and business services, a highly diverse set of industries, is forecast to add 1,730 jobs.
- Construction is expected to add 1,500 jobs and be the region's fastest growing private industry expanding by 32 percent. Despite being the fastest growing industry, employment levels in construction are expected to remain considerably below levels from the 2006 housing boom.
- The public sector is expected to expand over the next 10 years, but at a much slower pace (+6%). The largest gains are forecast to be in the education sector with local education adding 370 jobs by 2024 and state education adding around 140 (+74%). Local education, predominately K12, are expected to expand due to continued population growth. State education growth is linked to the new Oregon State University Cascades campus in Bend which opened fall 2016.

1.8.2. Occupation Growth

Central Oregon is expected to see over 35,000 new job openings by 2024. Of those, nearly 21,000 (60%) are replacement openings due to retirement or turnover. The remaining openings (14,200) are due to new or expanding businesses. Occupations related to construction (29.2%); health care (21.9%); farming, fishing, and forestry (19.5%); and service (18.6%) top the list for fastest growing by 2024. The most job openings are projected to be in service occupations (9,200 openings), sales occupations (4,500 openings), and office and administrative support occupations (4,200 openings). It is fairly common for there to be a large number of openings in these occupations due to their large share of our employment base and relatively high rates of turnover, particularly in the service sector.

Service occupations accounted for a disproportionate share of growth openings. Service occupations represented around 21 percent of jobs in 2014, but accounted for 24 percent of the growth openings by 2024. We also expect to see disproportionate share of growth openings in construction related occupations as they accounted for around 5 percent of jobs in 2014, but are expected to represent around 10 percent of all growth openings. Office and administrative support occupations moved the opposite direction as that occupation group accounted for 15 percent of jobs in 2014, but is only

expected to represent around 11 percent of the growth openings by 2024. The fastest growing occupation (with a minimum of 20 openings) by 2024 is projected to be physician assistants, growing by 55 percent (+63 openings). Other fast growing occupations include computer repairs, nurse practitioners, physical therapy aides, personal care aides, and web developers.

Education requirements for the jobs of 2024 are expected to be little changed from 2014. Around 24 percent of jobs in Central Oregon require a Bachelor's degree or higher to be competitive for the position. That figure is projected to be unchanged by 2024. Occupations that require a doctoral degree are the fastest growing (+19%), largely due to the impact from OSU Cascades and the growth of the pharmaceutical industry. Occupations that require postsecondary training (nondegree), such as apprenticeships or certificates, are also expected to be fast growing with over 17 percent more jobs in 2024.

2. Regional SWOT Analysis

COIC engaged in a Strengths, Weaknesses, Opportunities and Threats (SWOT) assessment of the regional economy in late 2015 and early 2016. The SWOT was developed through CEDS Strategy Committee meetings in September-December 2015; Crook, Deschutes, and Jefferson County Stakeholder Committee meetings in November, 2015; and regional data analysis.

2.1. Regional Strengths

Natural Resources and the Environment:

- Excellent natural resource amenities to attract businesses and employees
  - Clean air & water (note: not all communities have secure access to water as they grow)
  - Habitable climate
  - Natural resources
  - Scenery/views – mountains, streams, canyons, rural landscapes, etc.
  - Vast/diverse recreation opportunities
- Natural resource utilization opportunities – forestry, water, productive agricultural land, etc.

Education and Workforce Development:

- New four-year university has opened and is growing
- COCC network of campuses across the region
- Central Oregon is a state leader in schools-to-career programs (but inconsistent across the region)

Economic Infrastructure:

- Excellent network of airports which serve as economic engines
- Many communities have ample commercial, industrial, and residential land availability
- Low cost utilities
- Some communities are well-prepared with water, sewer, and local transportation infrastructure.

Community amenities and culture:

- "Livability":
  - Safe communities
  - Community and family values
  - Small town feeling
  - Less expensive than comparable outdoor recreation communities
  - Excellent health care services access

Human capital:

- Some communities have significant human capital in terms of citizen skills, experiences, political access, and volunteerism
- Many communities operate in a very collaborative and business-friendly way
- Some communities have a strong entrepreneurial culture.

Collaborative Culture

- The region has a justified reputation for being collaborative and most local government entities are relatively accessible

Other:

- Population growth brings opportunities

2.2. Regional Weaknesses

Natural Resources and the Environment:

- Some communities have insufficient or insecure access to water

Education and Workforce Development:

- The emerging workforce is unprepared for jobs and higher education in both soft and hard skills.
  - Some communities do not have strong school-to-career programs.
  - There is a lack of connection between education and industry.
- Some communities have poor school performance:
  - Leads to lack of preparedness for post-secondary education or work
  - Poor school performance makes it hard to attract businesses and workers.
- In some communities, the culture hasn't caught up with the fact that there aren't middle-class jobs available after high school.

Economic Infrastructure:

- There is a lack of available commercial and industrial buildings – local growing as well as recruited external businesses don't want to have to build and companies are passing on Central Oregon:
  - Prohibitive cost to construct; Building permits at 60% of pre-recession levels; Undersupply of construction labor and firms
- Some communities have limited industrial land availability or lack a diversity of industrial and commercial land choices
- Smaller communities may have broadband access/price/bandwidth limitations

Community Amenities and Human Capital:

- Smaller communities lack services and amenities to attract skilled workforce.
- Smaller communities have less local human capital (skills, education, expertise).

Housing Availability and Affordability:

- There is currently no regional coordination on housing – nor a regional housing strategy.
- Thoroughly inadequate supply of workforce housing – ~ 0% rental vacancy rate across the region.
- Rising cost of housing.

Transportation and Isolation:

- Central Oregon is isolated from markets and major transportation infrastructure:
  - Higher cost of imported goods
  - Higher cost to ship goods
  - Insufficient rail access – specifically, lack of capacity for double-stacked cars on Class I railway
- Central OR communities are isolated from each other:
  - Significant distance between all communities (no contiguous communities)
  - Many communities have significant imbalance of housing/employment (as well as health care, etc.) which creates transportation challenges; need better ways to connect labor to employment
  - Lack of sufficient transit system (and other flexible transportation) to meet needs

Household Income/Wages & Demographic Changes:

- Central Oregon has relatively low wages and median family incomes compared to state averages, and higher than average housing costs.
- Low and middle-class employees cannot afford housing in light of relatively lower wages.
- Growing poverty rates and low median household income drags down families and communities and presents social service resource challenges.

- Some communities are projected to have a very large % of seniors compared to other age groups, which presents health, transportation, social services, and labor market problems.
    - Related – baby boomer retirements = labor market and business succession concerns.

Collaboration and Coordination:

- Lack of collaboration/ coordination between regional ED and WD partners.
- Communities could improve coordination on legislative agenda. COCO lacks staff to develop a comprehensive legislative agenda for the region.

Other:

- Continued lack of economic diversification and resiliency to economic shocks
- Taxation and permitting is inconsistent
- Some communities are divided between pro & anti-growth/change/development sentiment.

2.3. External Threats

State and Federal Policies and Regulations:

- Difficult UGB expansion process and overall land use system that doesn't fit Central Oregon realities (reflects western OR). UAR system doesn't sufficiently prepare communities for growth/expansion.
- EPA and NEPA – air quality and environmental reviews/process
- Oregon 2025 educational goals do not recognize training/certification programs and are unrealistic for many young people
- Unfunded regulatory mandates (e.g. stricter water/sewer/stormwater regs)
- New state laws create business climate uncertainty – min. wage, Sick Leave Act, low-carbon fuels
- Healthcare costs and regulations
- Davis-Bacon requirements
- Diminishing state/federal infrastructure funding.
- Initiative process is too easy and creates difficult governance problems.

Competition from Other Regions (and within Central OR):

- Other regions have cheaper industrial land
- Other regions have cheaper housing and higher wages to attract skilled workforce/millennials
- Smaller communities lose youth/workforce to other areas due to strength of neighboring economies and better amenities. Bend loses them to cost of living.

Growth and Demographic Change:

- Population growth brings growing pains
- Aging population will affect the region significantly
- Insufficient planning for both of the above.

Shipping/freight:

- Portland port closure has increased shipping/export prices
- Some say that BNSF (Class 1 Railway) should be more responsive to regional/local needs (others insisted that they are responsive)

Other:

- We cannot control the national/international economic business cycle
- Outside parties (outside investors and new arrivals that have liquidated home equity elsewhere) are snapping up any available housing stock for cash, increasing prices and diminishing stock.

2.4. Opportunities

Transportation:

- Improve US 97 freight mobility – have 97 serve essentially as a freeway
- Improve rail access – further development of the O'Neil Jct. rail depot
- COIC should continue to partner with regional entities such as St. Charles and OSU to expand the regional intercommunity system.
- Achieve dedicated local funding for public transit. Achieve ORS 190.083 regional funding authority
- Support the OR legislature in passing a state transportation funding package in the 2017 session
- Look to Willamette Valley vanpooling programs – have been successful
- Continue to leverage our region's airports for the different economic engine niches they represent

Education and Workforce Development:

- Create a workforce development system that better responds to industry needs
- Strengthen existing successful youth career connect internship programs and propagate to school districts that do not have them.
- Connect OSU-CC programs to target industries & entrepreneurship (good time now as they're building their programs).
- Create better connections between COCC, high schools, and industry.
- Rebuild vocational tech education in schools.
- Integrate economic development and workforce development priorities/strategies
- Convene a Millennials work group to address education, workforce, and housing issues

Housing Availability and Affordability:

- Regional convening for best practices for housing
- Develop a regional housing strategy: 1) analyze housing issue at regional scale; 2) ID best practices and ongoing coordination across the region; 3) Identify and collaborate to advocate for desired state policy/regulation changes.
- Research work to date in Pendleton, Boardman, Rufus, and Hood River on innovative housing solutions.
- Incentivize private-sector MF housing development

Brand the Region:

- Brand the natural resource/ environmental amenities of the region – particularly in communities outside Bend.
- Brand the region as a creative economy destination – more than just a recreation destination
- Leverage entrepreneurship as a key component of the Central Oregon Brand.

Business and Industry Development:

- Reinvigorate manufacturing and advanced manufacturing and become a regional leader.
- Development additional certified sites and "regionally-significant ED areas"
- Develop more incubator spaces and move-in ready commercial and industrial buildings.
- Leverage local agricultural production for value-added products and local food consumption.
- Invest in airport infrastructure to further leverage business development and jobs.

Community Amenities:

- Support downtown redevelopment, streetscape improvements, and beautification projects in smaller communities as an economic development tool to attract the types of businesses valued by target workforce groups

Regional Collaboration:

- Integrate economic development and workforce development priorities/strategies
- View Central Oregon as a region and leverage each community's assets to the benefit of all
- Collaborate on data, best practices, and resource sharing
    - Measure success of programs
- Leverage rural and low income aspects of region into grant/support opportunities
- Create a new model of regional intercommunity collaboration to develop a coordinated legislative agenda.

3. Regional Priority Issues, Strategies, and Action Plan

3.1. Regional Vision

The CEDS Strategy Committee desired a Vision Statement that reflects the fact that the economy is an extraordinarily complex system with thousands of variables, many of which are outside the control of COIC and our partners. Therefore, the selected vision statement focuses on how partners will work together to implement the Priority Strategies:

> *Central Oregon's economic, workforce development, and related partners are working collaboratively to implement a broad array of shared CEDS Regional Prosperity Strategies in order to build a better future for all Central Oregon communities and citizens.*

3.2. Priority Issues, Strategies, and Action Plan

The following Regional Priority Issues and Strategies were developed by COIC Staff and the CEDS Strategy Committee through Strategy Committee deliberations, data analysis, public meetings and focus groups, and the regional SWOT analysis. The draft Strategies were reviewed by the COIC Board at their November 3, 2016 meeting, and then formally adopted at their December 1, 2016 meeting.

The Issues and Strategies were prioritized by the CEDS Strategy Committee into the following categories:

Top Three Issues:

- Housing Affordability and Availability
- Emerging Workforce
- Regional Transportation: Access to Work and School

Other Regional Priorities:

- Economic Development-Related Public Infrastructure
- Move-In Ready Commercial and Industrial Buildings; Incubator and Shared Work Spaces
- Freight Mobility
- Broadband Capacity
- Rural Community Amenities
- Natural Resources: Environmental Assets and Resource Utilization
- Regional Coordination and Cooperation

Each of the Priority Issues is described in the next section, along with a brief description of each Strategy. The Priority Issues and Strategies are presented in their entirety in Appendix C, including all of the Strategies, Actions for each Strategy, desired outcomes, evaluation measures, and lead agencies.

3.2.1. Top 3 Issues and Strategies

Housing Affordability and Availability

Housing values in Central Oregon are approaching the pre-Great Recession levels of 2006-7, making it increasingly difficult for low and middle income families and individuals to find housing that they can afford. Housing availability is also a challenge, with rental vacancy rates in every community hovering near zero. The affordability and availability crisis is driving many workers to find housing at greater distances from employment centers, and businesses are increasingly challenged to find local workers to fill jobs or to entice desired workers to relocate to the region. According to Economic Development for Central Oregon, a top 3 issue for new or expanding manufacturing and tech industry businesses is finding appropriate housing for their workforce.

Economic development stakeholders stressed that efforts to address housing affordability and availability should be focused on a spectrum of needs – from subsidized "affordable housing" for lower income earners as well as market-rate housing for low to middle income earners that will not be served by subsidized housing.

Most housing issues are typically addressed at the local community scale, within the UGB, and many Central Oregon communities are already developing their own strategies to address housing affordability issues. The CEDS Strategies focus on the regional dimension of the housing affordability crisis, and are additive to local efforts.

Strategies:

1. **Develop a Regional Housing Consortium.** This coalition will be focused on workforce housing research and analysis, policy advocacy, best practices, regional collaboration to leverage funding, and serving as a regional clearinghouse for housing policies and practices.
2. **Support Expansion of the Regional Transit System, Cascades East Transit.** *This Strategy is described in the Regional Transportation – Access to Work and School Issue area below.*

Emerging Workforce

Economic development professionals, businesses, and post-secondary institutions across the region have documented deficiencies in the readiness of high school graduates and other young adults for work and post-secondary education or training. The deficiencies include soft skills (showing up on time, courtesy/communication, work ethic), academic skills such as math and writing, and hard skills such as technical industry skills. This makes it difficult for local businesses to find prepared entry-level employees, is a barrier to recruiting businesses to the region, drives enrollment in remedial classes at post-secondary institutions, and is a barrier for local residents in achieving their education, employment, and income goals. *Soft skills may be the most important of all the skills sets, since they are a prerequisite for success in any job or post-secondary academic setting. Therefore, this is a point of emphasis for the CEDS Strategy Committee.*

Some rural economic development stakeholders also stressed that the local culture of small towns has not caught up with the regional economic transition away from high-value natural resource extraction industries that used to offer well-paying jobs upon high school graduation. Young people in this circumstance can then find themselves ill-prepared for the education and skill development required to find meaningful, family-wage employment in the current economic environment.

Fortunately, Central Oregon has a number of existing assets that can be replicated and expanded to better prepare young adults for work.

Strategies:

1. **Increase the opportunities for 16-24 year olds to gain work experience and career exposure.** This is an endorsement of the Better Together Youth CareerConnect Work Plan, which includes a menu of work experience and work exposure activities, establishment of systematic programs at all Central Oregon school districts, and building "talent pipelines" for the key industries identified for the East Cascades workforce area (currently Outdoor Gear and Tech).
2. **Expand Higher Education Opportunities in Central Oregon.** This Strategy focuses on the need to ensure capital and program funding for OSU-Cascades, supports the ongoing development of the network of COCC campuses across the region (particularly in regards to providing pathways for rural students to access curriculum), and the development of the Innovation Center for Entrepreneurship at OSU-Cascades.

3. **Advocate for State Policy Changes to Better Reflect Student Realities, and Workforce and Business Needs.** This Strategy focuses on the need for the State to better value GED completion in meeting state education targets and to require high schools to provide HS completion services to young people through age 20.

Regional Transportation: Access to Work and School

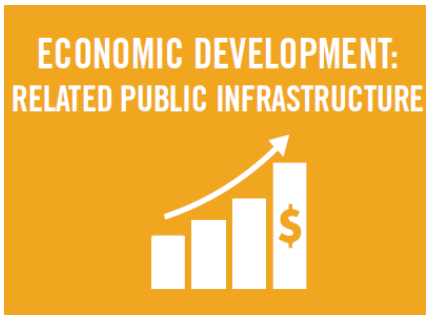
Central Oregon is a very large region, spanning 87 miles from Warm Springs in the north to La Pine in the south, and 40 miles between Sisters in the west and Prineville in the east. Communities are relatively isolated from each other, and many residents must travel long distances for employment, education, healthcare, social services, shopping, and other critical needs. There is a significant jobs/housing imbalance in many communities, with more than 60% of the workforce leaving several of our communities every day for work. While important institutions such as COCC and St. Charles Health System have opened campuses across the region, centralization of services for efficiency reasons means that many specialized services are only offered in Redmond or Bend. The region's only 4-year university is located in Bend. Fortunately, the region features a regionally-coordinated transit system, which facilitates access for particularly low income, disabled, and older residents, although service levels are insufficient to attract many "choice" riders at this time.

Strategies:

1. **Encourage Development of a State Transportation Funding Package and Project Allocation Performance Measures.** This Strategy includes the development of coordinated regional support for a state transportation funding package and reforms to develop performance measures in the 2017 state legislative session.
2. **Expand Tools for Non-Single Occupancy Vehicle Travel.** This strategy is focused on a) supporting the development of a new local funding mechanism for Cascades East Transit – an adjustment to ORS 190.083 that would allow COIC to request property tax funding from individual communities when they are ready to request it while maintaining one regionally-coordinated system; and b) creating more commuter-friendly local and regional routes through updates to the Bend and Regional Transit Master Plans.

3.2.2. Other Regional Priorities:

Economic Development-Related Public Infrastructure



Communities need basic economic infrastructure in order to provide for development and a growing workforce, and to grow local businesses and attract new firms. Communities cannot support business development or workforce housing without adequate public infrastructure such as water and sewer systems, adequate local transportation, and utilities. Due to the extraordinary growth experienced in Central Oregon, some

communities are finding it difficult to finance and implement needed public infrastructure in a timely fashion.

Strategies:

1. **Assist Local Governments in Financing Basic Infrastructure for Economic Development.** This relates to the CEDS Project Solicitation process, in which COIC solicited economic development-related projects from all Central OR cities and counties. The CEDS Project List is reviewed in Section 4, and provided in its entirety in Appendix D.

Move-In Ready Commercial and Industrial Buildings; Incubator and Shared Work Spaces

There is a shortage of available commercial and industrial buildings across Central Oregon. Companies from small tech to large manufacturing are increasingly opting to buy or lease existing buildings rather than build on their own, and the lack of suitable buildings is a barrier to business expansion and recruitment in the region.

Costs to construct are up, commercial and industrial building permits are 60% of pre-Recession figures, and the region has considerably fewer construction and associated businesses than before the Recession. Further, many other regions have cheaper industrial land than what is available in Central Oregon. Industrial lease rates are insufficient to justify private investment in new buildings, and financing is difficult for those actually willing to invest. Regional stakeholders also noted that some communities have limited industrial land availability or lack a diversity of industrial and commercial land choices.

There is also interest in expanding incubators and shared work space sin the region in order to support established and nascent entrepreneurial ecosystems and to reflect the fact that businesses and workers/labor are evolving from large, integrated firms to flexible, distributed networks of associated businesses and freelancers. Incubators and accelerators also provide an opportunity for "trailing spouses" and other newcomers to the region to pursue employment and business development opportunities.

Strategies:

1. **Increase Supply of Serviced Industrial Lands.** This Strategy focuses on the development and designation of shovel-ready industrial sites and the maintenance of Central Oregon's Regional Large Lot Industrial program (see https://coic2.org/community-development/large-lot-industrial/.
2. **Develop Additional Flex Commercial and Industrial Buildings and Facilities** Create more opportunities to develop these facilities, including public/private partnerships, creation of pre-approved virtual building templates, and attraction of "patient capital" for investment.
3. **Develop a mix of incubator and shared workspace facilities across Central Oregon.** This involves a regionally-coordinated effort to study the effectiveness (and best practices) of incubators and shared workspaces, provide technical assistance and funding to develop more,

integrate more services into incubators, and develop two incubators: the Central Oregon Bioscience Incubator within the Innovation Center for Entrepreneurship at OSU-Cascades and the Warm Springs Community Action Team incubator.

Freight Mobility

The Central Oregon region is relatively isolated from markets and major transportation infrastructure. The region does not have a freeway, and weather and topography are barriers, particularly in the winter. BNSF operates a Class 1 railway providing freight access, but network tunnels to the north preclude double-stacking containers, which has been identified as a barrier for regional freight mobility and the development of manufacturing industries. The City of Prineville operates a short-line railway connected to the BNSF mainline at Prineville Junction near Redmond with a transload facility for bulk liquids, and a warehouse transload facility (in Prineville) for dry goods providing rail freight connectivity for the region. There are also private sidings on the BNSF line providing access. However, local facilities do not have inland port status for container shipping, and Class 1 railways do not have economic incentive to split container trains on the Columbia River mainline (to pick up containers from Central Oregon) due to a lack of volume from the region. This poses a chicken-and-egg situation for manufacturing development because a lack of sufficient rail access makes it difficult to generate the manufacturing investment to justify additional rail access. Another challenge is the termination of international container shipping at the Port of Portland, which increases shipping costs for regional exporters, primarily agricultural commodities sold to Asian markets.

Central Oregon has numerous short-haul and some long-haul trucking companies, so manufacturers have this option. However, trucking companies face congestion and safety issues due to the lack of a freeway serving Central Oregon, and a lack of safe, serviced pullover areas to meet federal "hours of service" regulations.

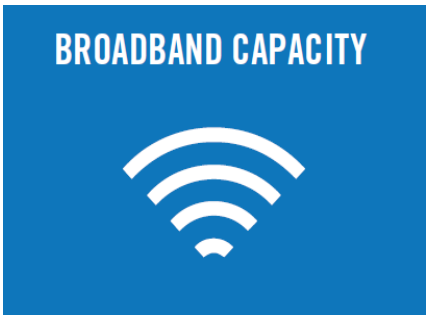
The region features a commercial airport, Roberts Field in Redmond, which continues to expand direct flights, as well as a network of smaller general aviation airports that are economic engines for the communities they serve, and for the region as a whole. Regional population growth and aviation industry growth have created significant challenges for the region's airports to maintain and expand basic infrastructure and safety facilities, as well as to meet the demand for business facilities and hangars.

Strategies:

1. **Encourage Development of a State Transportation Funding Package and Performance Measures.** This Strategy is already explained above.
2. **Support Statewide Efforts to Reopen Portland Port/Container Terminal to International Shipping**. Provide support from Central Oregon for any state efforts to reopen the Portland terminal for international container shipping.

3. **Continue to Expand Highway 97 to 4 lanes within the region and beyond.** Communicate to the Central Oregon Area Commission on Transportation regional support for projects that widen Highway 97.
4. **Enhance the Region's Capacity to Ship Containers**. Work with COACT and rail representatives to address tunnel height limitations to allow for double-stacking and explore the development of a shuttle train service connecting Central Oregon to Portland.
5. **Support Regional Airport Development Efforts**. Work with the COACT Central Oregon Airport Group to identify and support funding for priority needs.

Broadband Capacity



Economic development stakeholders have stated that the region is underserved with broadband capacity to meet current and future demands. There is currently no assessment of the projected broadband needs for the region, and how current and planned future capacity does or does not meet that need. Furthermore, rural community economic development stakeholders have noted that broadband capacity is poor in some residential areas, which is a disincentive for skilled labor, urban transplants, or millennials to live in these communities. Insufficient service also limits home-based business development.

Strategies:

1. **Study the Needs for Broadband Capacity Improvements; Implement Priority Capacity Expansion Projects**. Study regional broadband capacity; identify current and future needs (e.g. to serve expected business trends and maintain regional competitiveness); and prioritize and implement improvements by leveraging public and private investment (e.g. federal low interest loan and grant programs).

Rural Community Amenities

All Central Oregon communities are striving to create complete, livable communities that are attractive to businesses and skilled workforce. While some local communities have made significant strides in this regard, representatives from some of Central Oregon's rural communities state that they lack the amenities that modern businesses and workers value. These desired amenities will vary from business to business and community to community, but they include built form, such as attractive, walkable downtown areas; businesses such as coffee shops and boutiques; sufficient broadband and wireless capacity to meet Millennial and high-skilled business and professional employee expectations; and community infrastructure such as quality schools, parks and recreation, community centers, etc.

Strategies:

1. **Fund and Expand Rural Community Readiness, Redevelopment, and Beautification Initiatives.** This includes engaging leaders and residents in goal-setting and "visioning" efforts to assist

rural communities in building consensus on their economic futures, the implications of such for public amenities, and building a series of projects/steps to achieve their goals.

2. **Support the Regional Solutions Creative Economy Action Plan and Identify Opportunities to Benefit Rural Communities.**

Natural Resources: Environmental Assets and Resource Utilization

The Central Oregon region has long utilized its abundant natural resources and scenery as an economic development tool. Today, while the economy has shifted dramatically from its former base in natural resources extraction and processing, natural resources are perhaps still the most important component of the region's economic base. This is because much of the region relies on an extraordinary diversity of outdoor recreation opportunities, for tourism businesses and jobs as well as a means to market the region to entice business, entrepreneurs, and skilled labor to relocate to Central Oregon. Further, the region is still rich in forests that will continue to produce timber and biomass, and agricultural lands that produce crops and meat for export and to meet the growing local appetite for locally-grown farm produce.

The abundance and availability of water - for agricultural production, industrial processes, community drinking water, as well as in-stream for fish and tourism values – varies across the region and is becoming an increasingly concerning issue. The 2014 listing of the spotted frog has become a serious concern for agricultural producers and community developers, and there is a great deal of uncertainty about what the impact of the listing will be to businesses and communities.

Strategies:

1. **Strategic Planning for Outdoor Recreation**. Work with rural communities to identify their outdoor recreation niche and create an action plan to achieve it. This strategy also involves the development of a collaborative sustainable trails and recreation plan for the Deschutes and Ochoco National Forests.
2. **Regional Coordination on Environmental Issues that Impact Economic Development**. Develop a proactive approach to emerging Endangered Species Act issues, modeled on the Sage Grouse Conservation Partnership (http://orsolutions.org/osproject/sagecon). Also, support the work of the Basin Study Working Group to identify an approach to regional water allocation that is grounded in science and reflects regional values.
3. **Strengthen Forest Restoration and the Restoration Economy.** Encourage the development of firm economic goals for local forest restoration efforts.
4. **Grow Central Oregon's Local Food System**. Build a wholesale marketplace for locally-produced foods to meet demand for locally-produced foods and improve opportunities for value-added processing.

Regional Coordination and Cooperation

Central Oregon has a long history of regional collaboration toward common goals. Established examples of collaborative processes include the Central OR Area Commission on Transportation, Better Together, Central OR Fire Management Services, and regional forestry collaborative groups (DCFP and OFRC), among many. The success of these types of processes contributes to the collaborative and communicative culture in the region and a willingness among diverse partners to be open to the sometimes difficult process of achieving consensus and coordinating effort.

Central Oregon is a diverse collection of communities but operates together as a regionally coherent economic development unit. Most of the strategies and actions discussed in this document require coordination and collaboration – across the region as well as among multiple stakeholders – to achieve success. Regional economic development and associated (e.g. workforce, local government, etc.) partners currently do not have a venue to regularly communicate and coordinate towards a schedule of common priorities. The region could also improve its collaboration on policy objectives.

Strategies:

1. **Develop an Ongoing Forum for Economic Development Coordination and Monitoring through the CEDS Strategy Committee**. Work with the CEDS Strategy Committee to identify the appropriate role, participation, meeting schedule, and action agenda for regional coordination on economic development. Map out the roles and functions of public and non-profit economic development-related organizations in Central Oregon. Use the Strategy Committee as a forum to integrate regional economic development, community development, and workforce development priorities and actions.
2. **Increase regional capacity for coordination on policy advocacy.** Increase regional coordination on policy needs identification and joint efforts for advocacy in Salem.

4. CEDS Project List

Appendix D includes a list of projects that were developed in fall 2016 as a complement to the CEDS. The purpose of the CEDS Project Solicitation process was to inventory and prioritize economic development project needs and promote high priority projects to state, federal, and private foundation funders.

Projects were solicited from all Central Oregon cities and counties, and any organizations that participated in CEDS-related meetings (see the Attributions section at the beginning of this document). Project proponents were asked to provide information on the type and purpose of the project, budget and target funding sources, readiness to proceed, and how the project conformed with CEDS or Governor's Regional Solutions priorities. Projects are summarized in a series of tables at the conclusion of this section.

4.1. Next Steps

Through inclusion in the CEDS, project proponents may more persuasively demonstrate the value of their project to the region, and state and federal and private foundation funders will be able to focus their resources on projects that are broadly supported within the region and ready to proceed. COIC will engage state and federal funding agencies and private foundations to review the project list, and will help facilitate connections between funders and project proponents. In some cases, COIC may provide direct grant writing and/or project development support to further a project (as of this writing COIC has already developed funding for several community assets projects and is developing funding for a regional housing effort). The particulars for each project will vary depending on priority, staff capacity, and potential for funding.

Funding organizations involved to date include:

- US Department of Commerce – Economic Development Administration
- USDA Rural Development
- Oregon Business Development Department and Infrastructure Finance Authority
- Central Oregon Regional Solutions
- Oregon Department of Land Conservation and Development
- Meyer Memorial Trust
- The Ford Family Foundation

This process is not limited to the above agencies; many funding entities prefer to fund projects that are regional priorities and that are ready to proceed. This process can be beneficial in promoting projects to nearly any funding source. COIC will make every effort to identify appropriate funders for CEDS projects, and will deliver the project list to the local state delegation to ensure that they are aware of the region's priority projects.

Beyond securing funding, this process will provide a wealth of information on Central Oregon project needs. These needs could help the region to better understand and quantify:

- The degree of unmet funding needs;
- The need for state or federal legislative action necessary to address high priority needs and issues;
- Needs shared by multiple organizations or communities, which could lead to a greater degree of collaboration.

This process will also provide a mechanism to have "ready-to-proceed" projects identified, so that when funding opportunities come along the region is in an optimal position to advance projects.

4.2. The Agora Platform

COIC is working with other Oregon Economic Development Districts on the Agora Platform (http://www.agora-platform.com/), an online project matchmaking tool that assists local partners in collaborating on projects and bringing them to the attention of potential funders. COIC staff will follow up with project proponents to help them get their projects on the platform.

4.3. Summary of Submitted Projects

Table 4-1 *Projects By Type of Organization*

Local Government Projects	Number of Projects
City of Bend	1
City of Culver	3
City of La Pine	3
City of La Pine Chamber of Commerce & Visitor Center	1
City of Madras	21
City of Metolius	2
City of Prineville	3
City of Redmond	4
City of Sisters	13
Deschutes County	3
Jefferson County	1
Cascades East Transit (COIC)	4
Central Oregon Intergovernmental Council	1
Confederated Tribes of Warm Springs	2
Other Organizations	
Crook County Historical Society	1
Heart of Oregon Corps	2
Kor Community Land Trust	1
OSU Cascades	7
Warm Springs Community Action Team	1

Figure 4-1 *Total Project Cost and Funding Gap*

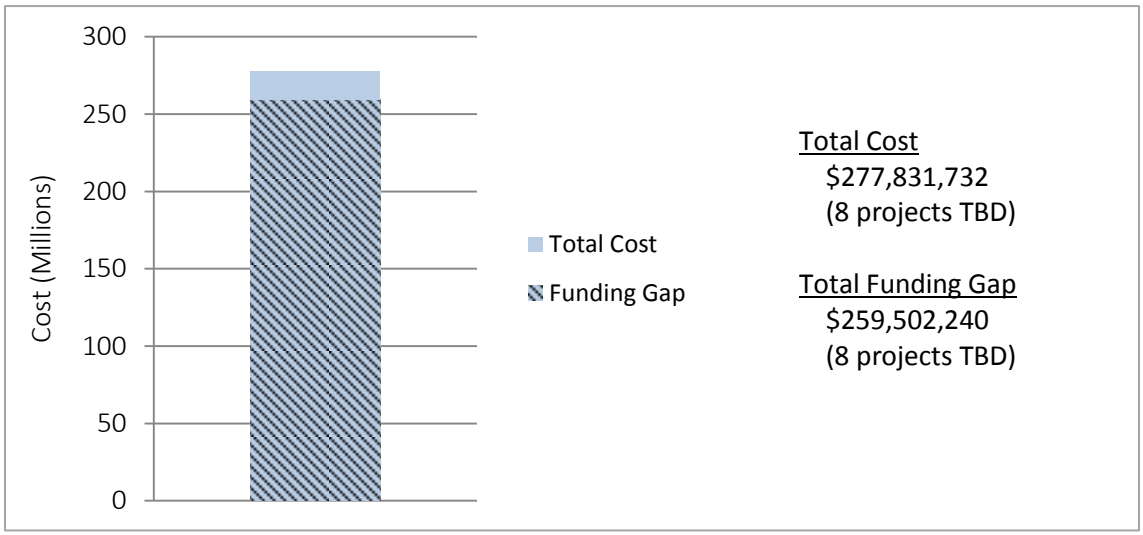


Figure 4-2 *Number of Projects, Project Cost, & Funding Gap by Project Type*

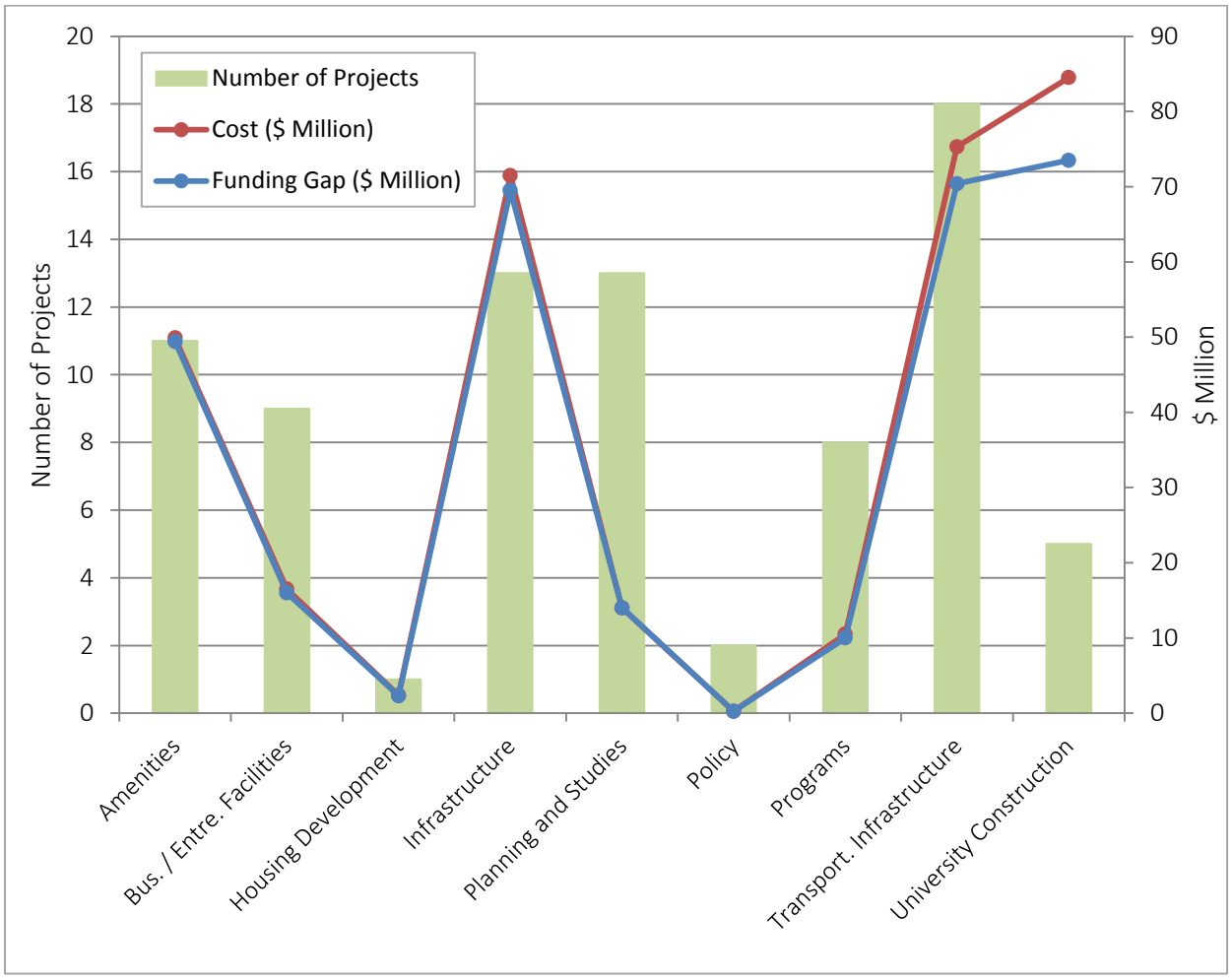


Figure 4-3 *Number of Projects, Project Cost, & Funding Gap by CEDS Priority Met*

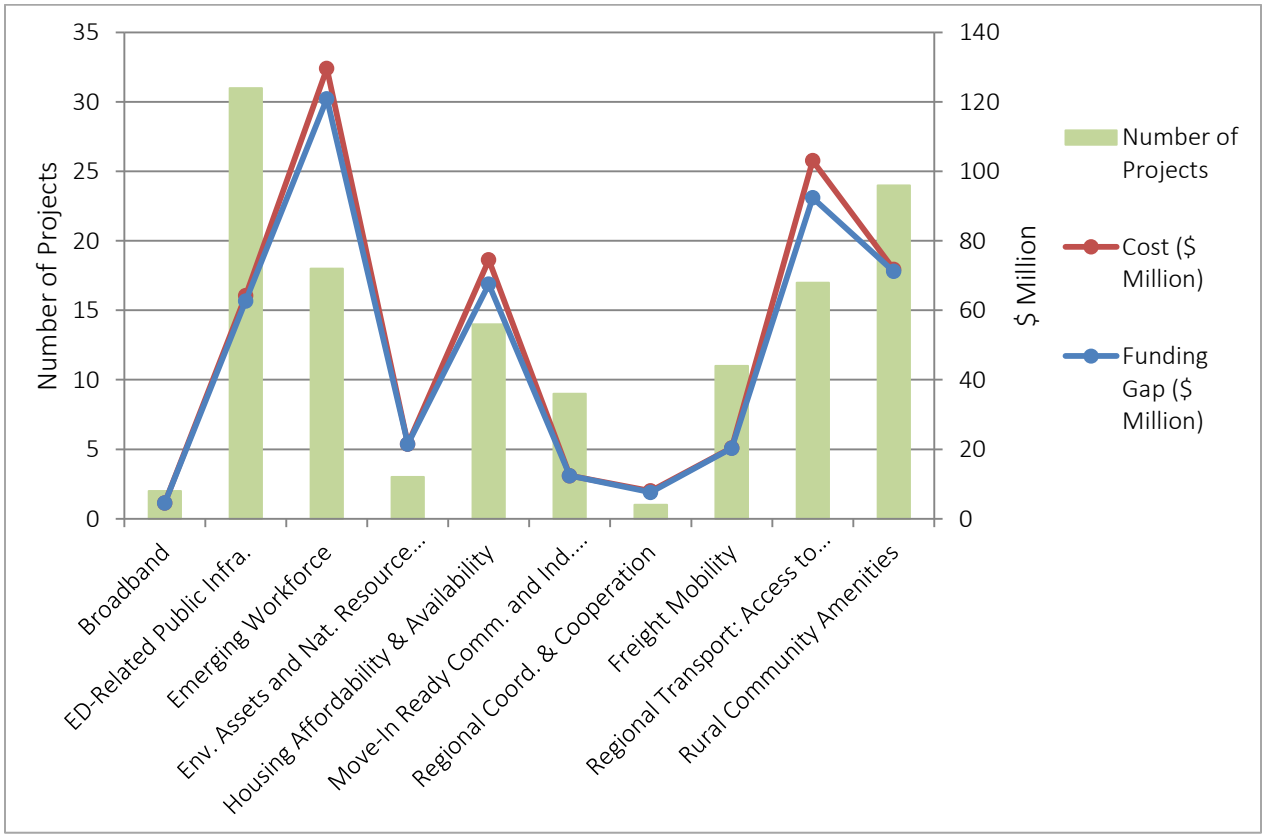
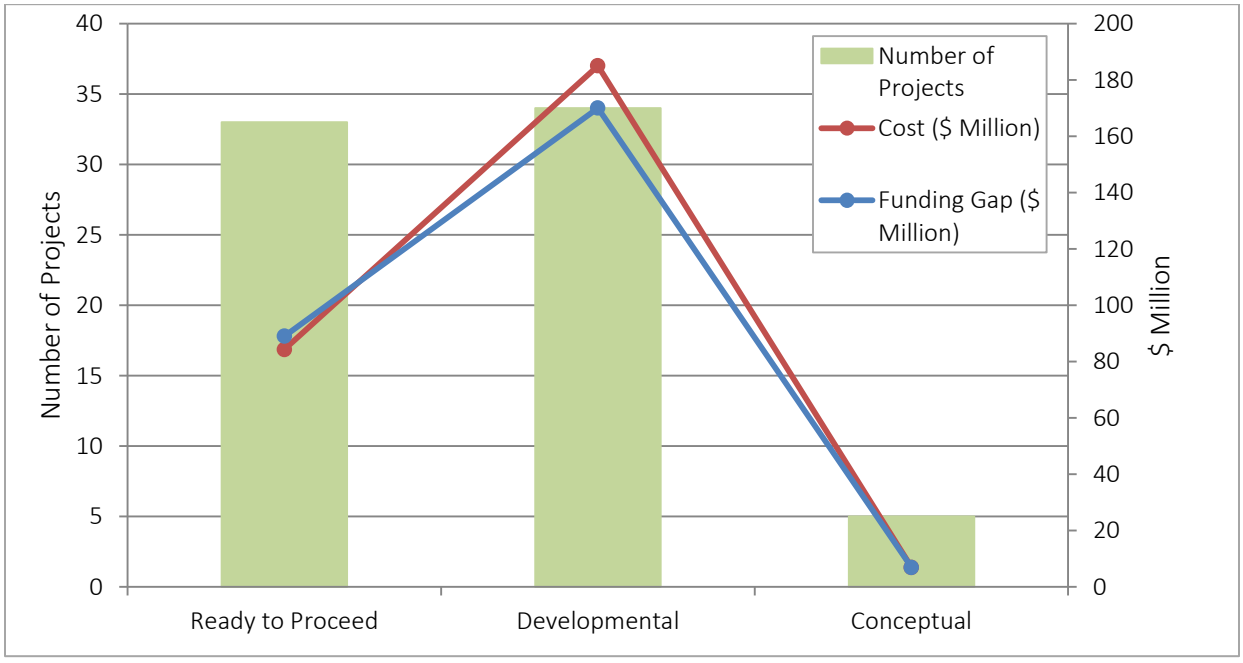


Figure 4-4 *Number of Projects, Project Cost, & Funding Gap by Readiness*



5. Evaluation Framework

The CEDS Strategy Committee meets regularly to evaluate implementation outcomes of the CEDS Strategies (Section 3) and associated Actions (Appendix C). During these regular meetings, the CEDS Strategy Committee also considers any amendments and revisions to CEDS priority issues, strategies, or actions. Each Action listed in Appendix C includes a list of relevant evaluation measures.

To gain a complete understanding of progress throughout the region, the CEDS Strategy Committee employs the evaluation model shown below, which captures both (a) CEDS Strategy Committee *outputs*, and (b) regional *outcomes* in regard to each Strategy. Considering the dynamic nature of regional issues, the CEDS Strategy Committee will incorporate evaluation findings into the CEDS Strategies and Actions, thereby allowing the CEDS to remain relevant and responsive to the needs of the region with high levels of effectiveness and efficiency. This evaluation model was created to be dynamic and flexible considering its use by various organizations in regard to a wide range of regional issues and strategies.

CEDS Strategy Committee & Partner Outputs – Apply As Appropriate to Each Strategy/Action	
Quantitative	
	a) Funds leveraged into the region (from CEDS Strategy Committee & partners). b) Staff time invested. c) Development assistance provided (number and amount of grant/loan requests).
Qualitative	
	a) Team development and integration of effort. b) Plan development c) Program development activities. d) Quality of technical assistance provided. e) Policy advocacy efforts.
Regional Outcomes – Apply As Appropriate to Each Strategy/Action	
Quantitative *(If applicable, provide the CEDS Strategy Committee output(s) which directly contributed to this outcome.)*	
	a) Funds leveraged into the region (from external entities). b) Levels of participation in projects, programs, etc. c) Number and value of projects in progress. d) Increases in project funding/budgets. e) Increases in number of sector firms or organizations. f) Increases in sector jobs/wages. g) Number of regional partners or participants (individuals, organizations, communities).
Qualitative *(If applicable, provide the CEDS Strategy Committee output(s) which directly contributed to this outcome.)*	
	a) Policy changes. b) Expanded opportunities for public engagement and participation (individuals, businesses, organizations, communities, etc.). c) Program development.

	d) Cultural and behavioral shifts. e) Economic shifts. f) Environmental shifts.

6. Resilience

6.1. Introduction and Background

Economic resilience is foundational to Central Oregon's economic well-being. In the context of economic development, economic resilience consists of a region's ability to (1) avoid a system disruption, (2) withstand a disruption, and (3) recover quickly from a disruption (U.S. Economic Development Administration, 2016). According to the U.S. Economic Development Administration (EDA), system disruptions manifest in three ways: (a) downturns in the national or international economy which impact demand for regionally-produced goods and consumer spending, (b) downturns in particular industries which constitute a critical component of the region's economic activity, or (c) other shocks such as a natural or man-made disaster or the exit of a major employer[16].

Economic development practitioners and organizations play a critical role in bolstering economic resilience through their knowledge of the regional economy (historic and present), their extensive networks, and their ability and resources to build resilience capacity. Economic development organizations build capacity for resilience using both steady-state and responsive initiatives. Steady-state initiatives are long-term efforts which seek to bolster a region's ability to withstand or avoid a shock, while responsive initiatives are in regard to a region's recovery needs following a disruption[17].

The purpose of this section of the CEDS is to:

- assess the current state of regional resilience and vulnerabilities in Central Oregon,
- identify regional economic resilience goals, and
- outline strategies and actions to achieve economic resilience in the region.

By assessing the current state of economic resilience and vulnerabilities in the region and outlining strategies to build resilience, the CEDS provides a resource for the region to avoid, prepare for, and respond to potential system disruptions, thereby supporting the long-term well-being of the Central Oregon economy.

As resilience is a relatively new analytical framework for COIC and Central Oregon, this section includes the information that is currently available and the strategies that may be supported with current resources. The section also includes additional research and actions that should be taken to provide a more comprehensive resiliency strategy for the region.

[16] U.S. Economic Development Administration. (2016, March 9). Comprehensive Economic Development Strategy (CEDS) Content Guidelines: Recommendations for Creating an Impactful CEDS. Retrieved from https://www.eda.gov/files/ceds/CEDS-Content-Guidelines-full.pdf

[17] U.S. Economic Development Administration. (2016, March 9). Comprehensive Economic Development Strategy (CEDS) Content Guidelines: Recommendations for Creating an Impactful CEDS. Retrieved from https://www.eda.gov/files/ceds/CEDS-Content-Guidelines-full.pdf

6.2. Regional Economic Resilience Assessment

Economic Diversification as a Measure of Economic Resilience in Central Oregon

The EDA recognizes regional economic diversification as a common measure of economic resilience[18]. Indicators of economic diversification, including industry composition, specialization, and performance, are used throughout this section as a measure of the current state of economic resilience in Central Oregon.

Economic Diversification – Industry Type

Approximately 65% of Central Oregon's economy is composed of professional, health, financial, and information services as well as trades and tourism firms with an additional 15% of the economy in natural resources, construction, and manufacturing (Figure 6-1). According to Central Oregon regional economist Damon Runberg, the shift to professional services in itself represents economic diversification because this sector is inherently more diverse than manufacturing, as the former industry category includes a far wider diversity of sub-sectors while the region's traditional manufacturing base was almost entirely in the forest products sector. Figure 6-2 further represents this shift with above average growth in professional and business services and below average growth of the manufacturing industry since 1990, and with the health care and social assistance, professional/ technical/scientific, and finance and insurance industries outperforming in comparison to national trends since 2006[19].

In addition to trends in the composition of the regional economy, Central Oregon, and Deschutes County specifically, exhibits high industry specialization in real estate, outdoor and other recreation, tourism, construction, and retail when compared with national averages[20]. This industry portfolio is not surprising given the region's rapid population growth in recent years, high concentration of outdoor recreation and environmental opportunities, and associated tourism amenities.

Since Deschutes County's economy dwarfs that of Crook and Jefferson Counties, the aggregated data provided below is largely an indicator of Deschutes County conditions. Anecdotally, Crook County has seen increasing economic diversification with the development of Facebook and Apple's enormous data centers ($2.4 billion investment to date), while Jefferson County has experienced significant development in the airport industrial park, including wildfire staging, a new aviation museum, and the development of the $18 million Daimler Trucks North America Testing Facility.

> ***Recommended Research:*** Better analyze economic diversification at a county and community-scale throughout Central Oregon.

The aforementioned changes and expansion in industry composition, specialization, and performance demonstrate growing diversification of the regional economy in recent decades. This economic

[18] U.S. Economic Development Administration. (2016, March 9). Comprehensive Economic Development Strategy (CEDS) Content Guidelines: Recommendations for Creating an Impactful CEDS. Retrieved from https://www.eda.gov/files/ceds/CEDS-Content-Guidelines-full.pdf

[19] Damon Runberg, Central Oregon Regional Economist, 2017.

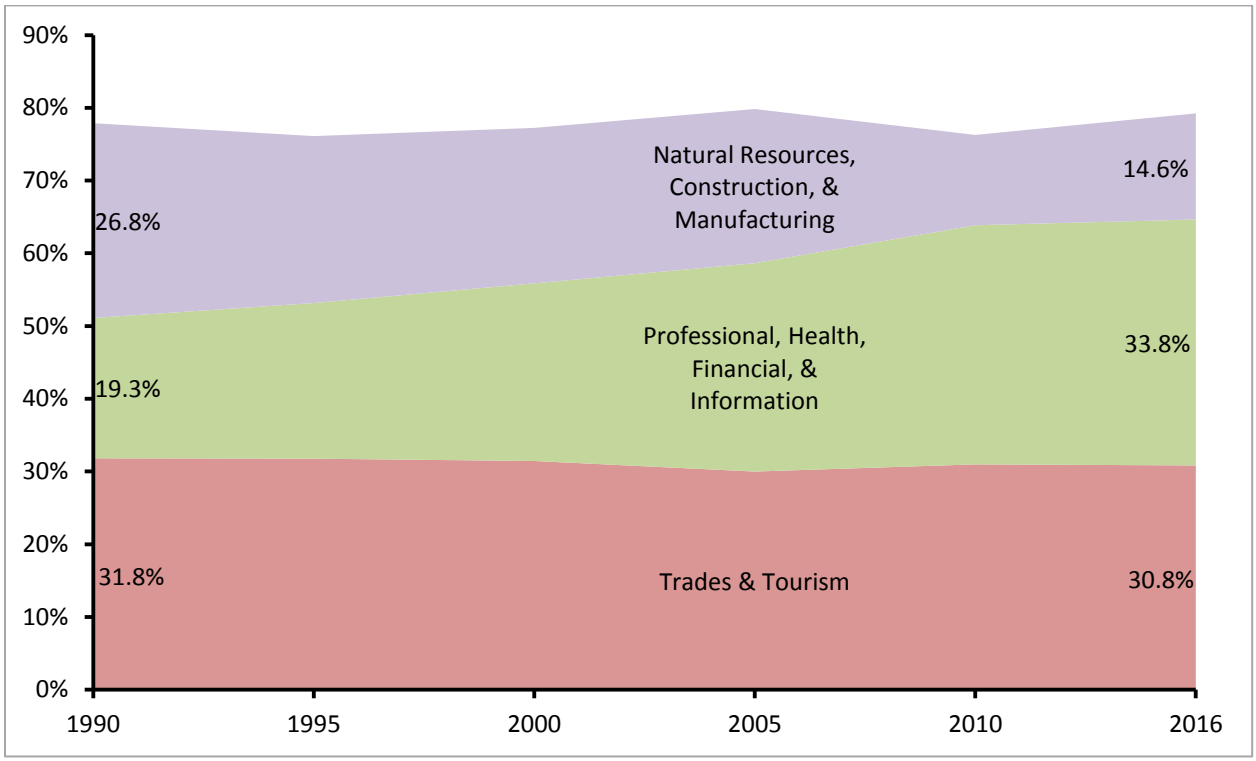
[20] Damon Runberg, Central Oregon Regional Economist, 2017.

diversification is expected to continue with an expanding four-year university, tech industry, and regional transportation services among other things; evidence of the high growth and performance of these industries is shown in Figure 6-2[21].

Economic Diversification – Establishment Size

In addition to economic diversification by industry type, Table 6-1 and Table 6-2 demonstrate economic diversification of Central Oregon by firm size in Deschutes County (data was not available for Crook and Jefferson counties). Deschutes County's employment is primarily concentrated in small and medium-sized establishments (0-249 employees) with these establishments making up approximately 86% of county-wide employment. Large firms (250+ employees) only account for approximately 14% of Deschutes County jobs (compared to 31% for Oregon as a whole). While there have not been large shifts in the amount of employment by firm size in recent years, trends generally favor small-to-medium firms in Deschutes County (Table 6-2). This means that, compared to the state of Oregon at least, Deschutes County is less dependent on a few large firms for its economic well-being, making the county more economically resilient, as measured by this variable at least, than the state as a whole.

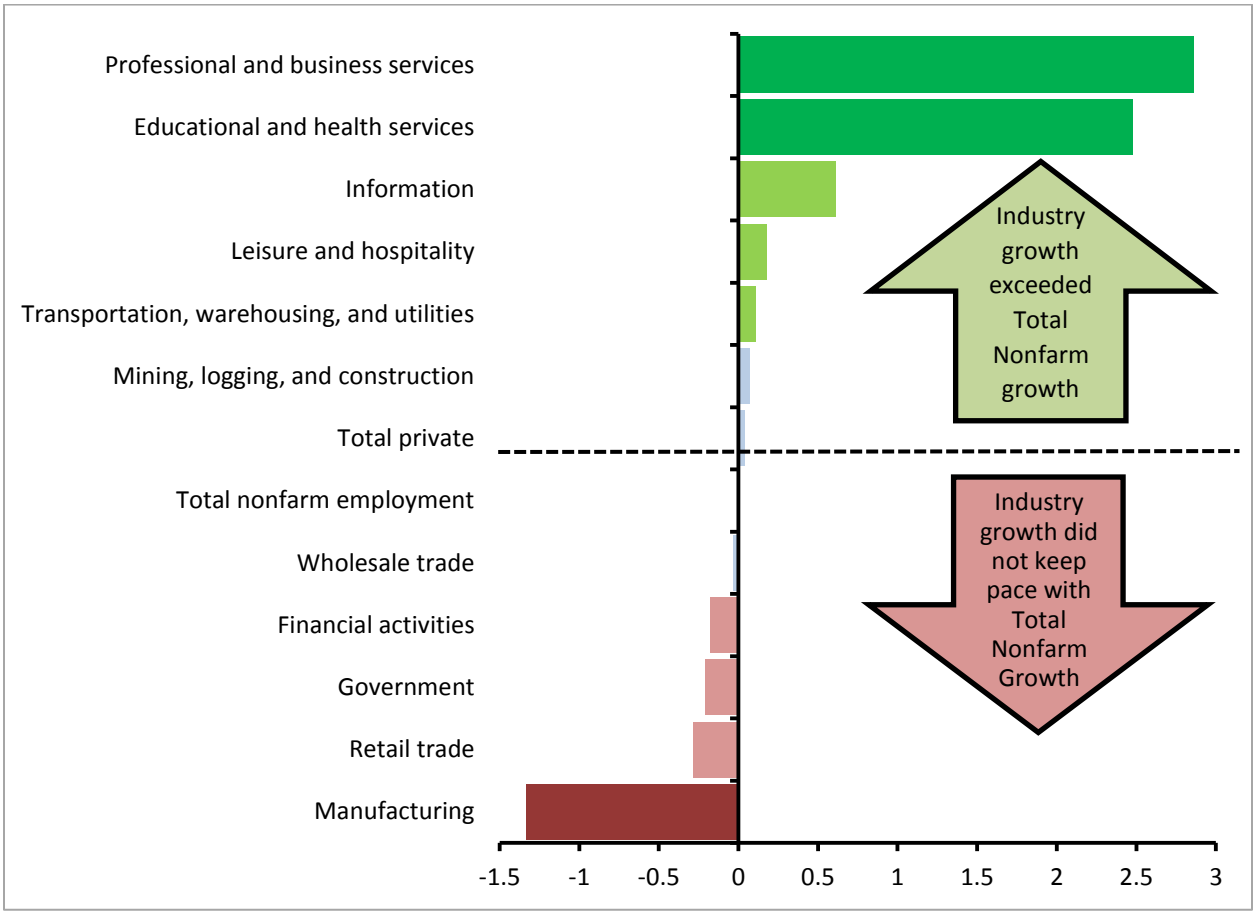
Figure 6-1 *Central Oregon Industry Composition, 1990 – 2016*



Temporal trends in Central Oregon's industry composition demonstrate a shift from natural resources, construction, and manufacturing toward professional, health, financial, and information firms with trades and tourism staying roughly consistent in the past 26 years. (Source: Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017.)

[21] Damon Runberg, Central Oregon Regional Economist, 2017.

Figure 6-2 *Difference in Industry Employment Index from Total Nonfarm Employment Index, Central Oregon, 2016 (index begins in 1990)*



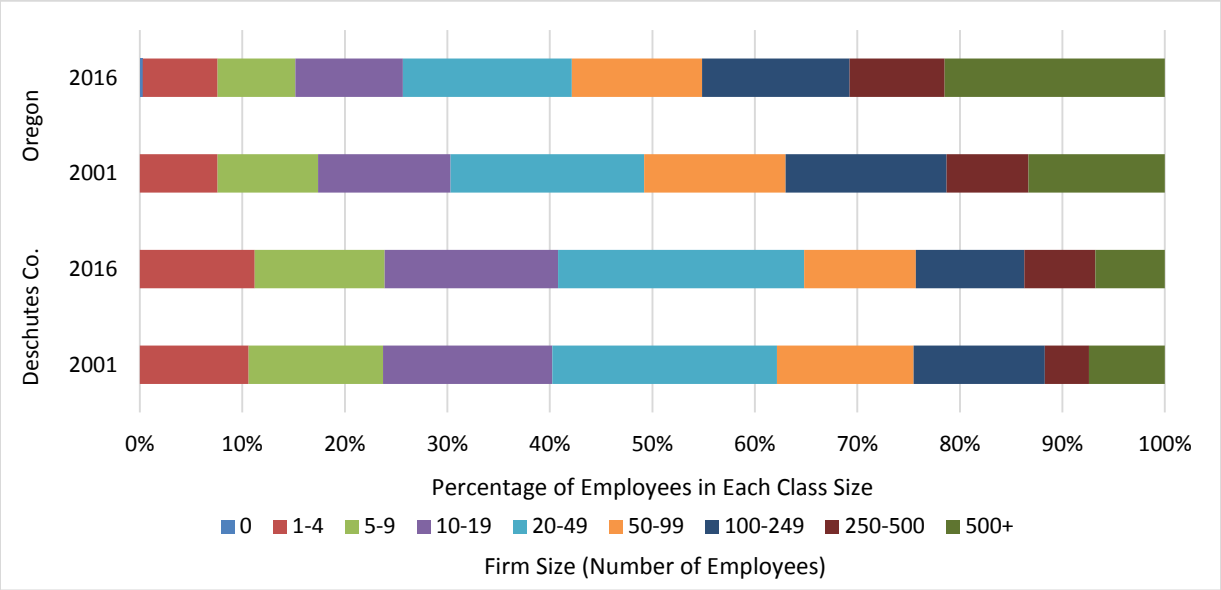
Central Oregon's 2016 industry employment index demonstrates above average growth in professional and business services and educational and health services since 1990 with growth far below average for the manufacturing industry. (Source: Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017.)

Table 6-1 *Employment by Size of Establishment, 2001 & 2016*

Year, Area		Total Employees in All Size Classes	Percentage of Employees in Each Size Class								
			Firm Size (Number of Employees)								
			0	1-4	5-9	10-19	20-49	50-99	100-249	250-500	500+
2001	Deschutes Co.	44,062	0.0%	10.6%	13.1%	16.5%	21.9%	13.3%	12.8%	4.3%	7.4%
	Oregon	1,331,188	0.0%	7.6%	9.8%	12.9%	18.9%	13.8%	15.7%	8.0%	13.3%
2016	Deschutes Co.	64,146	0.0%	11.2%	12.7%	16.9%	24.0%	10.9%	10.6%	6.9%	6.8%
	Oregon	18,031,190	0.3%	7.3%	7.6%	10.5%	16.5%	12.7%	14.4%	9.3%	21.5%

Deschutes County employment is primarily concentrated in small and medium-sized establishments (0-249 employees) with these establishments making up approximately 86% of county-wide employment. (Source: Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017).

Figure 6-3 *Employment by Size of Establishment, 2001 & 2016*



This graphical representation of Table 6-1 demonstrates that Deschutes County employment is primarily concentrated in small and medium-sized establishments (0-249 employees) with these establishments making up approximately 86% of county-wide employment. (Source: Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017).

Table 6-2 *Temporal Trends in Employment by Size of Establishment, 2001 - 2016*

Area	Percentage Point Change, 2001 - 2016								
	Firm Size (Number of Employees)								
	0	1-4	5-9	10-19	20-49	50-99	100-249	250-500	500+
Deschutes Co.	0.0%	0.5%	-0.4%	0.4%	2.1%	-2.3%	-2.2%	2.5%	-0.6%
Oregon	0.3%	-0.3%	-2.2%	-2.4%	-2.3%	-1.1%	-1.4%	1.3%	8.1%

Trends generally favor small-to-medium firms in Deschutes County, with general decreases in mid-to-large-sized firms. (Source: Damon Runberg, Central Oregon Regional Economist, Oregon Employment Department, 2017).

In addition to economic diversification, additional measures of economic resilience such as income equality and an understanding of the critical supply chain and infrastructure can provide insight about the current state of economic resilience of a region.

> ***Recommended Research:*** Assess income equality metrics at the regional, county, and community scale and identify the relationship of such with economic and social resiliency.

> ***Recommended Research:*** Conduct a critical supply chain and infrastructure analysis.

Additional Economic Resiliency Factors:

The CEDS Strategy Committee also identified the following as additional factors which affect economic resilience within the region:

- housing availability and affordability;

- replacing imports with locally-made goods and services ("import substitution" of items such as food, building materials, and energy);
- workforce development;
- trust in public institutions;
- availability of services and infrastructure to help low-income populations become self-reliant (e.g. transit, IDA accounts);
- collaboration and coordination networks among public agencies;
- managing tourism and growth in the region (and impact on infrastructure, housing, traffic/congestion, and cultural norms and institutions);
- climate change adaptability;
- demographics (e.g. the degree to which youth or seniors are over-represented in the population).

Most of the above factors are addressed in the Regional Priority Issues and Strategies presented in Section 3, although some are missing (e.g. climate change adaptability), some are incomplete (e.g the workforce section focuses solely on the young adult workforce), and none were analyzed through a resiliency lens specifically. Despite increases in economic resilience in recent decades due to growing economic diversification, there are likely significant ways to improve Central Oregon's resilience, including by compiling a more comprehensive assessment of current economic resilience and by addressing existing vulnerabilities.

Existing Regional Resilience Resources

Existing resilience-building tools in the region include a variety of plans created by and for counties and cities within the region which outline 1) planning strategies to address economic changes and regional growth; and 2) mitigation, preparation, and recovery strategies for natural disasters which have the potential to affect the region. These proactive plans address growth management, transportation systems, natural hazard mitigation, community wildfire protection, and other aspects of communities throughout the Central Oregon region. Following is a short list of existing high-level regional resiliency-related planning resources:

Planning for Growth and Development:

- Comprehensive Plans: Crook County, Deschutes County, Jefferson County as well as the cities of Bend, Madras, Prineville, Redmond, and Sisters.
- Economic Development for Central Oregon (EDCO) 2016 Strategic Plan
- COIC's 2017-2021 Comprehensive Economic Development Strategy (this document)
- Deschutes County Urban Growth Management Plan.

Natural Disasters:

- Community Wildfire Protection Plans: Crook County, East & West Deschutes County, Jefferson County, Greater Bend, Greater La Pine, Greater Redmond, Greater Sisters, Sunriver, Upper Deschutes River Natural Resources Coalition
- Natural Hazard Mitigation Plans for Crook, Deschutes, and Jefferson Counties.

- State of Oregon Cascadia Subduction Zone Catastrophic Earthquake and Tsunami Operations Plan and Cascadia Playbook (in development)

Economic Vulnerabilities

Vulnerabilities in Central Oregon's economy create barriers to the region's economic resilience. Current areas of economic vulnerability have been identified in Section 2 - Regional SWOT Analysis. Further, Section 3 - Regional Priority Issues and Strategies (and further described in Appendix C) – includes a variety of strategies that address resiliency concerns. In addition to those vulnerabilities identified in the CEDS process to date, other vulnerabilities and barriers to resilience in the region include:

Processes

1. Lack of a formal and comprehensive process to measure the current state of economic resilience in Central Oregon.
2. Lack of a formal and comprehensive plan to identify the region's economic challenges, deficiencies, and vulnerabilities including input from regional leaders, economic development practitioners, and various stakeholders.
3. Lack of public and stakeholder input on the identification of strategies to build and achieve regional economic resilience.

Equity

4. Uneven economic development throughout the region. Parts of the region and various demographic/socioeconomic groups within the region are affected by high unemployment rates, low economic performance, low educational attainment, uneven earning potential, and a training/pathway gap between existing skills and demanded skills. Uneven economic prosperity is seen spatially across the region (i.e. rural vs urban) as well as between different groups (based on characteristics such as gender, income, socioeconomic status, etc.).

Natural Hazards

5. Lack of sufficient and formal preparedness and adaptation strategies for natural disasters and disturbances with potentially significant and severe region-wide impacts, including but not limited to climate change and associated impacts and Cascadia Subduction Zone earthquake event and associated secondary impacts.

Recommended Action: Build a Regional Resiliency Plan, including identification of existing resiliency-related plans, evaluation of resiliency factors, and development of strategies to address gaps and realize opportunities.

6.3. Building a Comprehensive Regional Approach to Resilience

As noted, strategies to build and achieve regional economic resilience are already outlined in sections 3 and 6.2 of this report.

This section details how a complete Central Oregon Regional Resiliency Plan could be developed:

Strategy 1. Conduct a comprehensive analysis of the region's current state of economic resilience.

Action 1.A Consult with Central Oregon economic development practitioners to determine appropriate and comprehensive measures of the region's current state of economic resilience.

Action 1.B Include economic diversity and income equality data in the analysis, and account for county-level variability.

Strategy 2. Identify persistent economic challenges, deficiencies, and vulnerabilities in Central Oregon.

Action 2.A Convene leaders and practitioners throughout the region to identify challenges, deficiencies, and vulnerabilities.

Action 2.B Engage Central Oregon residents and stakeholders in a public process to identify challenges, deficiencies, and vulnerabilities.

Strategy 3. Identify strategies to address economic vulnerabilities as identified in strategy 2.

Action 3.A Convene leaders and practitioners throughout the region to craft strategies.

Action 2.B Engage Central Oregon residents and stakeholders to include public input on strategies.

Strategy 4. Address uneven economic development within the region.

Action 4.A Convene leaders, practitioners, and stakeholders throughout the region to craft social sustainability strategies to address economic prosperity discrepancies between groups of variable demographics and socioeconomic status.

Action 4.B Convene leaders, practitioners, and stakeholders throughout the region to craft strategies to address economic prosperity discrepancies between rural and urban areas.

Strategy 5. Increase preparedness for and adaptability to natural disasters and disturbances through convening emergency management, planning, and subject-specific personnel across the region.

Action 5.A Convene leaders, practitioners, researchers, and stakeholders throughout the region to understand and record climate change impacts specific to Central Oregon, and outline associated adaptation strategies.

Action 5.B Convene leaders, practitioners, researchers, and stakeholders throughout the region to understand and record impacts, preparedness, and response strategies to a Cascadia Subduction Zone earthquake event and associated secondary impacts.