Portland Economic Value Atlas

Market Scan

BROOKINGS

Adie Tomer + Brad McDearman

@adietomer

Portland, OR

July 2017

Economic Value Atlas: Objective

Promoting equitable opportunity for people and businesses while continuing to design and build "great places"

Core Challenges

Formal disconnect between local economic ambitions and regional infrastructure planning

Lack of formal evaluation criteria for cross-sectoral infrastructure investments

1

Economic Development, Evolved

2

Market Scan

3

Moving Forward

Traditional Approaches Disrupted

Relocations Are Rare

3%

US state-level job creation
from external firm relocations
(1995-2013)

Source: Center on Budget and Policy Priorities

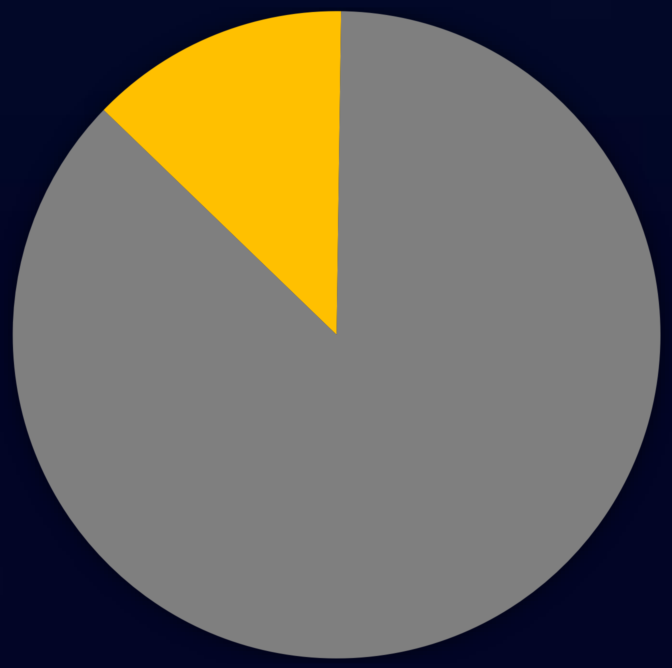
Major Projects In Decline

50%

Expansions and relocations of 50+ jobs or
$1M+ investment
(2000-12)

Source: Conway Data

M&A Increasingly Common



87%

Mergers and acquisitions
FDI Capital Inflows
(1992-2008)

Source: BEA

Middle Market Opportunity

1% of firms → created → **72%** of net US jobs

Grew from 10 to 30 employees on average (2009-2014)

Source: Gary Kunkle analysis of NETS data

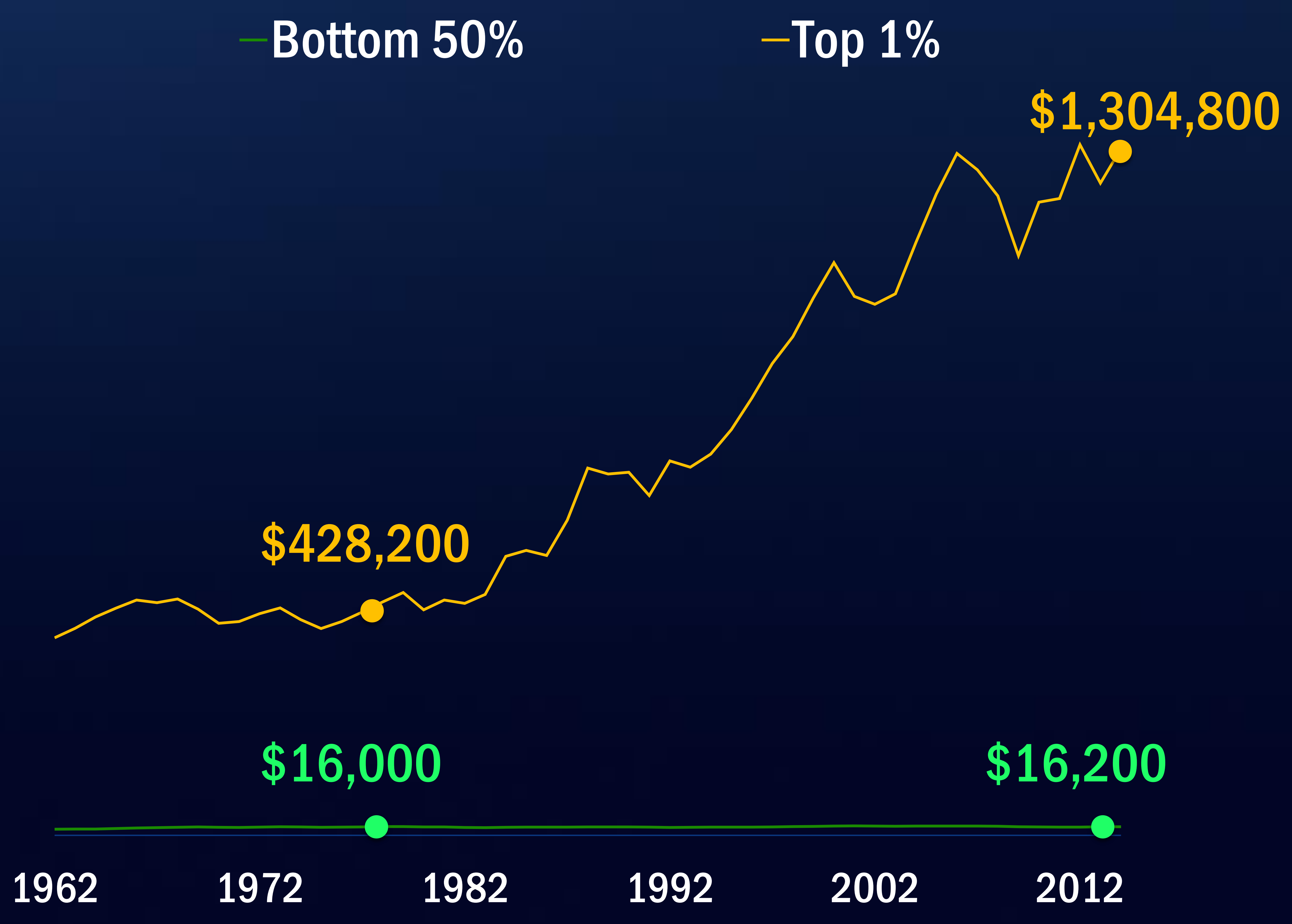
New Pressure: Inclusive Growth

The economy is experiencing increasing job polarization and a declining middle class

Change in employment by occupation, 1980-2010

Source: Mandelman and Zlate

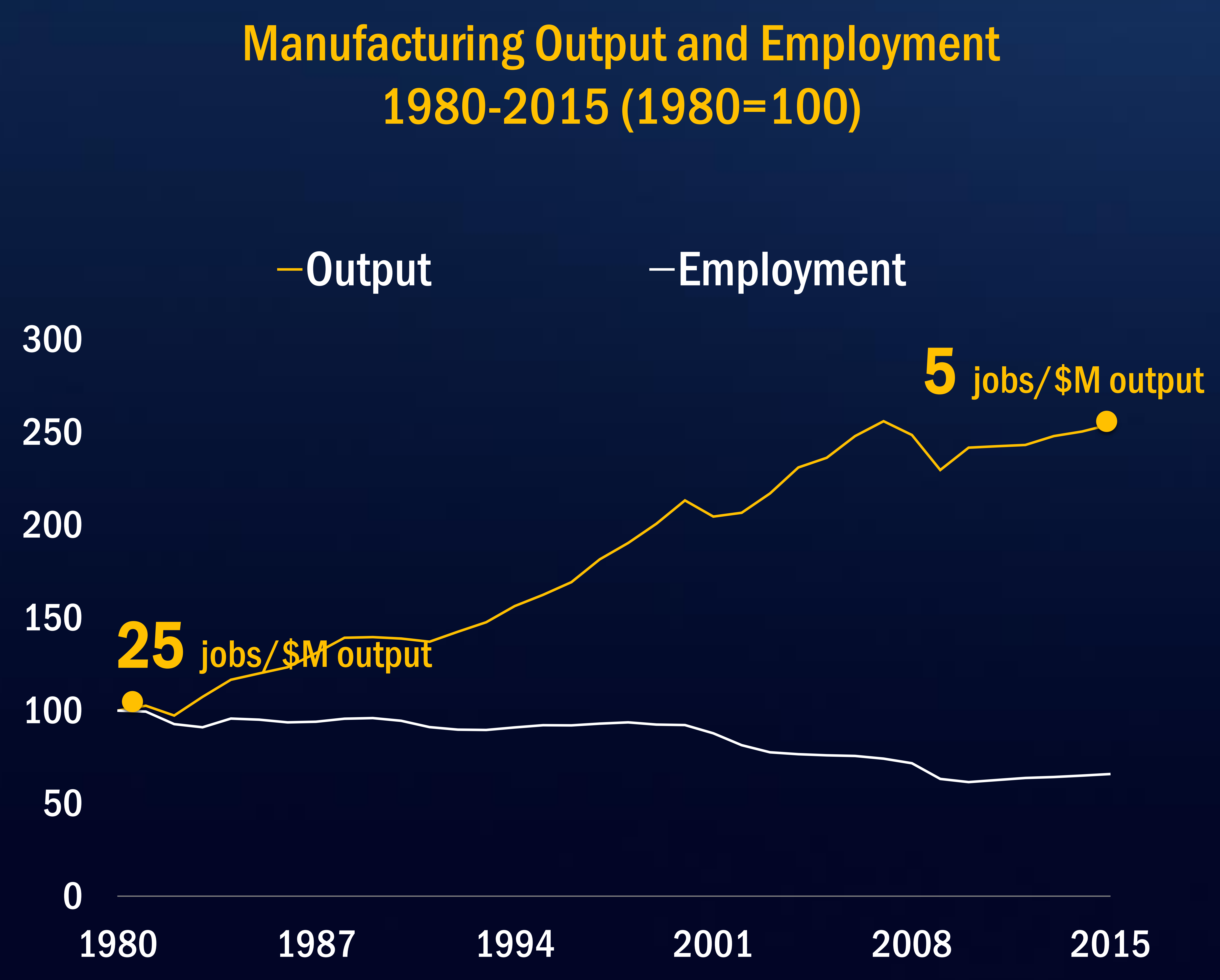
U.S. average pre-tax income, 2014 dollars



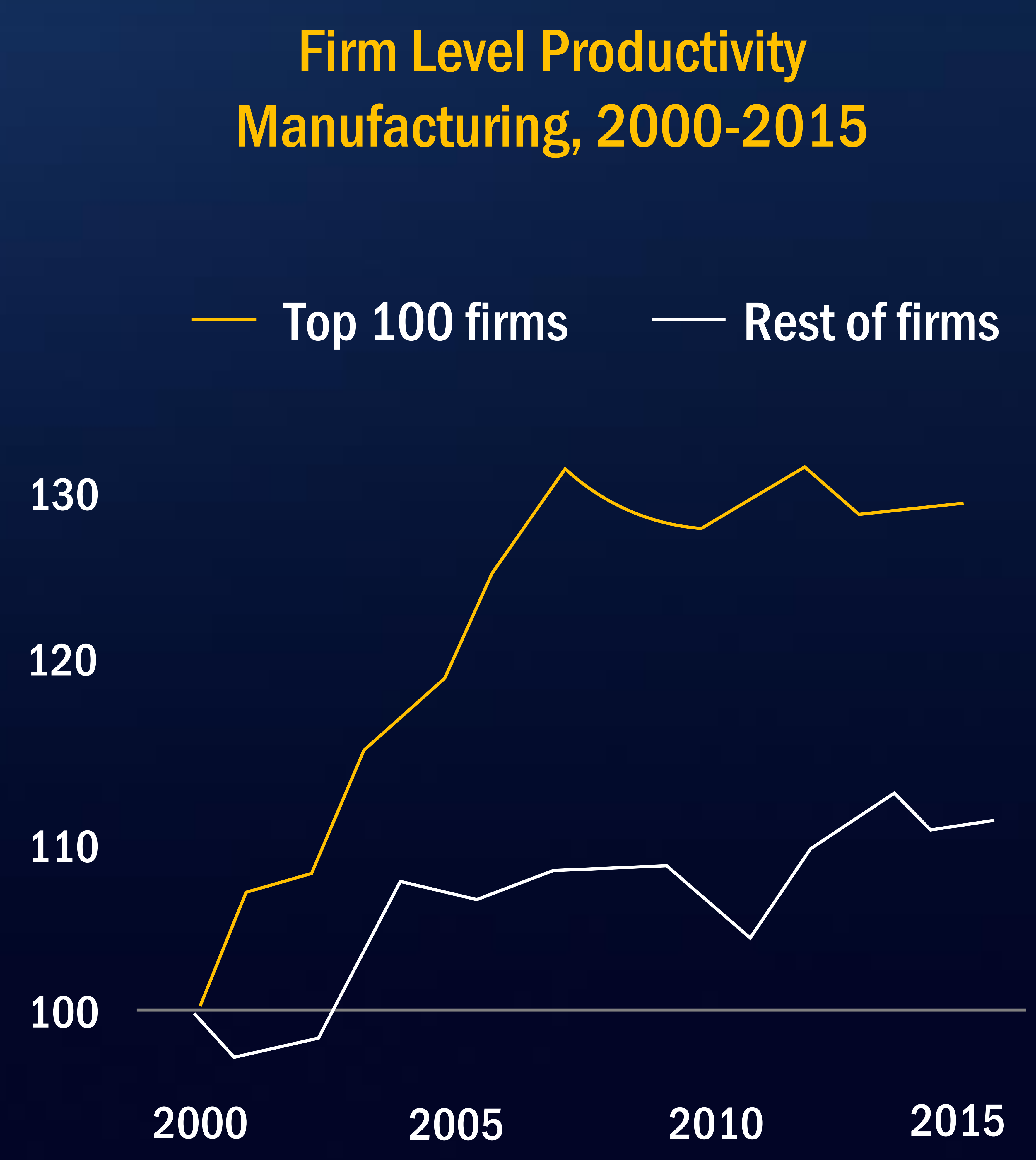
Source: Piketty, Saez and Gucman

Manufacturing and Productivity

Productivity gains from automation are driving job losses, but most firms are lagging in productivity



Source: Brookings



Source: OECD

Global activity: Exports

27%

Share of GDP Growth (2009-2014)

Large Exporters (500+ employees)

2%

Share of US exporters

67%

Share of US export value

Source: Brookings, Census

Global activity: Foreign Direct Investment

87%

FDI capital inflows from M&A (1992-2008)

35 vs 53

Greenfield M&A

Average Middle Market employees in FDI firms at time of entry

2x

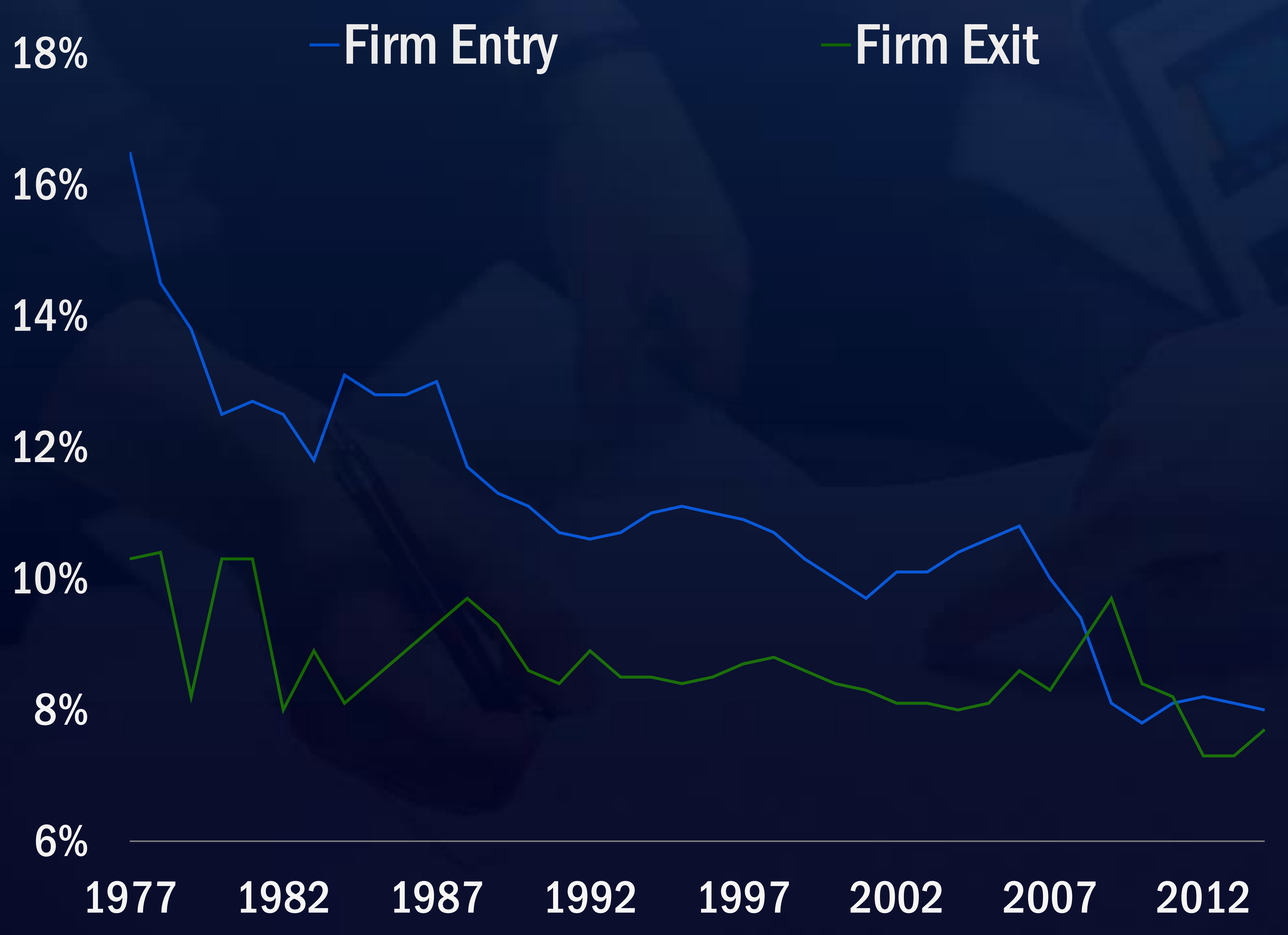
Jobs created from expansions as from new establishments

Source: Brookings, Census

Startups and Scale-ups

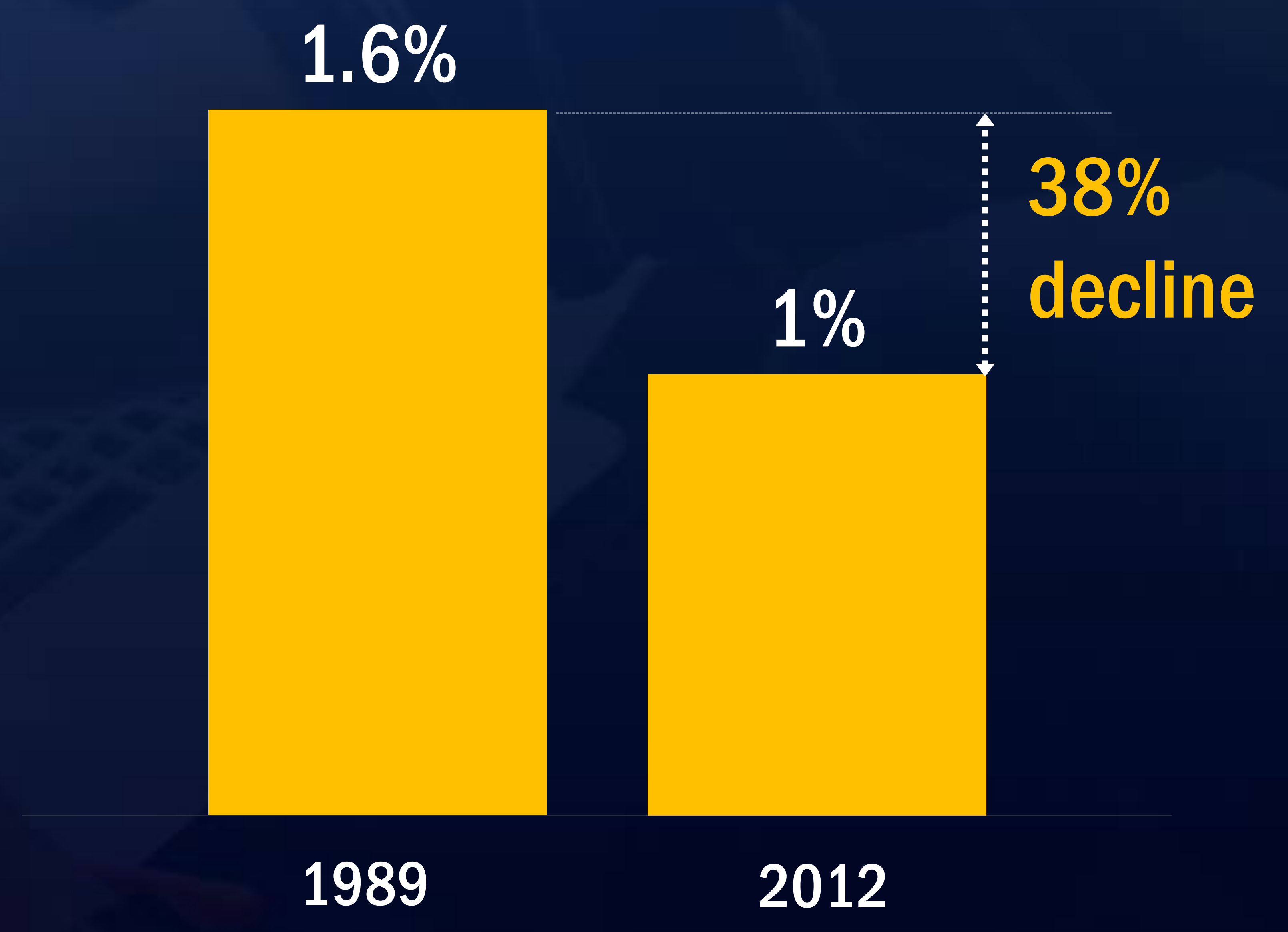
Startup rates are in a multi-decade decline and fewer startups are able to scale

U.S. Firm Entry and Exit Rates, 1978-2012



Source: Hathaway and Litan

Share of Startups Growing to 50 Jobs in 1 Year



"If American entrepreneurship is facing a crisis, it is not in the **rate of creation** of high-growth startups or the **initial funding** of those firms, but in the potential of those firms to **scale in a meaningful way** over time."

Source: Guzman and Stern

The Response

Economic development is shifting and broadening its approach

Changes In Economic Development Practice

Scale-up and middle market emphasis

Know your firms

Truly unique specializations

Images: Flaticons

The Response

Economic development is shifting and broadening its approach

Extending Beyond Traditional Practice

Inclusive growth

Workforce & talent

Infrastructure

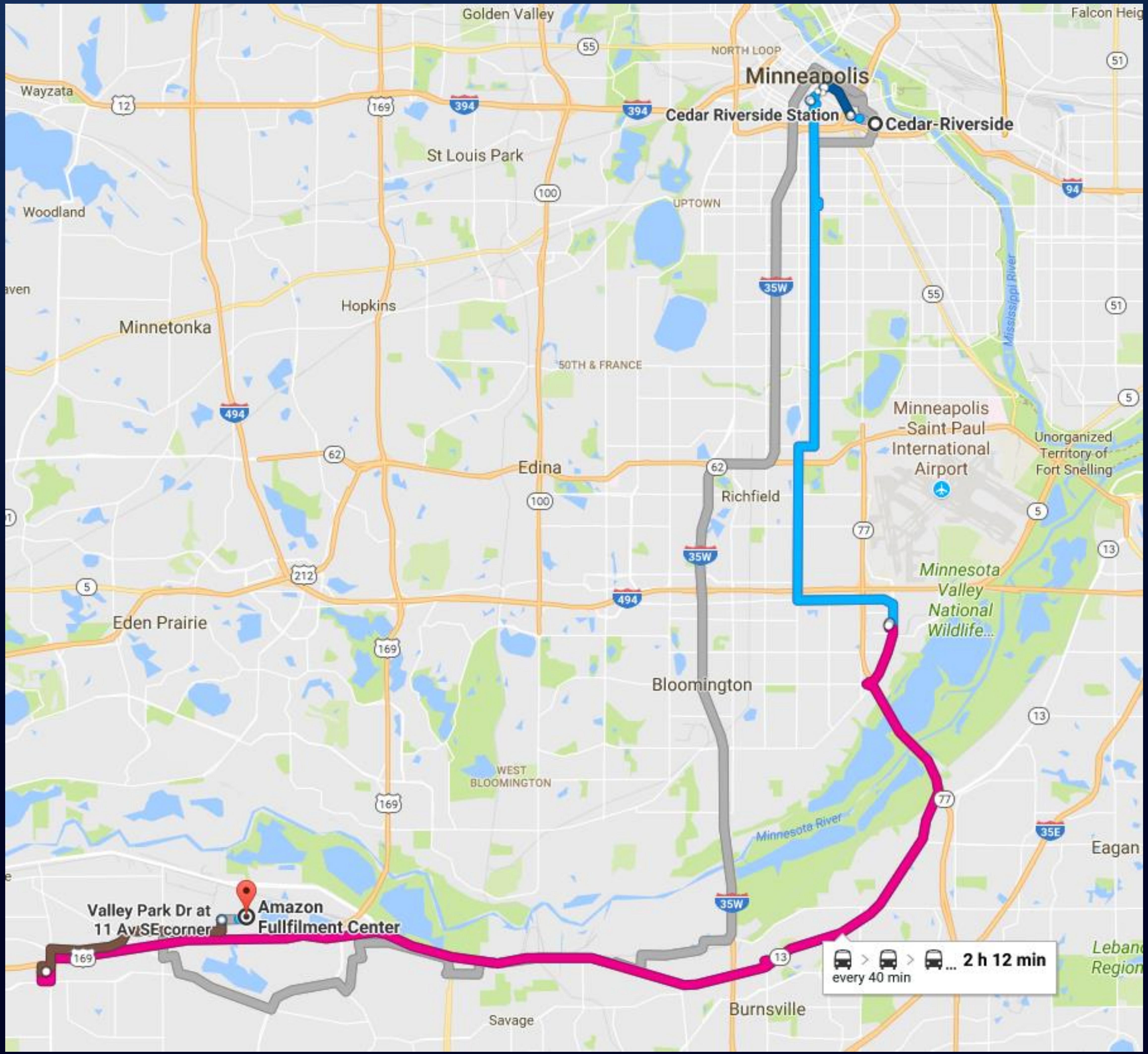
Images: Flaticons

Spatial Mismatch

The intersection of workforce, infrastructure, and inclusion

- Regional incentives for developments in low unemployment areas that are inaccessible to high unemployment areas

- Example: $1 million in TIF funding for Amazon warehouse 25 miles from Minneapolis (2 hours one way via transit)



An effective Economic Value Atlas...

Regional Objectives

Quantifiable Criteria

Infrastructure

Images: Flaticons

1

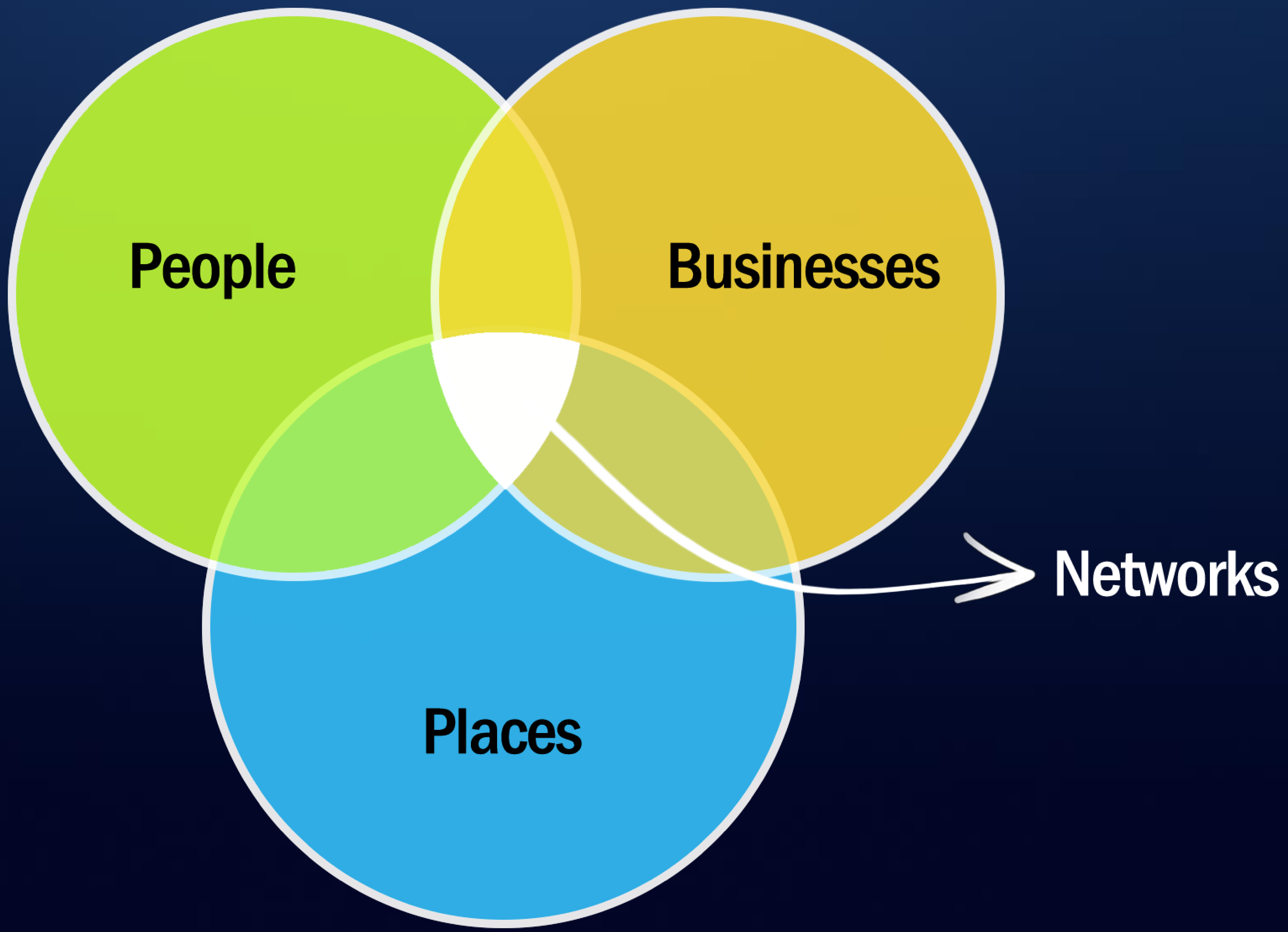
Economic Development, Evolved

2

Market Scan

3

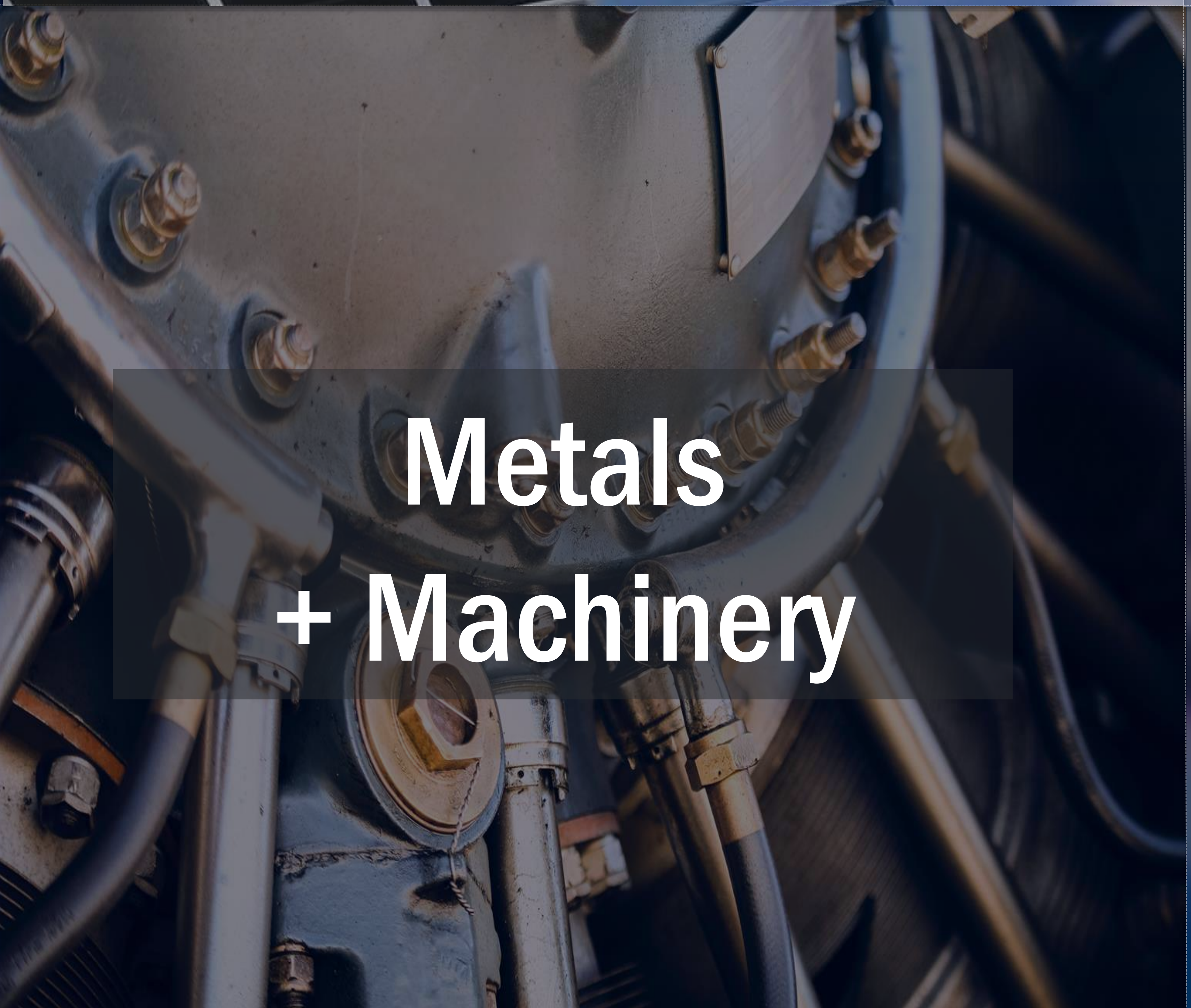
Moving Forward


People
Businesses
Places
Networks


Clean Tech
+ Green Cities


Computers
+ Electronics


Health Sciences
+ Tech


Metals
+ Machinery

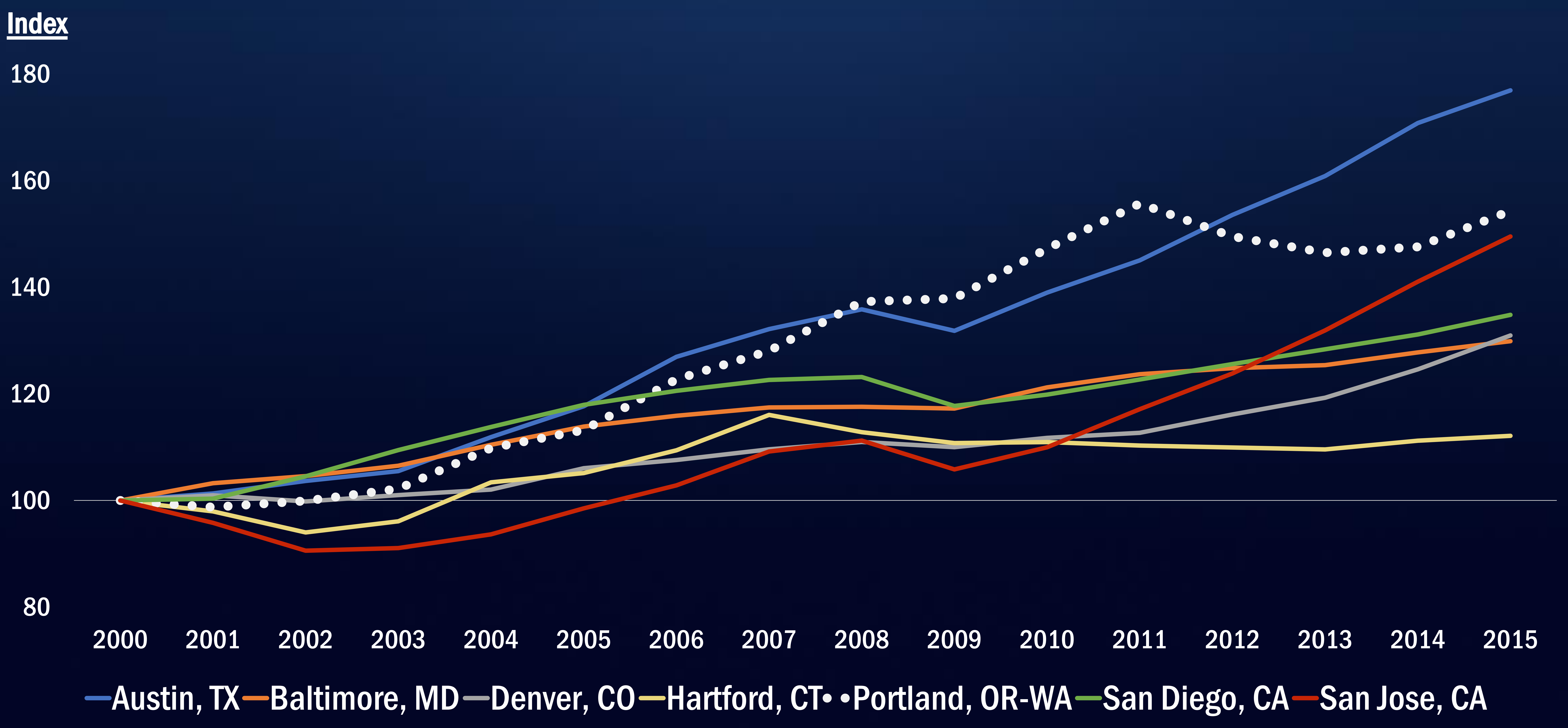

Software
+ Media


Sporting Equipment
Apparel + Design

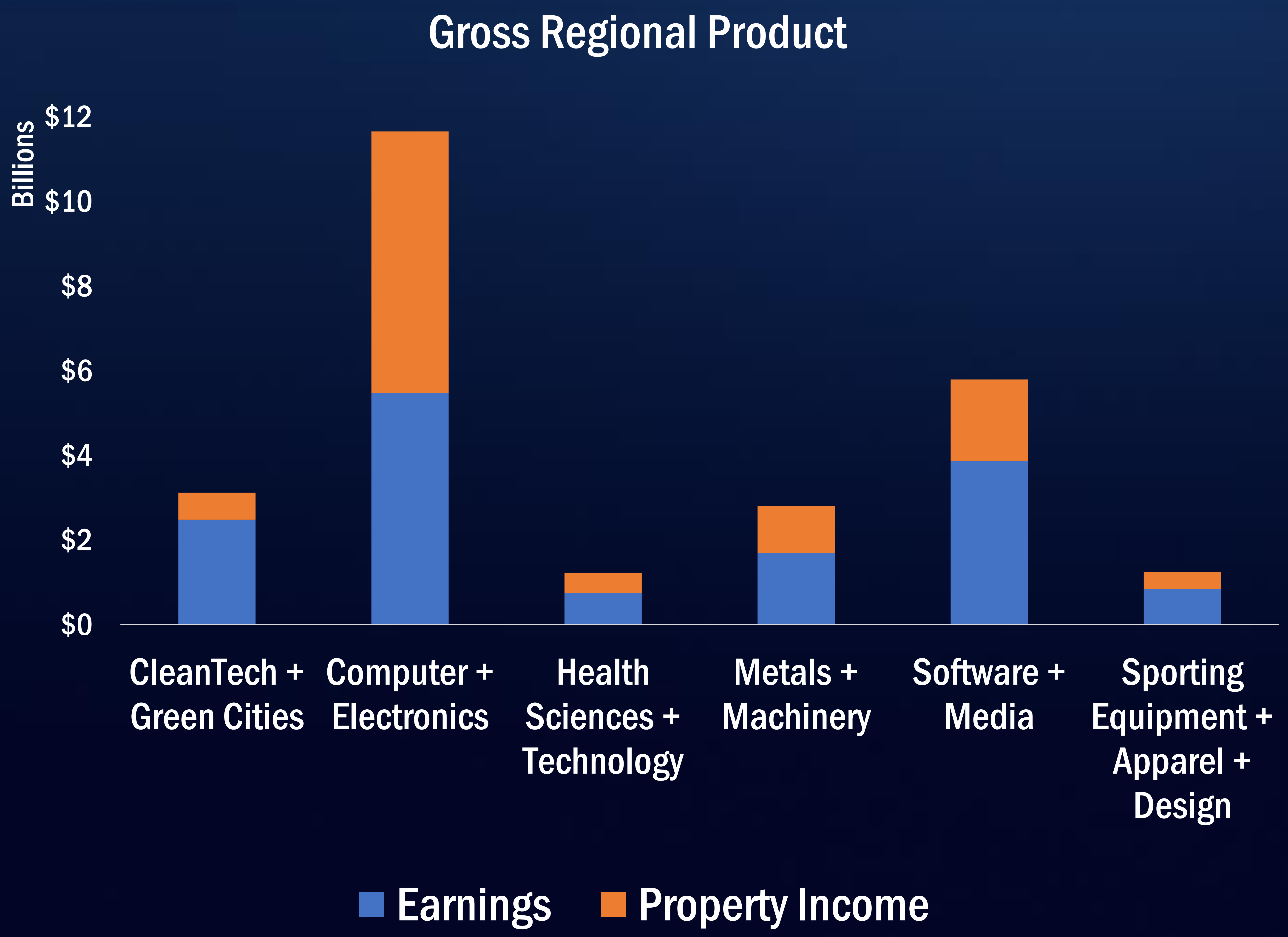

Come In
OPEN
Smoked
Spanish Paprika
Pimentón
ahumado
de Extremadura
Pimentón
Ahumado
2'90 €
Sin gluten
COLORANTE

Businesses

Portland Is Achieving Competitive Economic Growth ...



... and Led by Focus Clusters and Other Tradable Industries



45%

Share of All Tradable Industry GRP

Portland Businesses: Growing Older + Outward-Facing

-7.5%

Employment at Young Firms

2005 - 2015

77,790

Direct Export-Supported Jobs

2015

4.8%

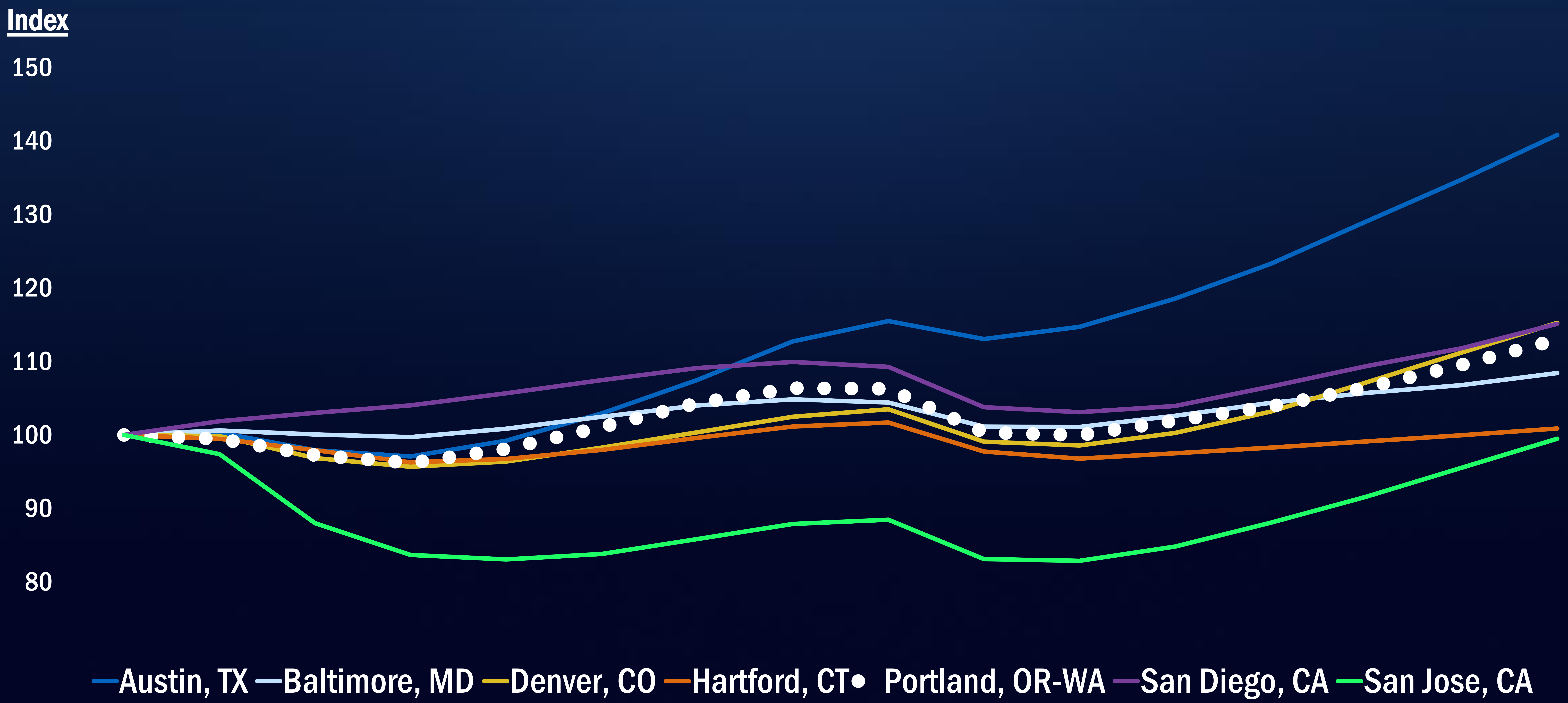
FDI Share of MSA Employment

2011

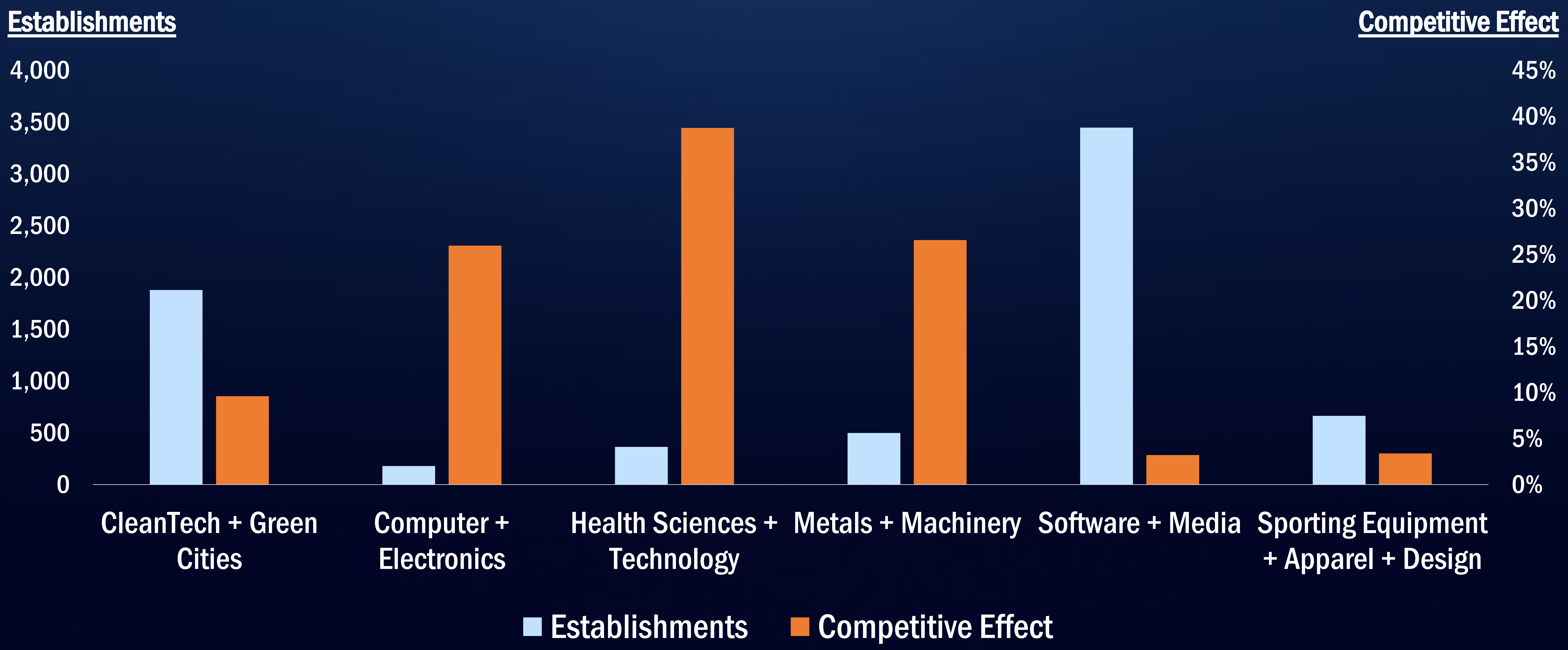
Jobs Cluster, But the Region is Expansive

People

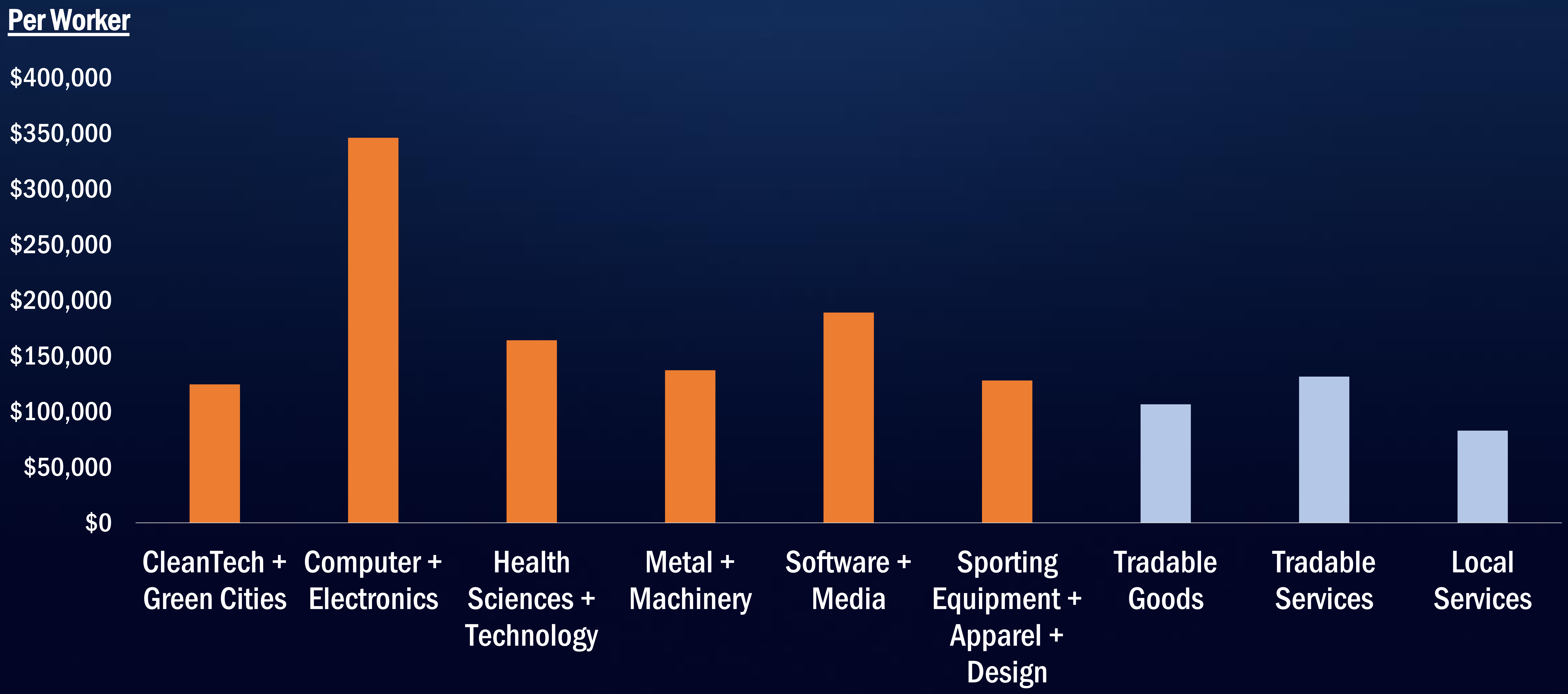
Portland's Job Growth Is Closer to the Pack



Focus Clusters' Employment Is Diverse + Healthy



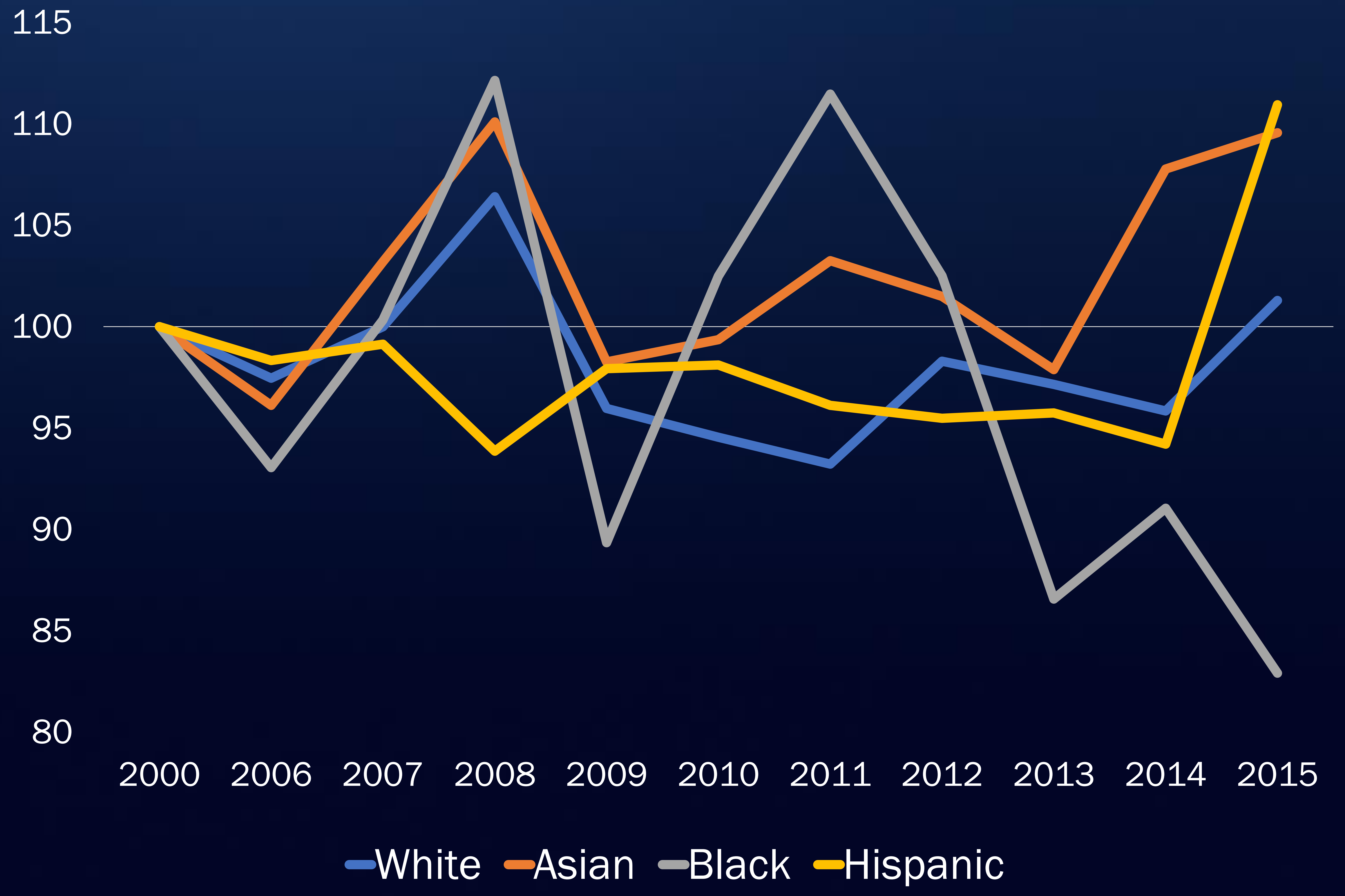
Focus Clusters' Jobs Are Extremely Productive



Median Earnings Are Relatively Flat and Mixed by Race

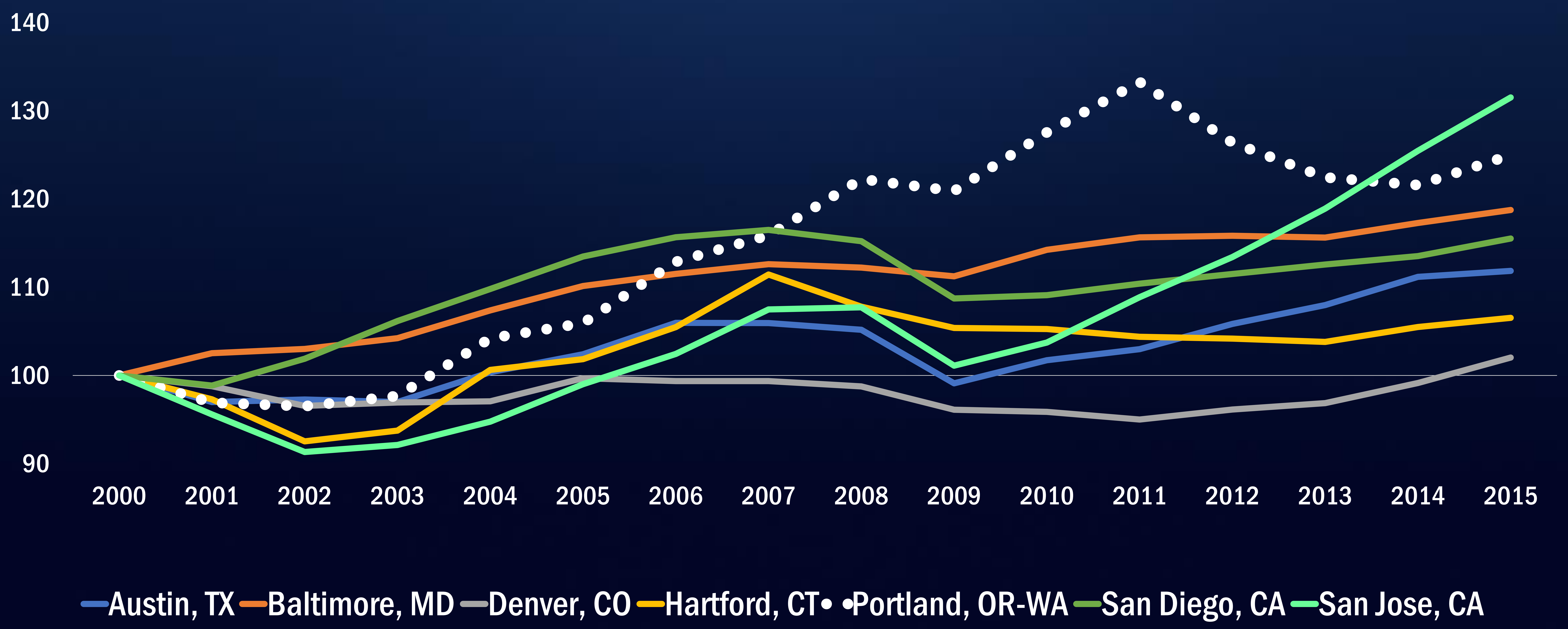
+0.3%

Median Wage Growth
2005 - 2015

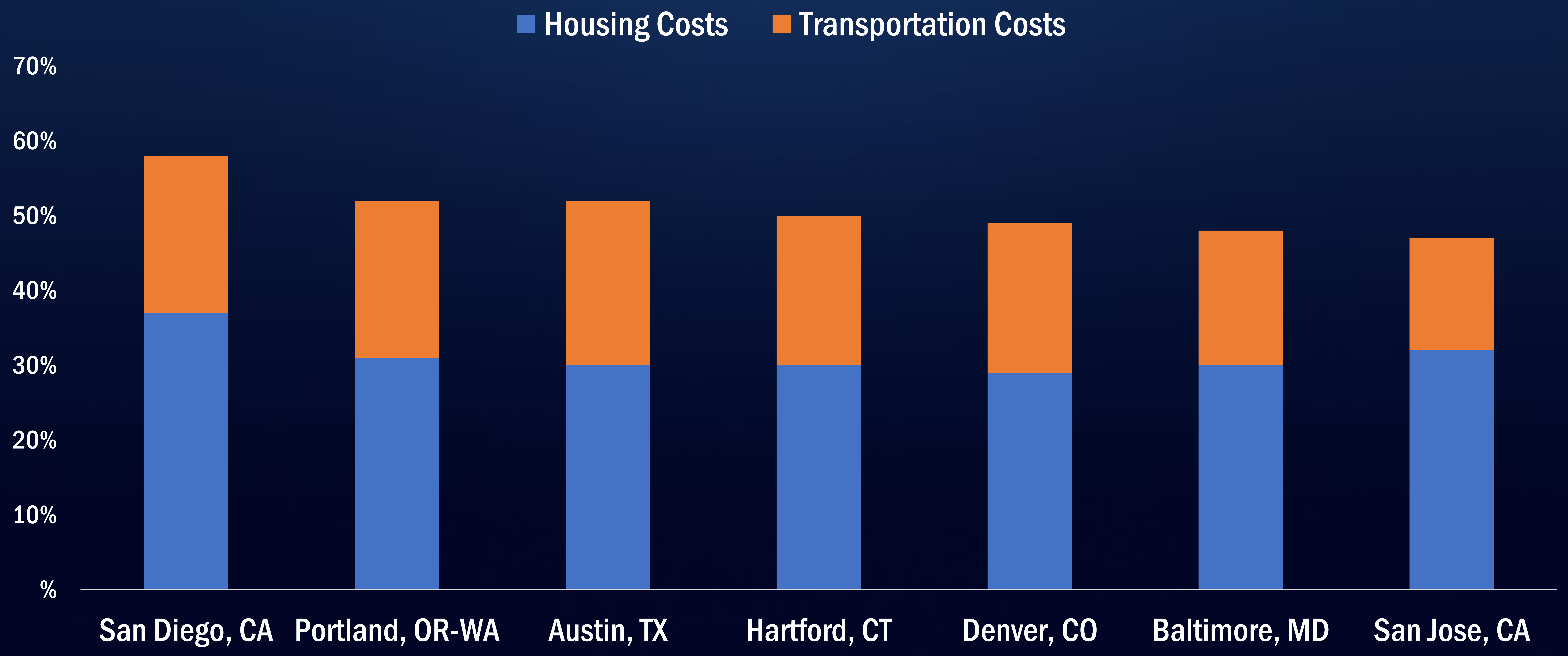


Places

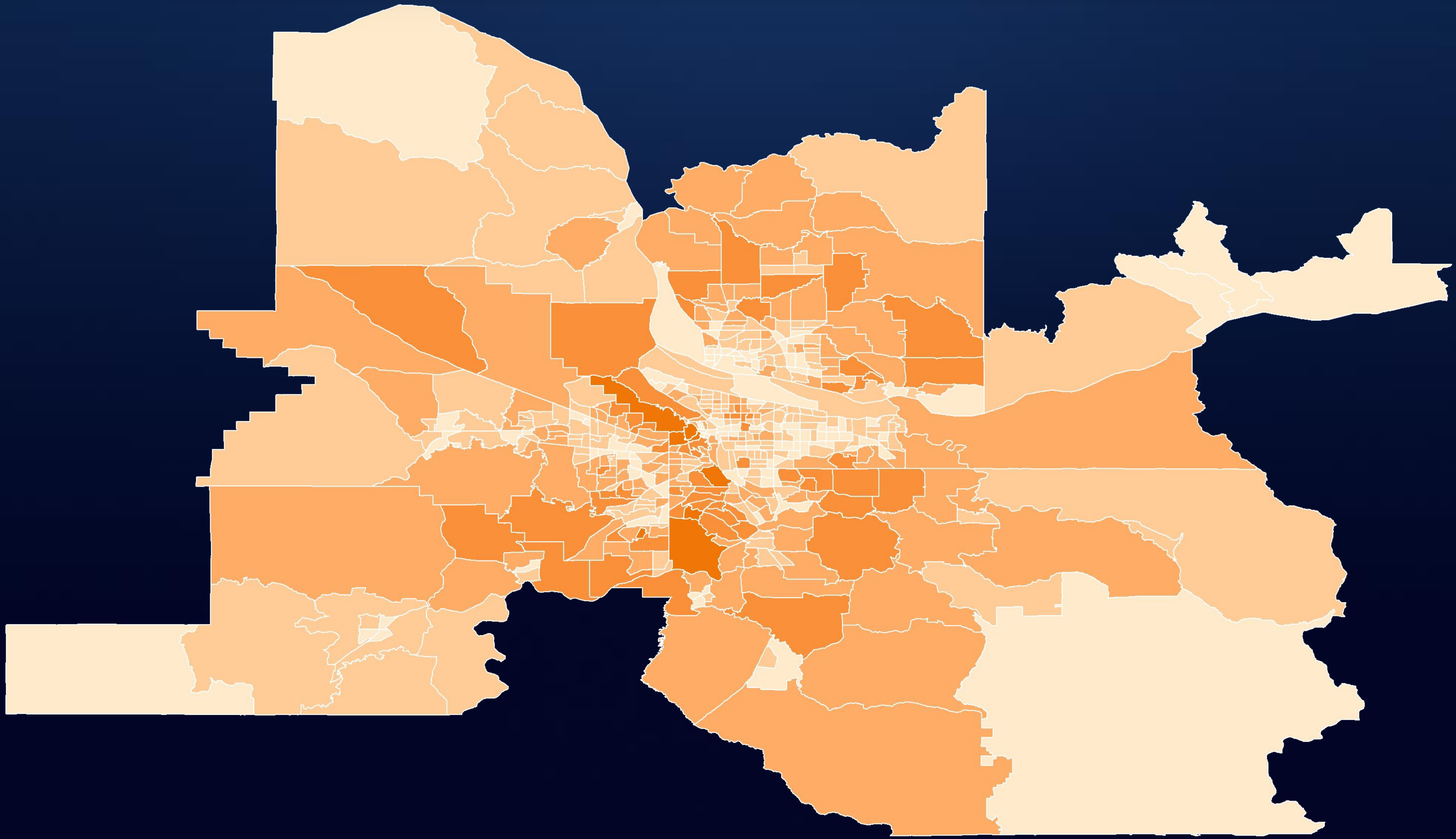
Metro-Scale Living Standards Look Strong ...



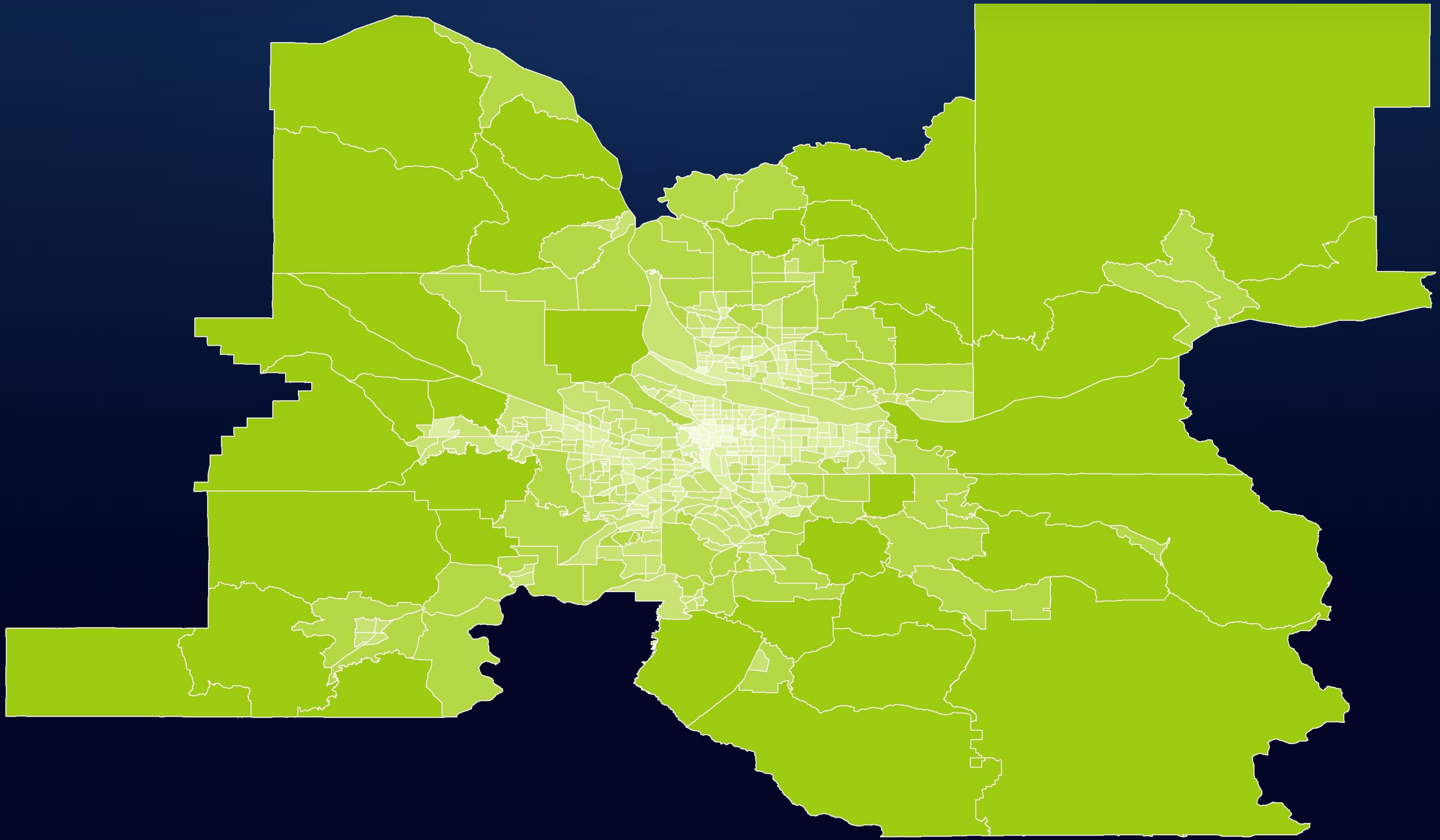
… but Place-Based Costs Are High



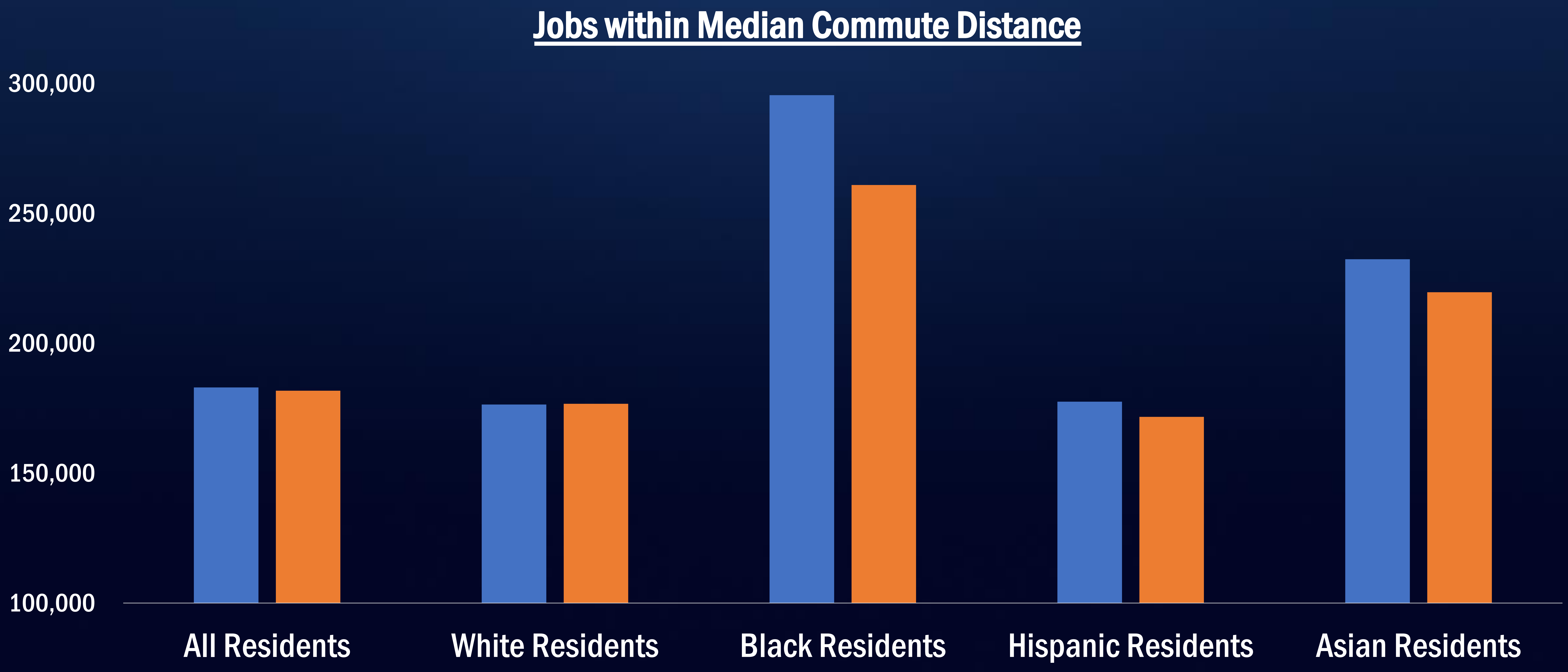
Housing Costs



Transportation Costs

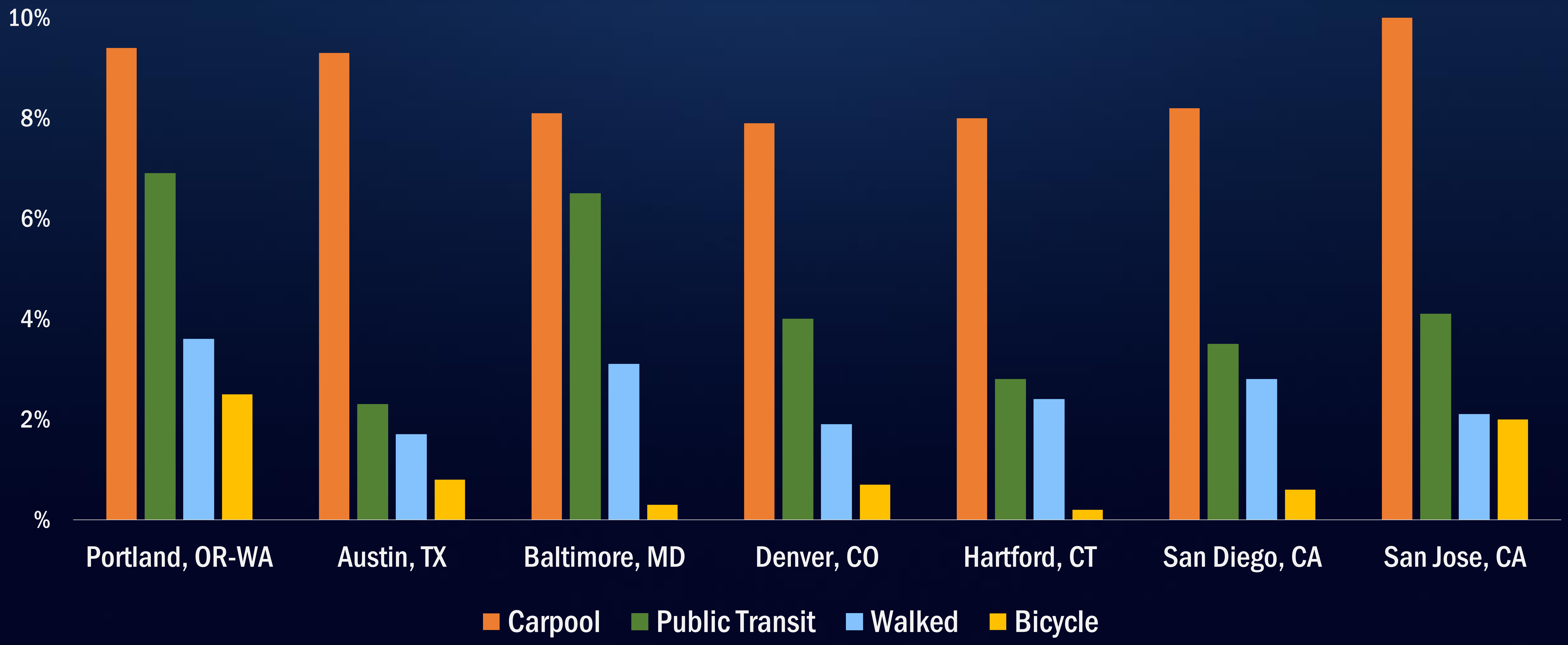


Spatial Mismatch Is Growing Unequally

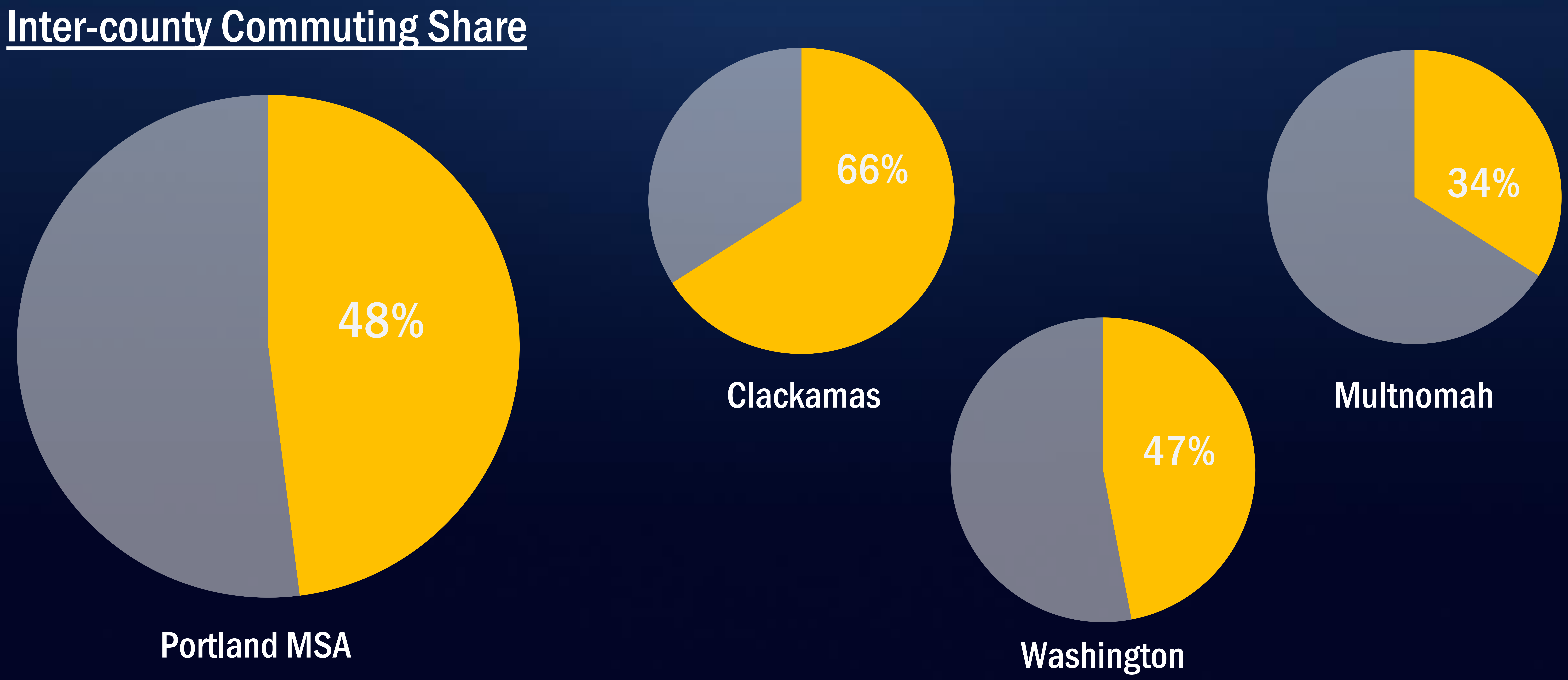


Networks

Portland's Modal Leadership

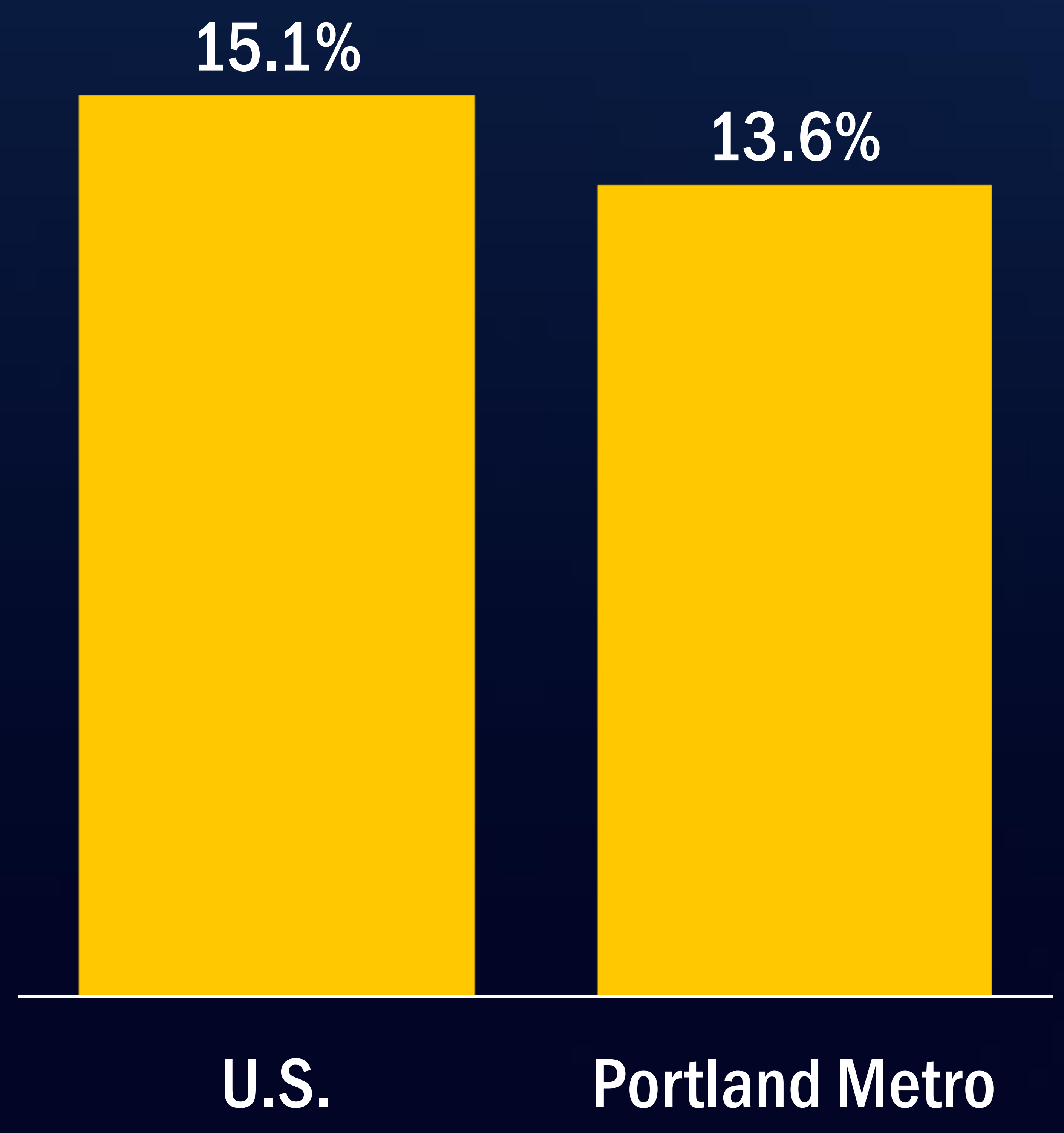


Portland's Counties Exchange Workers Throughout the Region



Portland Freight Dashboard

International Trade Share



Total Exported Goods

$9.8 b

Total Goods Trade

$140.0 b

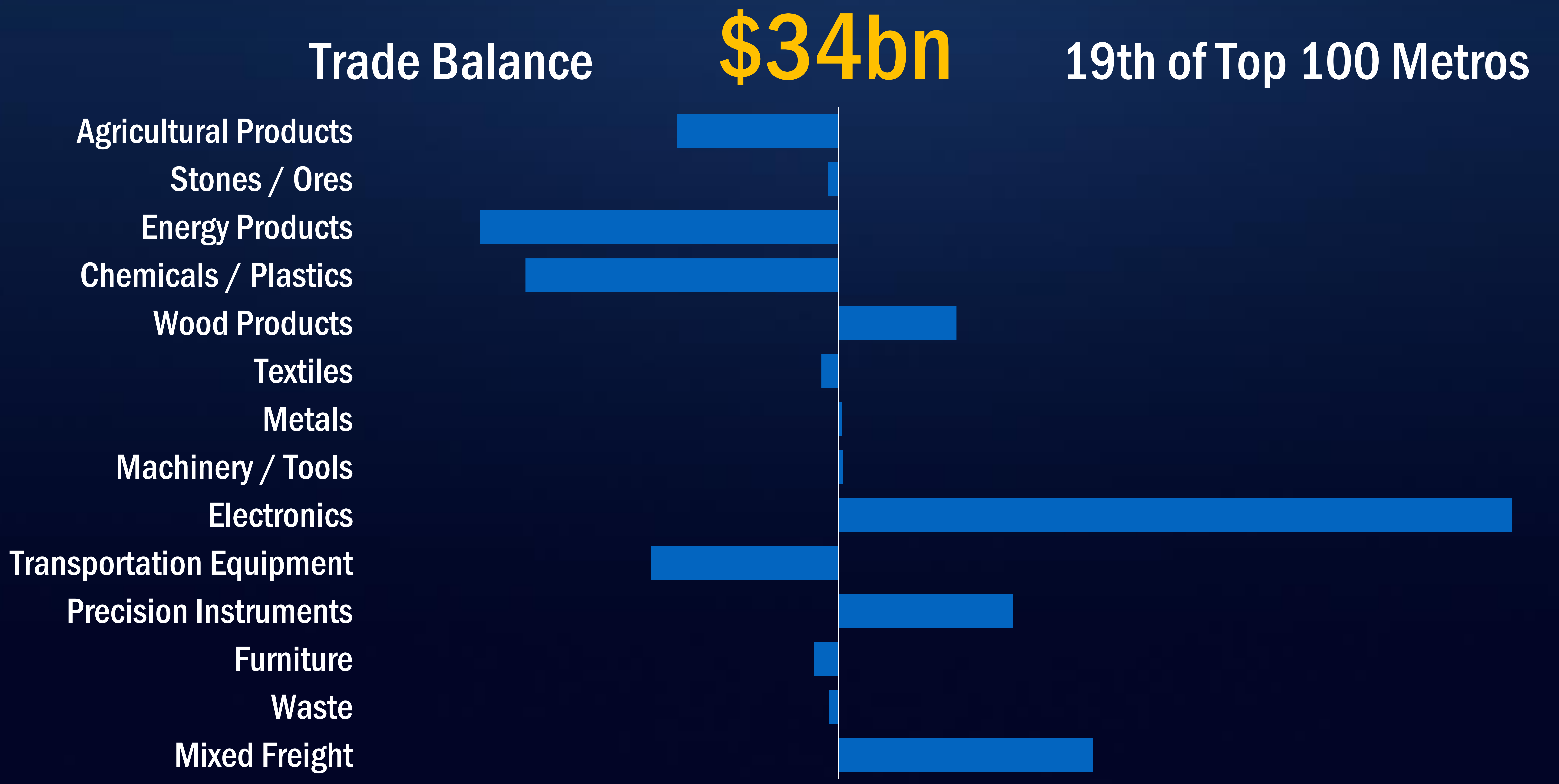
28th of Top 100 Metros

Top Trading Partners

1	Seattle	12%
2	Salem	5.9%
3	Los Angeles	5.2%
4	China	4.2%
5	Non-Metro Oregon	3.3%
6	Non-Metro Washington	2.4%
7	Mexico	2.1%
8	San Jose	2%
9	Eugene-Springfield	2%
10	Canada	1.9%
	Top 10 Totals	40.9%

Source: Brookings MetroFreight Series and Export Nation 2013

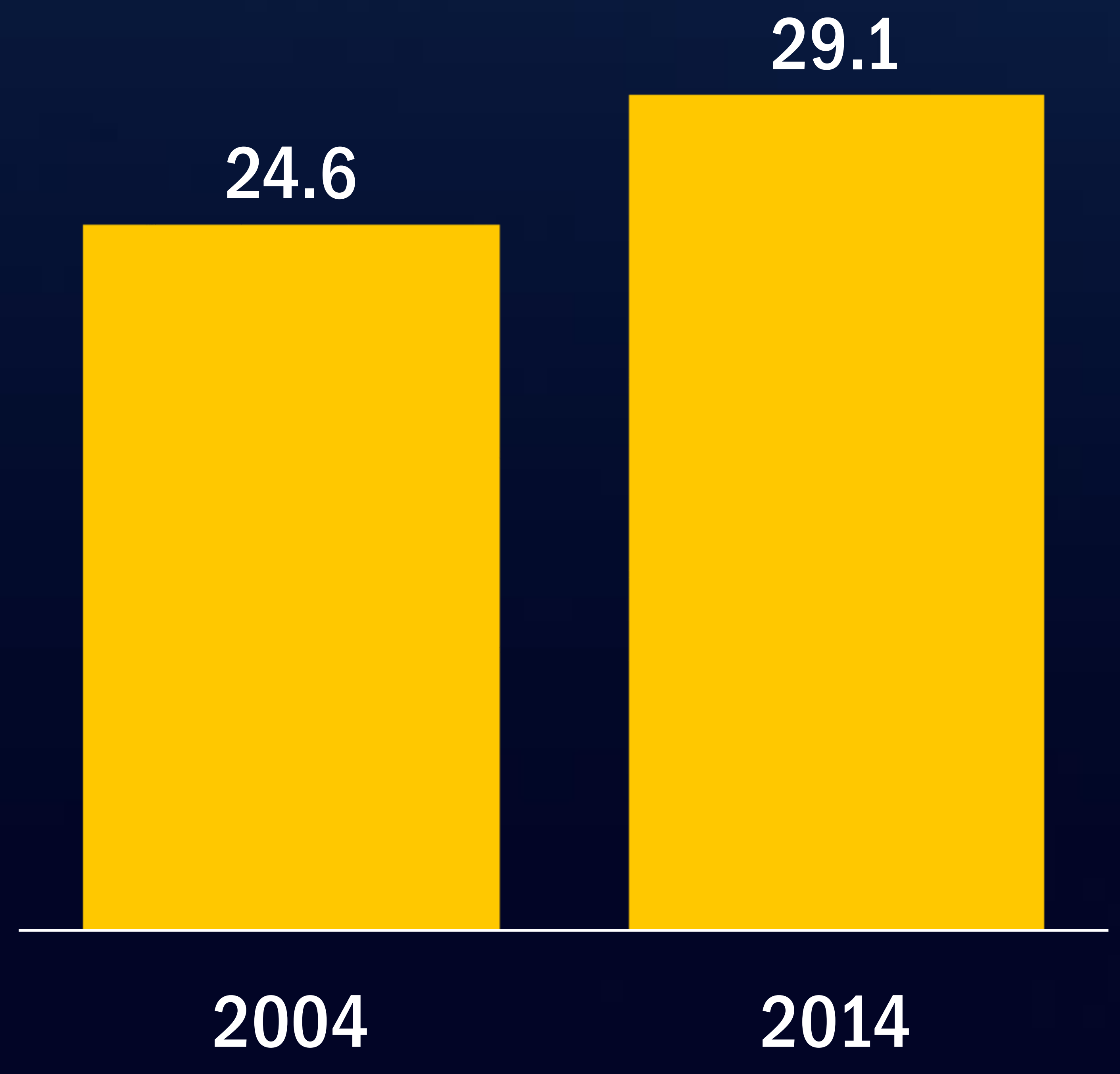
Portland Freight Dashboard



Source: Brookings Metro-to-Metro

Portland Commercial Aviation Dashboard

Total Passengers (mil)



International Share

6.4%

27 among 35 GMM Metros

Local OD Passengers

94.8%

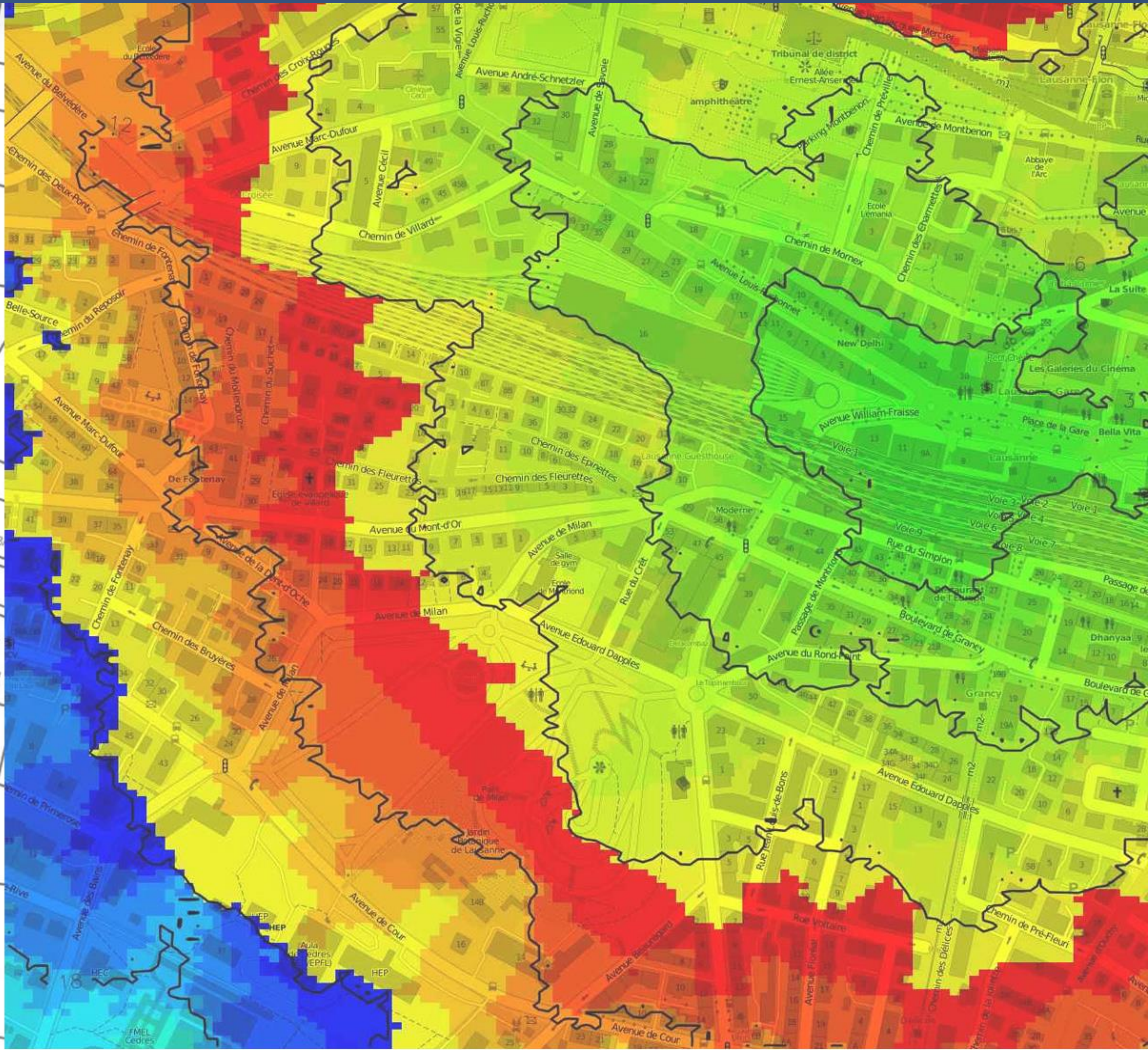
Top OD Partner Regions (k)

1	Los Angeles	2,373
2	San Francisco	2,103
3	Las Vegas	1,186
4	Chicago	1,093
5	Phoenix	1,091
6	Seattle	1,061
7	Denver	1,005
8	San Diego	1,004
9	San Jose	975
10	Sacramento	855
	Top 10 Share of Airport	43.8%

Source: Brookings analysis of SABRE data

What’s Next?

Mapping: Economic Activity and Networks




77%
Share of Goods-Producing Workers Commuting into Hillsboro
INTEL

1

Economic Development, Evolved

2

Market Scan

3

Moving Forward

Implications

Mixed Growth

Place Matters

Images: Flaticons

Core Question:

How can infrastructure continue to support Portland’s economic competitiveness?

Flexible measurement to connect outcomes

Formalize Business and People Goals

Create Place and Network Benchmarks

Develop Criteria to Judge Proposals

Portland Economic Value Atlas

Market Scan

Adie Tomer + Brad McDearman

@adietomer

Portland, OR

July 2017