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RE Canby Business Clusters Analysis & Draft Strategies

A. INTRODUCTION

This memorandum provides an overview of the current businesses and emerging industries that are driving Canby's economy; and identifies strategies the City of Canby may consider to help spur additional near term private business expansion and investment. As part of this task, FCS GROUP performed the following activities:

CONTENTS	
A. INTRODUCTION.....	1
B. CANBY'S CLUSTERS.....	1
C. POTENTIAL STRATEGIES.....	9

- ◆ Analyze local Canby area employment trends using data from the Oregon Employment Department and the IMPLAN model (Impact Analysis for Planning).
- ◆ Evaluate state and regional data which identifies projected growth patterns in employment within Clackamas County.
- ◆ Identify existing and emerging industry clusters within the Canby area.
- ◆ Formulate recommendations for strategies designed to further enhance business expansion and local job creation.

The findings for each of these activities can be found below.

B. CANBY'S CLUSTERS

One must know where they are before they can properly navigate to where they want to go. Understanding Canby's unique position within the broader regional, national and international marketplace is an important first step in establishing a new local economic agenda.

National and Regional Overview

The current economic slowdown, which began in December 2007, is now the longest on record since World War II. Consumers are still very cautious as unemployment and underemployment rates remain high. Over the past year, Oregon posted an overall job gain of 18,700 jobs between November 2011 and November 2012, as the state's unemployment rate fell to 8.4% (compared to a national rate of 7.7%).

The U.S. and Oregon economies appear poised for a sluggish economic recovery according to many business economists. National economic growth (as measured by Gross Domestic Product) is

expected to increase by 2.1 percent in 2012, and by 2.2 to 2.8 percent in 2013, according to the Federal Reserve Bank.¹

Like many regions across the U.S., the greater Portland Region experienced a decline in home values, stagnate income levels, high unemployment, and relatively high office and retail vacancies over the past few years.

Natural population increases (births less deaths) combined with in-migration from other parts of the U.S. are expected to drive population and housing growth for the greater Portland Region that exceeds national averages. The population of the Portland-Beaverton-Vancouver Primary Metropolitan Statistical Area (Portland Region) increased from 1.9 million in 2000 to nearly 2.2 million by 2010. According to Metro, the regional government, the Portland Region population is forecasted to add between 650,000 and 950,000 people over the next 20 to 30 years.²

Within Clackamas County, the historic 2000 to 2010 population growth rate averaged 1.1 percent per year, as the County expanded in population from 340,000 to 376,000 people. Increasing population within the greater Portland Region will also result in an expanding labor force, which should eventually lead to more employment and business investment. Long-term job growth forecasts by Metro expect between 167,000 and 282,000 new jobs to be added to the PMSA between 2010 and 2020.

Canby Trends

According to the U.S. Census, the City of Canby added approximately 1,790 people and 379 jobs between 2002 and 2010 (population 15,230 in 2010).

As identified in **Table 1**, the growth of “covered” employment within the Canby city limits, was estimated at 4,581 jobs in 2010, up from 4,202 jobs in 2002 (US Census). Overall job growth increased about 9%, with the strongest growth occurring in Canby’s industrial, construction and education sectors

Table 1 City of Canby Employment Trends, 2002 to 2010

Sector	2002	2010	Change	
			Number	Percent
Industrial*	1,195	1,392	197	16.5%
Construction	273	397	124	45.4%
Retail	634	602	(32)	-5.0%
Service	1,426	1,457	31	2.2%
Education	447	550	103	23.0%
Public Admin.	227	183	(44)	-19.4%
Total	4,202	4,581	379	9.0%

* Industrial sectors include: manufacturing, wholesale trade, transportation, and utilities.

¹ Reported at July 18, 2012 testimony to Committee on Financial Services, U.S. House of Representatives by Federal Reserve Chairman, Ben Bernanke.

² The PMSA consists of Clackamas, Multnomah, Washington, Yamhill, Columbia counties in Oregon; and Clark and Skamania counties in Washington State.

For the analysis of business clusters, the broader Canby market area is defined by FCS GROUP to include the City of Canby, plus the adjacent communities of Aurora and Hubbard (Canby area).

The Canby area has evolved from a small rural agricultural “bedroom” community into an important regional and international business location with small town charm. The level of business growth and activity in the Canby area is unprecedented. At the beginning of 2012, the Canby area had nearly 800 business establishments with over 7,800 “covered” workers and an annual payroll of \$279 million (down from \$321 million in 2010). While employment in the Canby area has increased over the past few years, the recent economic recession has taken a toll on business earnings and payrolls have not fully recovered.

The amount of diversity within the Canby area’s employment base is impressive. Canby’s largest business clusters are focused on: Agriculture and Food Processing; Wholesale Trade; Metals Manufacturing; and High Tech. A new cluster: Clean Tech is also emerging within the Canby area.

As indicated in **Table 2**, within the top Clackamas County clusters, Canby’s leading clusters (ranked by GDP) include:

- Wholesale Trade & Trucking (823 jobs in 2011 up from 702 jobs in 2010, \$131M GDP).
- Clean Tech (includes transportation, construction, energy and telecommunications) with 1,061 jobs in 2011 and \$102M GDP.
- High Tech (459 jobs in 2011 down from 510 jobs in 2010, \$64M GDP).
- Agriculture and Food Production (1,046 jobs in 2011 up from 881 jobs in 2010, \$58M GDP).
- Advanced Technology – Metals & Machinery Manufacturing (419 jobs in 2011 up from 239 jobs in 2010), \$64M GDP).

Table 2. Canby Area Business Clusters Analysis

Sector Name	Count, Businesses Establish-ments	Estimated Employees*	Avg. Pay	Annual GDP (Value Added)	Share of Clackamas County GDP for this cluster	Share of Canby Area Jobs
Wholesale Trade & Trucking	64	839	\$35,912	\$119,240,000	7.3%	10.7%
Clean Tech	139	1,061	\$53,355	\$102,360,000	7.6%	13.6%
Advanced Tech. - High Tech	16	459	\$54,921	\$64,390,000	7.0%	5.9%
Ag., Nurseries & Food	66	1,046	\$27,703	\$58,270,000	6.4%	13.4%
Advanced Tech. - Metals & Mach.	24	497	\$48,445	\$43,730,000	7.8%	6.4%
Heath Care	28	154	\$42,964	\$14,840,000	1.4%	2.0%
Prof. & Business Services	46	122	\$45,663	\$12,220,000	1.3%	1.6%
Film & Media Production	11	32	\$21,337	\$2,780,000	1.3%	0.4%
Total Selected Clusters	394	4,210	\$42,250	\$417,830,000	3.1%	53.9%
Total in Canby Area*	793	7,810	\$35,772			

* includes Canby, Hubbard and Aurora areas.

Source: Oregon Emp. Dept. and IMPLAN model data; analysis by FCS GROUP.

Canby’s leading private employers are listed below in **Table 3**.

Table 3. Canby Area Leading Private Employers (with 50 or more employees)

Rank	Firm Name	NAICS	Cluster Name	Jobs
1	KENDAL FLORAL SUPPLY, LLC,	4249	Wholesale Trade	300-400 jobs
2	JOHNSON CONTROLS BATTERY GROUP, INC.	3359	High Tech	200-250 jobs
3	CANBY FRED MEYER	4529	Retail	200-250 jobs
4	WILLAMETTE EGG FARMS, LLC.	1123	Ag. & Food Production	150-200 jobs
5	WILSON CONSTRUCTION COMPANY	2371	Clean Tech/Construction	150-200 jobs
6	CUTSFORTH THRIFTWAY	4451	Retail	100-150 jobs
7	MARQUIS COMPANIES, INC.	6233	Assisted Living	100-150 jobs
8	JV NORTHWEST, INC.	3324	Metals Mfg.	100-150 jobs
9	MEC NORTHWEST	3344	High Tech	100-150 jobs
10	J. FRANK SCHMIDT & SON COMPANY	1114	Nurseries & Greenhouses	50 – 100 jobs
11	CANBY DENNY’S, INC.	7221	Restaurants	50 – 100 jobs
12	MONTECUCCO FARMS, LLC.	1112	Nurseries & Greenhouses	50 – 100 jobs
13	SHIMADZU USA MANUFACTURING, INC.	3345	High Tech	100-150 jobs
14	AMERICAN STEEL	4235	Metals Manufacturing	50 – 100 jobs
15	PIONEER PUMP, INC.	333911	Pump & Pumping Equip. Mfg.	50 – 100 jobs
16	SR SMITH, LLC.	3399	Sporting & Athletic Goods Mfg.	50 – 100 jobs
17	FIRST STUDENT MANAGEMENT LLC.	4854	Clean Tech/Transport	50 – 100 jobs
18	G F MANAGEMENT COMPANY	1113	Ag. & Food Production	50 – 100 jobs
19	TERRA NOVA NURSERIES, INC.	1114	Nurseries & Greenhouses	50 – 100 jobs
20	RUAN TRANSPORT CORPORATION	4841	Clean Tech/Transport	50 – 100 jobs
21	CANBY TELCOM	5171	Clean Tech/Telecom	50 – 100 jobs
22	ROTH HEATING AND COOLING	2382	Clean Tech/Construction	50 – 100 jobs

FCS prepared an employment clusters analysis for the Canby area to identify existing and emerging market opportunities. It is a widely accepted among economic development professionals that “employment clusters” are the primary force driving local economic currents and business location decisions. Clusters of economic activity go well beyond mere concentrations of industry or employment types. They represent unique competitive market advantages with regard to employment, work force, creativity, entrepreneurship, business costs, and supporting natural resources.

The employment clusters analysis help identify potential industry sector candidates. The clusters analysis entailed:

1. Obtaining Employment Security (ES202) wage and salary employment data from the Oregon Employment Department for Clackamas County and the State of Oregon for the year of 2010.
2. Conducting a location-quotient (LQ) analysis to evaluate business and industrial clusters in the Canby area relative to the State of Oregon.
3. Evaluating business clusters within the Canby area with regard to the LQ, projected growth rates, economic size of each cluster, and average and aggregate wages.

After these steps were conducted, FCS GROUP classified business clusters into one of four classifications, including:

- ◆ **Stars:** include businesses with high LQ (propensity to locate in City) and higher than average projected growth rate compared to other locations in Oregon.
- ◆ **Opportunities:** include businesses with low LQ and high average growth rate (possible pent up demand or competitive market disadvantage relative to other locations).
- ◆ **Mature:** include businesses with high LQ but lower than average growth rate.
- ◆ **Challenges:** include businesses with low LQ and lower than average growth rate.

The employment cluster analysis summarized in **Figure 1** identifies the business and industrial sectors within the Canby area by their LQ, size (aggregate wages paid annually) and 10-year growth forecast (derived from the Oregon Employment Dept). The resulting clusters analysis that classifies sectors in four types of classifications:

STARS: Industry Sectors with High LQ/High Growth Potential

Agriculture & Food Production
Clean Tech
Metals & Machinery Manufacturing
Education
Nurseries and Greenhouses

OPPORTUNITIES: Industry Sectors with Low LQ/High Growth Potential

Health Care and educational services
Professional and Business Services
Eating and Drinking
Tourism and Recreation

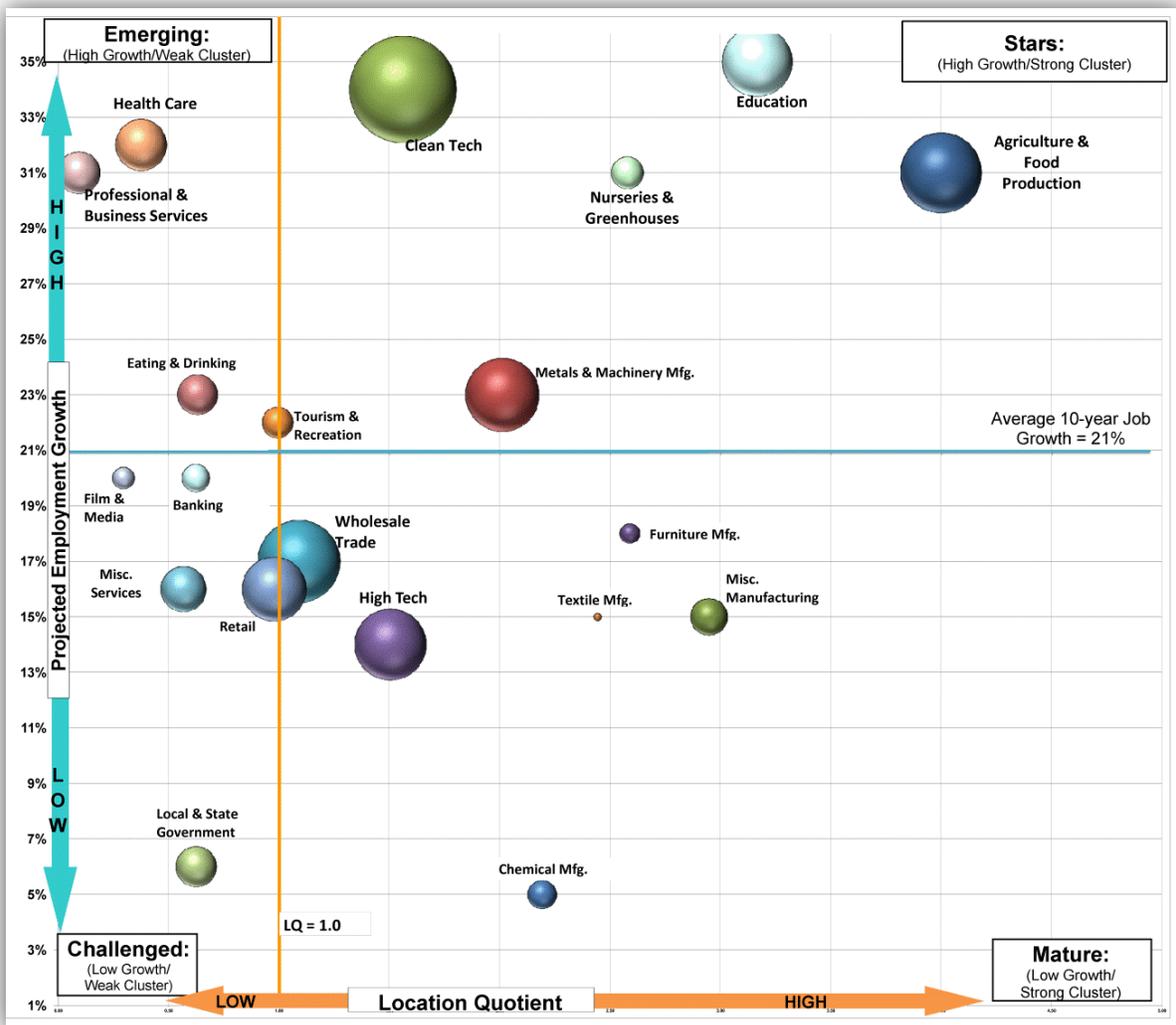
MATURE: Industry Sectors with High LQ/Low Growth Potential

Wholesale Trade
High Tech
Misc. Manufacturing
Furniture Manufacturing
Chemical Manufacturing
Retail

CHALLENGED: Industry Sectors with Low LQ/Low Growth Potential

- Banking
- Film and Media
- Misc. Services
- Government

Figure 1. Canby Area Business Clusters



Canby's Leading Established Clusters

Wholesale Trade

Canby's proximity to I-5 and the Portland International Airport and Port of Portland have benefited value-added wholesale trade operations, which is the second biggest cluster in the Canby area. There are 47 business establishments engaged in wholesale trade in the Canby area with 702 "covered" workers at the beginning of 2011. Those businesses generated an estimated \$138 million in economic output during 2010. Established wholesale trade businesses include Canby's largest private employer: Kendal Floral Supply. Other local wholesale trade operations include: OBC Northwest, Kahut Waste Services and Pacific Rim Ventures.

Canby is rolling out the welcome mat for another major wholesale trade business, Dragonberry Produce Distribution Center, an international fruit exporter, who is relocating and expanding into Canby from the Clackamas Industrial Area.

The future outlook for the wholesale trade cluster is positive for employment growth and income growth. A scarcity of developable large vacant industrial lots (over 20 acres in size) with good interstate and rail access will likely favor Canby as an emerging location for medium and large wholesale businesses over the coming years.

High Tech

Long-time Canby employers: Johnson Controls Battery Group, MEC Northwest, Shimadzu USA Manufacturing are among 45 High Tech businesses in the Canby area. Canby's diverse high tech sector also includes software and aviation businesses, such as Pure Seed Testing and Advanced Flight Systems, Inc. As national and global trade increases, Canby has witnessed recent investments by expanding local high tech firms, including Shimadzu, which undertook a \$5 million expansion that added 54,000 square feet to its production plant. These high tech businesses employ nearly 510 "covered" workers and generated an annual economic output of \$164 million in 2010.

High tech is a mature cluster that has deep roots in Canby (and especially its neighbor Wilsonville), as members of the infamous Silicon Forest. Planned capital investment by Canby high tech companies (mentioned above) along with other major regional employers, such as Intel (Washington County), Rockwell Collins (Wilsonville); favorable Oregon manufacturing tax policies; and nearby Oregon Institute of Technology (Wilsonville) should undergird growth in this cluster.

Agriculture, Nurseries and Food Processing

Agriculture and farming have been a main stay of Canby's economy for over 100 years. Soils rich from sediment deposits along the Willamette River and Molalla River, and mild climate favors local agricultural activities, which have spun into value-added industries associated with nurseries and greenhouses, food production, and wholesale trade of food and floral products. Representative local businesses include: Willamette Egg Farms, J. Frank Schmidt & Son, Montecucco Farms, Terra Nova Nurseries, Rose Agri-Seed, Marks Meat, and Puddin' River Chocolates.

Clackamas County is ranked #1 among Oregon counties for the sale of nursery crops and Christmas trees; #2 in farm sales with \$400 million in annual revenue (and Canby accounts for over half of the county's current agriculture and food production employment); and #1 in number of organically-certified farms. Canby is the ideal location for additional value-added agriculture businesses, as well as agri-tourism activities, which will expand as the region adds people over the next several years.

There are currently 61 business enterprises in the Canby area that are involved with agriculture and food. These businesses employ approximately 1,059 "covered" workers and generated an annual economic output of \$157 million. This includes:

- ◆ Agriculture and Food Production, 51 enterprises with 881 workers, with an annual economic output of \$132 million.
- ◆ Nurseries and Greenhouses, 6 enterprises with 155 workers, with an annual economic output of nearly \$13 million.
- ◆ Food and Beverage Processing, 4 enterprises with 23 workers, with an annual economic output of nearly \$12 million.

The future outlook is most promising for this cluster. Local growth in employment within agriculture and food production is expected to be above average over the next 10 years with strong growth in domestic and foreign exports (according to the Oregon Employment Department). The job outlook for food production and nurseries is improving as the regional economy and construction industry improves. Trends towards organic food production and "buying local" are helping to create a unique brand for Willamette Valley grown foods and food products.

Advanced Manufacturing: Metals & Machinery

Metals & Machinery Manufacturing is also centered in the Canby area, with major employers such as JV Northwest, American Steel, BBC Steel, Pioneer Pump, and Peco Aerospace Fasteners, along with many other manufacturing operations. This cluster has approximately 169 "covered" workers and generated an annual economic output of nearly \$34 million in 2010. New metals companies that have moved to Canby over the past year include Anderson Quality Springs, Bold Ideas, Inc. and Product Manufacturing.

Advanced manufacturing is expected to grow faster than the high tech cluster over the next 10 years; further strengthening this cluster's importance within Canby and Clackamas County. Favorable state tax policies (which does not include a state sales tax or corporate

income tax on out-of-state sales) combined with strategic investment incentives, and Systems Development Charge Reimbursement programs, makes Canby a very attractive location for investment in business expansion and new companies seeking U.S. advanced manufacturing operations.

C. POTENTIAL STRATEGIES

The following potential programs and actions should be revised, discussed, refined and prioritized with input from the Canby City Council, Planning Commission, Chamber of Commerce, and other business community stakeholders. The overall intent of these strategies is to form the basis for an ongoing work plan that may be administered and implemented with focused city staff using limited resources. Each strategy will require continued coordination and partnerships with local, county and state economic development stakeholders.

1. Ensure Canby Remains an Attractive Place to Do Business

- Establish an outreach program to periodically connect with existing large and growing businesses to proactively identify and address retention needs.
- Work closely with Clackamas County to ensure that the vacant land supply maps are periodically updated.
- Explore supply chain opportunities and gaps in Canby's key industry clusters and work to address them.
- Build on the successful Canby Industrial Forum model to develop programs, workshops and forums to share information, resources and successful business strategies with existing employers

2. Lay Groundwork for Future Recruitment Activities

- Work closely with Clackamas County, Regional Partners, and Business Oregon to respond effectively to business leads.
- Participate in targeted business recruitment efforts in partnership with Business Oregon, Greater Portland Inc, or Clackamas County.
- Work with Clackamas County Business and Economic Development to update Canby's 2-page marketing brochure. Include current vacant commercial and industrial lands over 3 acre in size, and identify advantages and incentives for business expansion and location decisions.

3. Recruit Agriculture-related Suppliers and Service Businesses

- Work closely with Clackamas County to help implement the Clackamas County Agriculture Investment Plan, with specific focus on the relationship between local growers and strategies aimed at: the role of agri-tourism, the potential for accommodating firms or contractors

engaged in providing goods and services to farming and food processing operations and promoting regional consumption of locally produced and sourced foods;.

4. Position Canby as an Agriculture-Tourism Destination

- Update and expand on marketing materials that identify family-related agricultural attractions along Highway 99 in and around Canby, Hubbard and Silverton.
- Conduct outreach to existing visitor attractions to inform them about Canby's proximity and services.
- Develop additional visitor attractions and unique activities and programs (e.g., educational programs for K-12 school programs).

5. Further Define and Market the Clean Tech Cluster

- Work closely with existing businesses in Clean Tech cluster to more fully understand their role in green technology, with attention focused on energy, communications, construction and utilities. Prepare marketing materials that promote Canby as an ideal location for Clean Tech businesses.

6. Expand Infrastructure for industrial Development

- Work with local, county and state agencies to fund strategic roadway extensions, railroad bridge crossings, and water and sewer line extensions to serve existing industrial land and areas east of Mulino Road adjacent to the Pioneer Industrial Park.
- Assist property owners with obtaining Oregon Industrial Site Certification for sites over 20 acres in size.
- Work with county and state staff and regional industrial brokers to identify specific large-lot industrial sites, and to ensure that these sites are fully available and serviced for development.

7. Encourage Downtown Redevelopment

- Assist with marketing of downtown Canby businesses.
- Publicize the vacant building inventory and keep it current.
- Implement Canby Downtown Plan and retail market analysis recommendations.
- Continue beautification efforts and façade improvements.
- Continue to support the Canby Main street Program.

8. Consider Long-term Employment Land Needs

- Update Canby's Economic Opportunities Analysis and adjust Urban Growth Boundary to accommodate 20-year land need for commercial and industrial lands. Update long-term economic development objectives, with supporting public input and feedback.