

Report:
ECONOMIC DEVELOPMENT STRATEGIC ACTION STUDY
FOR LA CENTER, WA



Presented to:
CITY OF LA CENTER

REPORT:
Economic Development Strategic Action Study for La Center

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Delivered to:
CITY OF LA CENTER



NOVEMBER 2008

The La Center Strategic Action Study contains three reports in the development of an economic development strategy for the City of La Center. This will serve as a blueprint and program of work to guide the City's future economic development efforts. It reflects a 7-month, four phase planning process that has included input from numerous citizens and regional leaders throughout the county.

Over the past decade and a half, La Center has experienced significant growth. While still very much a small community, it has benefited from an influx of young educated individuals who desire pastoral surroundings, a high quality of life, relatively affordable housing, and to be within close proximity to urban areas such as Portland and Vancouver. The most striking aspect of La Center, especially given the community's recent growth, is that the City has prospered without creating a significant number of high-wage jobs within the City limits. Its economy has been buoyed by a limited business presence that includes four profitable gambling establishments. Instead, the robust state of the Portland metropolitan economy has provided employment opportunities for La Center residents.

Now, however, the community is in the midst of a transitional period characterized by uncertainty about the region's economic future. Several factors, including plans by an Indian tribe to construct a full-service casino immediately adjacent to La Center, certainly will threaten the community's primary economic engine and hinder its ability to create a sustainable economy with an enhanced standard of living and job growth.

This study, including the final action plan, serves as a roadmap for La Center to achieve its most critical objective – economic diversification. This plan lays out the short (e.g., establishing physical infrastructure), intermediate (e.g., instituting a marketing program), and long-term (e.g., engaging regionally) steps necessary for La Center to create sustainable high-wage jobs in a mix of profitable industry sectors that leverage La Center's current set of assets. This diversification will help the City move beyond a reliance on just one industry for jobs and tax revenue and, thus, mitigate the susceptibility to current or future economic shocks. While La Center may battle the casino construction today, it will be faced with other external distresses in the future (e.g. financial downturns, natural disasters, etc). By targeting appropriate industry sectors and diversifying its economy La Center will position itself for sustainable, long-term economic prosperity.

This final report is organized in four sections:

LA CENTER SITUATIONAL ANALYSIS

An inventory of La Center's current economic development strengths and weaknesses and key implications for future economic growth.

TARGET INDUSTRY ANALYSIS

Identification of four primary clusters in which La Center can specifically devote resources and energy to become a competitive location: *1) Logistics & Distribution, 2) Material Supplies, 3) Electronics, and 4) Retail.*

ECONOMIC DEVELOPMENT VISION AND ACTION PLAN

The vision provides an overview of the challenges of economic development in the 21st century and identifies an overall strategic direction for La Center to meet those challenges. This vision guides the strategies outlined within the Action Plan. The Action Plan highlights five overarching strategies and corresponding actions items that, if met, will ensure sustainable economic prosperity throughout the community.

FINANCIAL BUSINESS CASE

The business case provides La Center budget and industry data necessary to make the case that the critical strategies in this Action Plan are worth the investment. It includes specifics on La Center's budget trends and information on "return on investment" to be expected from extending the infrastructure and securing target industry investment in the area.

The chart below illustrates the seven-month planning process that was employed to culminate in the development of this final report.

PHASE ONE	PHASE TWO	PHASE THREE	PHASE FOUR
PUBLIC INPUT & SET-UP	MARKET ASSESSMENT	OPPORTUNITIES	ACTION PLAN
Set Up Steering Committee Launch Project Website and Surveys Collect and review reports/data Trip 1: Kick-Off Trip Visioning Session with Steering Committee 10-20 one-to-one interviews 4-6 focus groups Regional Tour	<u>Economic Analysis</u> Analyze demographic and economic trends Analyze retail trade area and leakages Analyze workforce composition <u>SWOT Analysis</u> Strengths, Weaknesses, Opportunities, and Threats Prioritization of Critical Issues	<u>Industry Analysis</u> Identification of target industry opportunities based on assets and site selection requirements Trip 2: Present Market Assessment and Target Industry Recs <u>Industry Profiles</u> <u>National Trends</u> Local Trends and Assets Site Selection Requirements	Vision, Goals, and Objectives Prioritized Action Items Implementation Matrix Annual Scorecard Plan Trip 3: Deliver draft recommendations Trip 4: Community-Wide Rollout Event

ACKNOWLEDGEMENTS

AngelouEconomics would like to express our appreciation to the numerous individuals that contributed to this process for their invaluable input on key issues identified in La Center:

Scott Bailey, *Washington State Employment Security Regional Economist*

Barbara Barnhart, *La Center Museum Association President*

Bill Birdwell, *La Center Councilmember*

LeAnne Bremer, *Miller Nash LLP*

Amy Chase, *La Center Planning Commissioner*

Eric Eisemann, *E2 Land Use Planning Services*

Tammie Ferguson, *Prestige Development COO*

Scott Fraser, *GVA Kidder Mathews Senior Vice President*

Brent Grening, *Port of Ridgefield Executive Director*

Phil Harju, *Cowlitz Tribe*

Roy Heikkala, *Genteel Investments*

James T. Irish, *La Center Mayor*

Dean Lookingbill, *Southwest Washington Regional Transportation Director*

Al Luiz, *La Center Planning Commissioner*

Joe Melroy, *Port of Ridgefield Commissioner*

Linda Nielsen, *Clark County Association of Realtors President*

Mike Nolan, *La Center Councilmember*

Erin Nolan, *Citizen*

Sandy Perrott, *La Center Planning Commissioner*

Bart Phillips, *Columbia River Economic Development President*

Kelly Sills, *Clark County Board's Office*

Bob Smith, *La Center Councilmember*

Todd Snider, *North Clark County Chamber of Commerce President*

Brandi Steward-Wood, *Southwest Washington Workforce Development Council*

Greg Thornton, *La Center Planning Commission Chair*

Linda Tracy, *La Center Councilmember*

Troy VanDinter, *La Center Councilmember*

The Situational Analysis comprises the first phase in the creation of an Economic Development Plan for La Center. The document details the region's current economic development efforts, assesses the current economic climate, and identifies key issues that presently hinder the community's ability to fully capture its economic development potential.

OUR APPROACH

This section marks the end of Phase I in the planning process. It evaluates the current state of affairs in La Center in areas that are most critical to business and industry growth, incorporating both qualitative data collected during a site visit to La Center and quantitative data independently compiled by AngelouEconomics.

This section assesses the region's current economic situation and the dynamics that have shaped it. The report examines the region's past economic performance and its readiness to attract and direct economic development in the future. Specifically, the document analyzes La Center and surrounding areas across a broad range of economic and demographic variables.

The *Situational Analysis* is broken into two sub-sections:

- An economic scan and SWOT analysis of La Center that evaluates the demographic and economic trends shaping its current situation, compares La Center to surrounding communities, and identifies key strengths, weaknesses, opportunities and constraints.
- A discussion of strategic implications that provides an interpretation of the data from an economic development perspective

This analysis will provide the necessary framework for the Target Industry Report. In the Target Industry Report, AngelouEconomics will prioritize current industry clusters and identify emerging industry clusters that could be located in La Center and should become the focus of the city's economic development activities.

OUR METHODOLOGY

AngelouEconomics incorporates a variety of sources to collect the quantitative and qualitative information used in our analysis. Quantitative data was collected from national and state sources, including the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and Decision Data Resources. AngelouEconomics also gathered qualitative data through numerous one-on-one interviews, community fieldwork, and reviews of past studies. AngelouEconomics met with individuals representing the following groups: local elected officials and staff, economic development leaders, major employers, workforce and transportation experts, and other interested parties.

Our methodology is designed to evaluate the area from a site selector's perspective. During our research, we explore issues and datasets that will ultimately impact the location decisions made by business executives across industry sectors. "Site selection" is generally perceived to be an evaluation for the attraction of new industries to an area. We broaden this definition to include the expansion and retention of existing businesses, the recruitment of new businesses, as well as the formation of start-ups. While a business may already exist and conduct business locally, it must still choose to remain in the region in the years and decades ahead. Supporting existing companies will make the area more attractive to newcomers and vice versa.

In order to gauge where La Center stands relative to other competitive communities, this section assesses the performance of La Center against surrounding communities. These benchmark communities were selected due to geographical proximity, as many communities in the region have proved successful in recruiting new businesses over the past decade.

The assessment looks at several key areas and includes factors that provide a scan of current economic condition and trends in La Center. The data presented in the report is organized into the following site selection categories:

Demographic Profile

POPULATION GROWTH: Companies generally seek growing, dynamic environments that support the attraction of like-minded workers and companies.

DIVERSITY: Many high-impact companies desire a diverse workforce. Often, the ability to recruit or relocate foreign-born workers is of critical importance (particularly for technology companies). As company workforces become more diverse, their interest in locations that support diversity in the workforce will also grow.

AGE DEMOGRAPHICS: A strong and growing young populace is a key location requirement for many companies. These young residents represent the labor force that will fuel the region's future economic growth.

INCOME LEVEL: The income level of a community is a general indicator of prosperity and opportunity. It also drives much of the amenities available in a region. These amenities can play an important role in attracting companies and employees.

LABOR FORCE AVAILABILITY: A growing job base and access to new workers are vital to helping attract and retain workers in any industry. Large, growing regional economies also provide a wide assortment of employment options for workers looking for further career growth.

EDUCATIONAL ATTAINMENT: Companies need assurance that they will be able to find ample skilled workers in a community; otherwise, recruiting and training costs become prohibitive.

COST OF HOUSING: A diverse workforce needs a diverse housing supply. Executives have different housing needs than mid-level employees. Without adequate housing options, executives will be reluctant to move their companies into a given community.

TRANSPORTATION: Reliable and uncongested transportation access is crucial to a host of industries. Successful communities must be able to move both people and goods efficiently.

ENTERTAINMENT: The availability of diverse entertainment options for each age demographic is a critical factor when evaluating the quality of life in a region. An individual's, family's, or company's decision to remain or relocate to an area can be swayed by the uniqueness of the available entertainment options.

Business Environment

ECONOMIC BASE: The composition of the existing employment base and local industry trends are important site selection variables. Executives and decision makers are interested in the presence of a solid business base, as well as any red flags that may affect costs or productivity.

LABOR COSTS: As companies face increasing competition, more attention is placed on controlling costs. For industries such as manufacturing, wages account for a significant percentage of total costs for a company, and businesses seek moderate-cost markets.

UTILITY COSTS: Reliable, low-cost, and redundant electricity is a top concern for companies seeking to remain competitive. In addition to gas and electricity, an increasing number of companies also include availability of high speed data and telecommunications infrastructure as critical to any area's asset base.

TAX BURDEN: Competitive tax rates are important to business attraction at varying degrees based on a company's stage of development. Manufacturers and many service companies are highly sensitive to tax rates and incentives.

ENTREPRENEURIAL ACTIVITY: Technology inventors and start-ups require access to business and entrepreneurial networks to get the support they need to move new technology from conception to the marketplace. Furthermore, entrepreneurs and start-ups need early stage funding to support their development, and later stage funding for hiring workers and product launches.

Today, La Center is undergoing an extraordinary period of change. Over the past 15 years, the community has witnessed tremendous growth, with the population more than doubling in size since 1990. Due to the presence of stringent growth regulations, La Center has not suffered the declines in quality of life often associated with such robust growth; traffic is minimal, housing prices are relatively affordable, and the environment remains pristine. Simply put, La Center remains a great place to live.

Despite the many successes of La Center, the community has reached a critical juncture in its development. Perhaps the most striking aspect of La Center, especially given the community's recent growth, is the absence of a local and immediate engine of economic growth. While La Center has been buoyed by a limited business presence that includes four profitable gambling establishments, the City has prospered as a community without creating a significant number of high-wage jobs within the city limits. Instead, the robust state of the Portland metropolitan economy has provided employment opportunities for its residents. This ad hoc economic regionalism has been crucial to La Center's ability to grow.

The resulting combination of strong population growth and the lack of a burgeoning employment base is physically manifest in La Center's current land use. The majority of the city, and virtually all construction over the past decade, is residential in character. Elsewhere, such development patterns have almost always proven fiscally unsustainable; as residential development typically consumes more services than can be supported by residential property taxes alone, commercial and industrial development is crucial in balancing a city's budget.

La Center has been able to defy the economic laws that govern most communities due only to the presence of its four gambling establishments located downtown. In 2007, these card rooms were responsible for generating nearly \$3 million in gambling tax revenue for the city. Recently announced plans to construct a full-service casino immediately adjacent to La Center, however, may threaten the community's existing monopoly on gambling in the Portland metropolitan area.

Many La Center residents have vowed to vigorously challenge the establishment of any competing gaming establishment within the area. Unfortunately, such efforts have primarily involved negative visioning around *what is not to become of La Center*. With the precarious nature of the city's past development exposed, however, the urgency of articulating a positive alternative strategy for the future of La Center must become the community's focus. As La Center moves forward with the economic development planning process, the most important question remains "What do we want La Center to become?"

Fortunately, recent augmentations to the City's growth boundary present La Center with promising possibilities for the future. La Center now has at its disposal undeveloped land available for commercial and industrial development immediately adjacent to the interstate system, with tremendous proximity to a thriving metropolitan area. Assets such as these will allow La Center to develop a more diverse and sustainable economic reality.

Additionally, community leaders within La Center are increasingly recognizing the need for a concerted, proactive effort to build the county's site selection assets and ensure the area's continued growth and prosperity. By establishing a baseline reading of the community, the Economic Scan & SWOT Analysis represents the first step in the development of an economic development strategy for La Center.

The following sub-section presents an analysis of the demographic and economic trends shaping La Center.

The information collected in the economic scan and SWOT analysis will lay the groundwork for the target industry report, and will provide a benchmark against which future progress can be measured.

Importantly, the following data serves as a quick means of benchmarking La Center. The purpose of this report is not to provide an exhaustive analysis of the dynamics operating throughout La Center. Instead, this report approximates data private site selectors typically collect—only after satisfying specific criteria will a site selector employ more nuanced measures.

AT A GLANCE

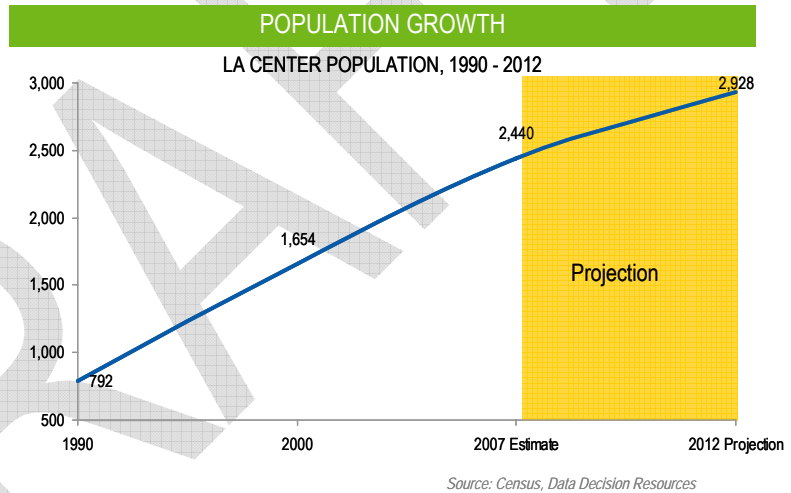
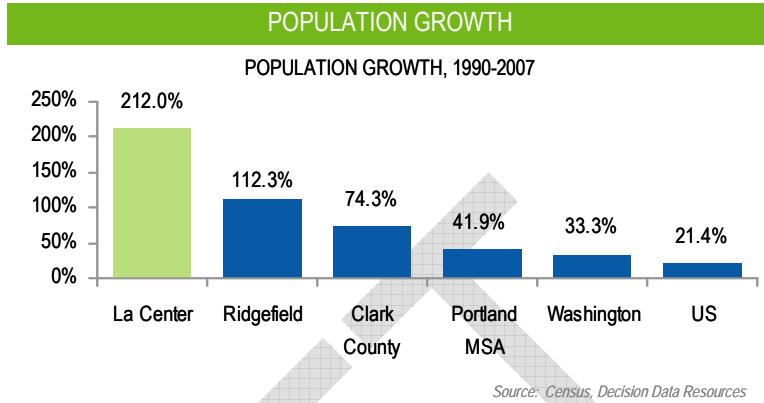
	La Center	Ridgefield	Clark County	Portland MSA	Washington
Population (2007 Estimate)	2,440	3,680	415,000	2,161,753	6,488,000
Population Growth '00-'07	47.5%	71.4%	20.2%	12.1%	10.1%
Unemployment Rate '07	6.9%	6.5%	8.3%	7.5%	7.0%
Labor Force Growth '00-'07	33.3%	19.0%	29.0%	14.7%	13.7%
Median Household Income (2007)	\$65,035	\$60,274	\$58,905	\$56,789	\$55,355
% Bachelor's Degree + (2007)	24.0%	26.0%	25.6%	33.5%	31.0%
% in 25-44 Age Group (2007)	30.2%	27.3%	29.3%	29.9%	28.5%

Source: Decision Data Resources

DEMOGRAPHIC PROFILE

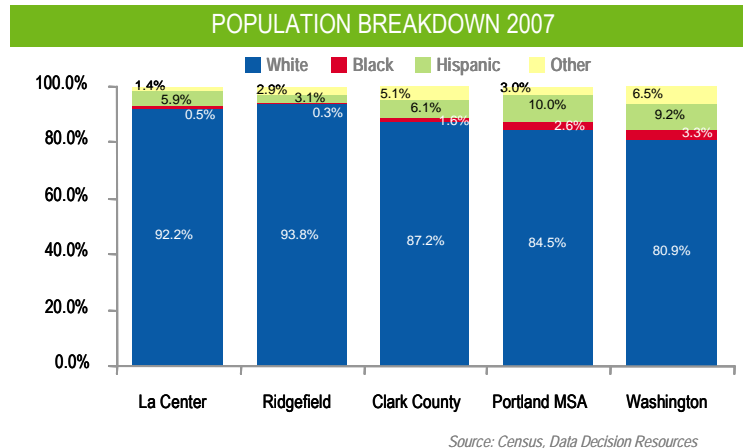
POPULATION GROWTH

- As of 2007, La Center's current population is 2,440. Since 1990, La Center has experienced explosive growth, with the population more than doubling in size.
- La Center has grown at a significantly faster rate than surrounding areas like Ridgefield and the Portland metropolitan area despite the robust growth in these areas since 1990. La Center's strong growth rate has also exceeded that of Clark County, the State of Washington, and the nation.
- Over the next 5 years, existing population trends are expected to continue. Although the rate of population growth in La Center is projected to slow over the next five years, the city is expected to surpass both state and national growth rates. Population increases in La Center are also expected to continue at nearly twice the rate of growth projected for Clark County and the Portland metropolitan area.



DIVERSITY

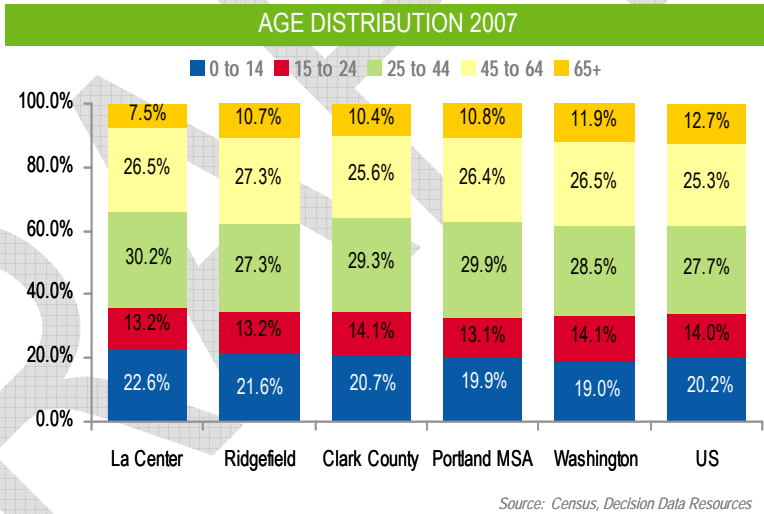
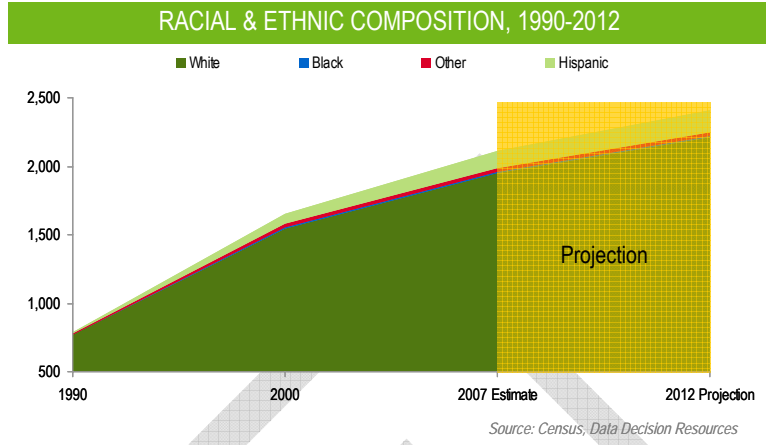
- La Center lacks significant levels of minority populations; more than 90% of La Center's population is composed of white residents.
- The white population is expected to continue to increase over the next five



years. Hispanics are the only other population projected to experience growth in La Center during this period. The Black population and other ethnic groups are not expected to significantly contribute to the population growth of La Center over the next few years.

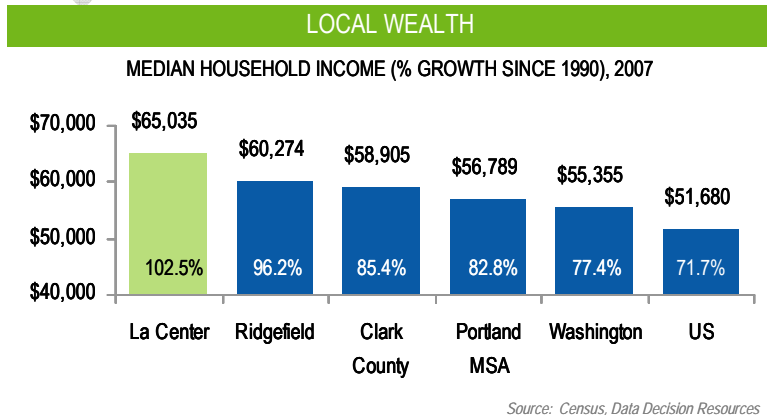
AGE DEMOGRAPHICS

- La Center is home to a slightly younger population than all benchmark areas. As a percentage of overall population, La Center features fewer residents age 65 and older than Ridgefield, Clark County, the Portland metropolitan area, the State of Washington, and the US. La Center also features a higher percentage of residents under 15 years of age than all other areas examined.



INCOME LEVEL

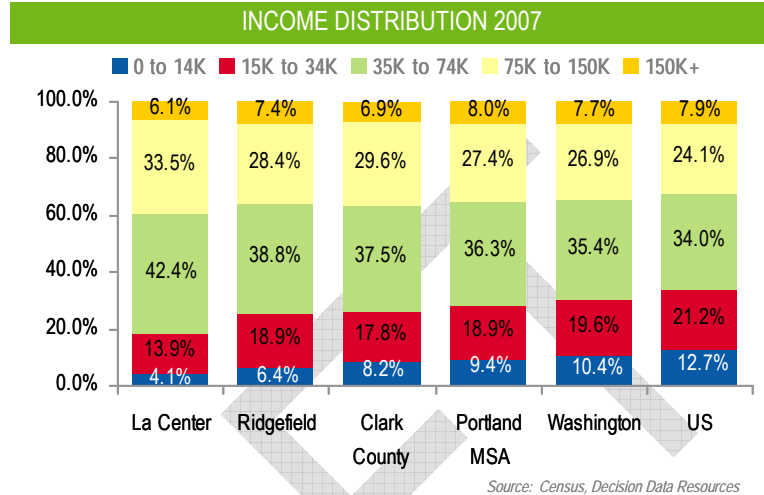
- La Center is a relatively affluent city and enjoys a median household income above the neighboring City of Ridgefield, Clark County, the Portland metropolitan area, the State of Washington, and the U.S.
- Between 1990 and 2007, median household income levels rose by more than 100% in La Center. This growth rate exceeded the growth rates experienced by Ridgefield, Clark County, the Portland metro, the State of Washington, and the U.S. overall.
- The income distribution in 2007 shows that over 40% of La Center residents fall in the \$35,000 to \$74,000 bracket. Notably, more than a third of La Center residents made between \$75,000 and \$150,000 in 2007, which is



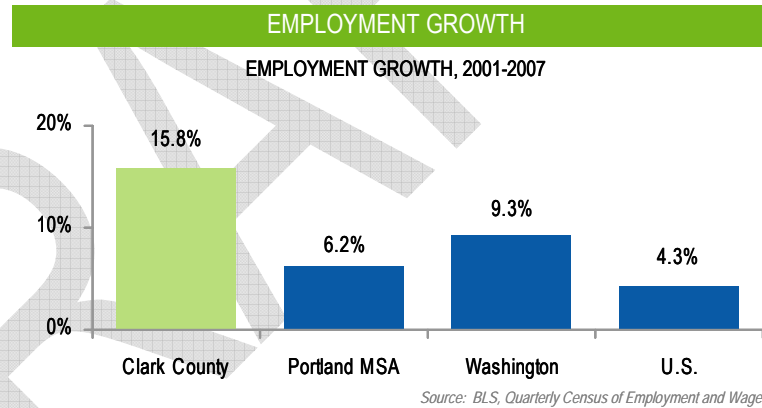
more than the other examined areas can boast. In addition, more than 80% of La Center residents made more than \$34,000 in 2007.

LABOR FORCE AVAILABILITY

- Clark County has enjoyed relatively robust employment growth since 2001, with employment growing at more than twice the rate of the Portland metropolitan area and almost four times the national employment growth rate. In just 6 years, Clark County's employment has increased a remarkable 15.8%.



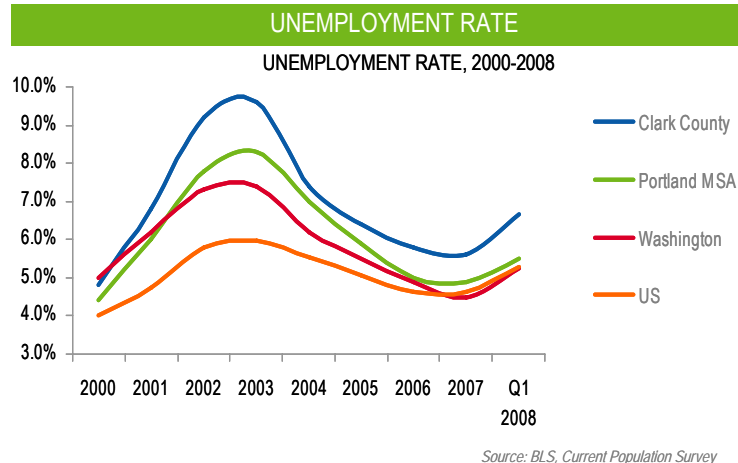
- Despite this high employment growth, Clark County's unemployment rate has remained well above the national average. Since 2001, Clark County has struggled with unemployment rates higher than the national average. Fortunately, recent data indicates this gap is closing.



- Until recently, Clark County, the Portland metropolitan area, and the State of Washington all suffered from unemployment rates well above the national rate; however, by 2007 Washington managed to match the national unemployment rate, leaving the Portland metropolitan area and Clark County with a rate above state and national levels.

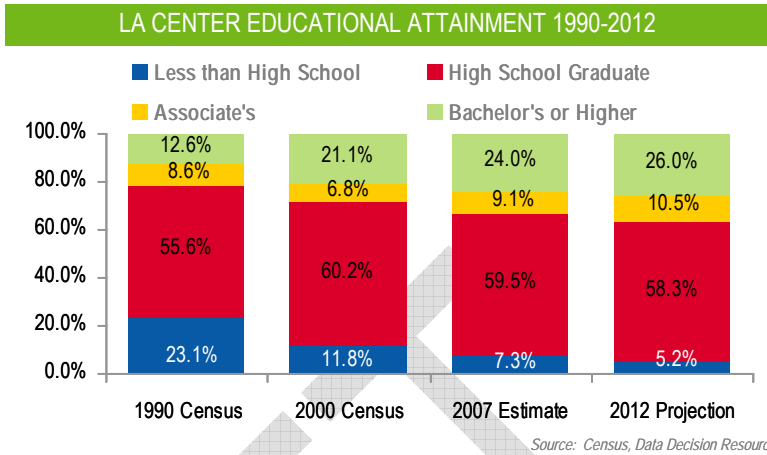
EDUCATIONAL ATTAINMENT

- Since 1990, La Center has improved its educational attainment tremendously. In particular, La Center has succeeded in greatly reducing the percentage of residents without a high school diploma; between 1990 and 2007 this

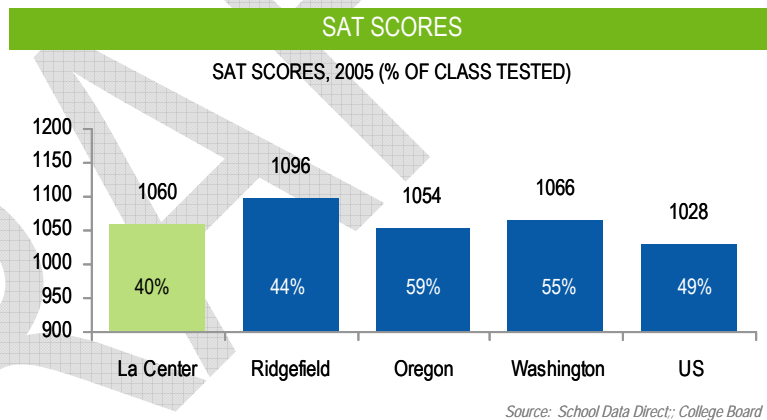


percentage was cut in half. In addition, the percentage of people with a bachelor's degree or higher doubled in the same time period.

- As increases in educational attainment are largely due to immigration, the progress witnessed over the past decade is expected to continue alongside future population increases. Declines in the percentage of residents with no high school diploma and increases in residents with a bachelor's degree are projected over the next five years.

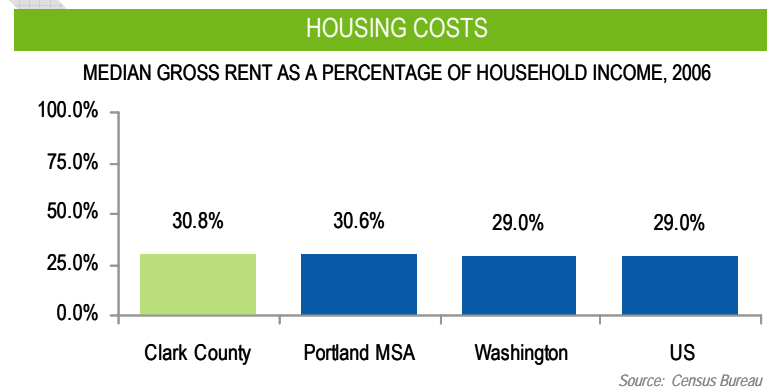


- The average SAT score for La Center's students is higher than the U.S. average but below that of the State of Washington and the City of Ridgefield.
- Unfortunately, La Center also features the smallest percentage of high school students participating in the test among all analyzed areas.



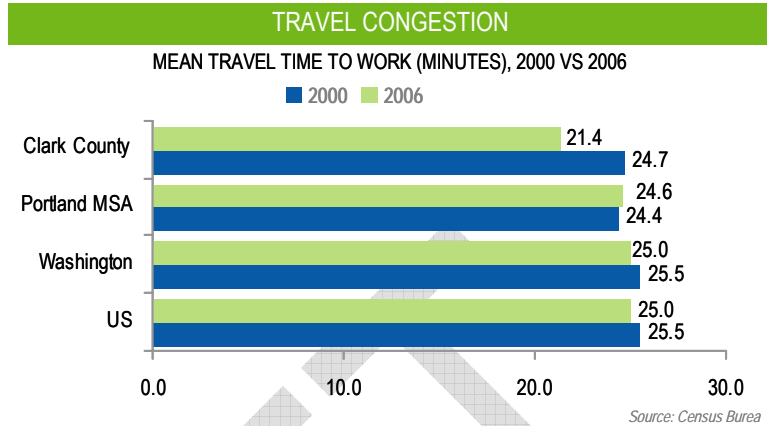
COST OF HOUSING

- As a percentage of household income, the median rent in Clark County is strikingly similar to the Portland metropolitan statistical area and only slightly higher than the state and national average.



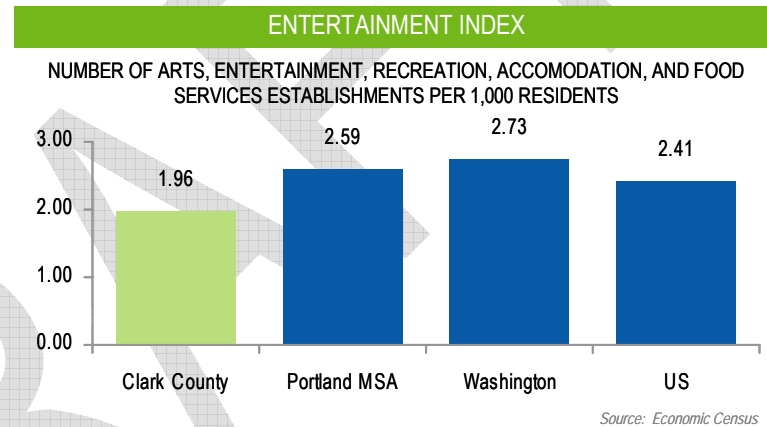
TRANSPORTATION

- Clark County is in the enviable position of having managed to reduce its mean travel time to work over the past 6 years. At 21.4 minutes, the mean travel to work for those in Clark County remains slightly below that of the Portland metropolitan area, as well as state and national averages.



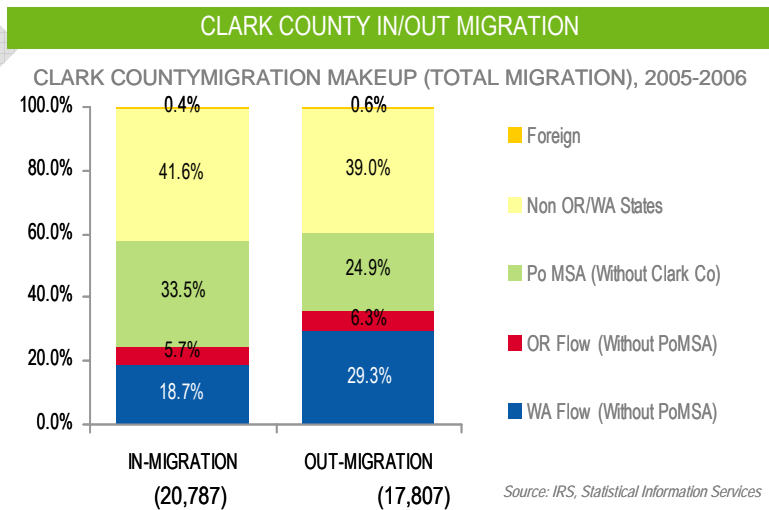
ENTERTAINMENT

- Based on an analysis of the 2002 Economic Census (the latest year in which data is available), Clark County features significantly fewer entertainment establishments on a per capita basis than all examined benchmark areas.
- Entertainment outlets include arts and entertainment establishments, restaurants, and bars.



MIGRATION

- Between 2005 and 2006, 33.5% of those who migrated into Clark County came from a county within the Portland metropolitan area. Nearly 20% came from another county in Washington and only 5.7% came from a county in Oregon outside of the Portland MSA.
- In comparison, nearly 25% of individuals who moved from Clark County migrated to a county that falls within the Portland metropolitan area, while almost 30% migrated to another county in Washington and a mere 6.3% migrated to a county in Oregon outside of the Portland MSA.



ECONOMIC PROFILE

ECONOMIC BASE

- Employment in Clark County is concentrated in three main industry super-sectors—trade, transportation & utilities, government, and education and health services. These three sectors account for nearly half of all the jobs in Clark County.

- Manufacturing, leisure and hospitality, and professional and business services are the other leading employment sectors in Clark County. These sectors employ nearly a third of individuals currently working in Clark County.

- The smallest sectors for employment in Clark County include several high-wage industries such as information and financial activities.

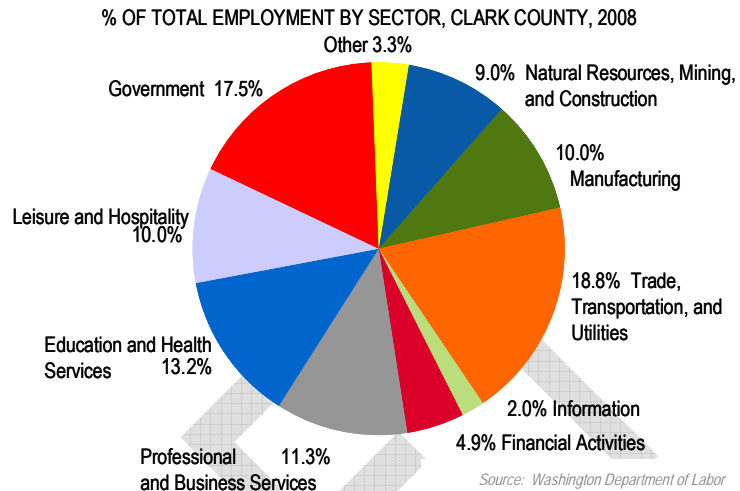
- Unsurprisingly, the three largest employers in La Center are the city's card rooms. Two of La Center's schools follow as the next largest employers. The Lewis River Telephone Company is another leading employer.

- Since 2001, business establishment growth in Clark County has reached a remarkable 14.5%, despite the negative growth for rest of the state. This growth follows closely behind the 16.4% growth experienced in the Portland metropolitan area and is just above the growth for the nation.

LABOR COSTS

- The 2007 average annual wage in Clark County is \$38,391. This is much lower

INDUSTRY EMPLOYMENT

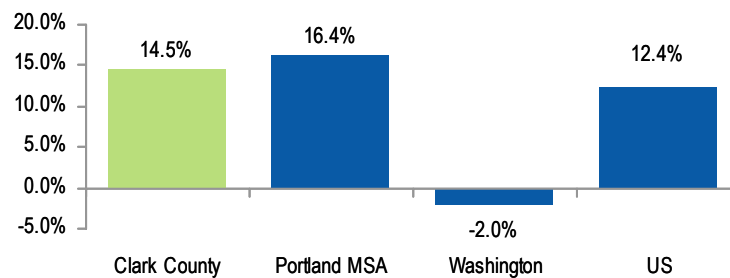


TOP LA CENTER EMPLOYERS

New Phoenix	400
Chips Casino	125
Last Frontier	125
La Center High School	50
La Center Intermediate School	50
Lewis River Telephone Company	25

Source: Dun & Bradstreet

BUSINESS ESTABLISHMENT GROWTH, 2001-2007



Source: BLS - QCEW Report

than the Portland metro average wage, which is nearly 13% higher than the Clark County average annual wage.

- Average wages in Clark County also trail state and national average wage levels by approximately 15%.
- Although actual wages have been lower than all other communities analyzed, wage growth in Clark County has closely mirrored wage growth trends for other areas, with increases approaching 20%.

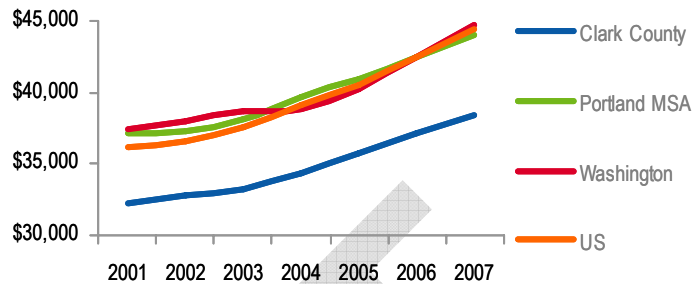
UTILITY COSTS

- While the Clark County average commercial retail price for electricity (6.7 cents/kwh) is on par with electric utility rates in the region, its average industrial price (5.1 cents/kwh) is higher than both Oregon's and Washington's average electric utility rate.
- Electricity rates in the Portland metropolitan area are relatively similar to the Clark County electricity rates. While electric rates are favorable compared to national costs, plans by Northwest Natural Gas to increase prices by 40% may lessen this competitive advantage.

TAX BURDEN

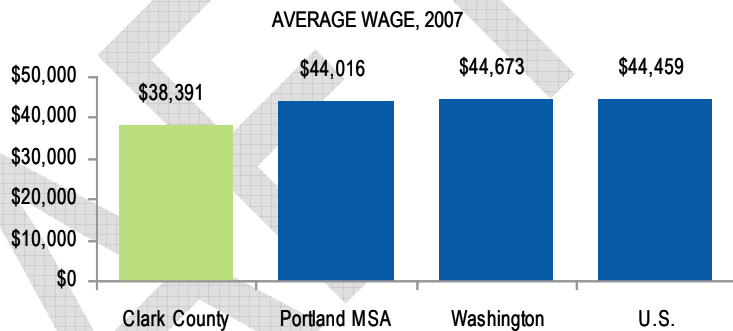
- Clark County features a competitive tax environment for businesses and residents, especially in comparison to nearby Multnomah County and Washington County. In particular, businesses in Washington pay no corporate excise tax, while Oregon businesses are required to pay 6.6% of their state income. In addition, Washington imposes no state income tax on its residents, whereas Oregon can tax up to 9% of its residents' income.

LABOR COSTS



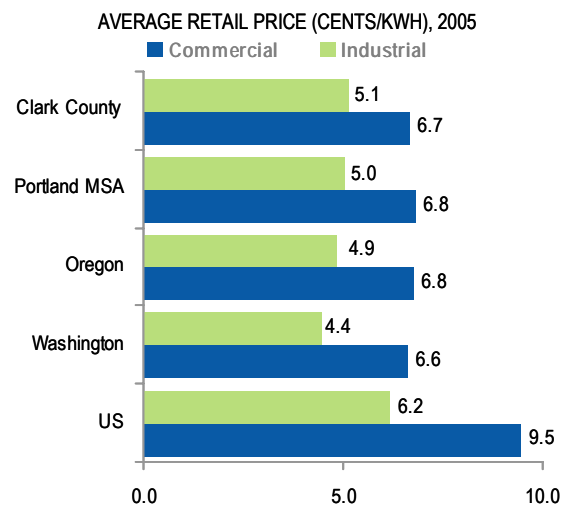
Source: BLS, Quarterly Census of Employment and Wages

LABOR COSTS



Source: BLS, Quarterly Census of Employment and Wages

ELECTRIC RATES



Source: DOE

TAX COMPARISON CHART

	WASHINGTON (Clark County)	OREGON (Multnomah County)	OREGON (Washington County)
Corporate Excise Tax (State)	None	6.6% of net Oregon income	6.6% of net Oregon income
Personal Income Tax (State)	None	Up to 9% of taxable income	Up to 9% of taxable income
State Business Tax	Manu/Wholesaling 0.484%; Retailing 0.471%; Service and other activity 1.5%.	None	None
Business License Fee (City)	\$125 + \$50 per employee (Vancouver)	2.2% of net business income; \$100 minimum (Portland)	0-4 Employees: \$50 per year, each additional employee \$8.50 per year (Beaverton)
Sales Tax (State and Local)	State 6.5%; Clark County 1.7%	None	None
Transit District Tax	(None in County) C-TRAN District Tax 0.5% Total Sales and Use Tax	.6618% flat rate payroll tax	.6618% flat rate payroll tax
Real and Personal Property Tax (Per \$1,000 of Assessed Value)	Average rate \$10.48	Average rate \$20.26	Average rate \$16.60
Unemployment Insurance Tax (Rates vary depending on job classification and employer experience)	Average rate 1.7% of the first \$34,000 of an employee's salary	.9%-5.4% of the first \$30,200 of an employee's salary	.9%-5.4% of the first \$30,200 of an employee's salary

Source: Columbia River Economic Development Council (CREDC)

- While the state of Washington does place a small tax on its businesses and Oregon does not, this pales in comparison to Oregon's 6.6% corporate excise tax.
- Due to the absence of sales tax in the state of Oregon and the existence of sales tax in the state of Washington, Clark County likely loses many retail purchases to neighboring areas across the state border.
- Another important facet of the tax scheme is the extremely low real and personal property tax that Clark County residents enjoy; Clark County residents pay an average of \$10.48 per \$1,000 of their property's assessed value while residents in Multnomah County and Washington County pay \$20.26 and \$16.00 respectively.
- A benefit for businesses in Clark County is present in the relatively low average Unemployment Insurance Tax rate. The Oregon Counties show a wide range in taxation based on job classification and employer experience. While the initial figures show a lower tax burden in this area, numbers would need further scrutiny to gain a better understanding of the Unemployment Insurance Tax in all three regions.

ENTREPRENEURIAL ACTIVITY

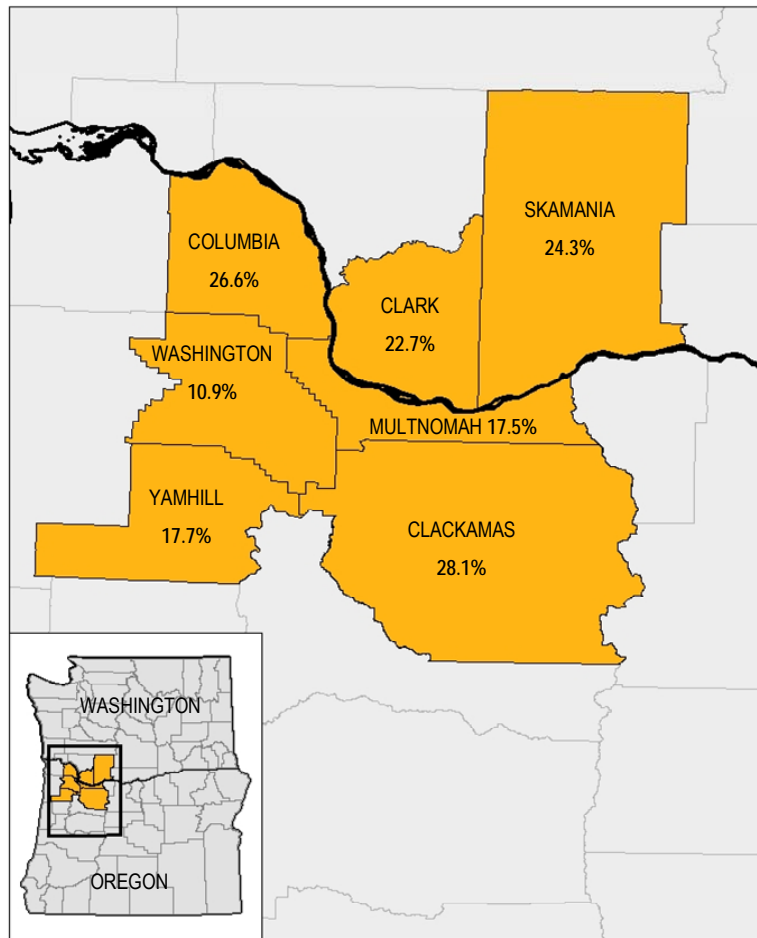
Each year, the Bureau of Economic Analysis (BEA) releases data estimates on local area employment by industry. Although similar data is released by other federal agencies, BEA data includes statistics on non-farm proprietor employment. These estimates consist of the number of sole proprietorships and the number of individuals not assumed to be limited partners. In short, BEA estimates the number of small entrepreneurs in a community.

By measuring the number of non-farm proprietors against total non-farm employment, it is possible to calculate the proportional presence of proprietors within a specific jurisdiction.

According to a county-level analysis of the Portland MSA, 22.7% of employed Clark County residents are non-farm sole proprietors. Notably, the presence of proprietors in Clark County trails behind all other Washington counties in the metropolitan area but performs better than all other Oregon counties in the metropolitan area. Additionally, the Clark County percentage of non-farm proprietors fares better than both state and national percentages.

PORTLAND MSA, PRESENCE OF PROPRIETORS BY COUNTY

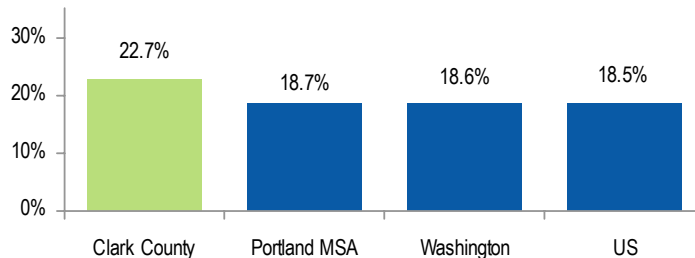
PROPORTION OF NONFARM PROPRIETORS TO TOTAL NONFARM EMPLOYMENT, 2006



Source: BEA, Table CA25N

PRESENCE OF PROPRIETORS

PROPORTION OF NON-FARM PROPRIETORS TO TOTAL NON-FARM EMPLOYMENT, 2006



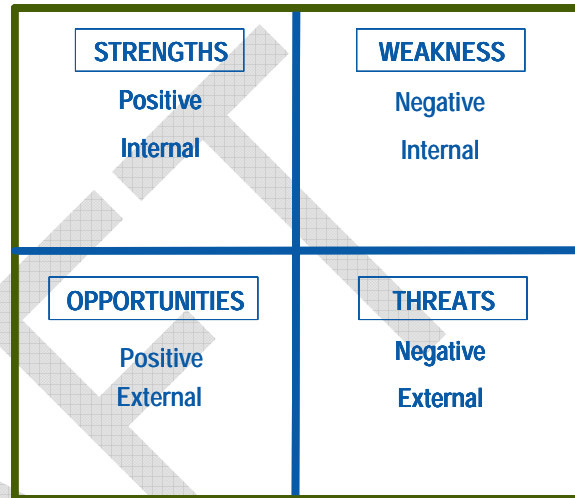
Source: BEA, Table CA25N

SWOT ANALYSIS

The process of honestly assessing the positive and negative aspects of the business and economic climate in La Center is an important component of this entire economic development planning process. It allows regional leaders to make an objective assessment of those characteristics or factors it can use to build the economy and those that it will have to acknowledge or overcome to make economic development efforts successful.

In our "SWOT" summary of La Center, we define the four aspects of "SWOT" in these terms:

- **Strengths** (Positive, Internal): Local issues or characteristics that can be built upon to advance current and future economic growth opportunities in La Center.
- **Weaknesses** (Negative, Internal): Local issues or characteristics that, if not addressed effectively, could limit current or future growth opportunities in La Center.
- **Opportunities** (Positive, External): External events or trends that offer La Center potential for economic growth and attraction of new industry.
- **Threats** (Negative, External): External events or trends that, if not addressed effectively, could threaten La Center's future and its ability to attract new industry.



The chart on the following page summarizes the strengths, weaknesses, opportunities, and threats that were identified through the La Center surveys, one-on-one interviews, focus groups, and personal observations.

<p style="text-align: center;">STRENGTHS</p> <p>Strong population growth</p> <p>Compelling quality of life</p> <p>Traffic congestion is not an issue</p> <p>Good public school system</p> <p>Rising level of educational attainment</p>	<p style="text-align: center;">WEAKNESSES</p> <p>Few entertainment options</p> <p>Absence of infrastructure serving property adjacent to I-5</p> <p>Little non-gaming development downtown</p> <p>Heavy reliance on gambling to provide sufficient tax revenues</p> <p>Lack of economic diversification in employment base</p> <p>Urban Growth Boundary restricts independent land use decisions</p>
<p style="text-align: center;">OPPORTUNITIES</p> <p>Revisions to the Urban Growth Boundary will directly connect La Center to I-5</p> <p>Located within an a economically growing region</p> <p>Developable land adjacent to I-5</p> <p>Efforts by the Cowlitz Indians to open a casino adjacent to La Center</p> <p>Downtown redevelopment plans</p>	<p style="text-align: center;">THREATS</p> <p>Efforts by the Cowlitz Indians to open a casino adjacent to La Center</p> <p>Slowing housing market</p> <p>Absence of a sales tax in nearby Oregon may depress retail sales opportunities</p>

As the chart above reveals, in spite of its strengths, there are also critical weaknesses that threaten the economic stability of La Center. The following pages outline critical issues that undermine La Center’s ability to fully prosper.

The final component of this section identifies key strategic implications for La Center as it seeks to foster an economically competitive environment predicated on a new model of development. Specifically, the focus is on quantitative and qualitative issues that will influence the location and expansion decisions of businesses and relevant site selection consultants. Important factors include the ability to attract and retain a qualified workforce, the presence of reliable infrastructure, and a favorable business climate.

It must be noted that the following analysis of strategic implications is not designed to be all-inclusive. Rather, it is a concise assessment of the issues that will have the greatest impact on future economic development efforts throughout La Center, especially the target industry selection.

This process is *not* intended to serve as a vehicle to criticize or assign blame for existing problems in the community. Rather, this conclusion to the Situational and SWOT analysis gives us a realistic interpretation of the data that can be used to develop target industries and realistic recommendations regarding the community's economic development strategy.

DRAFT

ISSUE 2: DEVELOP A BROADER MIX OF INDUSTRIES, ESPECIALLY KNOWLEDGE BASED INDUSTRIES

AngelouEconomics utilizes a cluster-based methodology to identify clusters that exist in La Center and surrounding areas. These clusters are the industry groups that support the current economic landscape. To assess the strength of a cluster in a regional economy, AngelouEconomics has calculated location quotients for each cluster within La Center and surrounding areas. These factors are calculated by comparing the cluster's share of total local employment to the cluster's national share. This location quotient typically yields a value between 0 and 3, where a result of 1 demonstrates that the cluster commands a share of the local economy equal to the cluster's share of the national economy. Cluster location factors greater than 1.5 indicate a strong cluster agglomeration, while those less than 0.5 indicate locally weak clusters.

STATIC CLUSTER ANALYSIS



The preceding analysis reveals a strong specialization in La Center in the Hotels & Entertainment industry, with a location quotient of 14.38. While there are many sub-industries within Hotels & Entertainment, in La Center this industry is almost

entirely represented by the card rooms in the area. As demonstrated by the extremely high location quotient, the Hotels & Entertainment industry is the primary driver of growth and development for the community.

- As revealed by the comparatively low location quotients for the Hotels & Entertainment industry within Clark County, the card rooms are fundamentally a destination sector, with a high volume of customers coming from outside of La Center.
- With a Location Quotient of 4.53, Energy & Natural Resources is the second most heavily represented industry in La Center. Several logging companies represent the bulk of local employment in this cluster.
- Only two other industrial clusters—Agriculture and Communication Services—enjoy strong location quotients. Strength in Communication Services is almost entirely due to the presence of the Lewis River Telephone Company.
- Ultimately, the static cluster analysis illustrates the need for more high-wage industrial clusters in La Center. While the Hotels and Entertainment cluster often benefits a community through increases in tax collections, the cluster does not typically provide high-wage employment opportunities. Similarly, the Agriculture industry, despite its contribution to a community's improved quality of life through the provision of open space, is not commonly characterized by high-wage occupations.

DYNAMIC CLUSTER ANALYSIS

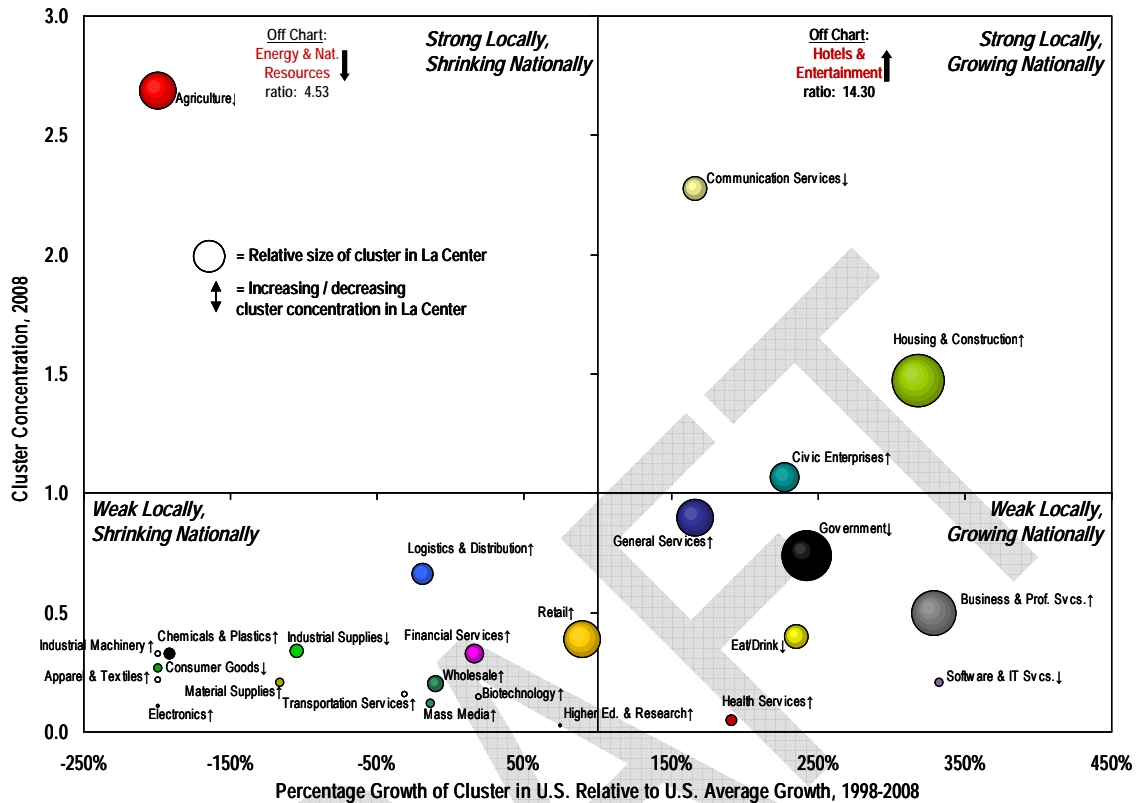
The preceding static analysis does not reflect ongoing local and national trends within each industrial cluster. As a result, it is crucial to additionally analyze cluster trends over an extended period of time, thus identifying those clusters that are gaining or losing strength locally as compared to national dynamics. Such an examination will not only identify those clusters that are locally strong but also place them in the context of larger national trends.

Graphically, successful communities typically feature large clusters in the upper right section of the following chart (see next page). Such a representation suggests that the community has succeeded in establishing strengths in those industries that are enjoying growth throughout the country. In some cases, communities with large clusters in the upper left portion of the graph may prosper by promoting niche strengths in industries that are otherwise declining nationally. However, it is important to note that a community may not be able to escape national trends forever; eventually, the local industry may falter.

Clusters in the lower right portion of the chart often represent missed opportunities. Industries graphically represented in this quadrant are experiencing growth nationwide but have not been captured locally by the community. In specific instances, such industries may prove appropriate targets for local economic development purposes.

Finally, clusters in the lower left portion of the graph represent industries that are both declining nationally and weak locally. Such industries may prove appropriate targets if regional assets and trends contrast national dynamics.

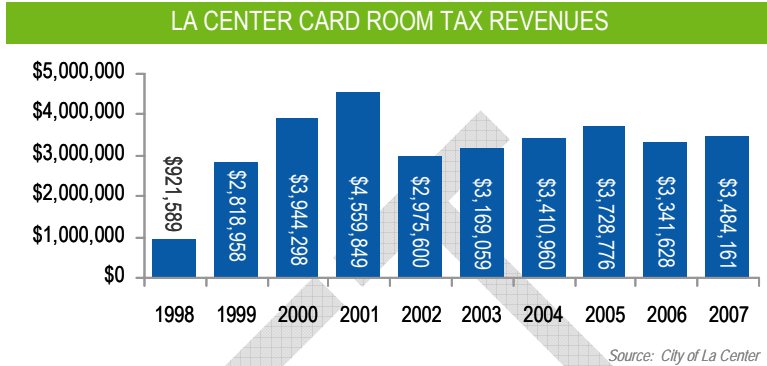
La Center Cluster Potential



- The most striking aspect of the above chart is the relative dearth of industrial clusters that are strong locally within La Center as well as experiencing growth nationwide. Over the past decade, only four industrial clusters have performed well both locally and nationally: Hotels and Entertainment, Housing & Construction, Civic Enterprises, and Communication Services.
- Locally the strongest industry, the Hotels & Entertainment cluster has also experienced growth nationally. Due to the presence of card rooms, over the past decade employment in this industry in La Center has grown dramatically. While the dynamic cluster analysis highlights the strength and size of the Hotels & Entertainment industry compared to all other industry clusters in La Center, it also demonstrates a near total dependence on this industry by the local economy.
- Outside of Hotels and Entertainment, Housing & Construction is the only robust local cluster that has also grown nationally over the preceding decade. Given the boon of residential construction in La Center, this trend is unsurprising. Existing data in this area, however, has not kept pace with the reality on the ground. Despite the growth this industry has experienced over the past ten years, construction within La Center and in most parts of the country has declined significantly in the last year. Given the dynamics of the local market and La Center's small size, Housing & Construction will likely not continue to enjoy the same level of success it has experienced over the past decade.

**ISSUE 3:
NEED TO ADDRESS THE IMBALANCE OF THE CITY'S EXISTING TAX BASE**

The presence of the four card rooms located within La Center provides the city with a rather unique fiscal structure. Annually, these card rooms generate nearly \$3 million in taxes. A portion of this sum is dedicated to the general revenue, with the remaining share going to a surplus reserved for capital improvements. Very few cities in the country rely so heavily on gambling to fund the public provision of service and infrastructure investment.



While the tax benefits of gaming have proven enormous, the potential negative consequences resulting from an overdependence on the resulting tax revenue are largely unrecognized by the community. Perhaps most importantly, the profit of the card rooms represents a significant transfer of wealth from those outside of La Center to those within the community. As a result, a significant portion of the City's tax receipts is not provided for by local residents.

As La Center residents have not been forced to pay for the level of public services that they demand, the city has been allowed to pursue a path of development unavailable to most other communities. Over the past decade, La Center has been able to develop almost exclusively as a residential enclave. In contrast, the vast majority of jurisdictions with strong residential growth are forced to promote commercial and retail development; these uses typically pay significant levels of property and retail taxes that help offset the fiscal imbalance inherent in almost all residential development.

Because tax revenues from gambling have maintained a high level of fiscal prosperity, La Center has been able to avoid making the difficult choices that are required to diversify the tax base. Recent events involving the Cowlitz Indian Tribe, however, may change the prevailing dynamics regarding gambling in the Portland metropolitan area. The prospect of the development of a casino immediately adjacent to the community may threaten previously robust gambling tax receipts.

Pursuing commercial and retail development can involve significant controversy, especially in a community as proudly bucolic as La Center. By and large, residents have moved to the community primarily due to its rural charms. Because of the desire to retain community character, many locals may be reluctant to envision alternative paths of development. Although such conversations may involve difficult discussions regarding community values versus fiscal realities, public conversations regarding the development of a sustainable strategy for the growth and diversification of La Center's tax base must begin immediately.

ISSUE 4: INCREASE THE PERCENTAGE OF COLLEGE EDUCATED ADULTS

Historically, economic development was synonymous with business recruitment and targeted tax incentives. Cities and regions would design incentive packages to entice companies to locate operations in their area. Such strategies, often derided as smokestack chasing, invariably focused on a rather narrow goal: to provide corporations with low-cost operating environments.

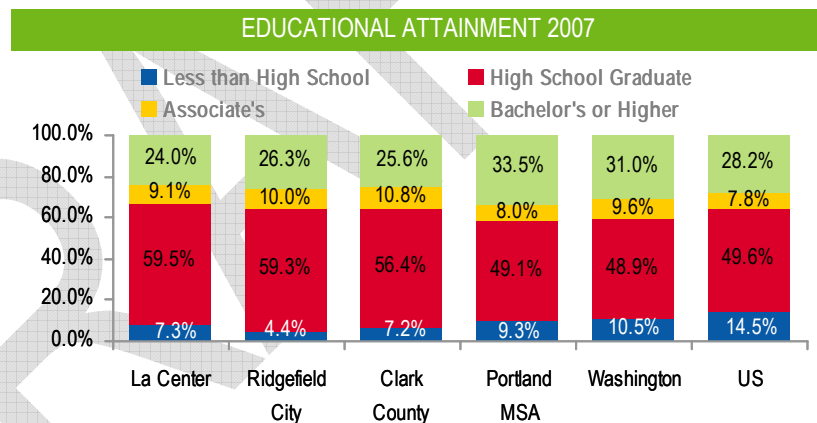
Although a community's cost environment remains important, the nature of the economy is increasingly shifting from a focus on the accessibility of capital and resources to a concentration on innovation and technology. As a result, both corporations and communities are increasingly recognizing that human capital, or talent, is the key ingredient to economically successful regions.

Fortunately, over the past twenty years La Center has witnessed an infusion of college-educated individuals to the city. In 1990, just 12.6% of La Center residents held a four-year college degree. By 2007, this ratio had nearly doubled, with 24.0% of residents now holding a four-year college degree.

While such gains are impressive, La Center still features a smaller percentage of college-educated residents than all examined benchmark areas. The differences between La Center, Ridgefield and Clark County are rather minimal, with La Center trailing both by only a couple of percentage points.

Unfortunately, La Center compares far less favorably with larger regions. Especially troubling is the significantly higher rate of educational attainment in the Portland MSA and the State of Washington. While La Center may offer a more business-friendly tax environment than Portland, companies that are considering relocating within the region may decide that La Center cannot meet their workforce needs.

If La Center is to successfully recruit high-wage industries, the community must continue to increase the percentage of residents with a four-year degree. One positive sign is the percentage of local high school students bound for college. According to the La Center High School Annual Report, over 30% of the 2007 graduating class planned to enroll at a four year-university. While the absence of a four-year university in La Center will invariably force these students to leave the community in the short term, ultimately many of these students may return to their hometown.



ISSUE 5: DEVISE A REALISTIC RETAIL STRATEGY

Although retail development is not a primary job creator, it is important to a community as a generator of sales tax revenue and enhanced quality of life for local residents. Communities with robust retail options are able to capture the retail spending of their residents, thus providing a supplementary source of tax revenues that supports critical city services.

Currently, La Center lacks adequate retail amenities to support the shopping needs of residents – a condition that exacerbates the city’s dependence on gaming revenue to support city operations. La Center’s retail trade area includes approximately 5,000 residents with income totaling nearly \$110 million. This trade area is based on Reilly’s Law of Retail Gravitation, which defines the maximum distance consumers are willing to travel to shop in La Center versus other (often larger) retail markets such as Ridgefield, Woodland, and Vancouver. The residents in the La Center trade area make annual retail purchases of \$37.5 million, yet only \$6.9 million of these purchases occur at establishments located in the City of La Center. This indicates the presence of a very substantial retail leakage in La Center; over \$30 million in annual purchases escape outside the City and thus fail to be captured by La Center businesses.

Among the most notable retail categories suffering from leakage are purchases made for new and used automobiles (\$6.1 million); general merchandise (\$4.1 million); building materials (\$3.0 million);



LA CENTER RETAIL LEAKAGE			
SECTOR	ACTUAL SALES	POTENTIAL SALES	LEAKAGE
Retail Sector	Retail Sales of La Center Establishments	Retail Purchases of Trade Area Residents	\$'s Not Captured by La Center Biz
Total Retail Sales	\$6,864,000	\$37,482,284	(\$30,618,284)
New & Used Auto Dir	\$83,000	\$6,162,131	(\$6,079,131)
RV, Boat, M'Cycle	\$7,000	\$830,443	(\$823,443)
Auto Parts & Tires	\$19,000	\$886,609	(\$867,609)
Home Furnishings	\$335,000	\$1,424,190	(\$1,089,190)
Electronics	\$195,000	\$1,733,099	(\$1,538,099)
Camera & Photo Supply	\$0	\$48,142	(\$48,142)
Building Materials	\$322,000	\$3,325,785	(\$3,003,785)
Grocery & Conv. Stores	\$0	\$1,889,560	(\$1,889,560)
Other Food & Bev	\$3,000	\$104,307	(\$101,307)
Drug/Health Stores	\$30,000	\$846,491	(\$816,491)
Service Stations	\$1,708,000	\$854,514	\$853,486
Clothing & Shoes	\$41,000	\$2,033,985	(\$1,992,985)
Jewelry & Luggage	\$79,000	\$324,956	(\$245,956)
Sporting Goods, Toys	\$22,000	\$878,585	(\$856,585)
Books/Music	\$16,000	\$345,015	(\$329,015)
Department Stores	\$0	\$1,929,678	(\$1,929,678)
General Merch Stores	\$147,000	\$4,240,477	(\$4,093,477)
E-Commerce	\$261,000	\$353,039	(\$92,039)
Misc Retailers	\$722,000	\$3,783,131	(\$3,061,131)
Restaurants & Bars	\$2,872,000	\$5,540,301	(\$2,668,301)

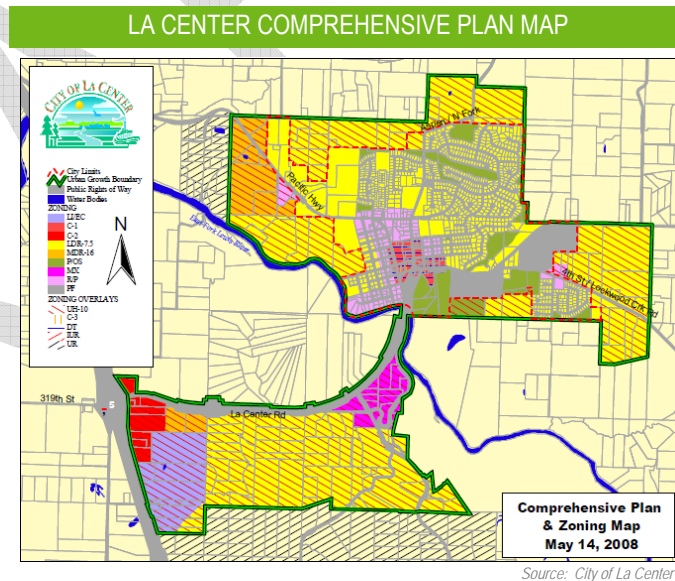
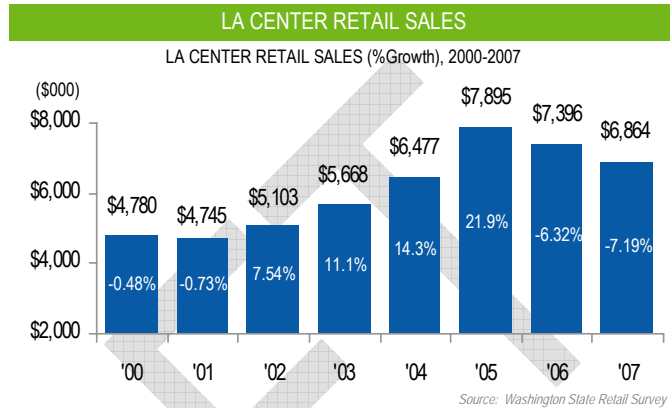
Source: Washington State Retail Survey

clothing and shoes (\$2.0 million); department stores (\$1.9 million); groceries (\$1.9 million); and electronics (\$1.5 million). Although \$2.7 million in restaurant and bar purchases occur outside the City, La Center eateries capture \$2.9 million in sales, making restaurants and bars one of the lowest leakage rate sectors in the City.

Only one retail sector in La Center exhibits a retail sales surplus: service stations (\$0.86 million). This is likely due to the City's ability to capture gas purchases of travelers and others from outside the standard retail trade area.

In recent years, the retail leakage in La Center has been growing. From 2001 to 2005, retail sales in La Center proper grew by more than 66%, a positive trend indicative of a reduced leakage. However, over the past two years retail sales have declined significantly – despite growth in Clark County and the State of Washington as a whole – signifying decreased capture and higher leakage.

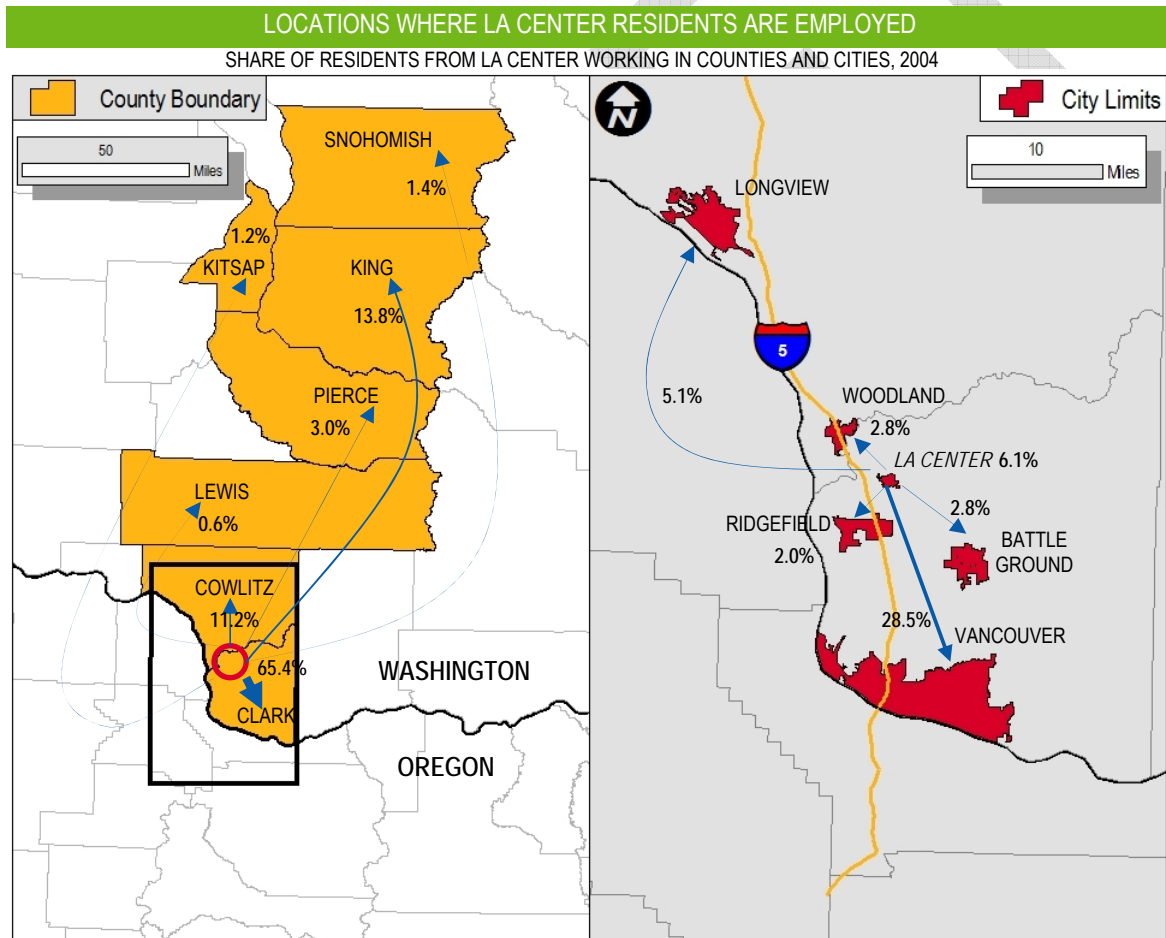
The large retail leakage present in La Center must be addressed in order to capitalize on the spending patterns of existing residents, diversify the tax base, and solidify the City's economic footing. The recent addition of developable property to La Center's urban growth boundary opens the door for significant retail development, particularly adjacent to I-5. Although proximity to Oregon and its' lack of sales tax serves as a hindrance to the capture of retail dollars north of the border, rising fuel costs and prime interstate land provide a tremendous opportunity for La Center to reduce its volume of retail leakage over time. Ultimately this issue needs to be confronted as La Center seeks to embark upon the path of sustainable economic development and the retention of a high quality of life for its residents.



ISSUE 6: RECOGNIZE AND SUPPORT THE REGIONAL NATURE OF THE ECONOMY

During various interviews and focus groups with regional stakeholders, La Center was largely perceived as uninvolved in regional planning efforts. Additionally, during meetings with local residents, La Center's fortunes were perceived as largely isolated from those of the larger region. Such sentiments, however, are not reflective of the true nature of La Center's economy.

According to 2004 U.S. Census data (the most recent year available), just 6.1% of La Center residents work in the city. The combined percentage of residents working in Woodland, Battle Ground, and Ridgefield actually exceeds the percentage of residents working in La Center proper. Additionally, 28.5% of La Center residents commute to Vancouver for employment; this is four times the number of La Center residents working within their own community. Although La Center's residents may often look at the city as an independent community, commuter patterns reveal an economy deeply intertwined with those of its neighbors.

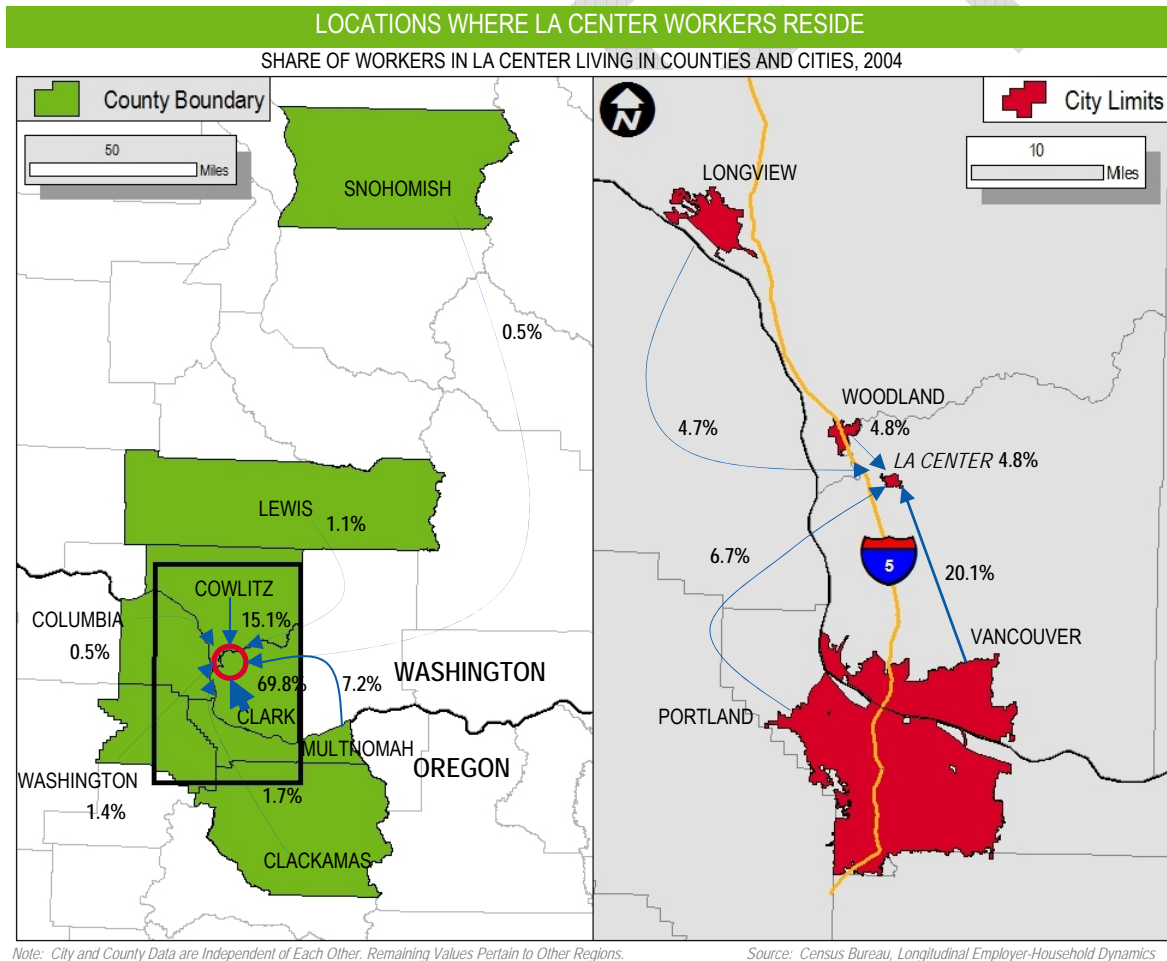


An examination of the commuter patterns among individuals who work in La Center reveals a similar level of interdependence. Less than 5% of La Center's workforce is composed of individuals who live in the city. An equivalent number of La Center's workers come from Woodland and Longview respectively.

Residents of both the Portland MSA and the City of Vancouver represent a greater share of La Center's workforce than do La Center residents. Vancouver alone provides over 20% of La Center's workforce while the Portland metropolitan area contributes an additional 6.7% to the local workforce.

If La Center is to succeed in its efforts to diversify economically, the community must partner with other organizations and communities throughout the region. Often, regional economic development organizations may have resources unavailable at the municipal level.

Partnering with other smaller communities may additionally help La Center market itself to prospective site selectors. Given the community's size, it is unlikely that La Center will be able to wholly provide the workforce required of any large employer. However, by including residents from nearby communities, La Center may be able to meet the labor demands of potential corporations.



CONCLUSION

Over the past twenty years, La Center has experienced remarkable growth. Unlike most communities that have undergone rapid population increases, La Center's small town character remains relatively unchanged. In most other places, sprawling residential and commercial development typically follows gains in population. Such development often negatively impacts a community's character. La Center's urban growth boundary has prevented the erosion of the community's quality of life. As a result, population growth has largely changed only the scale of the community; La Center, always a bedroom community, remains so today.

Often lost on residents, however, is the very nature of La Center's unique fiscal existence—card rooms and a regionally robust economy provide economic support for the low-tax, high-quality services of the City of La Center. Since their construction, the card rooms have provided significant revenues to the City of La Center, allowing the community to successfully develop through residential growth alone. Economic growth throughout the region has provided La Center residents with plentiful employment opportunities.

Recent efforts by the Cowlitz Indian Tribe to secure a reservation immediately adjacent to La Center will likely challenge the existing balance within the community. As the cornerstone of the Cowlitz plans is a full-service casino, the development will almost certainly disrupt the City's current tax structure. As the casino poses a threat to the existing card rooms and thus the community, the efforts of the Cowlitz Tribe have many opponents within La Center. By focusing almost exclusively on a strategy predicated on fighting the plans of the Cowlitz Tribe, however, the community has been unable to articulate an alternative strategy for economic development.

The intensity of efforts to challenge the establishment of a casino must be complemented by an equally forceful strategy of economic diversification. Opposition to the Cowlitz Tribe's plans has mobilized the creation of several concerned citizens groups, the execution of countless public awareness campaigns, and an impressive examination of the federal laws and policy that govern tribal gaming. Efforts to diversify La Center's economy must approach a similar level of passion, sophistication, and dedication.

Fortunately, La Center is undertaking economic development efforts from a position of strength. Unlike many rural communities, La Center is located within a growing and prosperous region. Furthermore, from a site selection prospective, La Center has become increasingly attractive over the past decade; not only is the community growing at a rapid clip, but the expansion of the urban growth boundary to include developable land with direct interstate access signals to prospective companies the potential for development at a prime location. Armed with the steadfast devotion of residents and community leaders alike, La Center remains in an enviable position.

Realizing La Center's full potential, however, requires a plan that takes into account La Center's unique assets and challenges. The Situational Analysis, by acknowledging existing weakness within the community, represents the first effort in the creation of a sustainable economic development strategy. The next step in the process, the Target Industry Analysis, will identify those industries that will ensure a more diverse economy within La Center that enriches the quality of life for all residents and secures the economic future of the community at-large.

TARGET INDUSTRY IDENTIFICATION

The development of competitive clusters is one of the key generators of regional wealth. A cluster develops when businesses in interrelated industries choose to locate in close proximity to take advantage of a region's inherent advantages. These businesses then become interdependent on each other, enhance their operating environments, and ultimately become more competitive on the global landscape. When this happens, these businesses become the experts in their field. They become more profitable, grow faster, and pay higher wages.

La Center is ideally positioned to benefit from industry cluster development to provide a sustainable base of well-paying jobs and tax revenues for years to come. The City has maintained a high quality of life for residents despite limited business activities, but now stands on a precipice; if plans to build a full-service casino just outside of La Center are carried out, critical city gambling tax revenues generated by four existing cardrooms stand to be decimated, thus negatively impacting city services and overall quality of life. In short, economic development and diversification is key for the future of La Center and its inhabitants.

While many types and variations of economic development stand before La Center as possibilities, targeting and growing specific, chosen industry clusters is key to creating a sustainable, long-term economic engine of growth and prosperity. Targeting selected industries allows a community to promote development that is consistent with, and not detrimental to, its character. This is particularly salient in La Center, where quality of life, community character, and the natural environment are key considerations that warrant compatible industry development.

One of the most important reasons for conducting target industry analysis is the presence of limited economic development resources. Faced with the reality of scarce resources, successful communities focus their economic development efforts on specific industries. Whereas "shotgun" approaches lead to scattered, inefficient recruitment efforts, honing in on a limited set of specific industries maximizes return on investment and economic development impact.

Targeting specific industry clusters does not preclude the development of other industries not included in the targeting process. As opportunities arise in other industries to create jobs and wealth in compatible industries, they can and should be taken advantage of where possible. Targeting simply limits the scope of proactive marketing and recruitment to a predefined set of industries so as to increase the probability of success and the efficient use of resources.

This section recommends four primary clusters in which La Center can specifically devote resources and energy to become a competitive location: Logistics & Distribution, Material Supplies, Electronics, and Retail. This report describes AngelouEconomics' process in selecting these targets, and concludes with a detailed profile on each industry.

PROJECT STATUS

This second section, *Target Industry Identification*, marks the conclusion of Phase III of AngelouEconomics' process. The following diagram illustrates the current project status:

REPORT FORMAT

The *Target Industry Identification* seeks to highlight the unique characteristics of La Center that affect the perception of the community, both in the eyes of corporate executives and the workforce that they seek. With the La Center community “product” well-defined, we will outline our target industry selection process, and identify specific industries that the region should pursue.

This section contains two sub-sections:

- **Target Industry Methodology and Identification:** The Target Industry report outlines AE’s selection method for identifying La Center’s target industries and culminates in the selection of four primary target industries. The identification of target industries involves an examination of quantitative and qualitative information at both the local and national level. Specifically, an industrial cluster analysis of the region was conducted to determine the dominant industries of the area
- **Target Industry Profile:** The Target Industry Profile provides data on each of the four selected target industries, with detailed information on industry growth trends, site selection requirements, and La Center’s key assets and current obstacles.

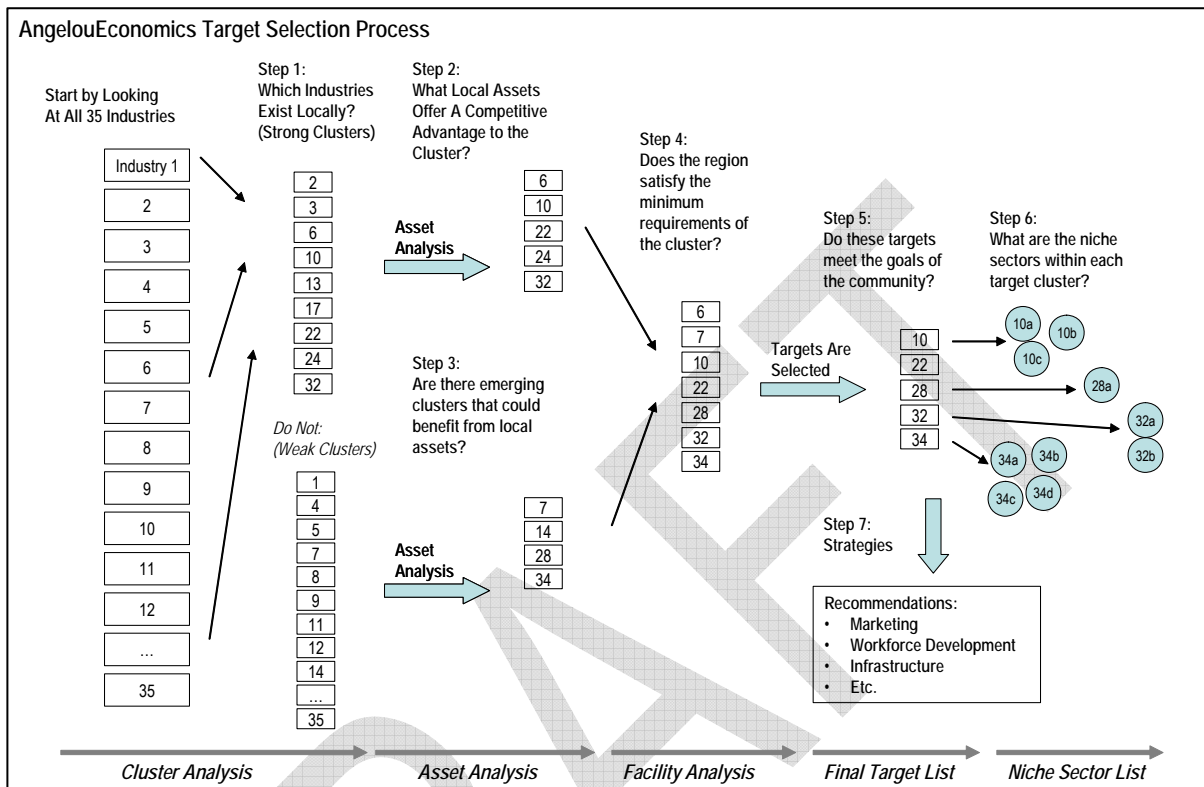
The target industry clusters we have identified are based on a comprehensive review of La Center and the surrounding region. Initially, we conducted an issues-based and demographic assessment of the community. The results of this analysis were presented in the La Center Situational Analysis and Strategic Implications Report. This analysis provided a picture of the factors influencing La Center's strengths and weaknesses as a community, as well as the key demographic issues the region faces for the future.

TARGET SELECTION PROCESS

AngelouEconomics employs a combination of quantitative and qualitative analysis in selecting the best target industries for a community. The process is guided by the following four questions:

1. **What clusters currently exist locally, and are they growing?** Immediate and obvious candidates for future growth targets are those that are experiencing growth within the community or surrounding communities. Industries that have a large presence but lack growth suggest that the region is losing its competitiveness in this industry. While the industry may be a candidate to target for a retention effort, a long-term decline calls for a close look at transitional opportunities into new industries that create jobs (e.g. textile workers transitioning into food processing).
2. **Are current or emerging local clusters within industries that are growing nationally or undergoing geographic dislocation?** For those local clusters that have potential, are they growing nationally as well? While some industries are experiencing high growth rates, most U.S. industries are modest or stagnant in their growth. However, the dislocation of industries from one part of the country to another has been a long-standing opportunity for recruitment. Many industries undergo restructuring in order to be more competitive or simply suffer a high rate of startup and failure.
3. **Are there local assets that give specific industries a competitive edge?** Communities are as unique as people. Each one has strengths that companies can leverage to create competitive advantages. These strengths can include such things as workforce skills, tax structure, infrastructure, and market proximity. Likewise, many companies have specific infrastructure and workforce minimum requirements, and understanding whether the region can meet those requirements is crucial. For example, if the region lacks water and wastewater capacity or has overly stringent environmental regulations, then the community could be ruled out for food processing and semiconductor manufacturing. Understanding the needs of target companies is essential to recruiting them.
4. **Does the industry match community goals?** The most important criterion is often whether or not the industry matches the stated economic goals of the community. Some communities may want to avoid manufacturing businesses or businesses that don't pay high enough wages. Sometimes lack of available land requires a more limited list of targets. Communities wanting to maintain a small-town appeal may target home-grown "soft" industries. Others wanting to transition into a more urban, metropolitan setting may focus more on larger office users. Industries that can survive locally will struggle to succeed without the backing of the populace and its elected officials. An aggressive marketing campaign and solid commitment by government to support a target can often overcome specific deficiencies or cost disadvantages.

In many ways, target industry selection is better described as target industry “elimination”. The following chart shows AngelouEconomics’ systematic process by which an industry is selected as a target:



BACKGROUND ON INDUSTRY LOCATION ANALYSIS

Traditionally, the growth of economies has been described in terms of a region’s “basic” or “primary” industries. These industries typically export their goods or services outside the region, thereby supporting local industries such as retail, housing construction, and personal services through its payroll and local purchases. Primary industries reflect an injection of outside money to the community and have a high economic impact; a typical primary business may create two additional jobs in the local economy for every one job at its facility.

For this reason, communities across the country compete to recruit or retain these high-impact, primary businesses. Manufacturing is a good example of a primary industry, as most customers would be found not within the community, but rather throughout the U.S. or even internationally. With the manufacturing industry in decline and the increasingly global nature of business today, many more industries are increasingly “primary” in their make-up: distribution centers may serve a multi-state region, back office operations can serve a company’s global network of employees, and custom software companies can build Internet applications that serve businesses anywhere in the world. Federal installations such as Army bases or federal research labs are clear examples of how government can be classified as a primary industry. High wage jobs are usually found at national or global companies that are enjoying growth.

While businesses are more global in nature today, rapid gains in technology, telecommunications, and markets continue to alter the location requirements of many companies. Often the speed of business drives corporate location decisions. The competition for top talent is now viewed to be the most important component of a

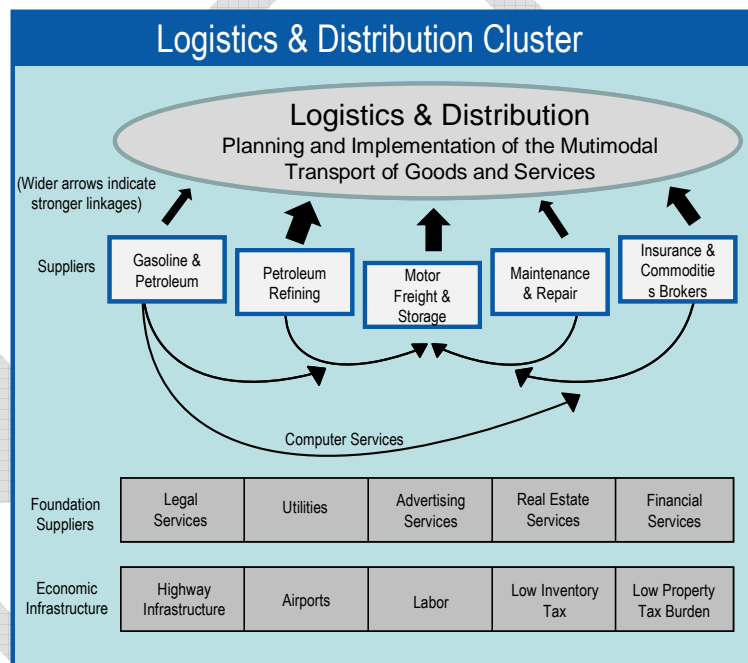
successful company. Today's business environment requires that businesses continue to upgrade their technological capabilities while expanding the skills of the available workforce. Innovation and change is now a basic requirement for success.

"Site selection" is a broad term that describes a company's process of selecting a city for a new office or the relocation of existing divisions. This process involves executives from several divisions within the company (such as Executive, Human Resources, Facilities Planning, and sometimes Marketing) and often involves a consultant or real estate broker. Site selection is not a scientific process, but does involve a system of measurements and calculations.

We proceed through each of the "steps" outlined by the AngelouEconomics flowchart above, in order to arrive at a current, prioritized list of target industries for the region.

STEP 1: OVERVIEW OF LA CENTER CLUSTERS

Clusters are highly integrated groups of businesses with strong vertical and horizontal linkages. "Vertical" linkages include the suppliers and customers in a region that combine to create a competitive business model. The tight relationship between auto manufacturers and their suppliers is a good example of this vertical relationship. "Horizontal" linkages include the relationships that competing companies have and the public sector institutions that support them. Workforce is the primary asset that passes through these horizontal linkages as competing firms often hire away each other's workers (and learn from them) and also hire out of the same training programs or universities. A sample of how such a cluster is organized can be seen in the diagram to the right.



Historically, clusters gathered in specific regions of the U.S. due to natural advantages (e.g., natural resources and climate), cost factors (e.g., distance to market, labor costs), and existing transportation infrastructure. Today, companies are increasingly drawn to regions that can supply the unique workforce that they need. Universities and public sector institutions such as education and training facilities are now major drivers of regional economies. Clusters often mature when businesses expand their relationships with existing supplier firms in a region. As the clusters grow, additional supplier firms are attracted to the region, eventually creating a well-diversified "critical mass" of production, labor, and information.

AngelouEconomics has created 35 cluster definitions that achieve a much higher level of detail than the standard classification of the 10 major industries (manufacturing, services, etc.). This methodology categorizes businesses according to their final product and how these products are related to each other and integrated along the vertical

supply chain. The results are a more accurate and detailed examination of industries than the broad method used currently by the Census. The new NAICS system is an improvement on how businesses are classified, but clusters will still be found across various NAICS codes and major industries.

To assess the strength of a cluster in a regional economy, AngelouEconomics has calculated location factors (or quotients) for each cluster. These factors are calculated by comparing the cluster's share of total local employment to the cluster's national share. This location quotient will yield a value generally between zero and two, where a result of "1" demonstrates that the cluster commands an average (expected) share of the local economy. Cluster location factors greater than two indicate a strong cluster agglomeration, while those less than .5 indicate weak clusters.

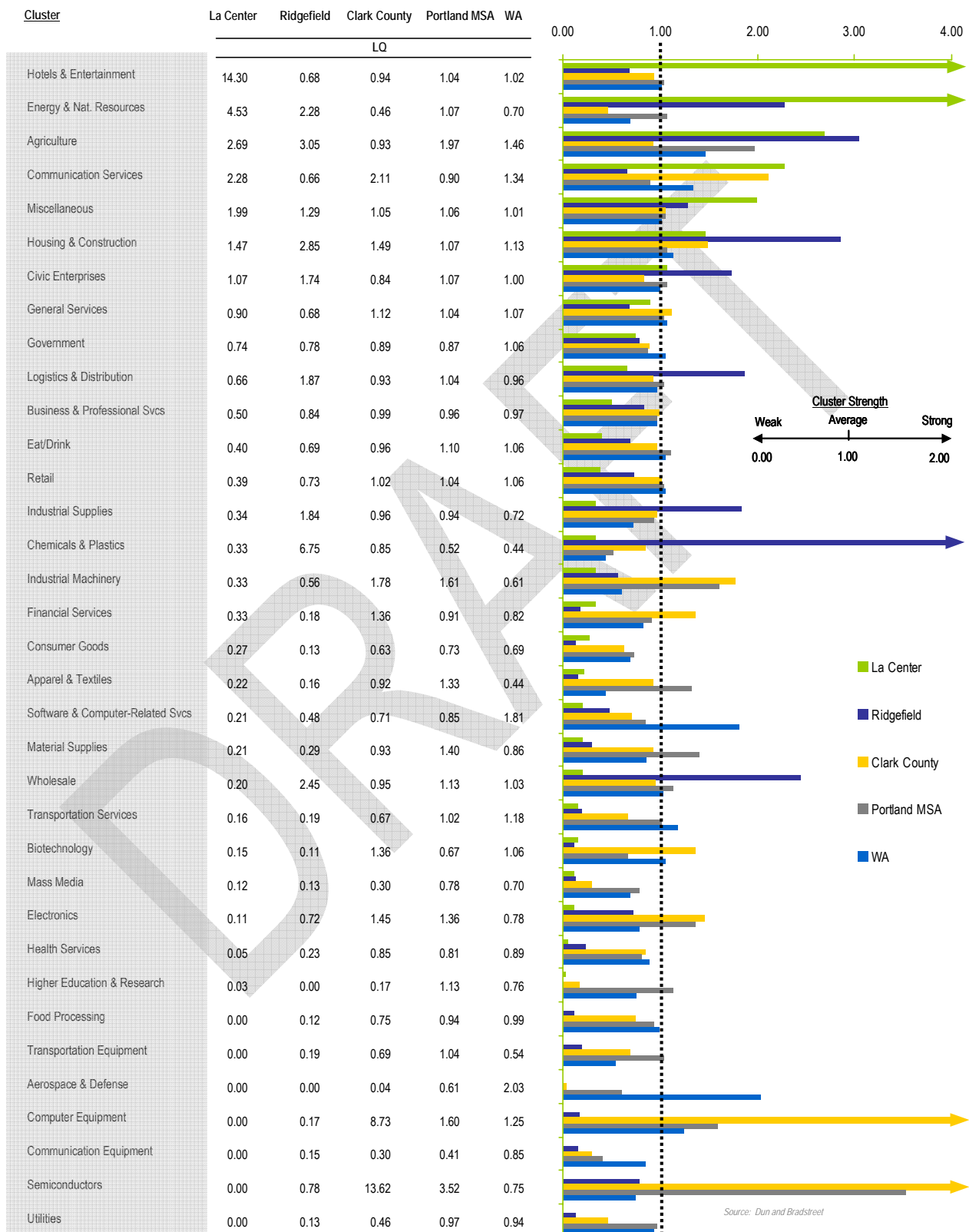
The table below shows the cluster location factors for La Center compared against those of Ridgefield, Clark County, the Portland MSA, and the entire state of Washington. In the following section we analyze the clusters present in La Center as well as each of these respective geographies.

DRAFT

TOP LA CENTER INDUSTRY CLUSTERS, 2008

LA CENTER V. GREATER REGION

Cluster Location Factor



REGIONAL CLUSTER BREAKDOWN

La Center Clusters

- ✓ **Hotels & Entertainment:** Unsurprisingly, Hotels & Entertainment is the most concentrated industry in La Center, with fourteen times the employment concentration of the U.S. average. In total, 11 business establishments with 664 employees comprise this important cluster, which serves as a pillar for the community's tax base.
 - ✓ **Energy & Natural Resources:** With a cluster coefficient of 4.53, Energy & Natural Resources employment in La Center is more than four times as concentrated as the U.S. as a whole. However, the industry in La Center is comprised of only two establishments totaling 30 employees, insufficient to classify it as a legitimate cluster despite its high ratio.
 - ✓ **Agriculture:** La Center is home to a number of small farms and agriculturally related businesses, resulting in a cluster concentration of 2.69. Given La Center's small size and still predominantly rural character, a strong agricultural cluster is to be expected.
 - ✓ **Communication Services:** While a cluster coefficient of 2.28 gives the appearance of a strong cluster, La Center's Communication Services industry – which includes two businesses and 27 employees – is not adequately large and integrated to constitute a true cluster.
-

Ridgefield Clusters

- ✓ **Chemicals & Plastics:** The City of Ridgefield has a disproportionately large number of employees working in the Chemicals & Plastics industry, forming a viable cluster that is nearly 7 times stronger than the U.S. average. Most of the industry's 254 employees are based with a few large manufacturers.
 - ✓ **Logistics & Distribution:** Despite its small size, Ridgefield has some 34 businesses engaged in trucking and other aspects of logistics and distribution, making it a legitimately concentrated industry.
-

Clark County Clusters

- ✓ **Semiconductors:** While semiconductors is a relatively small industry that makes up only 0.13% of total U.S. employment, the industry's 2,133 employees in Clark County comprise nearly a full 2% of the County economy. With a cluster ratio of 13.62, semiconductors is the second most highly clustered industry in the entire region (behind Hotels & Entertainment in La Center).
 - ✓ **Computer Equipment:** Clark County demonstrates a strong cluster of computer equipment companies, including primarily manufacturers of computer peripherals.
 - ✓ **Electronics:** Electronics is the third high-tech manufacturing cluster in Clark County, with more than 1,000 employees distributed across 72 companies. Over half of employment comes from makers of audio and video equipment.
-

Portland MSA Clusters

- ✓ **Semiconductors:** Similar to Clark County, Semiconductors represents a robust cluster in the wider Portland metropolitan economy. Semiconductors in the Portland MSA is a \$1.4 billion industry, with over 5,500 employees and a cluster location coefficient of 3.52.

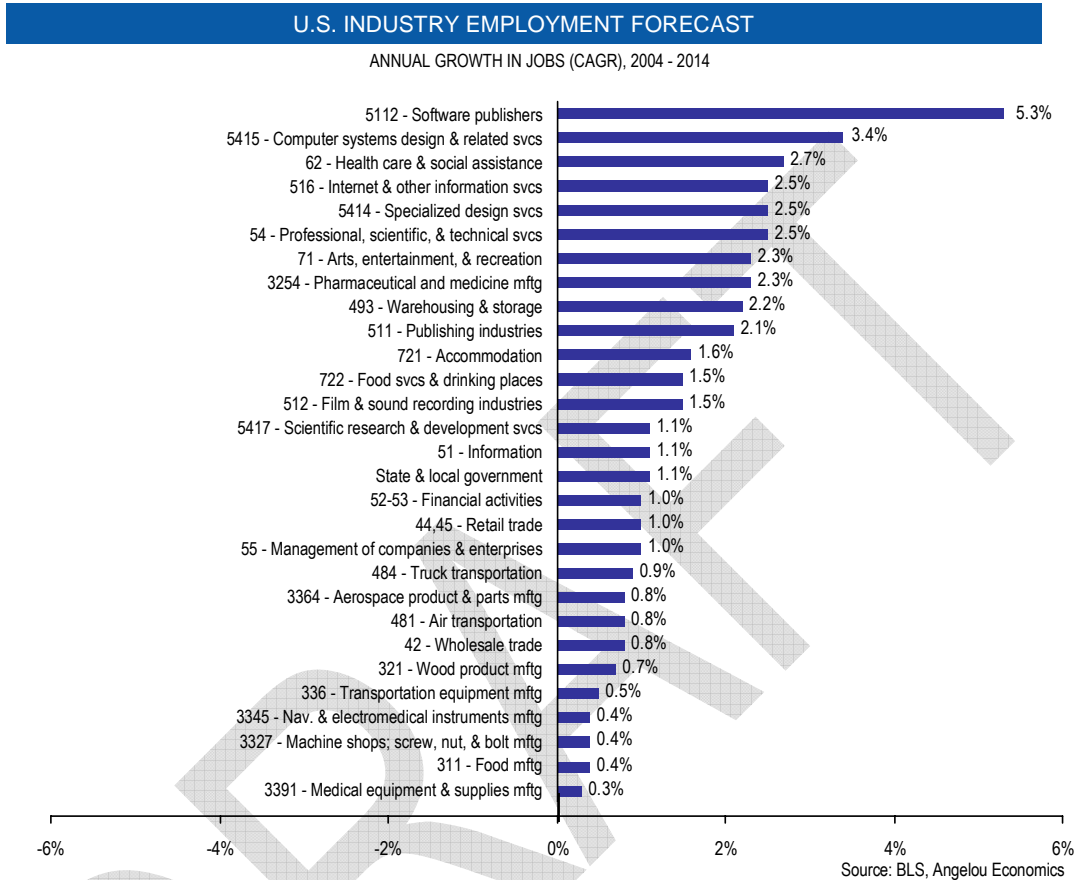
-
- ✓ **Computer Equipment:** The Portland MSA has a cluster of computer businesses predominantly in computer and computer peripherals manufacturing. The cluster includes 3,900 employees across 85 businesses.
 - ✓ **Electronics:** Electronics is yet another cluster found both in Clark County as well as the overlapping Portland MSA. The cluster has over 10,000 employees across 435 businesses, and is heavily comprised by manufacturers of audio and video equipment, circuit boards, electronic components, and measuring instruments.
-

Washington Clusters

- ✓ **Aerospace & Defense:** Known for its aerospace prowess, the State of Washington boasts a truly diverse, integrated cluster that includes over 20,000 employees. Over half of the industry is constituted by aircraft manufacturing, with another 35% dedicated to parts and equipment, and 10% represented by search and navigation instruments.
 - ✓ **Software & Computer Related Services:** Washington is loaded with software and programming firms, and the result is a robust cluster of more than 72,000 high-paying jobs. These firms tend to concentrate in larger cities and urban areas of the state where they have access to pools of talented workers.
-

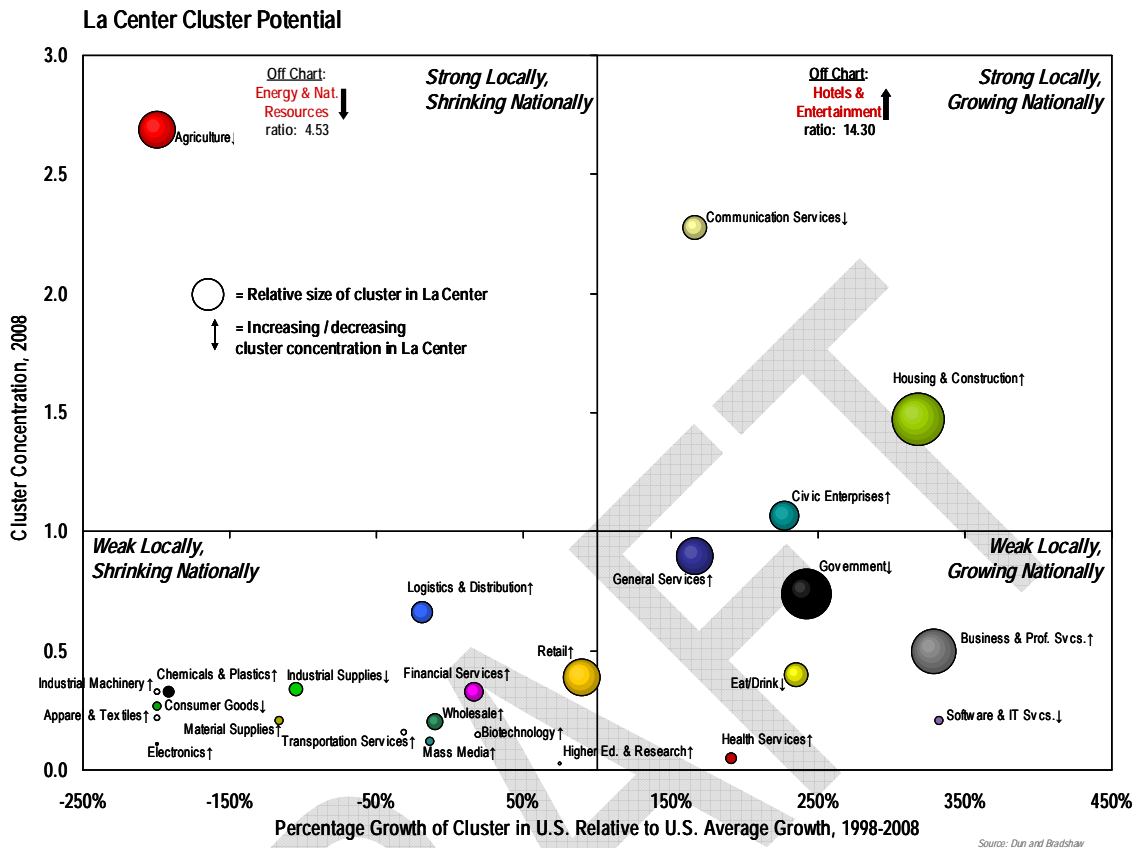
STEP 2: NATIONAL & REGIONAL CLUSTER GROWTH

In general, communities should target industries that are growing, although other targets may be considered. The following chart shows the anticipated growth trends for specific industries and clusters:



Technology sectors such as those relating to the use of computers and networks promise a high level of growth through 2014. Productivity improvements continue to be felt in traditional companies that adopt new computer technologies. The highest rates of growth will be found in design and service sectors such as Computer Systems Design (3.4% per year), and Internet Services and Data Processing (2.5%).

Health Care will be a high growth industry as the aging U.S. population becomes the dominant demographic story over the next 20 years. By 2010, nearly 15% of the population will be seniors 65+, a period in one's life where nearly half of health care expenditures occur. The senior population will be growing four times faster than the overall U.S. population by 2015. With this massive demographic shift occurring, an estimated 4.3 million additional jobs will be created in the health care industry by 2014, with residential and elderly care receiving the highest rates of growth. Medical Instruments and Scientific R&D will experience modest growth.



Finally, clusters in the lower left portion of the graph represent industries that are both declining nationally and weak locally. Such industries may prove appropriate targets if regional assets and trends contrast national dynamics.

The chart below above points to the following trends occurring in La Center:

- The most striking aspect of the above chart is the relative dearth of industry clusters that are strong locally within La Center as well as experiencing growth nationwide. Over the past decade, only four industry clusters have performed well both locally and nationally: Hotels and Entertainment, Housing & Construction, Civic Enterprises, and Communication Services.
- Despite the relative absence of concentrated local clusters, a number of industries have experienced growth locally over the past decade, including Material Supplies, Financial Services, Logistics & Distribution, Chemicals & Plastics, Industrial Machinery, and Electronics.
- Locally the strongest industry, the Hotels & Entertainment cluster has also experienced growth nationally. Due to the presence of card rooms, over the past decade employment in this industry in La Center has grown dramatically. While the analysis highlights the strength and size of the Hotels & Entertainment industry compared to all other industry clusters in La Center, it also demonstrates a near total dependence on this industry by the local economy.

-
- Outside of Hotels and Entertainment, Housing & Construction is the only robust local cluster that has also grown nationally over the preceding decade. Given the boon of residential construction in La Center, this trend is unsurprising. Existing data in this area, however, has not kept pace with the reality on the ground. Despite the growth this industry has experienced over the past ten years, construction within La Center and in most parts of the country has declined significantly in the last year. Given the dynamics of the local market and La Center's small size, Housing & Construction will likely not continue to enjoy the same level of success it has experienced over the past decade.

STEP 3: COMPETITIVE ASSET INVENTORY

La Center's existing assets and limitations will ultimately prove a key determinant in the identification of appropriate target industries. The evaluation of the region's core assets for industry recruitment and expansion consists of grouping the community's characteristics into two categories: competitive assets and barriers.

Competitive Assets

- **Labor Costs** – La Center's labor costs are highly competitive, with average County wages 13% lower than wages in the Portland metro, the State of Washington, and the U.S. as a whole. For manufacturing, transportation, and other labor-intensive, cost-sensitive industries, this can offer a key advantage.
- **Location** – Located just north of one of the top 25 largest metropolitan areas in the nation, La Center is extremely well positioned geographically to benefit from regional economic growth. As the Portland MSA expands northward, La Center becomes increasingly attractive to business owners seeking to invest capital. Proximity to I-5 in conjunction with the recent expansion of the urban growth boundary to include interstate frontage, offer critical transportation and locational appeal to potential new La Center businesses. La Center also lies just 150 miles south of Seattle, putting it in between two of the most dynamic consumer and producer regions in the country.
- **Cost Competitive Sites** – The dynamics of real estate economics are such that land becomes more affordable as it is further removed from the center of regions. The cheapest land lies at the metropolitan fringes, where agricultural uses predominate. Due to its location, land in La Center is inherently more affordable than land in Portland and Vancouver, thus providing a key competitive advantage to potential firms.

Barriers

- **Educational Attainment** – La Center does not boast a highly educated workforce. Only 12.6% of the City's residents possess a bachelor's degree or higher – less than half the rate of the national average. La Center also possesses a surprisingly high number (23.1%) of residents with less than a high school education. These factors are a significant obstacle – particularly in the attraction of higher value-added technology industries that pay high wages and require high levels of education.
- **Shovel-ready Sites**: While the recent expansion of the urban growth boundary has opened up new land for potential commercial and industrial development, without adequate utility infrastructure servicing these new sites, soliciting development will be extremely difficult. Specifically, new land adjacent to I-5 currently lacks sewer service, and costs to extend service from La Center are prohibitive for private

entities. In order to grow its economic base, La Center must first facilitate the extension of sewer infrastructure so as to prepare the ground for development.

Constrained Land Supply – Though the expansion of the urban growth boundary represents a significant boon, La Center is nevertheless limited in the number of sites it can offer for economic development. This circumstance limits the City’s industry cluster potential, and increases the pressure of allocating scarce land to the appropriate mix of industries. The constrained land supply also has the effect of raising land prices to artificial levels.

STEP 4: DO THESE TARGETS MEET THE GOALS OF THE COMMUNITY?

Public opinion and community input is as crucial to the industry cluster selection process as is data and asset analysis. The growth of industry clusters requires a community effort. Local government officials, economic developers, business leaders, and the public must be united in their vision and enthusiastic in their support to grow regional representation in industry clusters that are widely viewed as desirable. Widespread public support is particularly critical when a region lacks a strong local concentration in a targeted cluster; successfully growing the desired industry will require an especially focused effort.

During the course of our project, AngelouEconomics talked to many public and private sector leaders and community residents. AE also conducted an online survey that, among other things, asked residents to identify general characteristics that they would like to see among targeted industries. Through this public input process, we received a great deal of information regarding the types of businesses that the residents of La Center desire for the future of their community. The following overarching community goals were the most prominent:

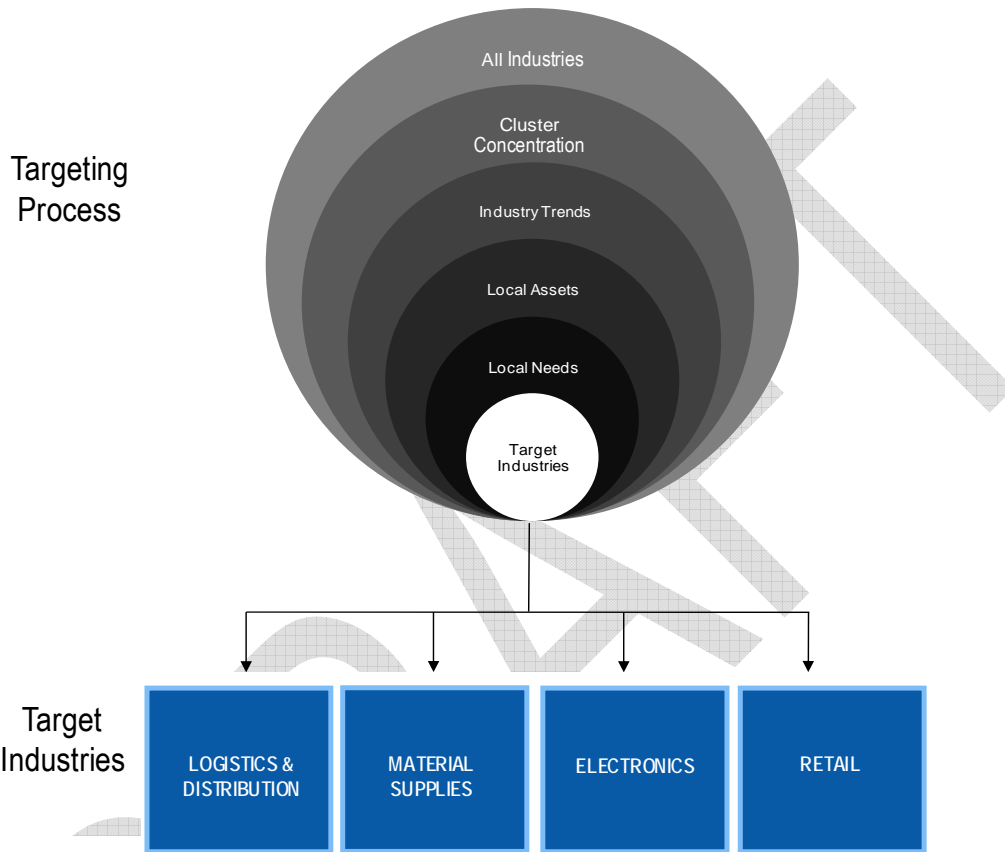
- The most frequently cited economic development goal of residents is the opening of new companies in La Center
- Residents desire clean and green industries, and would like to see new companies involved in alternative energy
- Residents are affected by a dearth of proximate retail establishments, and desire an increased retail presence in La Center
 - Residents are particularly interested in groceries, restaurants, and building supply (hardware) stores
- Residents believe La Center would benefit from the presence of more small businesses and entrepreneurs

The economic development desires of the community are consistent with the economic situation currently facing the City. Residents recognize the need for a greater business presence in La Center represented by new companies entering the community to start operations. They recognize in particular a significant retail leakage that leads to lost potential for substantial sales tax revenues. They also appreciate the unique character of La Center and feel an acute need to maintain that character through environmental and economic responsibility.

Combining the views and goals of the community with the foregoing analysis of La Center clusters, growth trends, and competitive assets, we arrive at the final list of target industry clusters.

RECOMMENDED TARGET INDUSTRIES

The following diagram depicts the selection process and the resulting list of target industries for La Center.



After considering all industries and filtering them based on AE's four part methodology, 4 industries were identified. Through focused, targeted effort, La Center can leverage existing assets to recruit specialized segments within each industry.

The following Target Industry Profiles include a survey of the economic realities facing each industry. Each analysis also includes an examination of La Center's current ability to recruit businesses in each industry.

INDUSTRY DEFINITION

Logistics is the process of planning, implementing, and controlling the efficient flow of goods and services through the supply chain from producer to consumer. Distribution includes all freight carriers (air, water, trucking, and intermodal) and warehousing. Historically, most manufacturing firms took responsibility for the warehousing and coordination of their flow materials. Now these services are often outsourced to develop advanced just-in-time delivery systems. The integration of international trade, logistics, and distribution into one continuous and extensive supply chain driven by global free trade has put this industry at the forefront of economic growth.

As virtually every product sold in America moves through trade, logistics, and distribution channels, the industry is responsible for transporting a third of the nation's GDP. The movement of these goods, a \$300 billion industry, is increasingly coordinated by high-tech means such as global positioning satellites, real-time internet tracking, and just-in-time inventory systems.

The maturation of the industry has produced two distinct and complementary fields. Distribution will continue to be serviced by "low-tech" suppliers, including trucks, airplanes, and ships. Logistical coordination, on the other hand, is a high value-added service that will drive industry growth in coming years. Technical workers dominate employment in this field. It is composed of advanced just-in-time distribution and logistics networks, goods movement coordination, and the electronic devices involved, often called "track and trace." Federal Express pioneered the service side of distribution, and more established companies have been racing to catch up including the United States Postal Service and various international shipping lines.

LOGISTICS & DISTRIBUTION

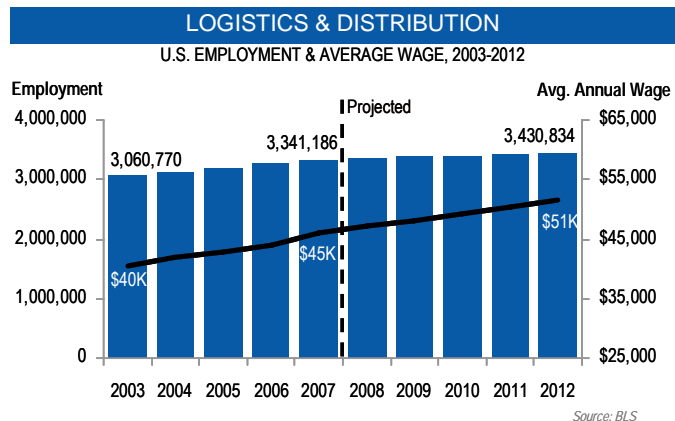
Industry Definition
Logistics is the process of planning, implementing, and controlling the efficient flow of goods and services through the supply chain from producer to consumer. Distribution includes all freight carriers and warehousing.

NAICS Description

- 481 Air Transportation
- 482 Rail Transportation
- 483 Water Transportation
- 4841 General Freight Trucking
- 4881 Support Activities for Air Transportation
- 4882 Support Activities for Rail Transportation
- 4883 Support Activities for Water Transportation
- 4885 Freight Transportation Arrangement
- 4889 Other Support Activities for Transportation
- 4921 Couriers and Express Delivery Services
- 493 Warehousing and Storage

NATIONAL GROWTH TRENDS

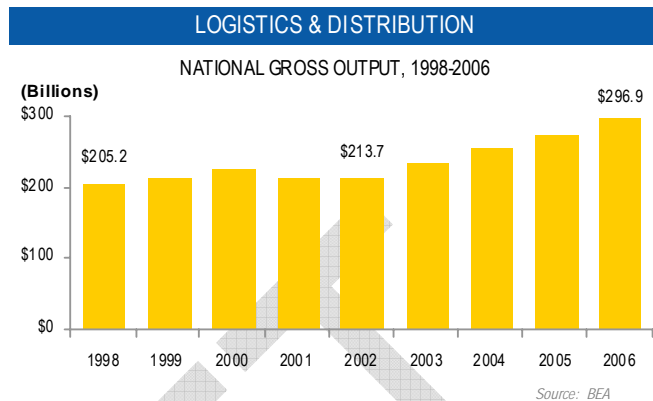
The national economic slowdown in 2001 resulted in fewer goods being shipped throughout the country and produced a sharp decline in demand for distribution services. Although industry revenues and profits fell considerably during this period, growth returned in 2003 and has continued ever since. Since 2003, industry gross output, which measures the total value of goods and services, has increased by 28% to \$297 billion¹. In addition, while national distribution and logistics employment declined by 150,000 from 2000 to 2003, 2004 through 2007 saw an aggressive period of growth in which over



¹ National output data is not available for all specific identified Logistics & Distribution NAICS codes

230,000 jobs were added. As U.S. retailers continue to increase imports from China and other global manufacturing and commodity centers, the distribution and logistics industry is expected to grow.

Despite the industry's recent recovery, logistics and distribution faces potential long-term hurdles. With the dramatic rise in international trade and changes in technology, long-term trends within the industry are shifting as a result of five macroeconomic trends. These trends are shifting mode shares of cargo transportation on trans-national and international routes, and are rewriting the rules of just-in-time manufacturing. The five most important national trends in the logistics and distribution industry include:



- **SkYROCKETING fuel costs are shifting shares of the market between modes** – The dramatic increase of fuel costs, combined with the anticipation of new regulation of carbon emissions in the transportation sector, is driving a shift between modes. Fuel costs have replaced labor and capital expenses as the number one operating expense for freight carriers, contributing up to 50% of operating expenses depending on mode.
- **The role of the weak dollar in increasing U.S. exports** – As the dollar has dropped against the currencies of the major American trading partners, U.S. exports have grown while imports have declined. Because of this shift in trade, the U.S. is importing fewer goods from Asia, while exporting more goods to both Asia and the EU. Logistics and distribution companies are responding accordingly, acting to alleviate container shortages in U.S. export ports, and re-allocating shipping line capacity from the westbound Pacific crossing to serve intra-Asian lines or Asia to EU services.
- **Continued addition of new air rights opens new markets for air transportation** – Historically, the growth of air cargo transportation has invariably come up against flight restrictions. With the signing of the Open Skies agreement between the U.S. and the EU, which greatly increases international access opportunities for airlines in each region, cargo markets formerly closed by regulation are now open for competition.
- **Increased security and Customs regulations** – Cargo airlines in particular are facing significantly increased compliance costs and will need to invest capital into upgrading security networks in the face of new requirements that all air cargo be screened prior to shipment.
- **Need for significant transportation infrastructure investment** – Infrastructure required to meet the needs of containerized shipping will require significant investments in public and private airport facilities, rail capacity, highway improvements, and multi-modal transportation yards to keep pace with the increasing volumes of trade. In addition, traditional domestic high-volume users of logistics and distribution, including manufacturing firms, are declining in importance relative to the U.S. economy. As the U.S. becomes more service-oriented, these structural trends are expected to continue. Sustaining a successful local distribution sector will be highly dependent on the overall health of local manufacturing, the accessibility to nearby markets as a destination for in-bound goods from developing countries, and

the vibrancy of local ports and airports.

LOCATION DECISION CRITERIA

The logistics and distribution industry depends largely on the transportation infrastructure of any particular location. Containerized port facilities, intermodal transfer yards, excellent highway, rail, and airport access, along with cheap access to industrial land, access to large regional and national markets, and a lack of inventory taxes are essential to logistics and distribution firms. The top five decision criteria for this industry include:

- **Access to multi-modal transportation:** Access to rail, interstates, ports, and airports is essential
- **Market access:** Must be within a relatively short distance of a large market
- **Low inventory taxes:** Must not tax inventory heavily
- **Available sites:** Must provide available greenfield sites with transportation access
- **Low utility costs:** Must provide low electricity and natural gas prices

Structural Assets

Transportation infrastructure is extremely important to logistics and distribution firms. Companies require well-maintained, un-congested roads, and proximate port and rail access. Dedicated airport freight facilities further support this industry, with international air freight continuing to experience dramatic growth. Overnight carrier hub proximity is viewed favorably. Affordable land for large distribution centers is another key criterion for distribution center locations, which have increasingly located in more rural areas to avoid high costs for land and building construction. As industries increasingly shift to just-in-time manufacturing, more distribution operations and international trade and logistics companies will be required within close proximity to service regional manufacturing operations and large metropolitan markets.

Logistics and distribution firms continually seek out locations close to their end customers, avoiding airports where unions are prevalent, and continuing to seek out easy access to large regional and national markets. Regional economic growth is important as well. Logistics and distribution companies' revenue comes largely from area firms and regional consumer needs, with the exception of large national distribution centers focused on major airports. International trade companies must be able to serve a large, growing market. In either case, companies desire a growing regional economy that expands their potential client base. Large companies typically locate near mid-size to large metros with a strong international trade and an airport with U.S. Customs freight facilities.

Costs of Doing Business

Advanced logistics and distribution companies invest primarily in warehouses, trucks, equipment, and IT infrastructure. Inventory taxes are avoided at all costs, and many distributors look for special incentives such as reduced taxes on fuels. These large operations require massive land tracts at low prices and generally make minimal building improvements. Recent expansions have received tax abatements, tax credits, infrastructure improvements, and industrial revenue bonds.

Economic Conditions

Distributors work in a competitive industry and are very concerned about operating costs. Areas with low taxes, competitive wages, affordable utilities, and available land are ideal.

Workforce

Distribution firms need a blue-collar workforce and manufacturing workers have proven to be excellent fits for the industry. Relatively few employees in this industry require a bachelor's degree, with the laborers and material movers comprising the largest share at 19.4%. Recruitment for this industry should prove to be relatively easy as the highest growth occupations are labor-intensive.

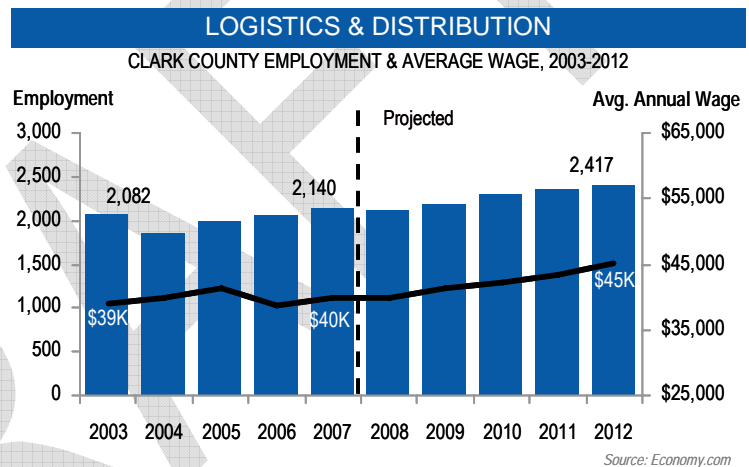
Occupations in advanced logistics use varied skill sets. Entry-level positions are available as laborers and materials handlers. Truck drivers are also vital to the industry. For logistics management firms, IT professionals are needed to support supply chain companies as well. The industry has high turnover so areas need to have a sizable available workforce. Many distribution facilities employ college students part-time, making a young population a key concern.

LA CENTER REGIONAL ASSESSMENT

GROWTH TRENDS

As with other regions, most of the employment in this cluster is found in trucking and transportation; however, Portland has a high tech logistics component that La Center can seek to leverage. Concentrations of trucking, warehousing, and freight transportation are currently found in Clark County with specific ties to food and merchandise distribution centers.

County employment in logistics and distribution has experienced an overall positive trend since 2004, with employment levels regaining the strong growth achieved during the high-tech boom of 2001 and 2002. Average wages in the region have remained stable and are projected to ascend steadily in the coming years.



LA CENTER ASSETS

La Center possesses the following key assets that will support the recruitment of the logistics and distribution industry:

- **Market access** – Between the Portland, Seattle, Tacoma, and Vancouver population centers, La Center has access to over 5.5 million Americans. The area is easily accessible to several large domestic markets – both consumer and industrial – and has access to international markets via both Washington's and Oregon's extensive port system and highway system.
- **Transportation infrastructure** – The La Center region has the transportation infrastructure to handle several types of cargo, from bulk materials to containers to air cargo. Two major interstate highways, I-205, and I-84, serve the Portland metro area and provide direct access to regional markets throughout the west; and one, I-5, runs north-south serving both Portland and Seattle. The expansion of the urban growth boundary will directly link La Center to I-5. Thirteen all-air cargo carriers serve the Portland region

and airports while Portland International Airport (PDX) provides international access and is supported by smaller airports in Clark and surrounding counties. Camas, Ridgefield and Vancouver ports are located in the county, each with facilities for land, air, and water-borne use and within a short drive to PDX as well as four international deep-water shipping ports. The combination of solid transportation access and geographic proximity to a large proportion of America's population makes the region a potentially compelling area for logistics and distribution firms.

- **Favorable tax structure** – Clark County's competitive tax environment (as compared to nearby Multnomah and Washington Counties) provides an advantage for firms in this industry. Washington state businesses pay no corporate excise or inventory taxes. See *AE's Situational Analysis & Strategic Implications for La Center, WA* report for a detailed breakdown of tax comparisons.
- **Low utility costs** – Washington offers favorable average utility rates. Its commercial and industrial electricity prices, for example, are well below the national average.

ELECTRICITY		
AVERAGE PRICE, 2006		
	Industrial	Commercial
(Cents per kilowatthour)		
State of Washington	4.44	6.63
U.S. Average	6.16	9.46

Source: U.S. Department of Energy

CHALLENGES TO OVERCOME

In order to take advantage of the benefits of this particular industry, La Center needs to overcome the following challenges:

- **Lack of headquarters presence of a significant supplier** – As the Portland and Seattle MSAs possess efficient intermodal transportation networks and are centers for freight and air cargo, La Center will need to ensure that the community's transportation planning and infrastructure development initiatives are tied to regional comprehensive planning efforts. While La Center may not be appropriate for a large distribution center due to land constraints, it can carve out niches that serve the state and industry well.
- **Lack of infrastructure** – While La Center's availability of land with I-5 frontage is of tremendous appeal to logistics and distribution companies, the community still suffers from a lack of sites with the necessary infrastructure in place. In order to attract these companies, the City must first ensure that appropriate sewer, water, and other infrastructure is extended to make sites "shovel ready".

INDUSTRY DEFINITION

The material supplies industry consists of producers of wood, paper, concrete, and fabricated metal products and other suppliers of the building materials and consumer goods industries. Companies in this sector manufacture a wide range of products – from plywood panels, to steel pipe, to tools, to wallpaper – and distribute them to wholesalers and retail home and hardwood stores or sell directly to contractors. Also included in this industry are sawmills, lumber companies, and others that provide the raw materials that go into the manufacture of finished products.

NATIONAL GROWTH TRENDS

The material supplies industry is highly correlated with fluctuations in the residential real estate market. New home starts as well as renovation activity strongly affect orders and sales volume of structural building elements and other construction products. From 2002 through 2006, the U.S. experienced increased housing renovations and conversions coupled with strong residential housing growth, helping to sustain the material supplies industry. Construction spending in 2005 alone reached \$755 billion – or 9.6% of the overall national economy – a reflection of the demand for manufactured building components and supplies. The current housing downturn and slowdown in construction activity presents cause for concern for material supplies manufacturers as employment has dipped. However, barring long-term stagnation, a huge impact is not anticipated.

Most material suppliers maintain operations separate from regional distributors and retail outlets, though some larger homebuilders have enough scale to integrate manufacturing functions within their own operations. Low-margin commodity products such as lumber and plywood panels comprise a large proportion of total production volumes as they generate the highest sales among product categories. The production of oriented strand board (OSB), glulam, i-joists, and other engineered wood products have enjoyed strong growth since 1999,

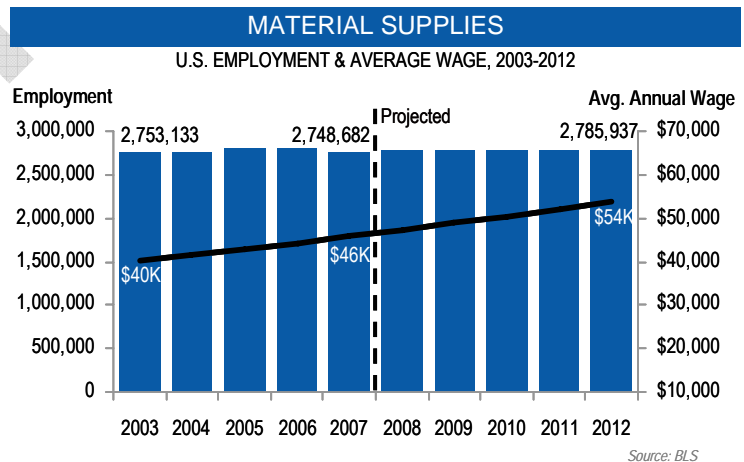
although softwood plywood output has declined. U.S. domestic shipments of cement reached \$13 billion in 2005, while the current domestic aluminum market totals over \$39 billion in products and exports.

MATERIAL SUPPLIES

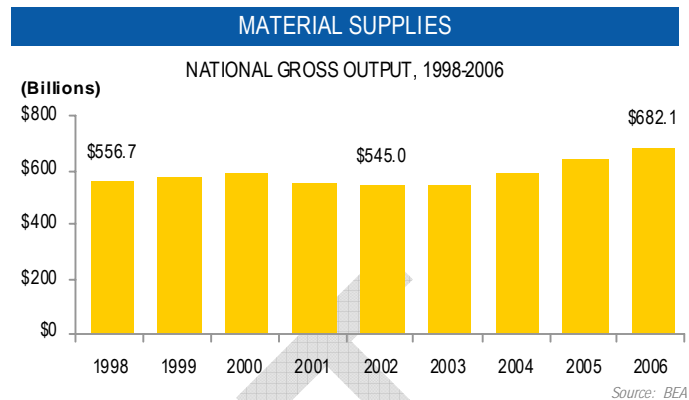
Industry Definition
The material supplies industry consists of producers of wood, paper, concrete, and fabricated metal products and other suppliers of the building materials and consumer goods industries

NAICS Description

- 3211 Sawmills and Wood Preservation
- 3212 Plywood and Engineered Wood Product Manufacturing
- 3219 Other Wood Product Manufacturing
- 3221 Pulp, Paper, and Paperboard Mills
- 3222 Converted Paper Product Manufacturing
- 3271 Clay Product and Refractory Manufacturing
- 3272 Glass and Glass Product Manufacturing
- 3273 Cement and Concrete Product Manufacturing
- 3274 Lime and Gypsum Product Manufacturing
- 3279 Other Nonmetallic Mineral Products
- 3312 Steel Product Manufacturing from Purchased Steel
- 3313 Alumina and Aluminum Production
- 3323 Architectural and Structural Metals Manufacturing
- 3325 Hardware Manufacturing
- 3326 Spring and Wire Product Manufacturing
- 3327 Machine Shops; Turned Product; and Screw, Nut, Bolt Manu.
- 3329 Other Fabricated Metal Product Manufacturing



Some 50,000 material supplies-related companies operate in the U.S., with annual sales approaching \$250 billion. Employment industry-wide has remained relatively stagnant since 2003 while wages have grown moderately during this time and are expected to reach \$54,000 on average by 2012. While expected to decline during the current downturn, industry GDP growth rose at a considerable pace during 2004 through 2006 to reach \$682 billion nationally.



LOCATION DECISION CRITERIA

For the material supplies industry, location decision criteria are driven largely by proximity to sources of demand, access to cheap available labor, and the capacity to transport finished product efficiently and effectively. The top five location decision criteria are:

- **Product Demand:** A strong residential construction market drives demand for material supplies
- **Affordable Workforce:** Competitive wages and salaries
- **Cheap Land:** Large, inexpensive greenfield tracts
- **Transportation Infrastructure:** Un-congested roads and highways, access to customers
- **Incentives:** Free land, long-term tax breaks, jobs tax credits, etc.

Structural Assets

Structural assets vital to material supplies firms include utilities, highways, airports, telecommunications, and site availability. Large tracts of available land, excellent transportation infrastructure, plentiful water, below-capacity wastewater systems, reasonable environmental regulations, and access to rail spurs are all potential requirements of material suppliers. The availability of timber resources such as forests is an added attraction for suppliers of wood products.

Costs of Doing Business

In addition to labor costs, material supplies manufacturers pay close attention to overall cost of doing business in a specific locale; tax environments and the cost of capital can significantly lower already thin profit margins. Taxes are a predominant factor in the site selection process for manufacturers. Due to high sales volume, material suppliers typically pay particular attention to low sales tax rates. In recent years, states without a sales tax have proven particularly successful in attracting high-profile consumer goods projects. However, manufacturers whose business requires massive capital investments and large tracts of land will also be concerned with the presence of low property taxes.

Economic Conditions

Relocations and expansions often occur so a company can be closer to customers or positioned in a high growth area with the right demographics for its business. Material supplies companies prefer locations where they can be

close to existing markets and customers, including markets with strong residential and commercial construction bases, high population growth, and high demand for consumer goods and supplies. This proximity allows less lead-time for orders and creates general operating advantages related to horizontal integration.

Workforce

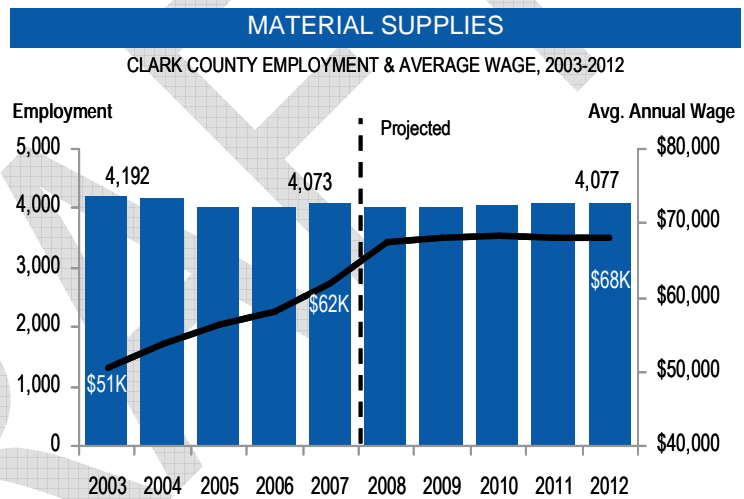
Workforce needs vary among specific types of companies. Manufacturers relying on low-skilled labor often operate in rural areas where they can find affordable workers and generous incentives. Manufacturers requiring large amounts of skilled workers often experience difficulty attracting and retaining qualified talent. Many of these jobs require formal education and specialized skills and experience. Companies have to compete for talent and are willing to pay higher wages for these workers. Local workforce development groups play an important role in helping companies find and develop the skilled workers they require.

LA CENTER REGIONAL ASSESSMENT

GROWTH TRENDS

With its natural abundance of forest resources and dynamic port system, the Pacific Northwest has long been a leader in primary wood production. Most existing employment in Clark County is concentrated in industrial valves, sawmills, lumber production, and pressed and blown glass. As the national material supplies industry branches into more innovative and specialized areas, La Center, with its growing base of sector firms, can capitalize on this growth.

Overall employment in the material supplies industry in Clark County has remained relatively stable since 2003. However, annual wages have risen rapidly over the past several years, reaching \$61,814 in 2007, or 33% higher than the national average for the industry. In addition, regional real-GDP in manufacturing has risen 50% since 2001, indicating increased capital investment on the part of goods producers such as those involved in material supplies.



Source: Economy.com

ASSETS

- Population and Housing Growth** – Even with the current local housing slowdown, La Center has shown explosive population growth over the past seven years and, according to the 2007 *Clark County 20-Year Comprehensive Growth Management Plan*, will claim over 8,000 residents by 2024. With this growth and the city’s position between near the burgeoning communities of Vancouver and Portland, La Center can support a residential and commercial construction industry, thereby creating demand for building materials and supplies such as plywood, trusses, and other niche products. In addition, the immediate interstate access creates opportunities for export product to other, more distant markets.
- Incentives** – Despite State law that prohibits the granting of property tax abatements for private companies, the State of Washington has the 11th ranked business tax climate in the nation, thereby

compensating for the lack of a property tax incentive. In addition, the State offers a sales and use tax exemption for manufacturing machinery and equipment and a business and occupancy tax credit for job creation in rural counties. In recognition of the strength of the Material Supplies sector generally, and forest products in particular, the state currently provides a timber and wood products industry incentive reducing the tax rate for timber wholesalers and manufacturers.

- **Affordable land** – The recent expansion of the City’s urban growth boundary to include developable land with direct interstate access has significant potential appeal to larger material supplies operations. This new land available for commercial and industrial development will be relatively cheaper than urban Portland making it more appealing to manufacturers and suppliers in this industry.
- **Location to suppliers** – Northern Oregon’s and Washington’s force as lumber and wood product producers create a unique opportunity for La Center’s material supplies industry. Major companies Columbia Forest Products and Pope and Talbot to the south and various timber manufacturers in Tacoma, Pierce, and King County to the north all represent buyers and/or suppliers of La Center’s industry base.

CHALLENGES TO OVERCOME

- **Available land** – Even with a considerable portion of land in the community subject to development, La Center does not currently possess vast amounts of untapped, inexpensive tracts of potential appeal to larger material supplies operations. Once infrastructure investments are made and a city capital improvement strategy is shaped (and northeastern portions of the interchange are subsequently added to the City’s urban growth boundary) it will allow for the convergence of cheap land, labor, and low property taxes.
- **Diversifying the regional economy** – The desire to enjoy closer physical proximity with clients and suppliers drives the relocation decisions of many companies. La Center’s lack of a diversified economic industry base – with gaming institutions as the established presence – will make it difficult to attract investment of material supplies operations that are seeking complementary firms.

INDUSTRY DEFINITION

Electronics manufacturers provide components and equipment used in a variety of electronic products including semiconductors, audio/video equipment, navigational and measuring equipment, and medical instruments. As a high-tech industry, it employs production processes that are characterized by the application of highly specialized miniaturization technologies and produces equipment used primarily in manufacturing, health services, and in households.

ELECTRONICS

Industry Definition
 Electronics manufacturers provide components and equipment used in a variety of electronic products with components including semiconductors, audio/video equipment, navigational and measuring equipment, and medical instruments.

NAICS Description

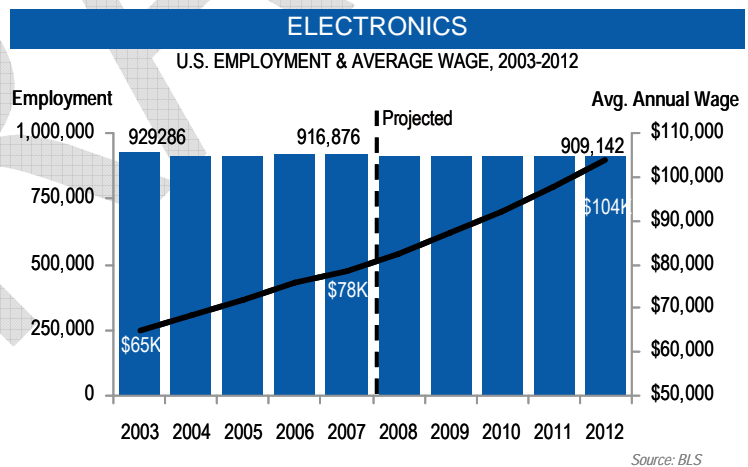
- 3343 Audio and Video Equipment Manufacturing
- 3344 Semiconductor and Other Elec. Component Manufacturing
- 3345 Electronic Instruments Manufacturing

Few industries are as globally driven as the electronics industry. While many pundits once predicted a world where “place” would have a diminished role in an age in infinite communications, location has become even more important for the success of electronics companies. Prior to 2000, electronics relocations or expansions were closely tied to a search for a quality, competitive labor supply in a tight labor market environment. Site selection has now expanded to achieve more strategic purposes over the long-term. Site selection for the industry has now become the lifeline to new capital, new markets, and new research.

NATIONAL GROWTH TRENDS

The electronics manufacturing industry differs from other manufacturing sectors in that it relies much less on production workers than any other manufacturing sector. Instead, it relies on a higher level of skilled workers because of the industry’s emphasis on research and development.

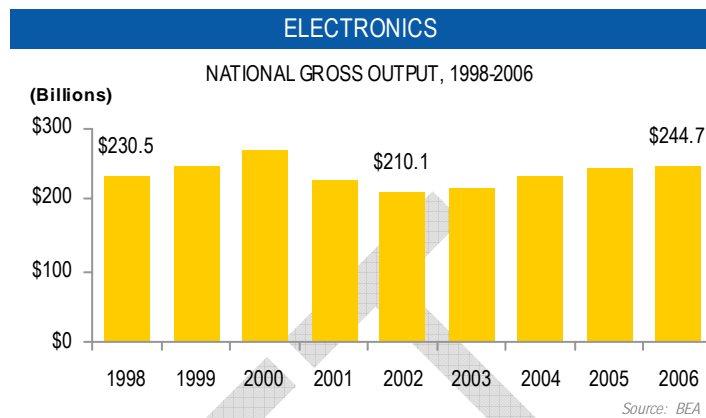
It is innovation that distinguishes the electronics industry from other industries, and this innovation is revolutionizing the way we go about our daily lives. Electronic technologies are enriching our communication with friends and family, improving education, enabling new forms of entertainment, improving healthcare, and revolutionizing our relationships with other countries around the world.



The years from 2001 to 2003 were difficult times for the industry. With the decline in electronics equipment spending and the subsequent crash in the NASDAQ, companies had been hesitant to make capital investments. In addition, the industry continues to have many of the same worries as other manufacturing industries throughout the country: increased competition and the migration of jobs overseas. While the electronics industry has consolidated into several key regions in the U.S. (CA, NY, TX), a portion of new investment at a global level is

occurring in southeast Asia. As new 300-mm plants cost \$3+ billion, electronics companies are pursuing new financing arrangements with local governments in the form of loans, tax incentives, and equity financing.

National employment in the electronics manufacturing industry has stabilized since 2003 and is projected to remain that way over the next several years as productivity improvements are made in the manufacturing process and investment continues overseas. The Electronic Industries Alliance and U.S. Department of Commerce are working aggressively towards strengthening the electronics industry by improving the climate for innovation, promoting free trade practices, and fostering growth.



Despite recent turbulence, the electronics industry still stands to be a top catalyst for growth in the U.S. economy. From 2003 to 2007, national venture capital funding for electronics and instrumentation rose 214%. National industry output, meanwhile, after falling in 2000 and 2001, has climbed its way back and now stands at \$245 billion. In addition, average wages in the industry have not only been able to fully recover from the 2001 recession, but have significantly surpassed recent levels reaching an average of \$78,406 in 2007, a 21% increase since 2004. Average wages in the industry are projected to top \$100,000 by 2012, making this one of the top paying sectors.

Over the last 20 years, the sector has grown at three times the rate of the national economy, and its high wages and investment levels will continue to command even greater levels of incentives and recruitment activities from communities across the U.S. Electronics companies are now vying for position in the next expansion phase.

Site selection has become more complicated as decisions become even more global in nature. Offshoring has become a top issue. The ability to access new global markets is now a major factor in manufacturing investments. Traditional companies continue to explore outsourcing opportunities, and at times off-load their IT departments to large service providers such as HP, IBM, and EDS. Regardless of industry or size, electronics companies are now critically evaluating how their location decisions affect their bottom line, customer relations, and strategic position.

LOCATION DECISION CRITERIA

High-technology firms have specific site selection needs and tend to cluster around the handful of metros that can address those requirements. While each industry and each company will have its own unique requirements and concerns, technology companies are united in their search for the best talent, research, and business climate in the world.

- **Educated Workforce:** Availability and access to a pool of skilled workers

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- **Proximity to Research and Development Institutions:** Access to and partnerships with research universities that can allow start ups to access cheap lab space, technology transfer opportunities, and potential employees
 - **High Tech Clusters:** Must have existing concentration of high tech firms and entrepreneurial and networking environment.
 - **Access to Capital:** Availability to capital, particularly venture capital

Structural Assets

Electronics manufacturers will seek locations with quick truck access to major highways and close proximity to a hub, regional, or international airport with jet service.

Costs of Doing Business

Corporate site selection is increasingly affected by tax environments, and more than ever, companies seek predictability and avoidance of risk in their tax burden. Most tax and incentives decisions are made by capital- or research-intensive industries such as semiconductor manufacturing, electronics manufacturing, and biotech research. Tax liabilities can vary greatly from state to state. While some states have high property taxes, which greatly affect manufacturers, they often compensate with accelerated depreciation schedules for technology equipment or investment and R&D tax credits on income or purchases. Income tax apportionment formulas can also vary widely from state to state. States with triple-factor-sales formulas for corporate income heavily favor technology companies who export a majority of their products or services out of the state. Labor-intensive firms should closely monitor the impact of income taxes in many states. Due to the complexity and variability of tax systems across the U.S., electronics companies should employ the services of a talented site selector or accounting firm to estimate the impact of their location decision. Often, this analysis is done too late in the process to alter a decision or be used as a basis for incentives negotiations.

Availability of capital, particularly venture capital, is a top reason why smaller electronics firms relocate. As small businesses grow, they require higher levels of capital to hire new employees, develop prototypes, and launch their products to market. Venture capital firms prefer to invest in firms close in proximity to them so that they are more familiar with the company and can exert more control. The combination of talent, research, and financing form the core of the technology clusters in the U.S. such as Boston, San Jose, Austin, and Raleigh-Durham.

Economic Conditions

The vitality of regional economies often plays a strong role in the location decisions of electronics companies. Companies seek high growth, dynamic environments for many reasons. Often, economic growth suggests better job opportunities in the region, which makes recruiting outside talent easier. Also, a location's entrepreneurial and networking environment assists companies by allowing them to connect with entrepreneurs commercializing new technology. Workers also enjoy immense benefits by casually connecting with their technical peers in town.

Workforce

Access to a pool of highly educated, talented, and technically skilled workers is vital to any electronics company. Attracting and retaining a quality workforce is more important in high-tech fields than other fields. Workers tend to be highly mobile, meaning that they are willing to venture into a community, but they are also easily swayed away. In an industry with high turnover, electronics workers seek communities with numerous employment options.

Manufacturers seek workers who are smart and trainable. To attain world-class levels of quality and productivity, manufacturers seek intangible qualities such as attention to detail, work ethic, adaptability to change, and quality consciousness.

Communities with a large pool of technical workers enable companies to grow without recruiting and relocating costly technical talent. Employee talent is an important asset and key differentiator for electronics companies. Success breeds success as star companies and best-in-class workers seek out each other. Technical functions tend to cluster in different regions as workforce specialties vary across the globe.

Colleges, universities, and technical schools are needed to educate and train workers. Universities play a larger role in the technology industry than ever before. Universities play a dual-role: they deliver new research to the marketplace and train the industry's next cutting-edge workforce. Availability of local technical graduates is important for technology companies, especially growing ones. Local technical graduates help companies manage labor costs that are by far the largest expenditure of most high tech service firms. As technologies evolve, skills acquired in school only a few years ago may be obsolete today. Success for companies can depend upon whether workers can quickly upgrade. High-tech and electronics companies also desire a high level of diversity in the community as many of the industry's employees are from minority groups.

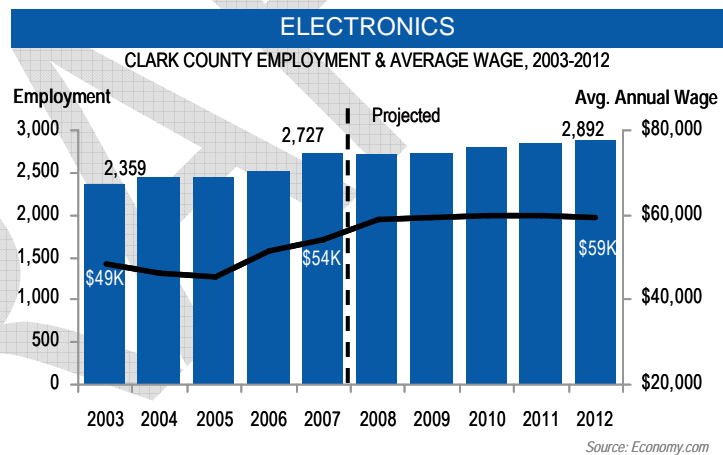
LA CENTER REGIONAL ASSESSMENT

LA CENTER GROWTH TRENDS

The quality of life and the growing educated population make La Center attractive to the young professional demographic that propels research-driven industries. Meanwhile, the "clean" economic growth that tech (including electronics) manufacturing and research brings can preserve and enhance the community's distinctive character. Electronics industry firms tend to locate around metros that can address their requirements including cities like Portland. La Center benefits from its close proximity to the Portland

and Seattle areas and the dynamic semi-conductor companies that make their homes there. Intel is a driving force in the region's electronics industry and with close to 17,000 employees, it is the largest private sector industrial employer in the Portland metro region. King and Snohomish counties in Washington also dominate in this sector. Clark County electronics sector employment is found specifically in the development of process control instruments, audio/visual equipment, and electronic components. Specific semi-conductor suppliers and electronics operations in the area, including Hewlett Packard, SEH America, and Wafertech, form a concentration that other industry firms will look favorably upon when making business location decisions.

As a bedroom community of Portland, Clark County is in a position to capitalize on this concentration and has recently experienced positive industry growth itself. County employment in the electronics sector has enjoyed considerable growth of late, adding 280 new employees over the past two years, an 11% increase. Overall employment is expected to continue to grow over the next five years. Meanwhile, lower average wages in this industry in the County make La Center cost competitive with other surrounding communities looking to attract electronics firms.



ASSETS

- **Affordable labor** – La Center exhibits wage levels that are competitive both in the Portland region and nationally. Electronics executives and site selectors seeking a low-cost operating environment will be drawn to the impressively low wage data and labor cost burden found in the community.
- **Presence of semi-conductor and electronics production industry** – Both Washington and Oregon consistently rank as top states in semiconductor manufacturing and have an existing cluster of firms and supporting structures and services.
- **Taxes and incentives** – As previously mentioned, the state of Washington boasts some of the lowest corporate tax rates in the country. While state incentive programs such as the High Technology Business & Occupation Credit and the High-Technology Sales & Use Tax Deferral help ensure the tax competitiveness of the state, they may not be significant enough to necessarily differentiate it from other states.

CHALLENGES TO OVERCOME

- **Limited number of local research & development institutions** – The region is home to Washington State University Vancouver, an important repository of talent and federal funding. The university offers 16 bachelor's programs, including Computer Science, Digital Technology & Culture, and Engineering (Mechanical and Electrical); and 9 graduate programs, including Business Administration, Computer Science, and Mechanical Engineering. In addition, the Washington State University system is the recipient of hundreds of millions of research and development dollars annually (over \$196 million in 2006) from the federal government and other sources. However, Washington State's Vancouver branch is small (2,500 students) and few strategic alliances exist between La Center and other postsecondary institutions in northern Oregon and southern Washington.
- **Lower educational attainment levels** – La Center currently features a smaller percentage of college-educated residents than the county, the metro area, and the State of Washington. If La Center is to successfully build a cluster of high-wage industries (like the electronics industry) that desire a strong workforce, the community must continue to increase the percentage of residents with a four-year degree.
- **Few entertainment options** – Quality of life – including robust arts and entertainment amenities – is playing an increasingly important role in recruitment and retention of industry. Because Clark County features significantly fewer entertainment establishments on a per capita basis than all examined benchmark areas (see AE's report, *Situational Analysis & Strategic Implications for La Center, WA*), this could impede business investment as electronics employers may find it difficult to recruit workers to the community.

INDUSTRY DEFINITION

Retail is generally categorized as a locally serving sector that lacks a large-scale economic impact. However, targeting economic development efforts on the retail sector is different than targeting retail establishments. The goal of developing this target within La Center is to provide the quality of life amenities that are important to build a healthy community and to attract the necessary workforce required by the other target industries. In addition, establishing a strong retail sector has a positive impact on the growth of tourism in the region, which provides an injection of outside dollars into the region. Finally, retail is an important contributor to the tax base of many communities, and thus a key contributor to the provision of city services.

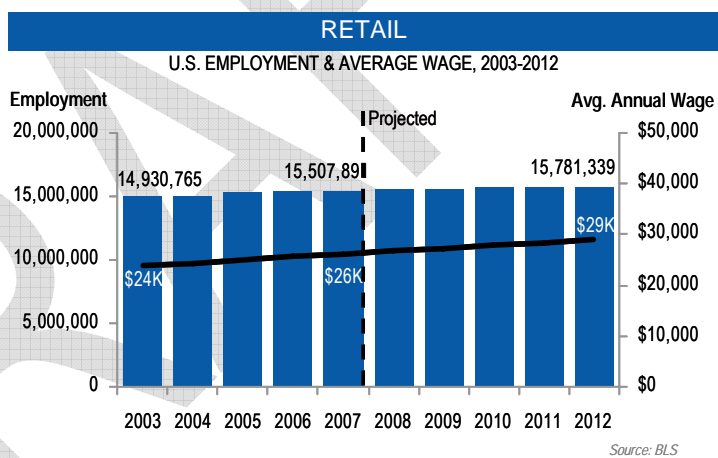
RETAIL

Industry Definition
Retail includes the sale of goods directly to consumers, usually in small quantities.

NAICS Description
44 - 45 Retail Trade

NATIONAL GROWTH TRENDS

Restaurants, downtown retail, and destination retail that draw consumers from a larger region have become the mainstays of communities around the country. Many cities are dependent on the tax revenue associated with these stores, and some perceive the steady improvement of retail options as a clear quality of life enhancement.



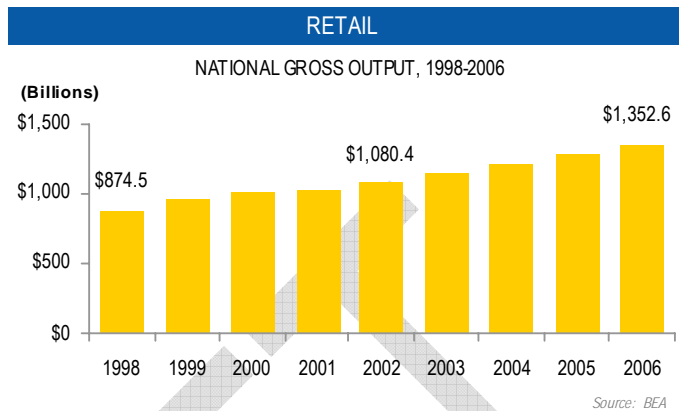
The retail sector continues to transform itself, as tenants seek greater visibility and brand awareness in a heavily saturated retail market. Real estate development and mixed-use construction are becoming an integral part of many retailers' growth plans. As the suburban retail market becomes saturated and population shifts back to urban areas, many national retailers are creating urban, small store prototypes appropriate for a downtown location. Home Depot, Target, Wal-Mart, Best Buy, and Circuit City are all retailers that have embarked on this type of strategy. Many are now looking at downtown locations they would have previously ignored.

Local stores are now emerging as the newest frontier in urban retail. While these unique stores are often very successful in providing unique retail offerings, many tenants have difficulty acquiring prime lease space because of financial requirements for "credit-worthy tenants." Some cities have resorted to subsidized rent for local businesses as a form of local retail incubation.

While lower wages still dominate the retail sector, most retail occupations are projected to experience strong growth through 2014. Overall, this \$1.4 trillion sector will always be susceptible to fluctuations in the economy. However, it will continue to experience net growth.

LOCATION DECISION CRITERIA

Retail site selection is extremely particular and dependent on the exact type of store and, for chains, the particular requirements for a franchise. In general, retailers require significant foot traffic, ample parking nearby, and would ideally like to have traffic at all hours of the day. Retailers typically rely on advertising, word of mouth or locational demographics in their target area to ensure success.



Structural Assets

Retail business locational decisions are highly dependent on the physical environment under consideration. In downtown locations, appropriate retail infrastructure may already exist and may require minimal renovation. Additionally, independent retailers find it easier to enter the market in downtown locations due to more relaxed leasing requirements; in greenfield sites, developers are often forced to restrict availability to national retailers in order to secure financing. Developers, however, serve a crucial role in creating the infrastructure necessary to support a successful retail environment. One constant in nearly every retail market, whether rural or urban, is the need for significant amounts of available parking.

Cost of Doing Business

The costs and risks associated with operating a retail establishment are also highly sensitive to location. Although dense urban environments may produce high levels of foot traffic, lease rates may be significantly higher. Infrastructure investments in downtown environments, particularly the provision of parking, are also typically higher. As a result, over the past two decades retailers have typically favored suburban environments.

Not only are greenfield locations less expensive, but they are generally perceived as less risky given historic population growth patterns. While a community might not currently possess the needed household numbers and income levels typically required for investment, retailers may decide to enter a developing market early to secure a long-term competitive advantage. Greenfield developments, however, require the wholesale construction of the site. Especially in large scale developments, the time between initial investment and profitability may span several years. As such, developers are heavily dependent on the availability of credit. The recent downturn in the financial market makes it more difficult for developers to access capital, hampering the efforts to construct otherwise suitable shopping centers.

Economic Conditions

Paramount in the retail site selection decision is market size and growth. Communities with robustly growing populations will always be preferred targets as retailers seek to meet threshold sales requirements. The relative affluence and purchasing power of the local population is another factor that influences a community's ability to gain traction in the retail market.

Although people always need retail services for basic necessities such as food and clothing, the retail market is highly sensitive to macro level economic dynamics. Over the past decade, low interest rates coupled with robust consumer spending have fueled strong growth in the retail sector. In recent months, however, rising energy and

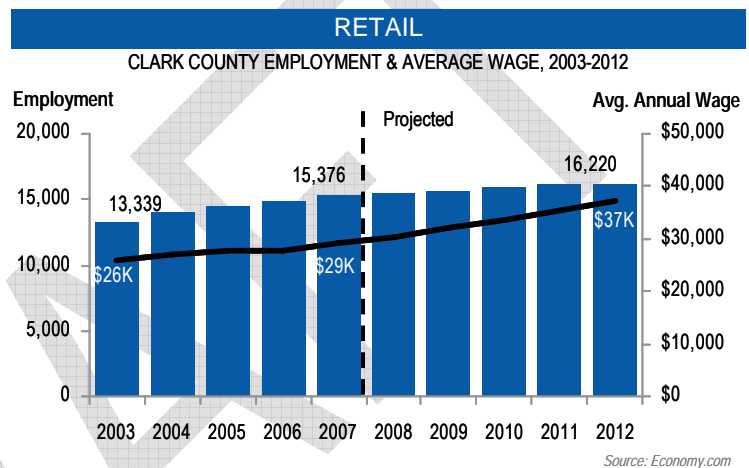
food commodity prices have negatively impacted household disposable income levels. Additionally, the credit crisis has made it more difficult for consumers to obtain credit. As a result, the retail market, as a whole, will likely suffer from sluggish growth for the foreseeable future.

Workforce

Aside from management positions, the retail sector does not require many employees with a college degree. The majority of employees works in sales and related occupations and require little to no formal job training skills. A set of soft skills in customer services, however, is generally required.

LA CENTER REGIONAL ASSESSMENT

Retail sales are currently declining in many parts of the country as rising unemployment and diminished levels of disposable income devastate retailers. However, in the La Center area, the strong population growth and rising area income levels are counteracting this trend. Over the past five years, retail employment in Clark County has grown by approximately 15% reaching its current high of 15,376. Retail wages increased as well during this time period and the community now benefits from a current average annual wage of \$29,160 – approximately \$3,000 more than the national average.



Growth in this sector is almost certainly the result of the explosive population increases in La Center and the surrounding region. However, as pointed out in AE's *Situational Analysis & Strategic Implications* report, La Center currently lacks adequate retail amenities to support the shopping needs of its growing population, seeing \$30.6 million of the \$37.5 million area retail purchases occur at establishments outside of La Center.

In addition to taking advantage of this growing industry and providing the quality of life amenities that are important to building a healthy community, attracting additional retail investment will be critical for La Center's tax base. Its current reliance upon gaming revenue to support city operations is not sustainable. Retail development will generate a significant amount of sales tax revenue that will benefit La Center in achieving other critical tasks (e.g., building the infrastructure within the urban growth boundary) that will support the attraction of the other target industries.

National retailers are incredibly exacting in choosing new (and maintaining existing) store locations. One of the most important criteria in a retailer's decision to invest in a community is the number of households within the market area. As a result, communities with growing populations have an upper hand in attracting the attention of national retailers.

ASSETS

- **Expanding residential market and high incomes** – La Center’s combination of rapidly growing population and high median household income is ideal for discerning retailers who seek locations with heavy foot traffic and near potential customers with disposable income.
- **Availability of accessible and visible land** – Land in the expanded urban growth boundary, abutting I-5, will be attractive to retailers who are looking for space that is visible, with relatively lower lease rates, and has room for ample parking – something that nearby urban Portland cannot provide. Once adequate infrastructure is provided to land along I-5, La Center will have possession of “prestige sites” that will appeal to retailers requiring high visibility. These sites effectively expand the retail trade area of La Center, giving potential retailers access to a very large regional population base.

CHALLENGES TO OVERCOME

- **Perception of not being a retail destination** – With its proximity to Oregon and the state’s lack of sales tax La Center faces a difficult challenge in capturing retail dollars north of the state border. However, the community can capitalize on hot button economic issues such as rising fuel costs and traffic congestion that are compelling people to travel less and seek amenities close to their place of residence.
- **Small market** – Even with strong population growth over the past several years, La Center remains a small rural city. As La Center sets a foundation for future business investment and economic growth, it will need to focus on creating jobs in primary high-value industries while simultaneously positioning the community for retail investment.

The selection of the aforementioned target industries carries important timing and land use implications for development in La Center. Due to the limited availability of land, the inherent attractiveness of I-5 frontage, and the potential development of a mega-casino immediately west of the interchange, careful planning and decision making are required in order to ensure maximal economic development impact.

DEVELOPMENT TIMELINE

Based on La Center’s current asset portfolio and our analysis of industry requirements we have arranged the industry targets into a feasible development timeline. Target industries with requirements that are currently met by La Center’s infrastructure and workforce are considered near term and placed on the left side of the timeline. La Center will need to nurture specific industry clusters, grow the educated workforce, and create development momentum in order to effectively recruit the future development industries.

AngelouEconomics’ Strategic Action Plan will provide guidance on specific community “product” improvement recommendations that, if implemented, will help to narrow the existing gap and spur the development of each target industry.



- Retail – Retailers are primed to enter the La Center market immediately following infrastructure development of land with I-5 frontage
- Logistics & Distribution – Similar to retail, once basic infrastructure is extended transportation companies will jump to satisfy market demand via immediate interstate access
- Material Supplies – Material supplies manufacturers will be increasingly attracted to La Center as local and regional population increases and distances between Vancouver and La Center decrease, thus expanding the pool of available labor

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- Electronics – Due to a greater focus on innovation and technology, the recruitment of the electronics industry will be contingent upon the growth in educational attainment standards and the development of a nascent cluster of agglomerated companies.

SITE REQUIREMENTS

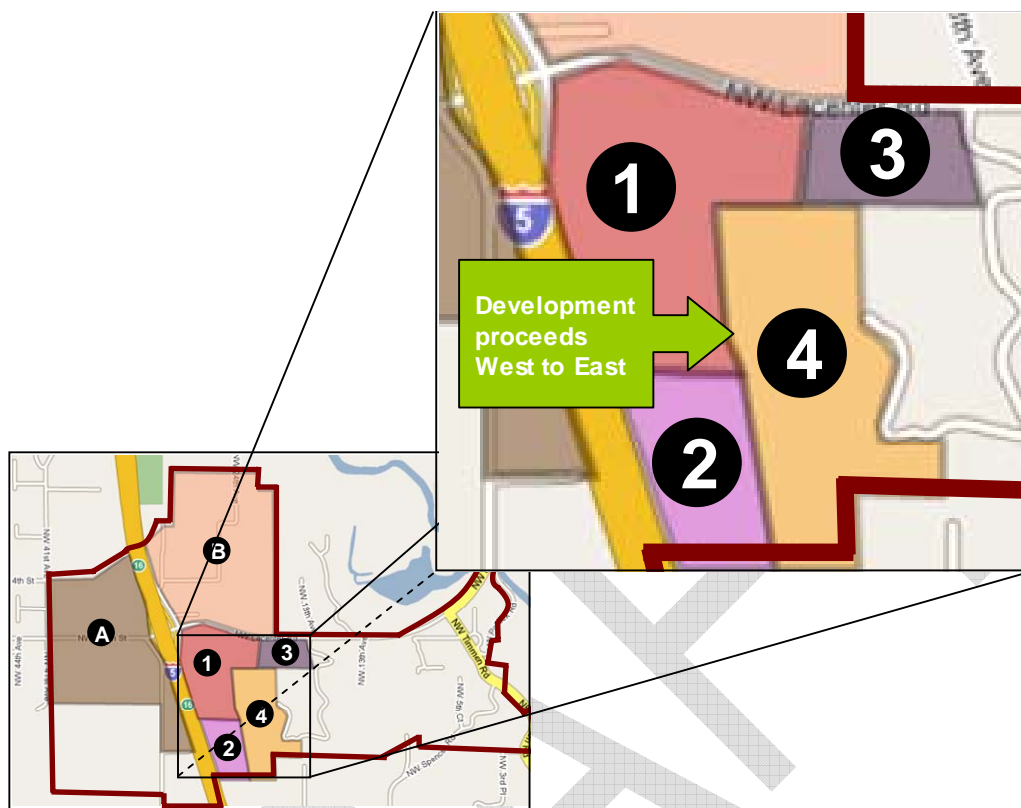
The selected industries vary in their land requirements, but are generally more land intensive than office development. High-end and big box retail such as that most likely to be developed adjacent to I-5, requires large tracts of land in order to accommodate large facilities and/or centers of clustered stores. Meanwhile, boutique urban retail can be developed in small storefronts with minimal land consumption.

Logistics and distribution firms typically utilize large tracts of land to accommodate large warehousing facilities, truck bays, and parking. However, recent trends in the industry are seeing a clustering of distributorships on smaller tracts of land.

Manufacturing firms in material supplies and electronics are sited on parcels ranging from 10 acres or less for small shops, to over 100 acres for large production facilities.

In general, retailers and distributors will require high visibility and immediate or semi-immediate interstate access, while manufacturers are content to pay lower prices for land that is removed from but still proximate to the interstate.

The following diagram illustrates the phasing of industrial development in La Center:



- ① Phase I - Retail
- ② Phase II - L&D
- ③ Phase III - Retail
- ④ Phase IV - Manufacturing
- Ⓐ Casino Project
- Ⓑ Future Target Industry Dvlpmnt

When La Center’s expanded urban growth area becomes served with necessary infrastructure, investment will occur initially along I-5 as retailers and distributors seek to develop prime real estate. Subsequently, manufacturing and lower-end retail development will occur moving east. This west to east pattern of development will proceed until it converges with the westward movement of development emanating out of La Center proper.

NEXT STEPS

AngelouEconomics’ third and final report, the *Strategic Action Plan*, will provide detailed recommendations and a plan of action for recruiting the industry clusters identified in this report. The plan will serve as the community’s economic development roadmap to guide action over the next 5 years. Included in the plan will be “product” improvement recommendations that, if implemented, will help to narrow the existing gap between community assets and the needs of industry, and spur the development of each target industry.

The La Center Strategic Action Plan is the third and final report in the development of an economic development strategy for the City of La Center. This will serve as a blueprint and program of work to guide the City's future economic development efforts. It reflects a 7-month, four phase planning process that has included input from numerous citizens and regional leaders throughout the county.

Over the past decade and a half, La Center has experienced significant growth. While still very much a small community, it has benefited from an influx of young educated individuals who desire pastoral surroundings, a high quality of life, relatively affordable housing, and to be within close proximity to urban areas such as Portland and Vancouver. The most striking aspect of La Center, especially given the community's recent growth, is that the City has prospered without creating a significant number of high-wage jobs within the City limits. Its economy has been buoyed by a limited business presence that includes four profitable gambling establishments. Instead, the robust state of the Portland metropolitan economy has provided employment opportunities for La Center residents.

Now, however, the community is in the midst of a transitional period characterized by uncertainty about the region's economic future. Several factors, including plans by an Indian tribe to construct a full-service casino immediately adjacent to La Center, certainly will threaten the community's primary economic engine and hinder its ability to create a sustainable economy with an enhanced standard of living and job growth.

This action plan serves as a roadmap for La Center to achieve its most critical objective – economic diversification. This plan lays out the short (e.g., establishing physical infrastructure), intermediate (e.g., instituting a marketing program), and long-term (e.g., engaging regionally) steps necessary for La Center to create sustainable high-wage jobs in a mix of profitable industry sectors that leverage La Center's current set of assets. This diversification will help the City move beyond a reliance on just one industry for jobs and tax revenue and, thus, mitigate the susceptibility to current or future economic shocks. While La Center may battle the casino construction today, it will be faced with other external distresses in the future (e.g. financial downturns, natural disasters, etc). By targeting appropriate industry sectors and diversifying its economy La Center will position itself for sustainable, long-term economic prosperity.

This final section is organized in three sub-sections:

OVERVIEW OF LA CENTER'S CURRENT ECONOMY AND PROPOSED TARGET INDUSTRIES

The overview summarizes the key findings from the first two reports that were developed during the process: 1) *Situational Analysis and Strategic Implications* report that inventoried La Center's economic development strengths and weaknesses and identified key implications for future economic growth; and 2) the *Target Industry Identification* report that identified four industries that will be the most appropriate targets for the community's future economic development efforts. The findings from these reports lay the foundation for the strategies developed within this report.

ECONOMIC DEVELOPMENT VISION AND ACTION PLAN

The vision provides an overview of the challenges of economic development in the 21st century and identifies an overall strategic direction for La Center to meet those challenges. This vision guides the strategies outlined within the Action Plan. The Action Plan highlights five overarching strategies and corresponding actions items that, if met, will ensure sustainable economic prosperity throughout the community.

FINANCIAL BUSINESS CASE

The business case provides La Center budget and industry data necessary to make the case that the critical strategies in this Action Plan are worth the investment. It includes specifics on La Center's budget trends and information on "return on investment" to be expected from extending the infrastructure and securing target industry investment in the area.

DRAFT

Despite La Center's recent growth and ability to maintain its high quality of life, the community has reached a critical juncture in its development. As a result of the population rise and lack of a burgeoning employment base, virtually all development over the past decade has been residential in character. In other communities, such patterns have almost always proven fiscally unsustainable, as residential development typically consumes more services than can be supported by residential property taxes alone. Diversifying its economic base will be crucial in balancing La Center's city budget in the short term and ensuring economic vitality in the longer term.

La Center is ideally positioned to benefit from industry cluster development to provide a sustainable base of diversified, well-paying jobs and tax revenues for years to come. This is particularly critical now, as plans to build a full-service casino just outside of La Center are likely to be carried out, decimating the City's primary industry and the resulting tax revenue.

Fortunately, recent augmentations to the City's growth boundary present La Center with promising possibilities for cluster development. La Center now has at its disposal undeveloped land available for commercial and industrial development immediately adjacent to the interstate system, with tremendous proximity to a thriving metropolitan area.

Vision and Goals

As La Center moves forward with the economic development planning process, the most important question remains "What do we want La Center to become?" Most agree that diversification should be an overarching principle. However, four critical "visioning" concepts emerged when interviewing La Center stakeholders and residents. These concepts, taken together, provide a picture of where residents and city leaders want La Center to be and how they wish to get there.

- **Creation of high wage jobs** - With 94% of La Center residents commuting outside of the City for work, there is broad consensus for the creation of local high wage job opportunities.
- **Development of clean technology/industries** – Using the identified AE target industries as a guide, residents wish to ensure that specific companies that they eventually recruit employ alternative energy technologies creating green-collar jobs.
- **More amenities including retail establishments** – Residents wish to attract retail development to La Center to provide La Center not only shopping opportunities (particularly in groceries, restaurants, and building supply stores), but as a source of revenue (see AE Report #1 on retail leakage figures for the region).
- **Maintaining quality of life** - No matter what economic development does occur, La Center residents are adamant about maintaining the great quality of life that they currently enjoy, with a small town feel, an abundance of outdoor activities, and a pristine surrounding.

The Strategic Action Plan is designed to address the critical issues identified in the Situational Analysis and support the economic diversification of La Center, specifically through the growth of the four target industry sectors.

In many ways, La Center’s economic diversification efforts are in their nascent stages. As the community contemplates how it will, in the short term, address several external factors likely to impact its economic base, and, in the long term, create diversified job growth, it will need to follow a series of tasks. This action plan provides a roadmap for how La Center should lay the foundation for infrastructure development, build a fully functioning marketing and business retention program, and finally, ensure a strong pool of talent exists – all in support of economic development efforts to retain, attract, and grow a diverse set of companies in a core group of targeted clusters.

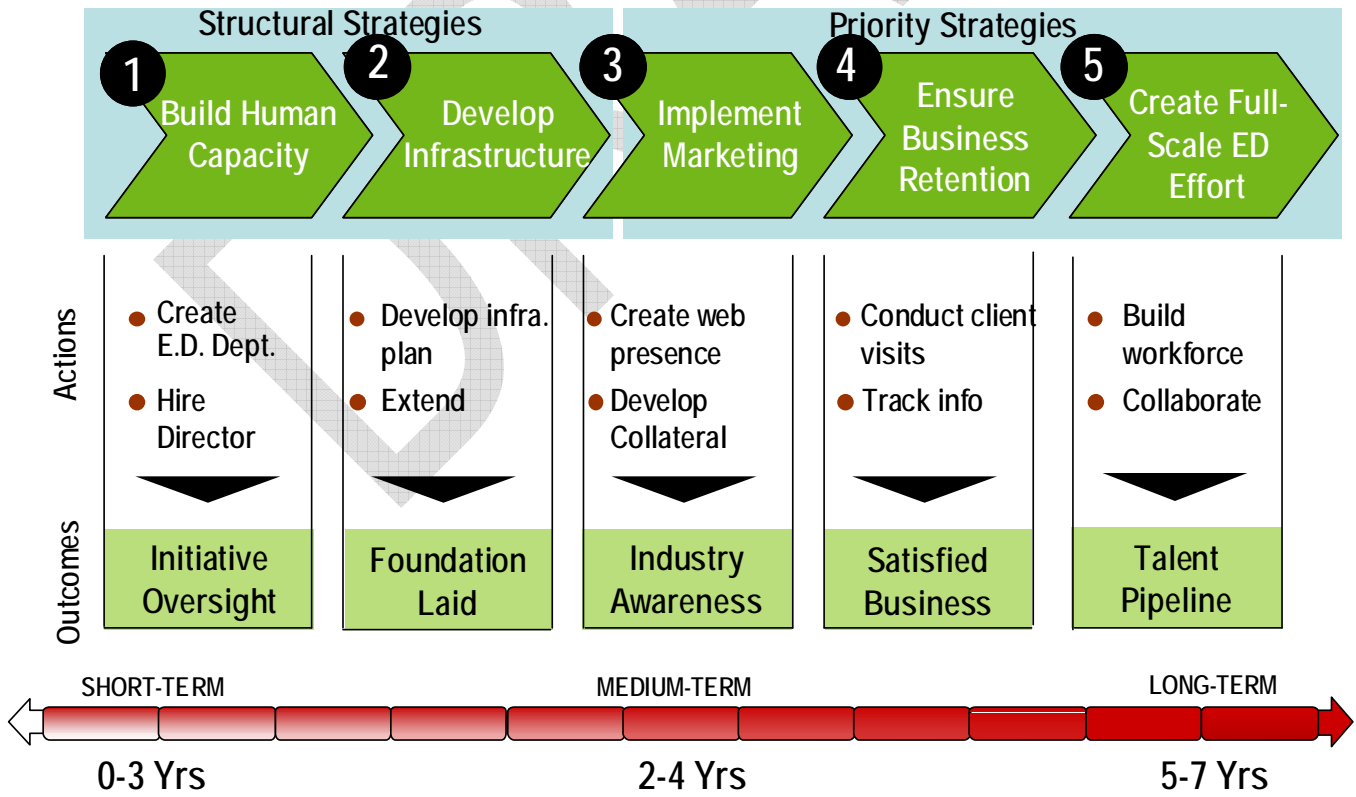
The Strategic Action Plan for La Center can be carried out through two segments of five strategies:

Structural Strategies

The first section of the plan focuses on foundational issues affecting the ability of La Center to effectively undertake economic development. These strategies address imbalances to the economic development structure that must be corrected before efforts to create sustainable high-wage job growth can proceed.

Priority Strategies

Priority strategies include those that should be the area of focus immediately following implementation of the structural strategies. These strategies focus on leveraging key assets that give La Center an advantage in promoting near and long-term job growth and creating regional prosperity.



STRUCTURAL STRATEGIES (Creating “Human Capacity” and infrastructure “Product” to begin economic development)

- Establish a city economic development department with a full-time director
- Secure and extend infrastructure to I-5 junction to provide a “shovel ready” product for future business recruitment

PRIORITY STRATEGIES: (Implementing marketing and business services and engaging regionally to establish a sustainable economic development initiative)

- Create and initiate a marketing campaign to attract target industries
- Enhance business expansion and retention of existing industries
- Develop comprehensive economic development program that enhances its position within the larger south Washington region

Although not necessarily sequential, these strategies are dependent – that is they generally fall along a time continuum, with structural strategies happening in the short term and priority strategies occurring in the longer term.

We outline each of the strategies in the following pages. An Implementation Matrix follows to guide La Center stakeholders in these strategies and their corresponding detailed action items.

La Center’s economic development efforts are affected by several structural issues that must be addressed before success can be achieved. These strategies are foundational as they build the capacity of La Center to be able to more effectively achieve long-term economic development success.

Strategy One: Establish a city economic development department with a full-time director

To get to a point where La Center can effectively attract and retain business investment, there are a number of critical tasks that must first be undertaken. These tasks, which range from the straightforward (marketing the assets of the City) to the very complex (generating community buy in and ultimately creating “shovel ready” sites for target industries) all require a coordinating body to oversee and execute these efforts. La Center should establish an economic development department with a full-time director. Given the size of the community, this does not need to be a major investment. In fact, leveraging resources will be important here – the structure, for example, could be a joint effort with a neighboring community like Ridgefield or Battle Ground (which has approached La Center about this specific idea in the past).

The department should have three primary roles to play: 1) administration – coordinating efforts to ensure the appropriate physical infrastructure is developed in the current and future urban growth boundary expansions; 2) marketing – recruiting businesses through targeted business development; and 3) business retention and expansion – ensuring that once companies are invested in the area, that they are provided the necessary services to thrive and grow. The following table identifies the primary roles and responsibilities that an Economic Development Department would conduct for La Center.

Roles	Responsibilities
Administration	<ul style="list-style-type: none"> ▫ Develop expertise in target industry infrastructure and workforce requirements ▫ Work with city planner to ensure infrastructure development in growth boundary is aligned to target industry needs ▫ Understand and tracks La Center economic data (demographics, labor market, etc) ▫ Coordinate/support development aspects (permitting, development review, local incentives, etc) ▫ Ensure city’s economic development is compatible with La Center unique quality of life
Marketing	<ul style="list-style-type: none"> ▫ Develop materials and establish community web presence ▫ Identify prospects, host events and participate in marketing missions ▫ Attend trade show events/industry conferences ▫ Engage regional partners to leverage resources
Business Retention/Expansion	<ul style="list-style-type: none"> ▫ Conduct regular calls and visits to existing business ▫ Track existing company needs ▫ Periodically report overall findings to city council

The proposed structure for the economic development department could include a body that reports directly to the mayor and city council and is supported (perhaps in the longer term) by administrative help. Effective

economic development organizations typically include an advisory board of some kind that guides the work of the department and works closely with the city council. The board should have representation from the private sector and other key community leaders.

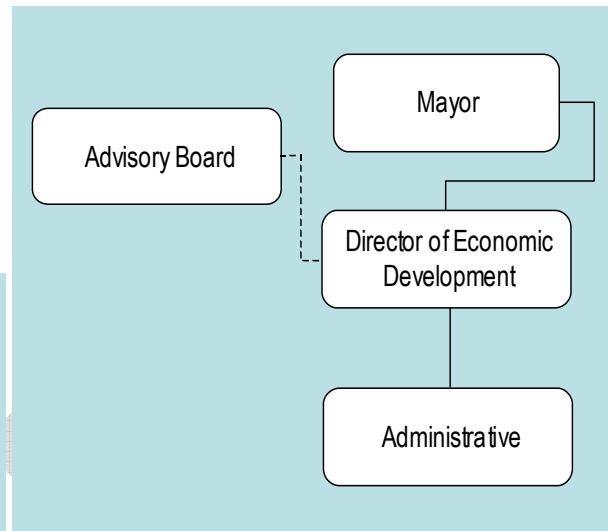
Proposed Budget

The table below highlights an estimated range of costs to support an economic development lead. These figures assume a department of one individual.

Potential Budget for Economic Development Lead

	<u>Low</u>	<u>High</u>
Salary/Benefits	\$70,000	\$100,000
Overhead	\$5,000	\$10,000
Marketing	\$5,000	\$25,000
Travel/Other	---	\$10,000
Total	\$80,000	\$145,000

Proposed Organizational Structure



Action Items

- Secure community/council buy in
- Detail funding sources (i.e. can be supported by a mix of public and private sources) and secure resources
- Work regionally to develop optimal structure if appropriate
- Develop specific job description
- Post and hire individual

Strategy Two: Secure and extend infrastructure to I-5 junction to provide a “shovel ready” product for future business recruitment

Securing and extending infrastructure to La Center’s expanded urban growth boundary is the most critical strategy of this plan and is not necessarily contingent upon the establishment of a city economic development department. Simply put, companies will not invest in La Center if utilities, such as power, water, sewer, and transportation are not readily available, or planned for. Making this upfront investment in infrastructure is an imperative first step that will likely reap significant economic development rewards in time based on the findings in this study. Importantly, La Center must carefully plan to ensure that this infrastructure development reflects the infrastructure requirements of the identified target industries, as well as the capacity to sustain future growth.

Action Items:

- Whether La Center decides to take advantage of Cowlitz Tribe infrastructure support offers or not, it must plan for the extension of municipal road and sewer infrastructure to the I-5 junction.
- The proposed Sub-area plan recently included in the City’s upcoming fiscal budget is an important first step and its proposed tasks are in line with how similar communities would survey, plan, and implement physical infrastructure components:
 - Conduct an inventory of current roads, sewers, water, and electrical lines in the area.
 - Work with a consultant to perform the proper due diligence and planning for the sites.
 - Review current zoning regulations including FAR, setback allowances, and height limits to determine whether City action will be needed in order to allow target industries move there.
 - Gain a better understanding of the geography by surveying the land to understand challenges that may relate to slope and grading.
 - Conduct soils analysis to understand the soil quality and mitigate unforeseeable civil engineering challenges.
 - Consider how the area’s natural features such as mature trees and terrain might lend itself to accommodate a certain industry over another.
 - La Center may also wish to enlist an environmental firm to perform a detailed Phase I analysis to assess the property and fully understand the magnitude of remediation that may be necessary in certain cases.
 - Once all the proper due diligence has been completed, work with a design firm to plat out the land and develop the various parcels in alignment with the City’s comprehensive plan.
 - Identify specific and unique infrastructure requirements for the four targeted industries and test-fit with a planning firm to map it out. Our analysis shows that these requirements are relatively basic and should not, in the short term, require any special structural considerations. An update of zoning to fit with target industries may be required.
 - Explore regional, state and federal financing programs. Washington’s Local Infrastructure Financing Tool, a type of Tax Increment Financing, may have been an option but it is small in scale and does not appear likely to be reauthorized by the state.
 - Conduct a financial analysis – consider the City’s current bond rating, assets, etc.

		General Infrastructure Needs	
Target Industries	Retail	<ul style="list-style-type: none"> ▪ Interstate access ▪ 2-10 acre pad sites within larger retail area ▪ Ample parking 	<ul style="list-style-type: none"> ▪ Multiple areas of ingress/egress ▪ Basic 3-Phase electric (no special requirements) ▪ Basic water and sanitary (no special requirements)
	Logistics & Distribution	<ul style="list-style-type: none"> ▪ Interstate access ▪ Tilt-up construction; 30 ft+ ceiling height ▪ Basic 3-Phase electric (no special requirements) 	<ul style="list-style-type: none"> ▪ Basic water and sanitary (no special requirements) ▪ Multiple truck bays; truck ingress/egress
	Material Supplies	<ul style="list-style-type: none"> ▪ Tilt-up construction; 25 ft+ ceiling height ▪ Up to 5MW + excess power capacity ▪ Up to 69KV distribution; redundancy and dedicated substations desirable 	<ul style="list-style-type: none"> ▪ Water up to 12" main, 1000gpm flow rate ▪ Effluent 8" main
	Electronics	<ul style="list-style-type: none"> ▪ Tilt-up construction; 25 ft+ ceiling height ▪ 6" rebar slab ▪ Up to 5MW + excess power capacity 	<ul style="list-style-type: none"> ▪ Up to 69KV distribution; redundancy and dedicated substations desirable ▪ Water up to 12" main, 1000gpm flow rate ▪ Effluent 8" main

- As La Center sets out to implement the above, it must work with the county utilities (Clark Public Utilities) in the following ways:
 - Develop a 5-year infrastructure improvement plan for La Center’s urban growth area.

-
- Share plan with the county utilities district to ensure that investments are part of the county's annual capital expenditures budget (completed at the end of every calendar year).
 - La Center must engage the county as soon as possible as the county is already planning infrastructure improvements in the area in anticipation of the planned Indian casino (e.g., plans are underway for the installation of a substation for the casino and substation capacity can be expanded if the county is aware of La Center's specific plans).

DRAFT

Having addressed the structural issues that lay the foundation for economic development efforts in La Center, the region can focus on priority strategies and action steps to create sustained job and income growth.

In this section we present a set of priority strategies to be implemented by La Center immediately following, or concurrently with, implementation of the structural strategies. While the structural strategies provide the “capacity” (human oversight) and the “product” (shovel-ready land), the priority strategies center around the creation of a marketing initiative that will position La Center to ensure that businesses in the target industries are aware of the City’s assets and that a support system exists to secure these businesses’ investment and help them grow once secured.

Strategy 3: Create and initiate a marketing campaign to attract target industries

As the infrastructure gets developed, the City should develop an economic development marketing program that develops a brand and leverages La Center’s strong assets and positive lifestyle image. The program should broadly and collaboratively engage the community’s business and governmental communities to recruit and attract new target businesses.

Developing a brand for the city of La Center and ensuring that all stakeholders in the region are utilizing the brand is extremely important as La Center differentiates its community. As a first step, La Center should establish a web presence communicating community competitive advantages. It will then want to identify and determine target industry companies that best match with the unique assets that La Center offers and subsequently develop a strategy to recruit those companies to the area.

Once contacts are identified at those industries, the City should begin to aggressively reach out to these potential targets through visits, trade shows, and other avenues.

The development of a mailing and email contact list is imperative as well as collecting other materials specifically designed for each particular industry. Key messages should be developed for each industry including demographic data that best describes La Center’s assets.

In addition, the economic development lead and city business leaders should attend selected target industry association events, specialized trade shows, symposiums or other events to personally promote the area to prospects and site selectors. They should also join and attend industry events supported by targeted decision-makers. These associations provide excellent trend data that can help the community become better informed and prepared. Consider, where applicable, sponsoring events or activities at these functions to invite industry executives for a more personalized approach.

In addition, La Center representatives should travel to key geographies with a heavy concentration of target industry businesses that could likely relocate to the area. These trips enable local leaders to directly contact potential companies.

Key to all marketing efforts will be La Center’s ability to work regionally with other communities. Leveraging resources of the Columbia River Economic Development Council, for example, will be important as a small community like La Center will likely be challenged in presenting itself exclusively as a business destination.

Action Items:

- Create web presence dedicated to economic development. Incorporate robust capabilities including community profile, target industry profiles, available real estate, and top-level design.
- Build a database of community data (using key data from this project) that will help articulate to potential businesses the critical assets (e.g. high quality of life, friendly business climate, strong workforce, etc.) of the La Center community.
- Identify target industry companies and contacts.
- Design a collateral of materials and distribute regularly to targets.
- Focus recruitment efforts on direct contact with key company decision makers (e.g., CEOs, CFOs)
- Identify and attend selected target industry association events and tradeshows.
- Conduct a target industry mission annually.
- Engage state and regional partners to assist in marketing (work with Port of Ridgefield, become member of CREDC)
- Participate in targeted marketing events (industry trade shows, regional familiarization tour events).
- Conduct aggressive external marketing campaign and face-to-face meetings and sales trips.

Strategy 4: Enhance business expansion and retention of existing industries

While the recruitment and attraction of new target businesses to the area is important, retaining and growing existing local companies, including small businesses and entrepreneurial ventures, is equally critical to economic vitality. Business retention and expansion will be an important component of economic development for La Center and will ensure that local businesses' needs (e.g., permitting, workforce recruitment and training, etc) are met through a regular dialogue.

The City can host focus groups with business leaders and keep them informed about the pro-business efforts on their behalf and seek guidance as to the types of programs and services that help businesses become even more prosperous. This will enable the City and its economic development department to continue to have a successful business retention and expansion program. Finally, as a way to encourage young talented individuals and small business innovators to stay in or return to the community once graduating from high school or college the City should focus on creating a support system for entrepreneurship including educational and networking opportunities.

Action Items:

- Conduct regular calls and visits to existing business.
- Track company information and needs and follow-up with companies on satisfaction with services provided.
- Evaluate software programs that might better capture and maintain information concerning businesses that could be updated throughout the year using on line surveys and other tools.
- Report summary of business expansion and retention provided services to council on a quarterly basis.
- Hold annual economic development forum in conjunction with North Clark County Chamber of Commerce events to highlight successful La Center businesses and gather additional small and medium-sized business needs.
- Enhance entrepreneurship training at La Center K-12 levels through programs like Junior Achievement.
- Recruit residents to be part of regional (e.g. Chamber) entrepreneurship and young professionals groups.

Strategy 5: Develop comprehensive economic development program that enhances La Center's position within the larger south Washington region

As La Center begins to market itself and develops the capability to support this business investment, it will need to position itself to sustain its economic growth in the longer term. Its success in this area will rely upon the City's ability to develop a strong pool of talented workers and engage regionally with economic development partners.

Industries today are increasingly looking at a community's human capital – or pool of skilled workers – in deciding where to invest. La Center will need to ensure that its current and future workforce can be a critical asset for the community. With only 35% of La Center adult residents holding at least a 2-year degree, the City lags behind the Portland MSA (42%) and the State of Washington (41%) in educational attainment. Improving the effectiveness of the community's K-12 school system will be a powerful economic development tool.

In addition, once the target industries are positioned in La Center, the City will need to ensure that the community's education and adult workforce resources are aligned to the long-term training needs of these industries. Stronger collaborations between the City, the school system, the business community (e.g., through the North Clark County Chamber of Commerce) the workforce system (e.g., Southwest Washington Workforce Development Council) and higher education institutions like Washington State University Vancouver will be critical.

Beyond working regionally for workforce development purposes, La Center should be taking advantage of other regional economic development efforts. Given its small size and limited resources, La Center will benefit significantly from relationships with the Columbia River Economic Development Council, for example, which can inform La Center of potential company leads in their target industry area and market on La Center's behalf.

While the strategies up to this point will help La Center differentiate itself economically from surrounding communities in order to take advantage of business investment, this strategy will ensure that the City capitalizes on its regional position while taking advantage of the larger region's assets.

Action Items

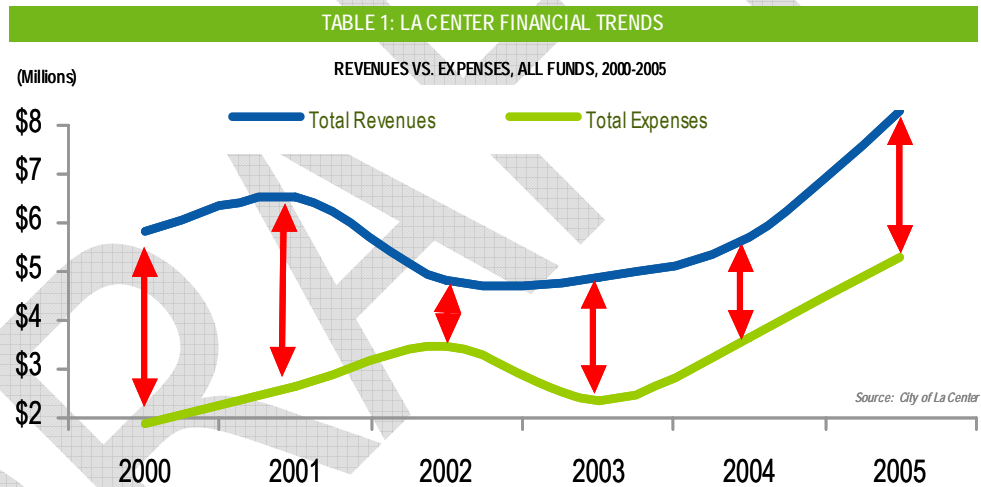
- Foster relationships with Washington State University of Washington Vancouver, other regional community/technical colleges, and local K-12 system.
- Seek La Center representation on Southwest Washington Workforce Development Council.
- Ensure that the North Clark County Chamber of Commerce and CREDC is actively engaged with the La Center K-12 school system so that students are aware of industry workforce requirements.
- Work with CREDC and other communities, including Ridgefield, to develop a brand that incorporates La Center's assets into regional marketing efforts and that several communities within the region could utilize as a portion of their own customized brands.
- Ensure this brand promotes a consistent message and design for the entire region.

There is no question that to execute the structural strategies outlined in this plan – especially extending physical infrastructure – will require a significant city investment. Reports estimate that sewer extension alone will cost approximately \$8 million. This is an important issue for La Center, especially given the current national economic downturn and the likely effects on the City’s finances. Our analysis, however, shows that this investment in infrastructure will likely yield a high return in the longer term and should be strongly considered.

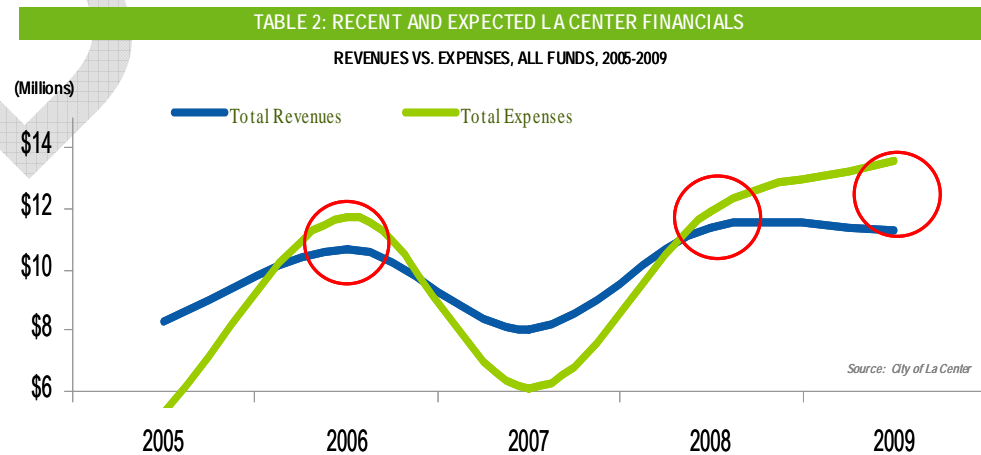
Part I of this section provides a snapshot of La Center’s past and current financial situation and highlights the negative impact that the proposed Indian casino will likely have on city revenues. Part II of this section provides an estimation of the return on investment likely to be received – through property and sales tax revenue should La Center build the infrastructure and ultimately secure the investment of the four target industries.

PART I: LA Center’s Current Financial Situation

As seen in Table 1, from 2000 through 2005, La Center had experienced significant budget surpluses and was able to create a healthy reserve fund. From 2005 through 2009, however, (Table 2) as the economy became more volatile, expenses exceeded revenues in several years with a trend that could very well continue.



Adding to this challenging trend is the expected impact that the Cowlitz Indian Tribe Casino will have on the City’s revenues. An economic impact study commissioned by the City found that 66% of card room tax revenues (\$2.4 million) would be

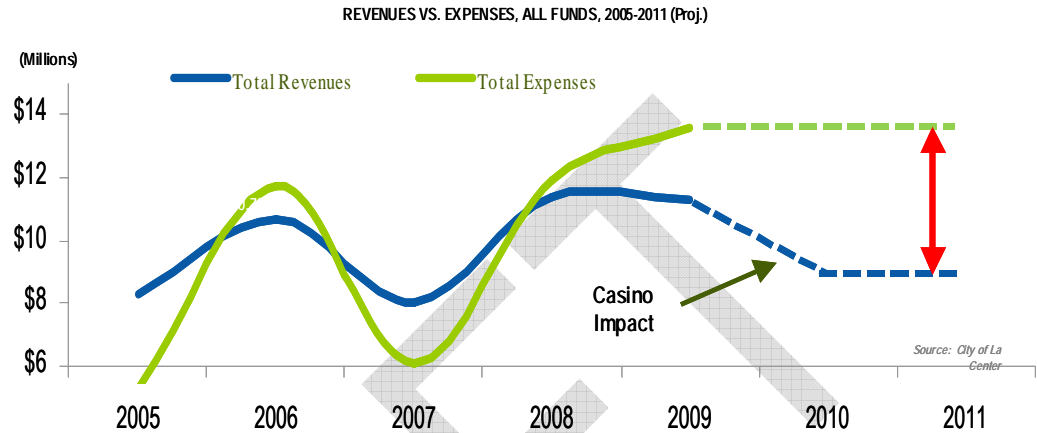


lost annually (see Table 3).

Given these expected shortfalls, La Center will likely have to make an important decision: dip into reserve funds, cut its operating budget, or put capital projects on hold. Given the absolute necessity of extending infrastructure to pave the way for successful future economic development efforts, putting capital projects on hold may prove to be a significant mistake. As mentioned, La Center must secure and extend the infrastructure to the I-5 junction

before any economic development efforts can begin. Given this scenario, the City may want to look more closely at negotiating with the Cowlitz Tribe, which is offering to support much of this infrastructure development.

TABLE 3: CASINO IMPACT ON LA CENTER FINANCIALS



before any economic development efforts can begin. Given this scenario, the City may want to look more closely at negotiating with the Cowlitz Tribe, which is offering to support much of this infrastructure development.

PART II: ECONOMIC DEVELOPMENT INVESTMENT: ESTIMATED RETURN

This section provides a foundation for analyzing the potential return on investment that the target industries may yield. While there may be a significant cost to performing the structural components of this action plan, it is likely that the property and local sales taxes from future targeted industries would offset the taxes generated annually by the current card rooms (especially once the casino impact is felt).

The profiles below examine the potential real estate costs and tax advantages the four target sectors – Logistics & Distribution, Material Supplies, Electronics, and Retail – may have on La Center. AngelouEconomics examined market trends within the sectors to provide an overview of the general real estate needs, building investment, jobs, sales information (when available), and site requirements for each sector. Using current La Center property and sales tax rates, we then extrapolated an annual tax revenue forecast per one average business per industry sector. Tax revenues below assume a local sales tax of 1.6 percent and an average property tax rate of \$1.17 per \$1,000 of assessed value, and do not include other taxes or company user fees.

These calculations should provide La Center with the information necessary to estimate a total annual revenue generated once the City details out which specific industry mix it will target. Assuming even limited success (e.g. attracting several boutique retail stores, a logistics or distribution firm, and a material supplies company in the near term and an electronics firm in the long term), the City can eventually offset the cost of providing the infrastructure and the gambling revenue loss.

These calculations are meant to be an estimation of the return on investment and include several assumptions. In addition, per any economic development impact analysis, communities always need to weigh the benefits and costs (including opportunity cost) associated with new business investment, as added tax revenues are compared to the added burden on infrastructure, for example.

Logistics & Distribution

Logistics and Distribution includes logistics planning for medium and large companies, software development to manage supply chains for companies, and physical transport of goods between hubs and nodes.

On the logistics side, companies are often connected to the operations of a specific regional distribution center and create or manage logistics software. They are typically small operations, with less than \$1 million in investment in technology and office outfits and employing a small number of highly skilled individuals to manage operations or create new systems. With a small footprint, these businesses' provide a strong return relative to the space they occupy.

LOGISTICS DISTRIBUTION - LOGISTICS & OPERATIONS

Square footage:

1,000-4,000 sf Class A office space

Building & equipment investment:

< \$1 million investment

Jobs:

5-20 jobs

Estimated Annual La Center Tax Revenue:

\$17,170-\$81,170*

Notes:

Near Interstate for quick access to regional distribution centers, easy access to Portland airport



** Calculated using anticipated property and sales tax revenues*

Source: AngelouEconomics

Located on an interstate next to Portland and within a few short hours of Seattle and Tacoma, La Center can be situated for a mid-sized regional distribution center. These mid-sized warehouses typically occupy 750,000 square feet, but it is not unusual to occupy as much as 1.5 million square feet.

LOGISTICS DISTRIBUTION - DISTRIBUTION CENTERS

Square footage:

500,000-1.5 million sf warehouse space

Building & equipment investment:

\$45-\$85 million investment

Jobs:

300-650 jobs

Estimated Annual La Center Tax Revenue:

\$52,650-\$99,450*

Notes:

Requires excellent highway access; must be central to multiple major markets; large piece of land with little to no grade



** Calculated using anticipated property tax revenues; additional taxes have not been calculated*

Source: AngelouEconomics

Distribution centers are significant investments. Automation, docks, cooling systems, and other amenities, must adequately store goods and efficiently move them onto trucks. A million-square-foot warehouse can cost upwards of \$75 million which translates into strong property taxes revenues as these centers occupy very large portions of land.

Material Supplies

Most material supplies operations are relatively small, with an average of 30 employees and less than 25,000 square feet of industrial space. While the larger operations have sales reaching \$13 or \$14 million, the more typical material supplies company will not rise above \$6 million.

A typical material supplies company could be expected to generate approximately \$100,000 in tax revenue per year, excluding additional tax revenue from localized spending by the company and its employees.

MATERIAL SUPPLIES

Square footage:

5,000-20,000 sf Industrial Space

Building & equipment investment:

\$1-\$6 million investment

Jobs:

10-50 jobs

Estimated Annual La Center Tax Revenue:

\$17,170-\$247,020

Notes:

Proximity to major routes and appropriately sized markets; near similar uses; typically away from residential areas



** Calculated using anticipated property and sales tax revenues*

Source: AngelouEconomics

Electronics

Electronics producers vary greatly in size. While most average 50 employees, many large firms, (e.g., AMD, Intel, LG, etc.) have significant operations employing over 1,000 people. Samsung recently invested \$3.5 billion to develop a semiconductor manufacturing facility in Austin, TX, hiring 700 employees in the first two years.

With its proximity to Portland and high quality of life, it is not unrealistic to expect La Center to attract a small to mid-sized electronics firm in the mid to long term, employing between 50 and 100 employees, with sales in the tens of millions annually.

ELECTRONICS

Square footage:

10,000-200,000 sf Light Industrial Space

Building & equipment investment:

\$100 million-\$1 billion investment

Jobs:

50-150 jobs

Estimated Annual La Center Tax Revenue:

\$437,000-\$9.2 million

Notes:

Excellent parking and transit access; near major routes and appropriately sized markets; requires good utility infrastructure



** Calculated using anticipated property and sales tax revenues.*

Source: AngelouEconomics

Retail

Smaller retail stores frequently cluster together to form a destination area. These smaller stores are typically less than 20,000 square feet but can be as large as 50,000 square feet. Boutique retail stores fall within this retail class as do common chains such as McDonalds, Kinkos, and Starbucks. Typically costing less than \$1 million to open, these shops provide a small but stable source of income.

RETAIL -BOUTIQUE

Square footage:

10,000-50,000 sf Retail Space

Building & equipment investment:

< \$1 million investment

Jobs:

1 - 30 jobs

Estimated Annual La Center Tax Revenue:

\$1,834-\$33,170*

Notes:

Excellent parking and transit access; proximity to major routes and appropriately sized markets; high visibility; strong retail cluster



** Calculated using anticipated property and sales tax revenues*

Source: AngelouEconomics

“Big box” retail stores often serve as tax anchors for rural communities. While property tax for a \$20 million store like Walmart may only amount to \$25,000, the average Walmart has \$54 million in sales per year. This provides a substantial boost to a smaller town or city tax base, allowing more flexibility in economic development spending.

RETAIL - "BIG BOX"

Square footage:

75,000-200,000 sf Retail Space

Building & equipment investment:

\$7-\$20 million investment

Jobs:

200 - 600 jobs

Estimated Annual La Center Tax Revenue:

\$392,190-\$887,400*

Notes:

Requires excellent parking and transit access; proximity to major routes and appropriately sized markets; high visibility



** Calculated using anticipated property and sales tax revenues*

Source: AngelouEconomics

The implementation of this strategy will not occur without a team of leaders committed to overseeing the process. AE recommends the following implementation plan to ensure objectives are met.

The implementation matrix offers detailed look at how La Center should implement this action plan with key outcome metrics for each strategy. It is organized by the five strategies outlined in the action plan and includes the most prominent action items, time frame and parties to be involved in implementation, and finally a list of short and longer term outcome measures (i.e. how La Center will know if it is meeting the strategic objectives).

DRAFT

**La Center Strategic Action Plan
Implementation Matrix**

Strategies	Action Items	Time Frame	Parties Involved	Outcome Measures
Structural Strategies				
1) Establish an economic development department	<ul style="list-style-type: none"> ▫ Secure community/council buy in ▫ Detail funding sources and secure resources(work regionally if appropriate) ▫ Develop specific job description ▫ Hire individual 	Short term	<ul style="list-style-type: none"> ▫ La Center City Council ▫ La Center City Planner ▫ Other city representatives as needed ▫ Other communities (e.g. Ridgefield) as needed 	One individual responsible and accountable for all La Center current and future economic development efforts
2) Develop and extend infrastructure to junction I-5	<ul style="list-style-type: none"> ▫ Conduct infrastructure asset inventory ▫ Conduct due diligence and planning ▫ Perform detailed property analysis ▫ Plat out land and identify specific infrastructure reqts of targeted industries ▫ Conduct financial analysis ▫ Identify funding sources 	Short term	<ul style="list-style-type: none"> ▫ La Center City Council ▫ La Center City Planner ▫ La Center E.D. Lead ▫ Clark County PUD ▫ Other planning and zoning reps and consultants as needed 	All necessary infrastructure in place and used successfully to recruit new businesses
Priority Strategies				
3) Create and initiate marketing campaign	<ul style="list-style-type: none"> ▫ Create web presence ▫ Build database of community data ▫ Identify target industry companies/contacts ▫ Design collateral materials ▫ Work with CREDC and other region entities to conduct targeted marketing activities 	Intermediate Term	<ul style="list-style-type: none"> ▫ La Center E.D. Lead ▫ La Center City Planner ▫ CREDC 	<ul style="list-style-type: none"> ▫ Awareness of industry reps of La Center as a place to invest ▫ Businesses recruited (in targeted industry areas) and jobs created
4) Enhance business expansion/retention services	<ul style="list-style-type: none"> ▫ Conduct regular calls and visits to existing businesses ▫ Track company information and needs ▫ Report business services to City Council 	Longer Term	La Center E.D. Lead	Satisfaction of existing businesses of services provided and jobs retained
5) Develop comprehensive E.D. effort regionally	<ul style="list-style-type: none"> ▫ Foster relationships with Univ. of Washington Vancouver and other regional higher ed institutions ▫ Establish presence on Southwest Washington Workforce Development Council ▫ Work with state EDC, CREDC and other regional entities on strategic E.D. engagement 	Longer Term	<ul style="list-style-type: none"> ▫ La Center E.D. Lead ▫ CREDC ▫ University of Washington Vancouver/other higher ed institutions ▫ Southwest Washington Workforce Council ▫ North Clark County Chamber of Commerce 	<ul style="list-style-type: none"> ▫ La Center appropriately represented through regional marketing and other economic development efforts ▫ Specific regional resources leveraged for the benefit of La Center ▫ La Center workers prepared and with appropriate skills for La Center jobs

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