



City Club *of* Portland

Good citizens are the riches of a city

**Long-term Study Charge
November 2005 – January 2007**

“Portland’s Business Environment”

**Approved for Study by the Research Board on February 10, 2005 and the
Board of Governors on March 28, 2005**

**City Club of Portland
901 SW Washington St.
Portland, OR 97205
(503) 228-7231
wade@pdxcityclub.org**

PREAMBLE

Today's headlines draw attention to competing claims made by various interest groups about the nature and competitiveness of Portland's business environment. Some stakeholders claim the local business environment is unfavorable, with government and the community being indifferent—even unwelcoming—to new and existing businesses. Others point out that Portland is such an attractive place that business owners and would-be entrepreneurs move to Portland despite whatever drawbacks it may have, and those who already live and work here, stay because they like it.

Is Portland a good place to do business? Are we losing businesses to locales with more friendly business environments? What is a “friendly” business environment? These questions are on the minds of many members of the community. In a 2004 Community Scan conducted by City Club's Research Board to identify research and programming topics of interest to the general public, concerns related to Portland's business environment topped the list.

In response, City Club will conduct a holistic review of Portland's business climate and evaluate popular claims made by stakeholders. City Club will consider existing research, evaluations and strategies produced by stakeholders on all sides of this issue. This undertaking by City Club will make a unique contribution to the public dialog by providing a big-picture, neutral evaluation from the perspective of a nonprofit, non-governmental civic organization.

Two recent cases exemplify the debate about Portland's ability to attract and retain desirable businesses and jobs.

- Columbia Sportswear, in 2001, moved from its outmoded and cramped building in Portland's St. Johns neighborhood. After searching for sites in Portland, the company moved to Washington County. Critics claim the City of Portland allowed Columbia Sportswear to slip away. Others view the move as an appropriate business siting decision based on the company's needs, and from a regional economic standpoint, the move had little impact on the local economy.
- Louisiana-Pacific's CEO Mark Suwyn, commenting on the firm's January 2004 move to Nashville from Portland, claimed that “until the state and city officials, along with the business community, determine that they will flourish only if they create a proactive, business-friendly environment, the city will remain primarily a tourist attraction.”¹ In a seemingly contradictory statement, Suwyn said Louisiana Pacific moved to be closer to its mills, customers and financial shareholders, while offering an affordable, good quality of life for its employees in a positive business climate. Suwyn further said that all four cities that were bidding to attract or retain its headquarters provided extensive information and unique proposals that assisted the company in its decision.²

¹Op-ed piece, The Oregonian, August 2, 2004

² Louisiana Pacific News Release No: 134-9-3, LP Announces Headquarters Relocation, September 30, 2003

Cases such as these produce headlines, but the full story often remains untold. Perhaps most common among the competing claims about Portland's business environment are assertions such as the following:

- Portland regularly scores low in national business climate indices.
- Portland regularly scores high in national livability indices.
- Portland's tax burden is steeper than neighboring jurisdictions.
- Portland's livability attracts a high quality workforce and a professional "creative class" that fuels business formation and innovation.
- Portland's regulatory environment and permitting processes create delay, uncertainty and costs that disadvantage businesses.
- Portland has a vibrant central city at a time when many other cities are hollowed out.
- Portland's public leaders do not demonstrate sufficiently that they care about businesses or business issues.
- Portland's political culture (inside and outside City Hall) has focused on creating a city where people want to live.

Whether Portland or any other city has a favorable or unfavorable business environment is a complex question. Political scientist Clyde Barrow, Director of the Center for Policy Analysis at the University of Massachusetts, offers the following three reasons for this complexity.

- What makes a "good" business environment is not a simple or one-dimensional set of factors. There is no single set of policies that create a favorable environment for all businesses.
- Because a city's business environment is made up of many complex and interacting factors, business executives and public officials find it difficult to know the impact of any particular set of policies on the overall business environment.
- Since many factors contribute to a business environment and businesses are very different one from another, particular firms may respond very differently to factors in a business environment.³

Furthermore, economists do not agree on how to compare business environments among cities and states. Barrow lists over a dozen different business environment measurements.⁴ As one example, the Corporation for Enterprise Development has prepared a "Development Report Card" for states (not cities), which includes 68 measures of economic health but avoided ranking states overall with a single "grade point average" because of the numerous variables within and across jurisdictions.⁵

³Barrow, Clyde W. State Theory and the Dependency Principle: An Institutionalist Critique of the Business Climate Concept. *Journal of Economic Issues*, March 1998.

⁴Barrow, Table 8. List of Business Climate Measurements" pg. 36.

⁵2003 Development Report Card for the States, Corporation for Enterprise Development, Washington, D.C. www.cfed.org.

SCOPE

The study committee should use a broad conceptual definition of “business environment” that includes not only quantifiable measures (e.g., taxes or unemployment rates), but also factors that contribute to Portland’s appeal (e.g., quality of life, civic engagement, outdoor recreation opportunities, a vibrant city center, etc.)

In looking at claims about Portland’s business environment, the study committee should discern the relevant factors that affect business decisions, how they affect different types of businesses, and how local government and the community should respond. The committee should identify Portland’s strengths and weaknesses as a place to do business.

The committee should review existing data sources and augment this review with testimony representing all factions of Portland’s business environment. The committee should not endeavor to create an economic development strategy.

The geographic scope of the study should be restricted to the city of Portland. However, because the city is part of the metropolitan region and the region affects the city’s business environment, the study committee should give due attention to the region and its influence while confining the study as much as possible to the city of Portland.

STUDY OBJECTIVES

1. Identify and describe the broad range of factors that affect the business environment in the City of Portland, including governmental factors, infrastructure, ability to attract and retain qualified employees, cost factors, attitudes toward business, etc.
2. Identify and analyze significant differences of opinion among stakeholders regarding Portland’s business environment.
3. Draw conclusions where appropriate regarding (a) the strengths and weaknesses of Portland’s business environment, (b) the most significant factors that must be considered in strengthening Portland’s business environment, and (c) the significance of the roles of the various participants in Portland’s business environment (business, government and consumers) in maintaining and strengthening Portland’s business environment.
4. Recommend actions that should be taken, continued or terminated (by government, business, community groups, etc.) to improve the Portland business environment. Recommendations should take into account tradeoffs between improving Portland’s business environment and the city’s noncommercial environment.