

**TARGET BUSINESS
MARKETING STRATEGY**

For

**KINGWOOD
BUSINESS & INDUSTRIAL PARK**

CITY OF FLORENCE

July, 1998

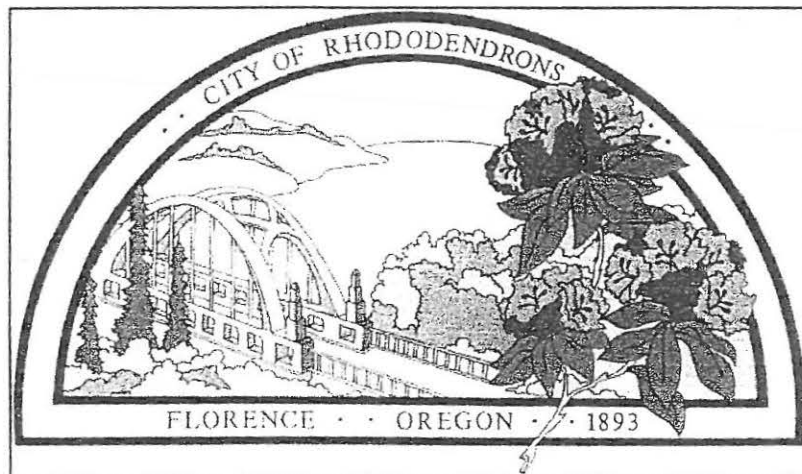
TARGET BUSINESS MARKETING STRATEGY

For

KINGWOOD BUSINESS & INDUSTRIAL PARK

Prepared For

CITY OF FLORENCE



By

ELESCO, Ltd.
Sunriver, Oregon

July, 1998

"The preparation of this report was funded in part with a grant from the Benton Lane Lincoln Linn Regional Strategy Board.

The Board is funded by the Oregon State Lottery-Rural Investment Fund-Administered by the State of Oregon Economic Development Department."

August 17, 1998

Mr. Ken Hobson
City Manager
City of Florence
P.O. Box 340
Florence, OR 97439

Dear Mr. Hobson:

Elesco is pleased to present the City of Florence with this final report of our analysis, findings and recommendations for a target business marketing strategy for Kingwood Business and Industrial Park. The report marks the completion of more than six months of work to identify appropriate industries for location at Kingwood, along with techniques for marketing Kingwood to suitable companies.

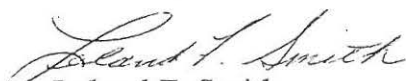
The report consists of four principal sections:

1. Community Analysis, identifying the strengths and weaknesses of the Florence area for general business recruitment.
2. Analysis of Markets and Competition, identifying economic activities in the region and competing industrial projects.
3. Business Development Opportunities, identifying those opportunities that have the highest probabilities of locating in Kingwood.
4. Marketing Strategies, recommending marketing plans and strategies for recruiting new businesses to Kingwood.

In addition to this report, we are providing the City of Florence with marketing brochures and flyers that can be used for business development and recruitment.

We have appreciated this opportunity to provide our services to the City of Florence.

Sincerely,


Leland F. Smith
President

KINGWOOD BUSINESS & INDUSTRIAL PARK
OUTLINE OF CONTENTS

SECTION 1: COMMUNITY ANALYSIS

Exhibit: Location Map.....	Following Pg. 1
Part 1: Business Operating Factors	
Location, Market Size, Economic Linkages.....	1- 2
Existing Economic Base.....	1- 3
Exhibit: Industries in Florence Area.....	Following 1- 4
Population Size and Trends.....	1- 5
Characteristics of Population Growth.....	1- 7
Labor Force Size and Characteristics.....	1-10
Florence Area Labor Market.....	1-13
Wage Rates.....	1-17
Labor Force Training Programs.....	1-18
Market Access / Transportation.....	1-20
Exhibit: Florence 3-hr Driving Radius.....	Following 1-20
Utilities.....	1-22
Business Supplies and Services.....	1-26
Capital Access / Business Assistance.....	1-26
Education / Research.....	1-29
Taxes / Business Climate.....	1-30
Summary of Business Operating Factors.....	1-31
Part 2: Quality of Life Factors	
Location, Size, Environment.....	1-31
Climate.....	1-32
Housing.....	1-32
Medical Services.....	1-33
Schools / Education.....	1-34
Shopping / Community Services.....	1-35
Recreation and Culture.....	1-36
Crime.....	1-36
Matrix of Strengths and Weaknesses.....	1-37

SECTION 2: ANALYSIS OF MARKETS AND COMPETITION

Part 1: Analysis of Markets	
National Economic Trends and Outlook.....	2- 1
Oregon Economic Trends and Outlook.....	2- 5
Western Oregon Economic Trends and Outlook.....	2- 7

KINGWOOD BUSINESS & INDUSTRIAL PARK
OUTLINE OF CONTENTS (Page 2)

Lane County Economic Trends and Outlook	2- 8
Projected Occupational Growth in Lane County	2-10
Oregon Coast	2-11

Part 2: The Competitive Environment

Eugene/Springfield	2-13
Coos Bay Area	2-21
Newport/Toledo	2-22
Reedsport/Gardiner Area	2-24
Tillamook	2-25
Redmond	2-26

SECTION 3: BUSINESS DEVELOPMENT OPPORTUNITIES

Exhibit: Kingwood Vicinity Map	Following 3- 2
Overview of Kingwood Business & Industrial Park	3- 3
Exhibit: Industrial Park Plat Map	Following 3- 4
Business Development Objectives of the Strategic Plan	3- 5
Target Industries for Kingwood Business & Industrial Park	3- 9
Criteria for Targeting	3-12
Selection of Industry Targets	3-14

SECTION 4: MARKETING STRATEGIES

Part 1: Pre-Marketing Planning & Policy Issues

Segregation of Uses	4- 1
Controlling Documents	4- 4
Restricting Types of Buyers/Lessees	4- 6
Pricing Policies	4- 7

Part 2: Real Estate Marketing Plan

Personal Solicitations	4- 9
Direct Mail	4-10
Advertising	4-11

KINGWOOD BUSINESS & INDUSTRIAL PARK
OUTLINE OF CONTENTS (Page 3)

Part 3: Pre-Marketing Economic Development Strategies

- Organizational Strategies..... 4-13
- Enterprise Zone Designation 4-14
- Business Incentives 4-16
- Work Force Training Programs 4-20
- Business Incubator 4-21
- Business Development Center 4-22

Part 4: Local Business Development Strategies

- Confidential Business Questionnaire Following 4-26

Part 5: Entrepreneurial Business Development Strategies..... 4-27

Part 6: Recruiting Companies to Florence

- Marketing Strategies for Kingwood Business & Industrial Park
- Feasibility Model of Florence Cost Advantages 4-30
- Eugene/Springfield Market Area 4-31
- Willamette Valley/Portland Market Area 4-35

Part 7: Follow-up Strategies for the Marketing Program..... 4-37

Addendum 1: List of Target Companies in Lane County
List of Target Companies in Willamette Valley and Portland

Addendum 2: List of Primary Sources of Information

SECTION 1

COMMUNITY ANALYSIS

SECTION 1: COMMUNITY ANALYSIS

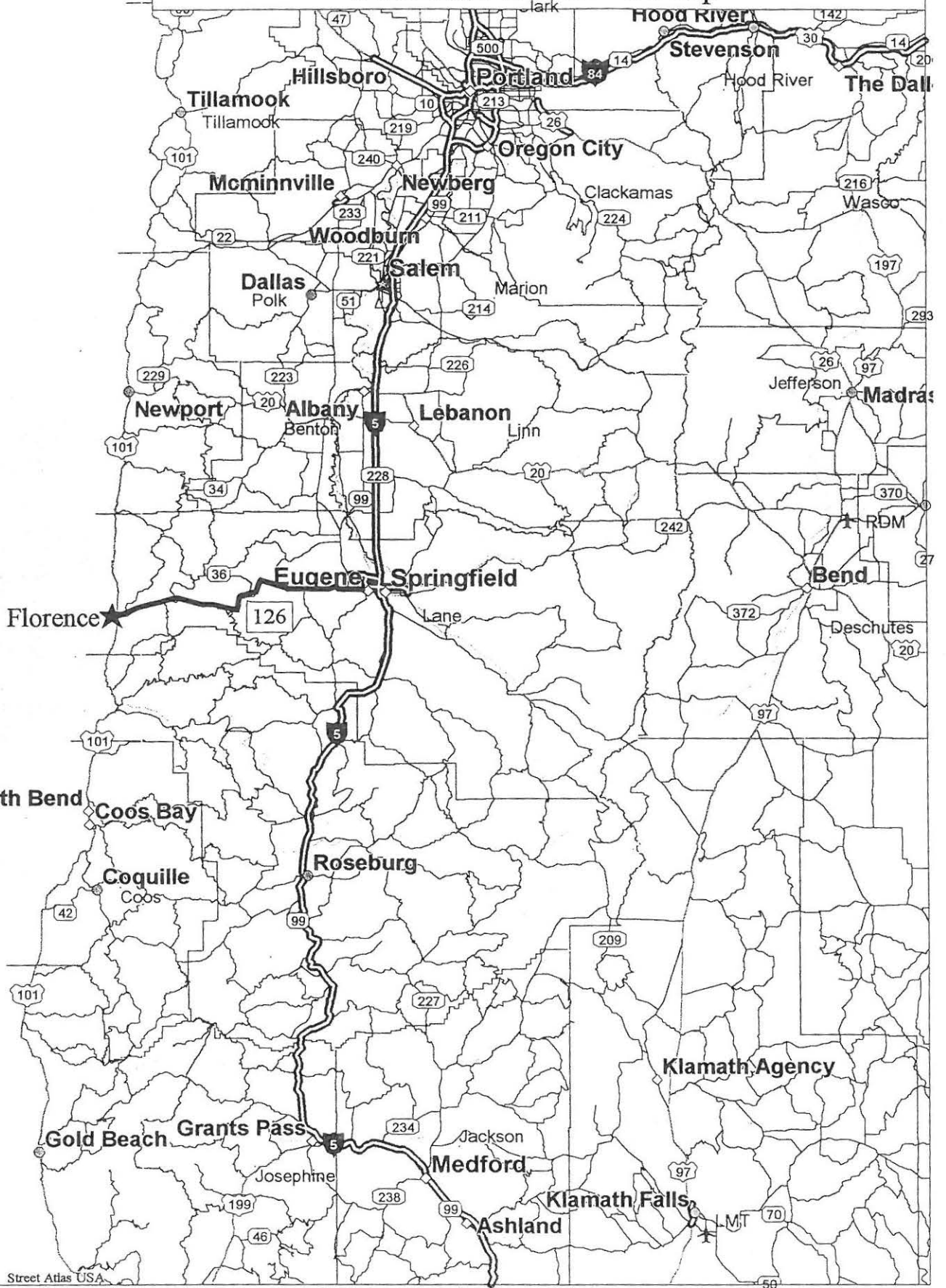
This section provides the base analysis and evaluation of the strengths and weaknesses of the Florence area, and specifically the **KINGWOOD** Business & Industrial Park, to attract, sustain, and expand businesses suitable for locating in the business park. It looks at overall demographic and economic characteristics of the area but it highlights primary business support criteria rather than encompassing all data that may be of general interest. The purpose is to provide a resource tool that can be used to identify target markets and provide the rationale for recruiting selected types of companies.

The analysis is divided into two parts: Part 1 examines business operating factors, which determine the types and sizes of businesses that could operate successfully in Florence; Part 2 looks at "quality of life" factors that affect the ability of Florence to attract business owners and their employees. The location decisions of companies, especially owner-managed companies, are often as much dependent on the personal lifestyle choices of the owners and managers as they are on the operating factors.

This economic overview of the Florence area uses as much local data as could be obtained from numerous sources. In addition, several recent studies are available that address many of the same issues as are included in this report. To avoid duplication of effort, those studies are cited and their findings are incorporated into this report. While some of their conclusions may be challenged, this report does not evaluate their accuracy or methodology. Some critical statistical series are only available at the county level, especially for current data such as breakdowns of employment by category. In those cases, the broader data has been extrapolated to fit the demographic profile and unique economy of the Florence area. It is believed that the assumptions produced in this manner are reliable although they may not be verifiable in terms of hard data.

This study focuses on the geographic area encompassed by the City of Florence and its Urban Growth Boundary. Most of the analysis pertains to this area although there are legitimate reasons to expand this somewhat narrow focus in the evaluation of business support capabilities. For example, a labor market area generally includes all of the work force that is located within a 30-minute commute radius, which would extend the area from which workers can be drawn to at least 25 miles from central Florence, encompassing Gardiner and Reedsport to the south as well as Mapleton and Swisshome to the east. Other business support factors, such as commercial air service, require extending the analysis to a radius of at least 50 miles.

Florence Location Map



PART I: BUSINESS OPERATING FACTORS

LOCATION, MARKET SIZE, ECONOMIC LINKAGES

Florence is located on the central Oregon coast, in Lane County, about 60 miles west of the Eugene/Springfield metropolitan area, 164 miles southwest of Portland, 50 miles south of Newport, and 48 miles north of Coos Bay/North Bend (see map). The Siuslaw River provides a protected harbor for small commercial fishing and recreational craft at Florence, five miles upriver from the Pacific Ocean. U.S. Hwy. 101 runs north/south through the community, with Oregon Hwy. 126 connecting Florence with the I-5 interstate freeway at Eugene a little more than one hour driving time to the east.

One of the realities of Florence's location is the small size of its local market and its relative isolation from larger markets. Florence is the center of an area population of about 20,000 people stretching eastward up the Siuslaw River to Mapleton and nearby communities, and southward to Dunes City. Further south, Gardiner and Reedsport in Douglas County, with a combined population of about 5,000, are ± 25 miles away. Several sparsely populated, small unincorporated communities lie in between. A larger population center, Coos Bay/North Bend with combined populations of about 30,000, is another 23 miles south of Reedsport. To the north, Newport is 50 miles away past rugged coastal headlands. Along with other smaller communities in between, Newport is a population center of about 20,000.

This leaves the Eugene/Springfield Metropolitan Area, with a population of about 230,000 people, as the largest market area within a 60-mile radius of Florence. The economic linkages are stronger between Florence and the Eugene/Springfield area than with many of the other coastal communities. It is more realistic to associate with business development opportunities in the Eugene/Springfield market than in other coastal communities where the operating factors and quality of life are similar to those in Florence.

Other markets are accessible from Florence, including Portland, but Florence has strong competition from communities along the I-5 corridor to service those markets. Establishing a rationale for locating in Florence to serve those markets would have to be based primarily on personal choices and quality of life factors.

EXISTING ECONOMIC BASE

The economic origins of the Florence area were rooted in timber and fishing. The Siuslaw River was a major log transportation route, with ocean-going ships and barges traveling the river to Mapleton and beyond to pick up logs and cut timber and transport them to railheads and population centers. The fishing industry in the area also flourished in the early 1900's, due to the sheltered harbor at Florence and the rich, nearby fishing grounds.

Both of these industries have experienced significant declines, especially since the 1960's. Environmental and conservation concerns have shifted the focus on natural resources to conservation along with preservation of species and habitat, altering policies for the use of forestlands and fisheries.

The economy of the Florence area has changed dramatically in recent years. Tourism, retirement, and commercial activities to support a growing population have replaced reliance on resource-based industries. Florence has become a regional center, supporting an area with an estimated population of about 20,000 people. Its regional facilities include a hospital and other health facilities, a community college, an events center, and an airport. The renovated Old Town district on the Florence waterfront attracts tourists from all over the world to visit the shops, restaurants, and historical buildings in the area. Tourists are also drawn to Florence for sport fishing on the Siuslaw River and the Pacific Ocean.

The growth of tourism along with the increased resident population has caught the attention of major retailers who have entered the Florence market or are planning to do so in the near future. Adding to existing chain stores such as Safeway, Emporium, Bi Mart and Rite-Aid Drugs, planning is underway for a new factory outlet mall on the north end of the city and a Fred Meyer department store. These will add additional jobs in the area and will also attract additional visitors who will deposit more money into the local economy.

Population growth in Florence has been two-to-three times as great as overall Lane County and the state of Oregon, largely due to the inflow of retirees. This trend is expected to continue, as indicated by the June, 1998 edition of Kiplinger's Personal Finance Magazine, which cited Florence as one of the 11 best places to retire in the country.

With the in-migration of retirees, however, employment opportunities have grown more slowly. Many of the new jobs are in seasonal or part-time occupations, with lower annual wages than the lost jobs in the resource industries.

To address the concern about the relative lack of jobs that pay family wages, the City of Florence developed the Florence Business & Industrial Center adjacent to the airport and has recently completed development of the **KINGWOOD** Business & Industrial Park in the same vicinity. The purpose of these developments is to provide fully developed sites for expansions of local firms, companies locating facilities in Florence to serve the growing markets, and targeted firms that can be recruited from outside the area.

Several of the other studies reviewed for this report emphasized the growing influence of retirees and tourism while virtually discounting the fact that industrial and commercial service activities continue to play an important role in the local economy. In fact, Florence and the Florence area have a viable industrial base that should not be overlooked. The 1998 edition of the Oregon Manufacturers Register, produced with the aid of the Oregon Economic Development Department, lists 25 companies with primary manufacturing SIC codes in Florence, Mapleton and Swisshome. Another two companies are listed in non-manufacturing SIC codes. Combined, these 27 firms have total employment of approximately 545 workers in the local area.

Twelve of these companies, employing 371 workers, are listed in the primary SIC category 24, which includes the full range of logging and wood products manufacturing, including cabinet making, millwork, and other secondary wood products. The remaining firms are spread throughout a variety of industries, including food and fish processing, textile products, printing and publishing, plastic injection molding, concrete products, small arms ammunition, pickup canopies, neurological test instruments, signs, accessories for motion picture cameras, and software development.

In addition to these firms, there are many other companies in Florence that are not listed in the register. For example, the Florence Business Center has 21 tenant companies but only three of them are listed. Some of these firms qualify as manufacturers while others are distributors or service companies. There is also a company in Florence that manufactures small camping trailers that is not listed in the register.

Industries in Florence Area

Company	Contact	Phone	City	ST	TotEmp	LocEmp	SIC	Business Description
BJ's Ice Cream	Brian Colc, President	541-997-7286	Florence	OR	20	10	2024	Manufactures and sells ice cream and frozen desserts
International C-Food Marketing	William Millerstrom, Owner	541-997-9646	Florence	OR	70	60	2092	Processes fish
Bedsread Saver	Karen Loren, Co-Owner	541-997-6864	Florence	OR	2		2392	Manufactures Bedsread Saver, b sheet attached to the mattress
Sea-Forest Enterprises Inc	Gerald Lewis, President	541-997-6442	Florence	OR	15	3	2411	Logging
R & R King Logging Inc	Robert King, President	541-997-8212	Florence	OR	80		2411	Logging
North Forks Shingle	Joe Foresman, Owner	541-997-9617	Florence	OR	5		2429	Manufactures shakes, shingles and wood roofing products
West Coast Cabinets Inc	Dan Leasure, President	541-997-8323	Florence	OR	3		2434	Designs, constructs, finishes and installs wood cabinets
Better Built Custom Cabinets Inc	Ross M Rhodes, President	541-997-9314	Florence	OR	6		2434	Manufactures wood kitchen cabinet furniture woodworking; solid surface countertops and laminated countertops
W G Peterson Woodworking Inc	Terry L Sullivan, Owner	541-997-3127	Florence	OR	10		2434	Manufactures kitchen wood cabinet
Nation's Creations	Audrey Nation, Owner	541-997-8075	Florence	OR	2		2499	Manufactures wood products-- lighthouses, windmills and shelves
Lakeshore Myrtlewood Inc	Richard Frazer, President	541-997-2753	Florence	OR	5		2499	Manufactures myrtlewood gift items
Siuslaw News	Paul Holman, President	541-997-3441	Florence	OR	25		2711	Publishes weekly newspaper
Oregon Coast Magazine	Alicia Spooner, Publisher	541-997-8401	Florence	OR	20		2721	Publishes magazines and internet information on WWW
On the Coast Printing	Alan Anderson, Co-Owner	541-997-9195	Florence	OR	2		2752	Lithographic printing
Wells Plastic Inc	Vi Wells, President	541-997-3839	Florence	OR	9		3089	Plastic injection molding, custom; tool and die; industrial wood products
Viking Concrete Inc	Donna Vantuyt, President	541-997-6829	Florence	OR	7		3273	Manufactures ready-mixed concrete; sells contractor tools and supplies
Spares Inc	Frank Litkei, President	541-902-0143	Florence	OR	8		3482	Manufactures small arms ammunition
Buccaneer Manufacturing Co	John Ringen, Co-Owner	541-997-3573	Florence	OR	3		3792	Manufactures pickup canopies; RV repair
Neuro-Test Inc	K H Kilburn, President	541-997-4883	Florence	OR	8		3841	Manufactures neurological test instruments
Henderson Signs Graphics	Stuart W Henderson, President	541-997-7367	Florence	OR	3		3993	Manufactures signs, including monument, hand-painted and vinyl; provides graphics-- brochures, advertising, business cards and logo design
Central Oregon Airparts Inc	Brian Shelton, President	541-997-3610	Florence	OR	4		5088	Sells airplane parts
Traverse PC	John Balcom, President	541-997-9201	Florence	OR	8		7372	Develops prepackaged surveying, mapping and data collection software
Davidson Industries	Phil Davidson, President	541-268-4422	Mapleton	OR	175		2411	Produces timber and sells lumber
Florence Cabinets	Kenneth Ory, Co-Owner	541-268-9977	Mapleton	OR	8		2434	Manufactures and installs custom wood kitchen cabinets
Jurgen's Inc	Jurgen Meinardus, President	541-935-1404	Mapleton	OR	3		3861	Designs and manufactures accessories for motion picture cameras
Tidewater Dry Kilns	Wes Dschaak, Plant Mgr	541-268-4428	Swisshome	OR	20		2421	General sawmill and planing mill
American Laminators	Gary Davidson, Branch Mgr	541-268-4428	Swisshome	OR	56	45	2491	Manufactures laminated timbers

Many of the commercial and industrial service companies can be expected to grow as the population expands, new homes are built, and new facilities are developed to accommodate the needs of the added people. Some of these companies may be candidates for relocation and expansion at **KINGWOOD**. In addition, the presence of a viable industrial sector in Florence will be an important factor in recruiting new firms to the area.

For the marketing strategy at **KINGWOOD**, the significance of the existing economic base is that opportunities should be targeted in sectors that support the expansion of the tourism, commercial, retail, medical, residential, recreational, and other components of the economy, as well as targeting the expansion of existing firms that can relocate to the business park. The absence of large industrial plants in Florence does not preclude targeting services and support companies for non-industrial sectors.

POPULATION SIZE AND TRENDS

Population growth is an important factor in business development and expansion. In a report on projected growth of Lane County employment, the Oregon Employment Department states that: "...the largest boost to job growth will come from the county's swelling population base". At a minimum, a growing population requires housing construction which in turn requires a broad range of support services and supplies, many of which are typically housed in commercial or industrial zones. It also provides the spending base for the growth of retail and service industries. Depending on its characteristics, it can generate demand for new schools, hospitals, and expanded government services.

At the time this report was written, the most recent certified population estimates from the PSU Center for Population Research and Census were for July 1, 1997. The current report shows the following data for the City of Florence, Lane County, and the state of Oregon.

Table 1-1: Population Trends

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1997</u>	<u>% Change</u> <u>1990-97</u>
City of Florence	2,246	4,411	5,171	6,570	27.05
Lane County	213,357	275,226	282,912	308,500	9.04
State of Oregon	2,091,533	2,633,156	2,842,321	3,217,000	13.18

Source: U.S. Bureau of Census, and "Population Estimates for Oregon: July 1, 1997" Center for Population Research and Census College of Urban and Public Affairs Portland State University. Portland, Oregon March, 1998

These population trends show that Florence has been growing significantly faster than Lane County and the state as a whole. Measuring back to the 1970 Census, Florence grew by 193 percent during the subsequent 27 years while the county grew by 45 percent and the state grew by nearly 54 percent. During this period, population growth in Florence was more than four times that of Lane County and 3.6 times the growth in the state. From 1990 to 1997, growth in Florence was nearly three times that of the county and more than double the rate for all of Oregon. According to the PSU report, only 83 people were added to the city's population by annexation between 1990 and 1996 so most of the growth has been real rather than from changing jurisdictional boundaries (1997 figures not available). Clearly, Florence can be characterized as having a high rate of population growth compared to the county and the state.

A 1995 Community Assessment prepared for Rural Development Initiatives also showed population for the "Greater Florence Area", defined by census districts as including the unincorporated rural areas of North Siuslaw, South Siuslaw and Middle Siuslaw/Triangle Lake. This definition includes the City of Florence along with the unincorporated communities of Mapleton, Westlake, Deadwood, and Swisshome. These data are only available from U.S. Census counts for the years 1980 and 1990. The area's population was given as 12,504 in 1980 and 13,092 in 1990, reflecting a 10-year increase of 588 people or 4.7 percent.

Source: "Florence, Oregon Community Assessment". Prepared for: Rural Development Initiatives, Inc. Prepared by: E.D. Hovee & Company. November, 1995

Subtracting the population within the City of Florence from these figures, the population in these unincorporated areas *declined* from 8,093 in 1980 to 7,921 in 1990, a drop of slightly over two percent. During the same period, the population within the city of Florence increased by 17.03 percent. This disparity probably reflects the beginnings of declines in the forest products industry on which these other communities were more dependent. That trend has continued, so it can be expected that Florence's share of the total area population has increased even more since 1990.

Based on these numbers, a total area population of about 14,300 is estimated in early 1998 with the city of Florence representing about 47 percent of that total for a resident population of about 6,720. Official measurements of the 1998 population on July 1st will be available in March 1999. As noted earlier, service providers estimate a service area population of about 20,000 people which includes unincorporated areas outside of the census districts that define the Greater Florence Area.

CHARACTERISTICS OF POPULATION GROWTH

Determining the characteristics of population growth is more difficult. Most studies indicate that the largest single component of population growth in Florence is the inflow of retirees. According to the 1995 RDI Community Assessment: "The retirement industry is perhaps the primary source of economic growth and stability for Florence".

This was evident in the Census data for 1980 and 1990 which showed that population in the Greater Florence Area *declined* in the 0-17 age group by 7.4 percent during that 10-year period; the 18-44 age group also declined by 6.0 percent; while the 45-60 age group *grew* by 6.0 percent and the 65+ age group grew by 51.4 percent.

However, the RDI report shows different trends from 1990 to 1994, attributing a "Sisters of St. Joseph of Peace 1994 Zip Report for Peace Harbor Hospital PSA". According to that source, all age groups grew during the four-year period with the 0-17 age group showing an increase of 21.2 percent; the 18-44 age group increasing by 17.1 percent; the 45-64 age group growing by 24.4 percent; and the 65+ age group increasing by 23.4 percent. These figures indicate that the dominance of retirees in the area's population growth has diminished and there has been a reversal of the declines in the working age population.

Verifiable data on the components of population change are not available at the city level subsequent to the 1990 Census. However, recent data from the Siuslaw School District indicate that the younger population is expanding in Florence, although at smaller rates than those in the Peace Harbor Hospital report. Between 1994 and 1997, enrollment in all grades grew by 2.35 percent, with the largest increase of 7.46 percent recorded in the K-2 grades. Only the grades of 6-8 recorded a small decline. The high school grades of 9-12 recorded an increase of 4.16 percent during this three-year period.

At the county level, the PSU report estimates that Lane County added 17,098 people from net migration from 1990 to 1997, of whom 4,221 (24.7%) were in the age group of 65+. It is probable that the percentage in the 65+ age group moving into Florence is higher, but there is no reliable way to determine this until the Year 2000 Census data become available.

In the meantime, the best way to characterize the older population in the Florence area is to compare age groups at the state, county and local level. According to the PSU estimates for July 1, 1997, the state of Oregon and Lane County showed the age groups, by percentages, shown below. The comparable figures for the Florence area are for 1994, using the Sisters of St. Joseph of Peace data.

Table 1-2: Age Group Percentages

	<u>Ages 0-17</u>	<u>Ages 18-64</u>	<u>Ages 65+</u>
Oregon	25.6%	60.8%	13.6%
Lane County	23.6%	62.5%	13.9%
Florence	22.3%	53.7%	24.9%

The overall population trends, as well as the trends in age composition, have important implications for economic opportunities in the Florence area. For example, Florence represents a growth market but it appears that the characteristics of that market may be weighted toward the interests and needs of an older population. There are also implications for the area's labor force which will be examined later in this section.

Population *projections* are generally not available below the county level. Oregon's Office of Economic Analysis projects that the population of Lane County will increase to 352,944 in the year 2005, representing growth of 1.57 percent annually and 16.9 percent total during the ten-year period from 1995 to 2005, and to 397,350 by the year 2015 which represents slightly slower growth of 1.19 percent annually and 12.6 total percent over the ten-year period. While the largest numbers of this growth can be expected to locate in the Eugene/Springfield area, there should continue to be a higher percentage of growth in the Florence area.

Source: Oregon Office of Economic Analysis, Department of Administrative Services. Obtained from the Internet, Oct. 15, 1997

It is questionable whether Florence can sustain the high rates of population growth experienced in the past and predicted for the future in some reports. ECO Northwest has projected population growth in the Florence area at rates of 2.7 percent and 3.7 percent to the year 2015. These rates are two-to-three times the projections for Lane County which extrapolates past trends to continue for almost another 20 years. It will become increasingly more difficult to continue these high growth rates as the base population grows and the numbers have to increase every year just to stay even on a percentage basis.

Source: "Forecasts for Employment, Population and Housing for the City of Florence" ECO Northwest. July, 1995

The City of Florence used ECO Northwest's population growth projections in determining the demand for residential housing in its Issue Paper #2 on residential land uses, dated July 1997. These growth projections are shown in the table below, along with an additional column showing population growth at a 3.0 percent annual rate:

Table 1-3: Florence UGB Population Projections

<u>5-Year Period</u>	<u>Population Growth</u>			<u>Total Population</u>		
	<u>2.7%</u>	<u>3.0%</u>	<u>3.7%</u>	<u>2.7%</u>	<u>3.0%</u>	<u>3.7%</u>
1995-2000	1,080	1,210	1,512	7,265	7,395	7,697
2000-2005	1,232	1,426	1,813	8,497	8,821	9,510
2005-2010	1,408	1,663	2,174	9,905	10,484	11,684
2010-2015	1,608	1,941	2,608	11,513	12,425	14,292

According to the high growth projection, the city's population would grow by 131 percent, from 6,185 to 14,292, in the 20-year period from 1995 to 2015. The lower growth projection shows a more modest 86.0 percent increase over the same period. Both sets of projections illustrate how the numerical quantities have to increase as the rate of growth remains constant.

City of Florence officials report that a projected growth rate of 3.0 percent annually has been accepted by the county, state and local planning authorities for a target planning figure in Florence's Comprehensive Plan update process. For that reason, population figures based on that rate of increase are also shown in Table 1-3.

Whatever the actual rate of population growth will be in the future, it will have direct impacts on economic activities and the demand for industrial and commercial land, as well as residential. These impacts will be explored later in this report.

LABOR FORCE SIZE AND CHARACTERISTICS

If projecting population growth is difficult at the local level, measuring and projecting the area's labor force is even more challenging. An interview with the Lane County economist for the Oregon Department of Employment confirmed that there are no statistical breakdowns for areas below the county level. It would be inaccurate to simply apply population percentages and assume the equivalent labor force in the Florence area because of the different demographics in the area, especially the older age of the population and the larger percentage of retirees. However, It is useful to present that information for its insights into potential economic linkages that can be established between Florence and its larger neighbors in the county.

The data in Table 1-4 are provided by the Oregon Employment Department, Workforce Analysis, Eugene-Springfield Metropolitan Area Labor Trends, February 1998:

Table 1-4: Lane County Employment by Category

	Feb. '98	Feb. '97	Change	% Change
RESIDENT LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT (by place of residence)				
Civilian Labor Force	160,400	155,300	5,100	3.28
Unemployment	9,400	11,300	(1,900)	(16.81)
Percent of Labor Force	5.9	7.3	(1.4)	
Total Employment	151,000	144,000	7,000	4.86
NONFARM PAYROLL EMPLOYMENT (by place of work)				
Total Nonfarm Payroll Employment	137,200	134,200	3,000	2.24
Nonfarm Payroll Emp. Index (1977=100)	145.2	142.1	3.1	
Goods Producing	28,300	27,100	1,200	4.43
Service Producing	108,900	107,100	1,800	1.68
Manufacturing, Total	21,100	20,400	700	3.43
Durable Goods	16,300	15,300	1,000	6.54
Lumber & Wood Products	6,900	7,200	(300)	(4.17)
Logging	800	800	-0-	0.00
Sawmills	2,500	2,600	(100)	(3.85)
Plywood & Other Wood	3,600	3,800	(200)	(5.26)
Machinery	2,700	2,600	100	3.85
Other Durable Goods	6,700	5,500	1,200	21.82
Nondurable Goods	4,800	5,100	(300)	(5.88)
Food & Kindred Products	1,200	1,500	(300)	(20.00)
Printing & Publishing	1,900	1,900	-0-	0.00
Other Nondurable Goods	1,700	1,700	-0-	0.00
Non-Manufacturing, Total	116,100	113,800	2,300	2.02
Mining & Quarrying	200	200	-0-	0.00
Construction	7,000	6,500	500	7.69
Transport., Comm., Utilities	4,500	4,500	-0-	0.00
Transportation	3,400	3,400	-0-	0.00
Communications & Utilities	1,100	1,200	(100)	(8.33)
Wholesale & Retail Trade	34,300	33,200	1,100	3.31
Wholesale Trade	6,500	6,300	200	3.17
Retail Trade	27,800	26,900	900	3.35
Finance, Insurance, Real Estate	7,400	7,200	200	2.78
Services	36,900	36,100	800	2.22
Business & Professional Services	9,900	9,600	300	3.13
Health Services	10,600	10,500	100	0.95
Other Services	16,400	16,000	400	2.50
Government	25,800	26,100	(300)	(1.15)
Federal Government	1,800	1,900	(100)	(5.26)
State Government	7,900	8,300	(400)	(4.82)
Local Government	14,900	14,700	200	1.36

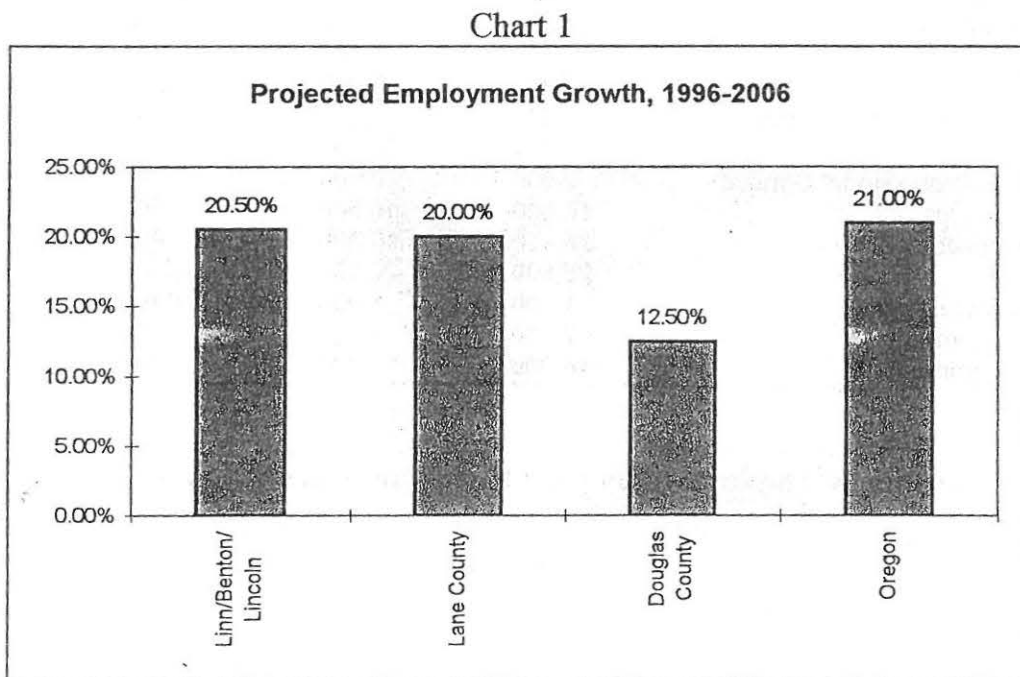
The composition of employment in Lane County provides a useful indicator of the driving economic forces in the major population centers ±60 miles from Florence. About 62.5 percent of Lane County's population in 1996 lived in the five cities of Eugene, Springfield, Junction City, Creswell and Cottage Grove.

Based on the distribution of employment in February 1998, the manufacturing sector comprised about 15.4 percent of total nonfarm payroll employment while non-manufacturing sectors comprised 84.6 percent. The largest single sector was services, representing 26.9 percent of all employment, closely followed by the combined trade sectors with 25.0 percent of total employment.

Through the end of 1997, manufacturing employment had been showing significantly higher rates of growth in the Eugene area than in the state as a whole. This was due to the added employment of several new high-technology manufacturing companies that located in the Eugene/Springfield area along with expansion of several local firms. That trend appears to have ended, at least temporarily, as manufacturing employment fell by 1,000 jobs between November 1997 and February 1998, with much of the decline in the lumber and wood products sectors which may be due to seasonal factors.

LANE COUNTY EMPLOYMENT AND INDUSTRY PROJECTIONS

In July 1997, the Oregon Employment Department published the results of its biannual industry employment forecasting project for all regions of Oregon and the state. It included forecasts for Lane County along with comparisons with Linn/Benton/Lincoln counties, and Douglas County. Chart 1 shows a comparison of the overall employment growth projections for these workforce regions and the state as a whole.



A detailed breakdown of these projections showing employment by industry is provided in the next section of this report. The important point being made here is that there is nothing predicted on the horizon that will slow either the growth of population or employment in Lane County. This has important implications for Florence, which is located in Lane County.

FLORENCE AREA LABOR MARKET

The data cited earlier on population growth by age groups showed 4,397 persons in the 18 - 44 age group in the Greater Florence Area in 1994, which was about 29.6 percent of the total population. The 45 - 64 age group consisted of 3,585 persons, for another 24.14 percent of the total. Combined, the labor-force age groups represented 53.74 percent of the total population.

This does not necessarily represent a labor force, however. These figures include non-working individuals in the 18 - 64 age groups, and exclude people who may be available for work in the under-18 and 65+ age groups.

Most labor force studies use the participation rate as an indicator of labor force size. This requires having reasonably accurate data about age demographics of the population to determine the overall number of people eligible to work, then establishing the participation rate as the percentage who are actually in the labor force. The 1990 Census data are too old to give an accurate picture of the labor force in Florence, so an estimate is made here using an employment-to-population ratio.

The Office of Economic Analysis shows an employment-to-population ratio of 42.6 percent in Lane County in 1995, compared to 45.2 percent for the state as a whole. The Lane County ratio is forecast to rise to 44.7 percent in 2005 while the state ratio rises to 47.3, in part because of demographics that show slowing population growth and the movement of younger age groups into the workplace. After 2005, steady declines are forecast in the ratios for both the county and the state.

However, coastal counties and counties with large retiree populations have substantially lower employment-population ratios. For example, Curry County on the southern Oregon coast had a ratio in 1995 of only 26.5 percent, while the ratio in Coos County was 34.2 percent. Other ratios in coastal counties and counties with high retirement populations included: Douglas County - 35.6 percent; Jackson County - 38.9 percent; Josephine County - 28.1 percent; Lincoln County - 39.3 percent; and Tillamook County - 31.8 percent.

If it is true that the percentage of retirees in the local population has been *increasing*, then it is reasonable to conclude that the employment-to-population ratio in Florence has been *decreasing*. Based on the ratios of similar areas and the population demographics of the Florence area, an employment-population ratio of about 30 percent would be realistic. A ratio of 30 percent would produce the following estimates of numbers of workers in the Florence area, with projections based on the 3.0 percent annual growth rate for the city of Florence and an annual growth rate of 0.15 percent for the unincorporated areas:

Table 1-5: Employment Estimates Based on 30% Ratio

	1990	1998	2005
Population	12,254	13,718	15,300
Employment	3,676	4,115	4,590

For comparison, the estimated 1998 population for the Florence area is approximately 4.56 percent of the total population of Lane County, while the estimated employment is about 3.0 percent.

As noted earlier, these formulas for estimating employment in the Florence area do not necessarily indicate the size of the labor force. It can be assumed that there are people who would apply for work who are not currently counted as part of the labor force. This is a typical pattern in labor markets that are dependent on seasonal or part-time work. In addition, new employers entering the area might tap the vast pool of talent of those who are recently retired.

One of the ways to gain insights into the true nature of the labor force is to examine job applications at the Oregon Employment Department. Not all people seeking work register with this agency, of course, but it is probable that the patterns of job applicants at this agency are typical of all job seekers in the area.

The Florence field office of the Oregon Employment Department provided a summary of job applicants by occupational title for this report. It covers a one-year period from July 1, 1996 to June 30, 1997, and lists applicants according to standard occupational titles. Only the primary title is listed for each applicant, so there are no duplications. However, this also means that the listed workers may be qualified in other occupations that are not included in the statistical tabulations. Only the major occupational titles are listed below, with selected subtitles, although the OED report included an extensive breakdown of subtitles.

Table 1-6:
Occupations of Job Applicants to Oregon Employment Department Job Service
Florence Field Office, Selected Occupations 7-1-96 to 6-30-97

	Total	Age			Years of School			
		<21	22-39	40+	0-11	12	13-14	15+
All Occupational Groups	1,934	130	927	877	340	1,033	364	227
Managers & Officials	74	1	24	49	7	34	17	16
Professional & Technical	236	5	86	145	5	50	65	116
Engineers	5	0	2	3	0	0	1	4
Engineering Technicians	6	1	2	3	0	2	0	4
Computer Specialists	7	0	7	0	0	1	4	2
Sales Workers	183	16	101	66	23	107	39	14
Clerical Workers	242	14	108	120	14	124	77	27
Service Workers	488	52	251	185	127	274	61	26
Ag., Forest, Fishing Workers	186	26	106	54	55	97	27	7
Mech., Prod., Const., Ops, Laborers	525	16	251	258	109	317	78	21
Machine Tool Trades	6	0	1	5	0	4	2	0
Operatives, Machine Metal Fabr.	5	0	3	2	0	4	1	0
Hand Workers & Assemblers	39	2	21	16	8	27	3	1

It is evident that the Florence area has substantially more workers available than the estimated size of the labor market indicates. The estimate of about 4,115 workers currently employed in the Florence area, combined with an unemployment rate of 6.0 percent (Lane County's unemployment rate was 5.9 percent in February 1998), would produce an estimate of about 247 workers unemployed and available for work. However, the actual number of job applicants was nearly eight times higher during the one-year period shown above!

The origin of the job applicants is not known but it can be assumed that many of these workers were currently employed but looking for work more suitable to their occupational experience and interests. There may also have been a large number of individuals not currently in the labor force who were looking for suitable work if it were available. Some of these job applicants may also have lived outside of the Florence area but were looking for opportunities to move there.

An important observation that can be drawn from these data is that the potential pool of workers in the Florence area is substantially larger than is indicated by population and employment figures. Nearly 2,000 workers applying for jobs is more representative of a much larger labor market area. A primary factor is the substantial underemployment of area workers who have more experience and higher skills than their current jobs require.

Another observation shown by the data is that the available labor pool in the Florence area is relatively well educated, with 52 percent of all applicants having a high school education and another 31 percent having one or more years of college. Fewer than 18 percent had less than a high school education.

The age breakdowns show that 48 percent of all job applicants during this one-year period were between the ages of 22 and 39, with another 6.7 percent aged 21 or younger and 45.4 percent aged 40 or older. These figures indicate that the Florence area has an experienced labor force, but that more than 50 percent of job applicants are under the age of 50. This indicates an overall younger labor force than might be assumed by the population demographics.

Several technical specialties are included in the listing shown above. The numbers indicate that engineering, technical and computer specialists are a relatively small part of the available labor pool, which is not unexpected with the lack of employment opportunities for these types of workers in the area. However, it should also be noted that skilled workers from the Reedsport/Gardiner area can be expected to apply for jobs in Florence.

The most important observation that can be drawn from these data is that workers are available in the Florence area in much greater numbers than the size of the population and current employment would indicate.

WAGE RATES

Average wage rates are not available at the local level, but informal discussions with officials at the Florence field office of the Oregon Employment Department indicate that the Florence area probably has lower wage rates than the Willamette Valley portion of Lane County. This is partly due to the lack of employment opportunities and job competition in the higher wage sectors, combined with rapid growth in sectors that traditionally pay lower wages and/or offer only part-time or seasonal employment.

For Oregon as a whole, the average annual wage paid by all industries in 1996 was \$27,046 while in Lane County it was \$24,186. According to these figures, wages in Lane County were 89.4 percent of the statewide average. Comparing manufacturing wages, Lane County showed an average wage in 1996 of \$30,668 while the state as a whole showed an average wage of \$34,875. That put Lane County at 87.9 percent of the statewide average in this category.

Short of conducting a complete wage survey, it is reasonable to believe that wages in the Florence area may be at least 10-15 percent lower than in the larger business centers in the state. While this gives Florence a competitive advantage in attracting firms looking for lower wages, perhaps offsetting higher costs in other factors such as transportation, that strategy may not match the stated objective of recruiting family-wage jobs. A more appropriate marketing strategy would emphasize the availability of workers at *competitive* wages, without implying that employees will work for lower wages than their counterparts in other communities.

The labor data indicate that Florence has a larger labor force available to support business recruitment and expansion than would be expected for a community of its size. In general, it can be characterized as a "basic" labor force, with skills appropriate for the kinds of businesses already located there, such as services and retail. Firms requiring specialized skills may have to recruit from outside the area or provide their own training. Lower wage rates may offset the additional costs of training.

LABOR FORCE TRAINING PROGRAMS

Specific labor force training is available in Florence through the local branch of Lane Community College, which has its main campus in Eugene. According to its published mission statement:

Lane Community College is a comprehensive community college whose mission is to provide accessible, high quality, affordable, lifelong education through:

- Vocational/career preparation and retraining
- Skill upgrading
- Lower division transfer programs
- Personal development and enrichment
- Cultural and community services

LCC enrolls more than 38,000 students per year at all its facilities. These include the main campus, a downtown center (Eugene), a Cottage Grove center, and a flight technology center at the Eugene airport in addition to its campus in Florence.

The Florence campus was built in 1976 and served an average of 400 to 600 students each term from 1985 to 1991, when it increased to over 1,000 students. The Florence campus hires approximately 45 part-time instructors per term.

An overview of the Center's offerings includes:

- Career and professional technical training courses
- Lower division college courses
- Degree and certificate programs
- Developmental and remedial education
- Services for business and industry
- Continuing education and personal growth courses
- Career, academic, financial aid counseling
- Elderhostel and senior study programs
- Community service activities

The Florence center offers a two-year Associate of Applied Sciences degree program for Administrative Assistant/Secretary through the Business Department. Up to 14 telecourses are offered each term, which provide students the opportunity to earn college credit on an open-entry/open-exit basis. It also provides college-transferable credit courses in first year programs that include English, business, art, health, physical education, and science. There are over 20 classes within the Business Department that are college transferable.

The Florence campus of LCC has the capabilities to provide specialized labor force training, tailored to the needs of individual companies. It has provided numerous such programs for local employers, especially in the health and financial fields. New employers coming into the area could work directly with the college to structure programs and resources to meet their needs. According to college officials interviewed for this report, they will design custom programs to meet virtually any special requirement and obtain instructors either from the local area or have them commute from Eugene. Classes can be arranged during the day, in the evenings, or on Saturdays. For some advanced or technical training, it may be necessary to have students go to classes in Eugene, especially for programs that require training on technical equipment that is only available at the main campus. Reportedly, there are many students who commute to classes in Eugene at least one day per week.

The Florence campus also coordinates local activities of the Service Corp of Retired Executives (SCORE) and can arrange business counseling through this organization. Services of the Small Business Development Center can be made available in Florence, including writing approved business plans to qualify for low-interest financing.

Another resource for labor skills training is the local school district. In compliance with State requirements, the school district is providing the Certificate of Advanced Mastery (CAM) program that emphasizes work-related experience for students prior to graduation from high school. By working with the school district, employers can hire students graduating from high school with job skills that meet the employers needs.

It appears that while the capabilities exist to provide work force training, lack of substantive demand has caused them to be limited in the scope of occupational skills. Worker training programs will have to be evaluated on an individual employer basis to see whether they can meet specific needs. If they do not, then on-the-job training may be required to develop skills that are not available in the local labor force.

The existing resources to provide labor force training for new or expanding employers are limited, partly because there has been relatively little past demand. However, firms that are willing to work with LCC and the local school district may be able to obtain suitable training for certain types of occupations. There is not currently the capability to provide local training for highly skilled or technical jobs.

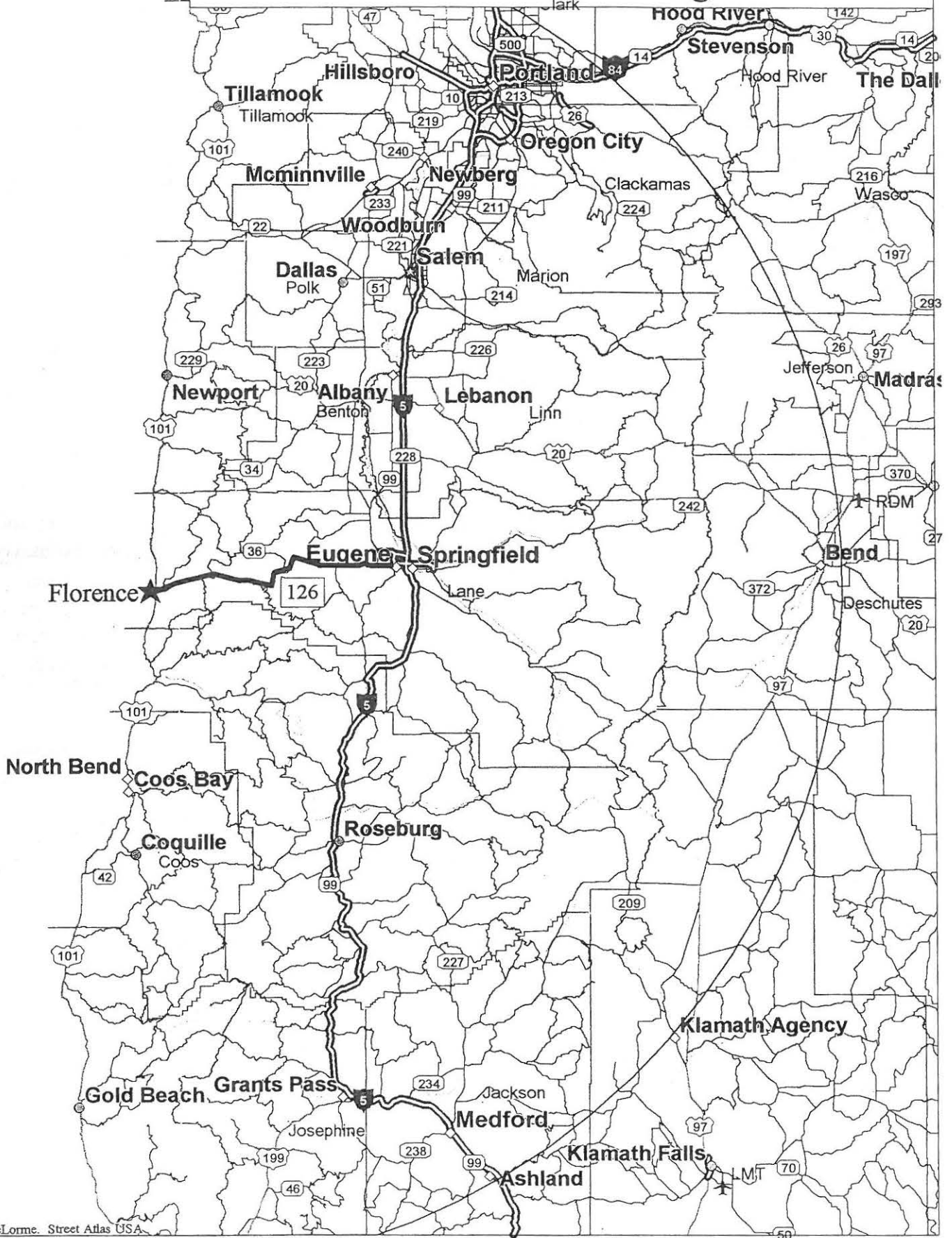
MARKET ACCESS / TRANSPORTATION

For a business recruitment and/or development program the key consideration of the transportation infrastructure traditionally has been the quantity and quality of freight service, both into and out of the community, and its comparative costs. This has been changing with the general availability of overnight package express services and the shift from high weight, high bulk commodities to smaller and lighter products such as packaged software and computer components. For many companies, the ability to move *people* in and out efficiently is the more important consideration. This includes the ability to field a sales force, to interact with vendors and customers, and to network with other company officials in other locations.

Florence has the basic transportation infrastructure to accommodate most business requirements. The smaller firms in the area report adequate service from suppliers in the Willamette Valley or at Portland, with the ability to obtain supplies quickly via package express services. They report similar satisfaction with outbound shipments. Additional costs of shipping are apparently not a factor, especially for companies that use package express services that charge equal rates for all locations. Suppliers that make regular delivery runs to Florence also do not charge additional delivery fees.

However, there is an obvious competitive disadvantage with communities along the I-5 corridor and in the southern end of the Willamette Valley for firms with large freight volumes, frequent shipping and receiving schedules, and frequent use of a commercial airport. The driving distance of ± 60 miles between Florence and Eugene makes it difficult for Florence to compete effectively for companies that want closer proximity to the Interstate Highway system and a commercial airport. While interstate trucking and airline services can be accessed from Florence, the access is less convenient than in the Eugene/Springfield area.

FLORENCE: 3-hr. Driving Radius



There are no trucking companies located in Florence, but several national firms serve the area from Eugene. It was not determined what additional costs would be incurred for firms shipping via common carriers from Florence, but it is reasonable to believe that shipping high-bulk, high-volume products from Florence would be more expensive than from Eugene, depending on the origins and destinations. The transportation factor favors companies that can use the faster, cost-equalizing shipping methods such as package express.

Florence does not offer the capability of rail service. The route of the Central Oregon & Pacific Railroad crosses the Siuslaw River at Cushman, about three miles east of Florence. There are several siding locations between Cushman and Mapleton, but these do not provide a meaningful rail resource. This line mostly serves the sawmills and pulp and paper mills at Gardiner, North Bend and Coos Bay, connecting them with the main Union Pacific and Burlington Northern lines at Eugene.

Florence has a general aviation airport that is used for package express pickup and delivery services, as well as by local firms for business travel. The airport does not have a certified instrument approach, but the mild weather at the coast often provides better flying conditions than the inland areas. The airport has a single runway 3,000 x 60 feet, with fuel, a courtesy car, and taxi service available. The City of Florence is planning to extend the runway length by about 500 feet and add instrument approach capabilities.

The commercial airport at Eugene is served by national and regional carriers and offers non-stop jet service north, south, and east with connections to all other destinations. Local business owners report using the Eugene Airport for regular business travel requirements. Because of lower costs and more convenient schedules, many people drive the extra two hours to Portland International Airport for air carrier service.

Market access considerations favor targeting companies that can operate within the limitations of Florence's transportation infrastructure. This may include firms with relatively infrequent shipping requirements, or firms that produce high value, low bulk products that can be shipped via package express services. It also favors companies that can provide their own transportation to/from the Eugene/Springfield market area.

UTILITIES

Electric Power

Electricity is supplied in the Florence area by Central Lincoln People's Utility District, which obtains its power from the Bonneville Power Administration. The PUD has an operating division headquarters at Florence.

Electric power rates are lower than in many other areas of the country. Small, general service commercial customers with less than 31 KW demand at nominal 120/240 volts pay a basic charge of \$11.00 per month plus 4.45¢ per KWH. Larger general service commercial customers pay a basic charge of \$26.60 per month, plus \$5.97 per KW for all demand over 30 KW, and energy charges of 5.82¢ for the first 200 KWH per KW and 2.52¢ for all KWH over that.

According to engineers interviewed for this project, Central Lincoln PUD is building a new substation to serve the **KINGWOOD** Business & Industrial Park, which will provide a looped system tied into three substations. This can be a major advantage for firms that require dependable power supplies and want to avoid shutdowns because of problems on a single feed. The system is reported to be highly reliable and capable of providing sufficient power to meet any foreseeable demand.

Data showing the customer base for Central Lincoln PUD illustrate the rapid growth in the Florence area, as well as demonstrating the utility's capabilities to handle it. The following figures show the numbers of residential, commercial and industrial customers from 1990 to 1997 in Florence, Mapleton and Swisshome. The growth of hookups for residential customers closely parallels the growth of population in the area.

Table 1-7: Central Lincoln PUD Customers

	<u>1990</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>% Change 1990-1997</u>
Residential	6,007	7,155	7,425	7,592	26.4
Commercial	877	1,048	1,081	1,097	25.1
Industrial	<u>14</u>	<u>18</u>	<u>19</u>	<u>19</u>	<u>35.7</u>
Total	6,898	8,221	8,525	8,708	26.2

The utility also has additional accounts for street lighting and unmetered service. Underground electric power service is being extended throughout KINGWOOD Business & Industrial Park.

The ability of Central Lincoln PUD to supply a looped feed to KINGWOOD is an important advantage, especially compared to other coastal locations. The rate advantage is significant when compared to areas such as Portland and Salem, but is less of an advantage compared to Eugene which is served by the Eugene Water & Electric Board. In general, this can be a marketing factor for recruiting companies that require dependability of service and low cost, but not a major competitive advantage.

Natural Gas

There is presently no natural gas service to the Florence area. It is probable that service will be extended to the Coos Bay area at sometime in the future, but it is not known whether there are any plans to extend it to Florence. Bottled propane gas is delivered in the area.

The lack of natural gas service is a disadvantage only for firms that require processing heat, which are unlikely candidates for locating in Florence anyway. The low electrical rates, combined with a mild climate, make the costs of alternative energy competitive.

Telecommunications/Cable

U.S. West, one of the largest regional telecommunications utilities in the country, provides telecommunications services in the Florence area. According to the 1995 Community Assessment, lines were being upgraded in 1996 to provide fiber optics services for use by public agencies and LCC/Florence. Fiber optics lines provide nearly ten times the capacity of coaxial cable, so this is a major improvement for the Florence area. It significantly improves the ability of local firms to utilize state-of-the-art technology to offset the locational disadvantages of being removed from major metropolitan areas. However, the community assessment also stated that it is not known how long it will take to make fiber optics generally available to other users in the area.

A potential solution to this problem is being developed by Central Lincoln PUD. The utility is developing a system called CoastNet throughout its service area. This is a high speed data network using fiber optic cable to provide high bandwidth leased telecommunications lines plus data and videoconferencing networking along the central Oregon coast with multiple fiber optic connections to the Willamette Valley and the rest of the world. Service will be available to all, including businesses, residents, nonprofit and governmental organizations. Its availability in Florence has not yet been determined.

Two companies in Florence currently provide Internet services with local access numbers. This is one of the critical requirements for companies to operate regionally, nationally or globally in the modern business environment.

Falcon Cable Company, one of the larger regional cable operators in the Northwest, provides cable television. Cellular telephone service is also available locally.

Telecommunications capabilities are adequate to accommodate most business requirements. While they are not yet state-of-the-art, Florence can be competitive except for firms that require the higher capacities of fiber optic lines and advanced digital communications. Also, some services that are available in other areas are not yet offered in Florence, such as caller I. D. Florence will be more competitive when U. S. West upgrades to full service capabilities.

Municipal Water and Sewer

The City of Florence provides municipal water. Most of the water source is from a system of dunal aquifers with additional water secured from Clear Lake. The City owns the water treatment plant and has three major reservoirs with combined capacity of 4.75 million gallons.

Rapid population growth has required continuous capital investment to expand the water supply, treatment, storage, and distribution capacities. Despite the ongoing fiscal challenges of keeping up with the needs of growth, it is not anticipated that the ability of Florence to expand its economic base will be constrained by water shortages any time in the foreseeable future.

The City of Florence also provides municipal sewer services, and this system has also required continuous improvements to keep up with rapid growth. In order to address wastewater quality issues, the City completed a detailed Wastewater Treatment Facility Plan in 1993 and completed a sludge thickening facility in early 1995.

At the time this report was written, the discharge of treated effluent into the Siuslaw River was the subject of a lawsuit filed by an environmental organization. There are currently no constraints on new hookups, but a partial moratorium either voluntarily adopted or court imposed is a possibility between now and the year 2000. After that time it would be expected that a new sewage treatment plant would be on line and there would then be no limitations.

Both water and sewer rates have been increased in recent years to pay for the necessary expansion and improvements. However, the current rates are not high enough to deter companies from moving into the area.

Based on the information reviewed for this report, it would not be desirable for Florence to recruit companies that have high water usage and discharge requirements. Even if capacities are available, these kinds of firms would accelerate the need for additional capital expansions and impose added cost burdens on the City and its customers.

Sanitary Disposal Services

Two disposal companies serve the Florence area, with adequate landfill capacity to accommodate anticipated growth requirements.

BUSINESS SUPPLIES AND SERVICES

Florence's proximity to the Eugene/Springfield area, along with regular trucking services and overnight delivery capabilities, make the area competitive for obtaining normal business supplies and services. What is not available locally can usually be readily obtained. Local firms report no significant problems meeting their day-to-day operating requirements. Compared to Eugene, however, firms in Florence might experience a disadvantage of higher costs due to the lack of discount warehouse stores.

CAPITAL ACCESS / BUSINESS ASSISTANCE

There are four commercial banks and one savings and loan institution in Florence. Two of the banks have their headquarters in Florence while the other two are branches. These banks provide normal business financing programs as well as participating in SBA and other types of special financing.

The City of Florence does not have an economic development fund or industrial development financing agency to provide incentives to companies locating in the business park.

Smaller communities usually do not have access to venture capital and Florence is no exception. However, there are several business loan programs available to companies locating or expanding in Florence that are provided through the Lane Council of Governments, based in Eugene, the affiliated Cascades West Financial Services, and through the ports division OEDD programs accessible by the Port of Siuslaw.

Following are some of the major loan programs offered through LCOG and Cascades West Financial Services:

SBA 504 Program

- Use:** Land, building acquisition or construction, machinery and equipment. Working capital, short-term assets and refinancing are not allowed.
- Eligibility:** Small businesses with annual after-tax income below \$2 million and net worth below \$6 million.
- Amounts:** \$50,000 - \$750,000. Projects in rural communities qualify for \$1,000,000 or 40% of the project, whichever is less.

RLF Program

- Use:** Land, building acquisition or construction, machinery and equipment, furniture and fixtures, and working capital. Refinancing existing debt is not allowed.
- Eligibility:** Existing and new small businesses within rural areas of Lane, Lincoln and Linn Counties.
- Amounts:** Up to \$242,000 or 33% of the project, whichever is less.

BIF Program

- Use:** Fixed asset acquisition and improvement, research and development, marketing, feasibility studies, work force training, technical assistance, industrial facilities. Refinancing existing debt is not allowed.
- Eligibility:** Existing and new forest products, high technology, and software companies.
- Amounts:** Up to \$100,000 or 75% of the project, whichever is less.

EDP Program

- Use: Land, building acquisition or construction, machinery and equipment, furniture and fixtures, and working capital.
- Eligibility: Women, low income and minority entrepreneurs, and all other businesses located in Benton, Lane, Lincoln, Linn, Marion, Polk and Yamhill counties.
- Amounts: Up to \$25,000 or 80% of the project, whichever is less. 20% must be a cash contribution.

MicroLoan Program

- Use: Machinery and equipment, furniture and fixtures, renovation of existing structures, and working capital.
- Eligibility: Same as EDP program, with additional counties included.
- Amounts: Up to \$25,000 or 80% of the project, whichever is less.

Some of these programs tie the funding to the numbers of jobs created and/or retained. Terms vary from short term up to 15 years. Rates are generally tied to the prime rate or U.S. Treasury securities. Other financing programs may be available through the Oregon Economic Development Department, or through industrial revenue bonds issued by the City or the County. All of these programs are available only to companies that can satisfy the lenders' requirements.

One of the most important strategies to make smaller communities competitive with larger metropolitan centers for business recruitment and expansion is to develop financing programs to supplement standard commercial lending sources. Florence would be in a much stronger position if it had a business development fund to make low-interest loans to companies expanding or relocating there, especially to meet matching fund requirements of other loan programs. In lieu of a City program, there needs to be coordination with Lane Council of Governments to assure that loan programs are made available to companies in the Florence area.

In addition to financial assistance, companies in Florence can obtain business counseling from the Small Business Development Center of Lane Community College. The BDC offers one-on-one assistance in developing business and financial plans, small business management, and loan application packages. Although the Center is located in Eugene, services are available to rural areas of Lane County such as Florence.

EDUCATION / RESEARCH

The presence of the Florence campus of Lane Community College has already been cited as an asset for work force training in the area. The college also offers community education courses and courses for transfer to other colleges and universities.

An important initiative of LCC is the acquisition of fiber optics telecommunications to improve the quality and variety of educational programs it can offer through Oregon's EdNet system. This significantly increases the types of courses that can be offered in Florence. LCC also offers several specialized seminar and conferencing programs.

While the programs of LCC are beneficial to the area, they do not make Florence competitive with Eugene, Corvallis, or other communities that have major universities. There are many companies that locate their facilities close to universities where they can tap into contemporary research and utilize the students and faculty as part-time workers. Large industrial parks and incubator facilities have been developed in the vicinity of universities to facilitate technology transfer to the private sector. This is not a realistic opportunity at Florence.

Targeting companies in highly technical industries, e.g., biomedical research, is not realistic for Florence. Any such firms locating in Florence would do so because of the owner's lifestyle preferences rather than operating advantages. However, Florence could make a case for recruiting production and support operations for these kinds of firms, based on potentially lower operating costs. High-tech firms locating in the Eugene/Springfield area could also be targeted for suitable spin-offs.

TAXES / BUSINESS CLIMATE

Florence enjoys property tax rates that are significantly lower than in Eugene and other cities in Lane County. In 1997, the property tax rate in Florence was only 65 percent of the property tax rate in urban Eugene. Florence also enjoys a lower rate of growth in taxes than is being experienced in Eugene, as shown by the following figures:

Table 1-8: Property Tax Rates (per \$000)

	<u>1996</u>	<u>1997</u>	<u>% Change</u>
Eugene (Rural)	15.3588	16.9624	10.44
Eugene (Urban)	16.4664	18.6523	13.27
Florence	11.4664	12.1394	5.87

The City of Florence, the Port of Siuslaw, and other agencies and private businesses are supportive of new job development in the Florence area. The 1995 Community Assessment and the 1997 Strategic Plan both document that the citizens are also aware of the decline of family wage jobs in the area and the need to develop better work opportunities than are found in part-time and seasonal occupations.

However, the prior studies and reports indicate that the community may not be unanimous in terms of the kinds and rates of growth it will accept. It is often stated that people live in Florence because of its small town environment and they do not want to see the amenities of the small town disappear. This seems to be especially true among people in the retirement community, who cite rising costs for housing and utilities as a byproduct of growth.

As a business location factor, the fact that the City is developing new industrial sites in a modern, controlled business park with underground utilities and visual amenities is adequate testimony that the City supports business development in Florence. The permit process is straightforward and development fees are not onerous.

The kinds of firms targeted for recruitment to Florence should balance the need for family-wage jobs with the community's interests in protecting and enhancing its quality environment. Smaller, owner-managed companies that recruit local workers would be more desirable than branch facilities that transfer workers in from outside the area.

SUMMARY OF OPERATING FACTORS

Based on the analysis of operating factors, the City of Florence can target tenants for the **KINGWOOD** Business & Industrial Park based on several identifiable opportunities:

- Rapid population growth will continue to fuel demand for commercial/industrial companies that service residential and commercial construction.
- The expanding commercial and institutional sectors also create secondary demand for service and supply companies.
- Proximity to the Eugene/Springfield area may offer opportunities to obtain a share-of-the-market of the above average industrial growth taking place there.
- A large labor pool, with competitive wage rates, may attract companies being priced out of the larger metropolitan areas by higher wages and worker turnover.

PART 2: QUALITY OF LIFE FACTORS

It is well documented that Florence offers an excellent quality of life for people who enjoy a small town atmosphere. All of the prior studies and reports cite quality of life as a key factor for why people move to Florence. It is also a factor in why nearly 2,000 people applied for work in Florence in one 12-month period.

But quality of life is not easy to measure. While many people like the small town atmosphere, with the lack of traffic congestion and noise, others prefer the dynamics of large cities and the urban lifestyle. Quality of life is largely a matter of choice.

LOCATION, SIZE, ENVIRONMENT

In a recent survey of business owners in Reedsport, *all* of them said that they located their businesses there because that is where they want to live! Obviously, a small community on the Oregon coast can be a magnet for people who want the kind of environment that Florence can offer, as evidenced by the rapid population growth in Florence. This is probably one of the greatest selling points in recruiting new businesses to Florence.

For a recruiting strategy, the key is to market **KINGWOOD** to business owners who want the lifestyles and ambiance available at Florence. People who prefer larger cities or other environments will not be likely to respond to the recruiting message.

CLIMATE

Florence has a mild climate typical of the Oregon coast. The coldest month is January, with an average low of 37° Fahrenheit, and the hottest month is September with an average high of 69°. Florence averages 76 inches of rain per year, with most of it coming during the winter storm season. The mild climate is a factor in reducing the cost of living by reducing utility bills for heating and cooling.

While the mild climate is an asset, it is probably not a deciding factor for most companies deciding where to locate their facilities. Some people may prefer drier or warmer areas. In terms of business development, the coastal climate should be promoted because of its potential appeal to business owners who will appreciate it.

HOUSING

Extensive housing developments in Florence appear to have kept pace with population growth. These developments cover a wide variety of housing types, including up-scale residential subdivisions, retirement communities, golf course communities, and manufactured home communities.

Housing is reported to be changing ownership at the rate of 20 percent per year with many of the buyers reinvesting from sales of more expensive homes elsewhere, driving up prices in Florence. Retired persons and others living on low or fixed incomes have cited this trend as a major concern. This may change, however, with recent revisions in the tax laws that allow greater deferments of capital gains from the sale of owner-occupied residences as well as the growth of the manufactured housing market.

Housing prices in Florence are significantly lower than they are in Eugene. The Lane County Assessor's office shows the following average market price comparisons between Eugene and Florence for 1995 – 1997:

Table 1-9: Average Market Prices for Existing Homes

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>% Change 1995-1997</u>
Eugene	\$128,360	\$135,100	\$147,130	14.6
Florence	\$110,230	\$104,100	\$109,250	-0.9

As noted above, Florence also enjoys substantially lower property taxes than Eugene. The average residential property tax in Florence in 1997 was \$1,326 compared to \$2,744 in Eugene (urban rate).

Lower housing costs and lower property taxes can be a strong selling point for recruiting owner-managed companies to Florence.

MEDICAL SERVICES

Florence is a regional medical center, anchored by Peace Harbor Hospital, which serves an estimated population of about 20,000 people. The medical sector in Florence has been expanding rapidly, with new clinics, special care facilities, assisted living centers, and medical offices for general and specialized practitioners.

Peace Harbor Hospital has 21 beds and provides a variety of medical services including family medicine, internal medicine, and physical therapy. Specialty services are provided by both local doctors and visiting specialists from Eugene and Coos Bay in such areas as oncology, hematology, cardiology, orthopedic surgery, and radiology. Chemotherapy treatments are available as well as a MRI that visits two times per week, and the hospital is exploring adding cardiology therapy to its programs. There is also a nurse practitioner on the staff and mid-wife care is available.

As a result of this recent growth, Florence offers one of the most complete and modern medical care communities on the Oregon coast. It is a major factor in the large inflow of retirees to the area but also benefits the general population. Certain highly specialized medical treatments not available in Florence can be obtained at Sacred Heart Hospital in Eugene, which is linked to PHH through the same parent organization. A very strong volunteer program supports the hospital, including running daily shuttles to and from Sacred Heart Hospital.

The growth of this sector creates business location opportunities for **KINGWOOD**. The medical industry requires extensive support with services and supplies. Companies currently providing this support from Eugene or other areas should be encouraged to establish local facilities in Florence.

SCHOOLS/EDUCATION

Florence has excellent educational facilities and programs through Siuslaw School District 97J. The district has one high school, one middle school, one elementary school, and one primary school. The district encompasses 210 square miles, with an estimated population of 18,000 people residing within the school district boundaries. The school district has eight administrators, 104 certified staff members, 80 classified employees and five confidential employees.

The following data show year-end enrollment figures for the past three years:

Table 1-10: Year-end Enrollment by Grades

	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>	<u>% Change 94-97</u>
K-2	362	382	389	7.46
3-5	393	389	396	0.76
6-8	423	419	412	-2.60
9-12	<u>481</u>	<u>504</u>	<u>501</u>	<u>4.16</u>
Total	1659	1694	1698	2.35

Scores on SAT tests at Siuslaw High School were significantly higher than the state and national scores for the verbal portion in 1997, at 541 vs. 525 and 505 respectively. In the math portion they matched the national scores at 511, but were lower than the 524 averaged throughout the state of Oregon. Graduating students received approximately \$140,000 in scholarships at the end of the 96-97 academic year.

The school district adopted a 1997-98 budget of \$11,871,410, with other funds adding another \$3 million. Student-teacher ratios are below statewide averages, at 17:1 at Siuslaw High School, 17:1 at Siuslaw Middle School, 20:1 at Rhododendron Elementary, and 18:1 at Rhododendron Primary School.

Education above the high school level can be obtained at the Florence campus of Lane Community College. Students can take lower division courses at LCC for transfer to degree programs at four-year universities, or they can obtain a two-year Associate of Applied Sciences degrees in the Business Department. LCC also offers continuing education, community education programs, and a variety of specialized courses.

In terms of recruiting new businesses to Florence, the local educational systems are of good quality and their programs should meet the needs of most families moving to the area.

SHOPPING / COMMUNITY SERVICES

As a small community, Florence can not offer the large shopping malls and department stores that are located an hour's drive away in Eugene. However, its commercial retail and service sectors are larger than might be expected because of the added tourism spending in the community. There is a large variety of restaurants and specialty shops available to residents as well as tourists. There is currently one discount warehouse store, and a large retail store and an outlet mall are in the planning stages.

Florence also offers a large range of community services for its residents and visitors. The Florence Events Center has already been noted for bringing arts and entertainment to the community. The Siuslaw Public Library is located in a modern, 15,000 square foot building that was constructed in 1990. There is also one branch library and three other public service outlets. The library has a collection of 61,200 books and other print materials. It had a total distribution in 1996-1997 of 174,003 materials of all types and 79,000 total library visits. The Siuslaw Public Library is reported to have the highest per capita usage of any library in Lane County.

Some business owners may prefer the greater resources of larger communities, but most people who enjoy living in smaller towns will find that Florence offers more than most other cities of comparable size.

RECREATION AND CULTURE

In surveys of what residents like most about Florence, recreational opportunities always surface near the top of the list. The combination of ocean beaches, sand dunes, fresh water lakes, rugged headlands, forest trails, and the Siuslaw River are what attract tourists to Florence and the central Oregon coast, but the residents get to enjoy them year round. As one person noted, it's like living in a resort area. Florence boasts two 18-hole golf courses, including one that was named #1 of the top 75 "affordable" courses in the nation in 1996 by Golf Digest magazine.

In addition to programs offered at the Florence Events Center, other cultural events are accessible in Eugene at the Hult Center for the Performing Arts and at the University of Oregon. Pac-10 athletic programs are also available at the U. of O. only one hour from Florence.

CRIME

Florence offers a safer community environment than larger cities in Oregon and throughout the nation. Data provided by the Florence Police Department was compared to statistics published by the FBI, which includes only cities of 200,000 or more, and the incidence of Part 1 and Part 2 crimes in Florence was lower in all categories. Even this lower crime rate decreased during the first five months of 1998 compared to the same period in 1997. This can be an important factor for business owners who want to leave the higher crimes rates of the big cities and find a safer community in which to raise their families.

MATRIX OF STRENGTHS AND WEAKNESSES

The outcome of this section is a set of conclusions about Florence's competitive advantages and disadvantages that determine its ability to recruit and/or develop new businesses at **KINGWOOD** Business/Industrial Park. These conclusions are summarized in a matrix on the following page and each factor is given a rank. A ranking of (5) means that Florence has a strong competitive advantage in that factor; (4) means that Florence has an advantage over many other cities with which it competes; (3) is a neutral ranking and means that the factor may be an advantage or disadvantage, depending on the requirements of a specific company; (2) means that Florence has a slight disadvantage for recruiting most companies; and (1) means that Florence has a strong disadvantage or that the factor is not available.

These rankings are, of course, highly subjective and depend both on what other cities are included in the competitive comparison as well as on the locational requirements of companies looking for sites. If Florence were compared primarily to the Eugene/ Springfield area, it is probable that it would rank at a competitive disadvantage in many factors simply because of the larger size of that metropolitan area and its larger base of business support capabilities.

While Florence *is* competing with that area and the marketing strategy includes efforts to relocate firms from the southern Willamette Valley, a more objective comparison would be with other coastal cities that are vying for the same types of new economic development, such as Coos Bay and Newport.

For that reason, two sets of rankings are shown below. Rank "A" reflects Florence's competitive position vis-à-vis the Eugene/Springfield area, while Rank "B" reflects more of Florence's ability to compete effectively with similar communities along the Oregon coast. More detailed descriptions of the rationale for these rankings follows the factor matrix and rankings.

**FLORENCE, OREGON
STRENGTHS AND WEAKNESSES FOR BUSINESS RECRUITMENT**

Location Factor	Strengths	Weaknesses	Rank A	Rank B
Location Market Size	Largest coastal city between Newport and Coos Bay. One-hour from metropolitan area of 400,000+.	Small local population. Relative distance to Portland and other larger markets.	2	4
Market Access	On major U.S. Highway 101 Highway. OR 126 to/from Eugene/Springfield.	Rural two-lane roads. No local freeway, rail, air service.	2	3
Labor	Large labor pool available at competitive wages.	Lack of skilled, technical workers in some fields.	2	4
Resources	Tourism, retirement.	Declining forest products, fishing.	3	3
Utilities	Low cost electric power	No natural gas	3	3
Business Supplies	Available locally or by overnight deliveries	Discount suppliers in Eugene.	3	3
Government Taxes, Incentives	LCOG financing programs. Low property taxes	No public sources for gap financing. No Enterprise Zone.	4	4
Education, Advanced Research	LCC Florence Campus. One-hour from U. of O., main LCC campus.	Distance to U. of O. Limited technical programs at LCC.	3	4
Industrial Sites	Kingwood Business/Industrial Park, fully developed, sites for sale or lease. Low land costs.	No spec. buildings.	4	5
Quality of Life	Clean environment, recreation, good "small town" environment. Proximity to Eugene events.	Lack of "big city" culture, amenities.	3	3

Rank: 5 = strong competitive advantage; 4 = advantage to most industries; 3 = neutral; 2 = disadvantage to most industries; 1 = strong competitive disadvantage.

Location and market size are given a ranking of (2) as compared to the Eugene/Springfield area, indicating that Florence has a competitive disadvantage for most industries. This is based entirely on the relative sizes of the markets, with the larger population and business base providing a substantially larger market in the Eugene/Springfield area. The cities along the I-5 corridor also have a competitive advantage because of their proximity to Portland and other Willamette Valley cities.

The ranking changes to a (4) when compared to other coastal communities primarily because of Florence's one-hour proximity to the Eugene/Springfield market area. Although other coastal communities may be larger in population size, such as the Coos Bay/North Bend area, they are more distant from larger population centers, giving Florence a competitive advantage.

Market access is given a ranking of (2) because of the rural, two-lane highway connector between Florence and the Willamette Valley, and because of the lack of local rail and commercial air service. The Eugene/Springfield area offers direct access to I-5 as well as two transcontinental railroads and the commercial airport. Florence has a competitive disadvantage for companies needing these resources.

By comparison, the Coos Bay/North Bend area offers both of these services although planned expansions at the Florence Municipal Airport may make a marginal difference for firms that utilize their own aircraft. The neutral ranking of (3) compared to other coastal cities reflects Florence's closer highway proximity to I-5 and the lower costs of air service at Eugene offsetting the one-hour driving distance.

Labor is ranked (2), which indicates a competitive disadvantage when compared to the Eugene/Springfield area. This is based primarily on the larger quantity of available workers in the labor pool, and the larger diversity of occupational skills. Offsetting this is higher costs for wages and benefits in the Eugene/Springfield area.

Compared to other coastal areas, however, the ranking changes to (4). This reflects the large volume of available workers as indicated by applications to the Oregon Department of Employment, plus the ability to draw workers from other areas because of quality of life factors in Florence. Because the ranking applies to *most* industries, the lack of highly skilled professional and technical workers will affect relatively few companies. The labor training services of LCC were also considered in this ranking.

Resources are ranked (3), or neutral, in both sets of rankings. Declines in the forest products industries are impacting all market areas equally. Declines in the fishing resources in coastal communities are being offset by increases in tourism, retirement, and supporting commercial activities. The Port of Siuslaw may be considered a resource for some types of industries, such as boat building and repair; however, all coastal communities have ports that can compete with Florence so this is not a major advantage.

Utilities are also ranked (3) for the reason that the low electric power rates at Florence can be matched by competition both in the Willamette Valley and along the coast. However, this is only true of specific locations served by EWEB, Blachley-Lane Electric Cooperative, and other co-ops or PUDs. Some areas of the Willamette Valley have significantly higher rates. The only disadvantage for Florence is the lack of natural gas, but this affects relatively few industries and is offset by the low electric rates and the relatively mild climate along the coast. There is discussion of bringing natural gas to the area, but the proposed extension would also serve Reedsport and Coos Bay, which would eliminate any competitive advantage for Florence. The lack of fiber optic telecommunications is a disadvantage, although the proposed extension into **KINGWOOD** will turn this into a significant advantage compared to other coastal cities, at least in the short term.

Business supplies and services are ranked (3) in both sets of rankings because Florence has neither an advantage nor a disadvantage in this factor. The proximity to the Eugene area could be construed as an advantage, but other coastal communities also have daily delivery services and overnight express service. It might be argued that firms in Eugene/Springfield have access to more suppliers, including discount warehouses, but buying through mail-order catalogues achieves the same benefits.

Government, taxes, incentives are given a ranking of (4) in both categories. The City of Florence supports new business, as evidenced by the development of **KINGWOOD**, although it does not offer some of the special advantages that are available in competing cities such as Coos Bay/North Bend and Reedsport, especially the Enterprise Zone. There is also no local gap financing available from an industrial development fund. On the plus side, Florence has access to the funding programs of LCOG including special funds that are only available in rural areas and are not available in the Eugene/Springfield area. The most compelling factor, however, is that most firms do not require financial assistance and Florence's lower property taxes are a major operating cost advantage over other areas.

Education, advanced research is ranked (3) compared to Eugene/Springfield because some companies will want proximity to the University of Oregon and its graduate-level programs. However, this is not considered a disadvantage because most companies do not need that type of resource.

The ranking increases to a (4) when compared to other coastal communities. The Coos Bay/North Bend area has a competitive advantage because of the location there of the main campus of Southwest Oregon Community College, but the LCC branch at Florence gives it a competitive advantage over many other coastal communities. Also, Florence is closer to the University of Oregon and that is an advantage.

Industrial sites are given a ranking of (4) as compared to Eugene/Springfield, which indicates an advantage over the competition for most industries. This reflects the availability of fully developed, ready-to-build sites at **KINGWOOD** at lower costs than competing sites in the Willamette Valley. It also reflects the City of Florence's ability to deliver sites with less red tape and government barriers than in some other communities.

Compared to other coastal cities, the ranking increases to a (5) which means Florence has an absolute advantage. Some competing communities are offering former mill sites as their industrial lands, without remediation or redevelopment. Others have very limited sites available. North Bend is preparing to develop a 43-acre industrial park which may reduce Florence's competitive advantage in this factor, but this has not been platted and no pricing structure has been established.

Quality of life is ranked (3) in both rankings, indicating a neutral factor. As noted in the text, this is highly subjective and depends entirely on the preferences of the observer. The clean air, natural environment, and abundant recreational opportunities are also characteristics of many competing communities, especially along the Oregon coast. Florence has created its own advantages, however, in the Old Town redevelopment, Florence Events Center, the modern medical community, the excellent school system, and the variety of housing in the area. Florence's relative proximity to cultural offerings in Eugene could also be considered an advantage. As a location decision factor, however, the quality of life ranking will depend entirely on the preferences of the person making the decision.

SECTION 2

ANALYSIS OF MARKETS & COMPETITION

SECTION 2: ANALYSIS OF MARKETS & COMPETITION

This section is divided into two parts: Part 1 examines economic activities at several market levels, narrowing the focus from national to regional markets, to identify potential opportunities suitable for targeting for Kingwood Business Industrial Park; Part 2 assesses the competitive environment for those opportunities and lays the foundation for marketing strategies that have the highest probabilities of success.

PART 1: ANALYSIS OF MARKETS

This part of the analysis examines current economic trends, along with projections by industry. It begins with a review of national data, followed by trends and projections in Oregon, Lane County and western Oregon, and finally for the central Oregon Coast. Opportunities for Florence to share in economic growth will greatly depend on what is happening in these larger markets.

NATIONAL ECONOMIC TRENDS AND OUTLOOK

The primary source used for this part of the analysis is U.S. Industry & Trade Outlook '98, published by the McGraw-Hill Companies, with analysis provided by DRI and Standard & Poor's Equity Investors Services, along with numerous government and academic sources. This publication replaces the former U.S. Industrial Outlook, which was published by the U.S. Department of Commerce.

Review of Recent Performance

The record of the U.S. economy in 1996 and 1997 is one of healthy growth, subdued inflation, and low unemployment. In April 1997, the economy began its seventh year of economic expansion.

The economy grew by 2.4 percent in 1996 with gains in most major components of spending. Household investment in housing posted strong advances, as did business investment in equipment and structures. Consumer spending rose moderately. Weakness in defense spending persisted. Net foreign trade subtracted marginally from overall growth.

Economic developments in 1997 showed continued moderate growth. Industrial production grew steadily during the year, with productivity increasing by a strong 4.1 percent in the 3rd quarter. Purchasing managers indicated healthy business conditions in the manufacturing sector, and sales of motor vehicles and new existing homes continued at a brisk pace. Payroll employment for non-farm industries rose from 120,659,000 in December 1996 to 123,865,000 in December 1997, for a one-year gain of 2.66 percent. During that same period, unemployment fell from 7,161,000 to 6,392,000, for a drop of more than ten percent, to an average rate of 4.7 percent of the civilian labor force.

Inflation remained relatively tame in 1996 and 1997. The price index for gross domestic purchases rose by 2.1 percent in 1996, its smallest advance since 1965. Labor costs per unit of output rose modestly during the past year. Pressures from prices at the early stages of production were small in late 1996 and early 1997. Pressures from the volatile prices of energy and food, evident during 1996, diminished greatly in 1997. Prices for crude oil dropped sharply in early 1997, and producer prices for crude foods and feeds fell sharply during the second half of 1996.

Outlook for 1997 and 1998

At the time this report was written, the final performance numbers for 1997 were not yet available. However, the Commerce Department and DRI expect the recent trend of moderate growth, low inflation, and low unemployment would characterize the end of 1997 and continue into 1998. In 1998, the economy should grow between 2 and 2.6 percent as measured by Gross Domestic Product. The rate of inflation is expected to remain low (preliminary figures indicate a CPI increase of 2.1 percent for 1997) and annual unemployment should stay at roughly 5.5 percent. This national context presents a favorable overall business climate for economic development efforts at the state and local levels.

National Industrial Employment Projections

Detailed analyses of the outlook for individual industries are also provided in the U.S. Industry & Trade Outlook '98, but they are not included in this report. Instead, a statistical forecast is presented to show the predicted national trends in employment by industry through the year 2005.

The primary source used for national industrial employment projections is Bulletin 2472 of the U.S. Department of Labor, Bureau of Labor Statistics, titled Employment Outlook: 1994 - 2005 Job Quality and Other Aspects of Projected Employment Growth, dated December, 1995. Other sources are also available that predict growth of industry shipments, contribution to gross domestic product, import and export projections, etc., but this one provides one of the most thorough analyses of employment projections nationally and was deemed most appropriate for this report. The relatively short projection horizon is meaningful for short-term industry recruiting efforts and has a higher level of confidence than longer-term speculative projections.

Following is a table showing these national employment forecasts for major industrial sectors. The numbers are given in thousands of workers. It shows clear projections for lower employment in most of the goods producing sectors, both durable goods and non-durable goods. Even employment in the electronics and electrical equipment sector is expected to decline by ten percent over this 11-year period. The explanations given in the text indicate that most of these employment declines will be attributed to continuing movement of U.S. manufacturing to offshore locations with lower labor costs. This is a serious trend for regions in the United States that are trying to attract new manufacturing facilities; it means that their competition may consist more of third-world countries than of neighboring regions, states, or communities.

Table 2-1: National Employment Forecasts by Industry, 1994 - 2005 (000's)

	1994	2005	1994-2005	
			CHANGE	% CHANGE
Total, all industries	116,187	132,984	16,798	14%
Agriculture, forestry, fishing	1,881	1,999	118	6%
Mining	601	439	-162	-27%
Construction	5,010	5,500	490	10%
Manufacturing	18,304	16,990	-1,313	-7%
Durable goods mfg.	10,431	9,290	-1,141	-11%
Lumber & wood products	752	685	-68	-9%
Furniture & fixtures	502	515	13	3%
Stone, Clay & Glass	533	434	-99	-19%
Primary metals	699	532	-168	-24%
Fabricated metal products	1,387	1,180	-207	-15%
Industrial machinery & equipment	1,985	1,769	-216	-11%
Electronic & electrical equipment	1,571	1,408	-163	-10%
Transportation equipment	1,749	1,567	-182	-10%
Instruments & related products	863	798	-66	-8%
Miscellaneous mfg. Industries	390	404	13	3%
Non-durable goods mfg.	7,872	7,700	-172	-2%
Food & kindred products	1,680	1,696	17	1%
Textile mill products	673	568	-105	-16%
Apparel & textile products	969	772	-198	-20%
Paper & allied products	691	708	17	2%
Printing & publishing	1,542	1,627	86	6%
Chemicals & allied products	1,061	1,067	6	1%
Trans. Comm. Utilities.	6,006	6,431	425	7%
Transportation	3,775	4,251	425	7%
Trucking & warehousing	1,797	2,000	203	11%
Public warehousing & storage	140	160	20	15%
Communications	1,304	1,235	-70	-5%
Utilities	926	945	18	2%
Trade	26,577	29,653	3,075	12%
Wholesale	6,140	6,558	419	7%
Retail	20,438	23,094	2,657	13%
Fin. Ins. Real Est.	6,933	7,372	439	6%
Services	41,204	54,700	13,496	33%
Business services	6,239	10,032	3,792	61%
Computer & data processing	950	1,610	660	70%
Health services	10,082	13,165	3,083	31%
Engineering & mgt. services	2,567	3,451	884	34%
Government	9,671	9,900	228	2%

While overall employment is predicted to grow by 14 percent during this period, manufacturing employment is forecast to decline by 7 percent. Offsetting the declines in manufacturing are the projected increases in employment in the non-manufacturing sectors, especially the Services sector which is expected to grow by 33 percent. The business services component shows a projected growth of 61 percent over this 11-year time period. One of the largest components of growth will be computer and data processing services, with a growth of 70 percent, while engineering & management services are projected to grow by 34 percent.

These national trends do not necessarily determine what will happen in Oregon, but they establish the context in which the Oregon economy will operate.

OREGON ECONOMIC TRENDS AND OUTLOOK

In June 1997, the Workforce Analysis Section of the Oregon Employment Department produced employment projections by industry for the entire state for the period 1996 - 2006. This time period is one year out from the national forecasts shown above, but the comparisons of industry changes still show how the Oregon economy is expected to vary from the national economy. The table below shows these forecasts, which were obtained from the OED Internet site.

According to the Oregon Employment Department forecasts, overall employment growth in Oregon will run 21.0 percent over the ten-year period of 1996 to 2006, while the national employment growth will run only 14 percent over a similar period. All sectors are projected to grow through the year 2006 although at different rates. It is notable that the **Manufacturing** sector in Oregon is projected to grow by 13.8 percent over the ten-year period, while at the national level it is projected to *decline* by 7 percent. On the basis of these projections, Oregon is expected to run counter to the national trend.

Only three manufacturing sectors are projected to show declines in employment in Oregon, compared to eleven sectors in the national forecasts. Those three - Lumber & Wood Products, Textile Mill Products, and Apparel & Leather Products - have been in decline for several years. Employment in Paper and Allied Products is expected to remain stationary.

Table 2-2: Oregon Employment Forecasts by Industry, 1996 - 2006, OED

	1996-2006			
	1996	2006	CHANGE	% CHANGE
TOTAL NONFARM PAYROLL EMP.	1,469,000	1,778,200	309,200	21.0%
GOODS PRODUCING	313,800	363,700	49,900	15.9%
SERVICE PRODUCING	1,155,200	1,414,500	259,300	22.4%
MANUFACTURING TOTAL	234,800	267,300	32,500	13.8%
Durable Goods	169,100	197,000	27,900	16.5%
Lumber & Wood Products	52,000	48,700	(3,300)	-6.3%
Furniture & Fixtures	3,700	4,000	300	8.1%
Stone, Clay, Glass, Concrete Prod.	4,700	5,000	300	6.4%
Primary Metals	11,000	12,000	1,000	9.1%
Fabricated Metals	13,800	15,600	1,800	13.0%
Machinery	22,100	27,800	5,700	25.8%
Electronic & Elect. Equip.	31,100	43,400	12,300	39.5%
Transportation Equipment	15,500	21,500	6,000	38.7%
Instruments & Related Prod.	10,600	13,900	3,300	31.1%
Miscellaneous Manufacturing	4,600	5,100	500	10.9%
Nondurable Goods	65,700	70,300	4,600	7.0%
Food & Kindred Products	26,000	26,400	400	1.5%
Textile Mill Products	1,500	1,300	(200)	-13.3%
Apparel & Leather Products	3,100	3,000	(100)	-3.2%
Paper & Allied Products	8,300	8,300	-0-	-0.0%
Printing & Publishing	15,800	18,000	2,200	13.9%
Chemicals & Petroleum Products	3,700	4,600	900	24.3%
Other Nondurable Goods	7,300	8,700	1,400	19.2%
NONMANUFACTURING TOTAL	1,234,200	1,510,900	276,700	22.4%
Mining & Quarrying	1,800	2,100	300	16.7%
Construction	77,200	94,300	17,100	22.2%
Trans., Comm., & Utilities	73,000	83,800	10,800	14.8%
Transportation	51,000	61,200	10,200	20.0%
Communications	12,600	12,400	(200)	-1.6%
Utilities	9,400	10,200	800	8.5%
Trade	364,900	437,200	72,300	19.8%
Wholesale Trade	89,000	108,200	19,200	21.6%
Retail Trade	275,900	329,000	53,100	19.2%
Finance, Insurance, Real Est.	90,400	105,200	14,800	16.4%
Services	381,600	514,000	132,400	34.7%
Business Services	86,500	126,400	39,900	46.1%
Health Services	99,000	123,900	24,900	25.2%
Private Education	17,200	24,900	7,700	44.8%
Social Services	35,800	55,500	19,700	55.0%
Engineering & Mgt. Services	27,600	38,700	11,100	40.2%
Government	245,300	274,300	29,000	11.8%

The largest projected increases will be in Electronics & Electrical Equipment, Transportation Equipment, and Instruments & related products. All of these are high-value industries. The Machinery and Chemical industries are also expected to show above-average growth.

The largest projected growth will be in the **Services** sector with an increase of more than 34.7 percent. Because it is already the largest sector, the numerical growth is projected to add more than 132,000 workers statewide, more than four times the manufacturing increase. Large gains are expected in business services, private education, social services, and engineering & management services.

The **Trade** sector is predicted to grow in both the Wholesale and Retail Trade components. This is also a large sector now, so the numerical growth is projected to be relatively larger than other sectors.

Sectors with relatively lower growth rates statewide include **Transportation, Communications and Utilities; Finance, Insurance and Real Estate; and Government.**

The employment forecasts for Oregon indicate greater opportunities for business recruitment and development in Florence than the national forecasts. If these projections are correct, then Florence can conduct its economic development programs in an environment of stronger economic growth than the nation will experience.

WESTERN OREGON ECONOMIC TRENDS AND OUTLOOK

Consistent with population distribution, the Portland Metropolitan Area and the rest of the Willamette Valley are expected to draw the lion's share of employment growth during the 1996 - 2006 period. Multnomah, Washington and Clackamas counties are projected to account for 163,200 of the additional 309,200 payroll jobs, representing 53 percent of the total. Six other Willamette Valley counties, excluding Lane County, will attract an additional 51,180 jobs for another 17 percent of the total. Nine counties, then, are expected to draw 70 percent of all job growth in the state.

These nine counties are also projected to draw nearly 80 percent of the 32,500 new manufacturing jobs that will be created in the state. Multnomah, Washington and Clackamas counties alone will account for 62 percent of the job growth in manufacturing.

By these projections, Lane County is at the southern end of the primary concentration of new job growth in Oregon. With a nearly 22 percent increase in total payroll jobs over the ten-year period, and 16 percent growth in jobs in the manufacturing sector, the region is expected to significantly exceed the national growth rates and run slightly ahead of those for the state as a whole.

LANE COUNTY ECONOMIC TRENDS AND PROJECTIONS

Adding Lane County to the employment projections even further concentrates economic activity in the Willamette Valley. Lane County is predicted to add 26,600 new payroll jobs during the 1996 - 2006 period, for a total gain of 20.0 percent. This is only slightly lower than the statewide growth rate of 21.0 percent and represents 11 percent of all new jobs forecast in the Willamette Valley, including the Portland MSA. In manufacturing jobs, however, Lane County is projected to add 3,600 net new jobs for a gain of 18.3 percent, compared to a statewide gain of 13.8 percent. The gain would be even higher except for the projected loss of 500 jobs in the Lumber & Wood Products sector.

The projections of employment growth for Lane County are shown in the following table. They do not include the level of detail provided by the Oregon Employment Department for the state, but some projections can be made by extrapolation.

Table 2-3: Employment Projections for Lane County, 1996 - 2006

	1996	2006	1996-2006	
			CHANGE	% CHANGE
TOTAL NONFARM PAYROLL EMP.	132,700	159,300	26,600	20.0%
GOODS PRODUCING	26,400	31,500	5,100	19.3%
SERVICE PRODUCING	106,300	127,800	21,500	20.2%
MANUFACTURING TOTAL	19,700	23,300	3,600	18.3%
Durable Goods	14,600	17,700	3,100	21.2%
Lumber & Wood Products	7,400	6,900	(500)	-6.8%
Other Durable Goods	7,200	10,800	3,600	50.0%
Nondurable Goods	5,100	5,600	500	9.8%
Food Products	1,600	1,600	-0-	0.0%
Other Nondurable Goods	3,500	4,000	500	14.3%
NONMANUFACTURING TOTAL	113,000	136,000	23,000	20.4%
Mining & Quarrying	200	200	-0-	0.0%
Construction	6,500	8,000	1,500	23.1%
Transportation, Comm., Utilities	4,500	5,100	600	13.3%
Transportation	3,400	4,000	600	17.6%
Communication & Utilities	1,100	1,100	-0-	0.0%
Trade	33,900	39,500	5,600	16.5%
Wholesale	6,500	7,200	700	10.8%
Retail	27,400	32,300	4,900	17.9%
Finance, Insurance, Real Est.	7,100	9,200	2,100	29.6%
Services & Miscellaneous	35,800	47,600	11,800	33.0%
Business & Professional Services	9,900	14,300	4,400	44.4%
Health Services	10,200	13,000	2,800	27.5%
Government	25,000	26,400	1,400	5.6%

The Oregon Employment Department report notes that the projected growth in manufacturing employment is counter to national trends, which predict declines in this sector. It attributes the difference in Lane County to expected hirings by several local manufacturers such as Hyundai, Sony, HMT, and two large RV manufacturers.

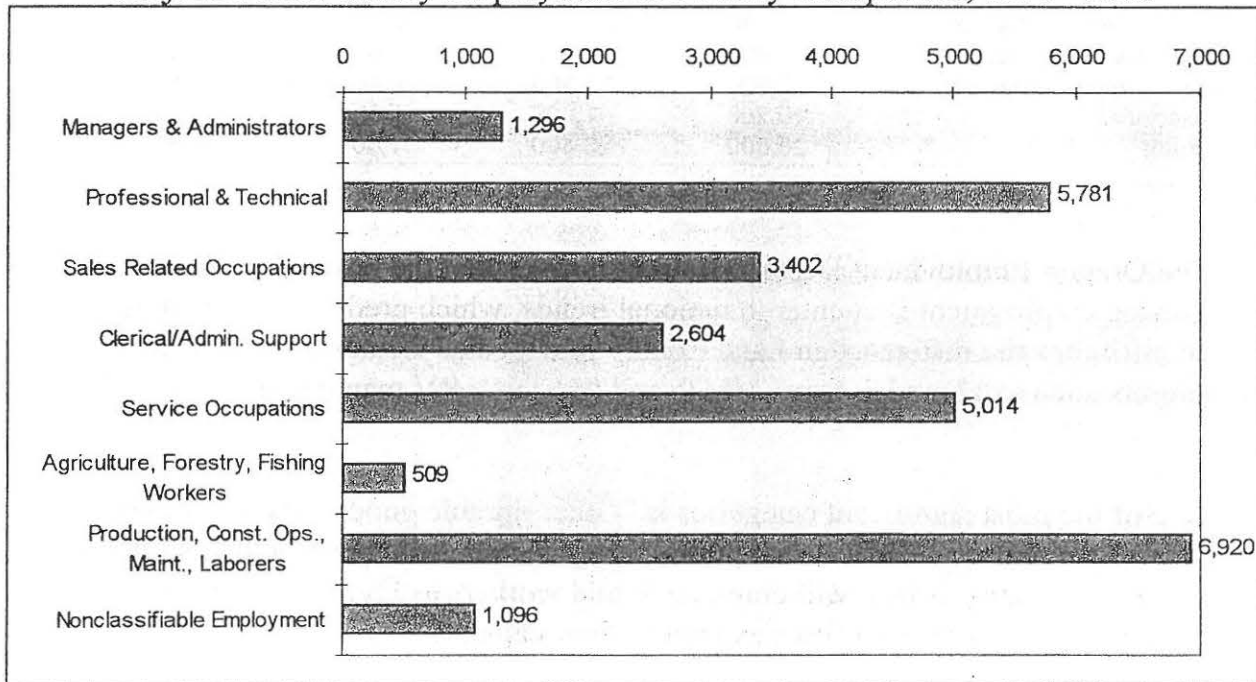
One of the most significant categories is "Other durable goods", which is expected to grow by 50 percent over the ten-year period. This includes the burgeoning electronics industry in Lane County, which will continue to add workers as Hyundai Semiconductor, Sony, HMT and other high-tech firms expand to their capacity.

Overall, the electronics industry in Oregon is projected to add 12,300 workers, for a 39.5 percent growth rate, between 1996 and 2006. About 7,600 of these, or 62 percent, are expected to locate in Multnomah and Washington counties. This leaves 4,700 workers who will locate in the other counties in Oregon, mostly in the Willamette Valley. According to the Eugene/Springfield Metropolitan Partnership, employment in high technology companies in Lane County is expected to grow from 1,300 in 1995 to 2,900 in 2005, for a growth of 1,600 workers in this sector. As part of Lane County, Florence can target market share in a large and growing high-tech economy.

PROJECTED OCCUPATIONAL GROWTH IN LANE COUNTY

Another useful indicator of changes in the Lane County economy is projected occupational growth. These are provided by the Oregon Employment Department for the same time period, 1996 - 2006, as the projected employment growth by industry sector.

Chart 2
 Projected Lane County Employment Growth by Occupations, 1996 - 2006



The figures on this chart represent a combined total of 26,622 new jobs in Lane County over the ten-year period from 1996 to 2006, approximately the same as the 26,600 total new jobs shown in Table 2-3. The large growth forecast for production and construction operators, maintenance workers and laborers is surprising, as most predictions indicate that low-skilled jobs requiring minimal education will be harder to obtain in the future, with employers demanding higher skills and more education. Still, this sector represents only 26 percent of the total.

The data from the Oregon Employment Department show that Florence is part of a relatively high-growth market in Lane County, both by past measurements and future projections. What can not be extrapolated from the data is how much of this job growth, and what kind, will take place in the Florence area.

In terms of a marketing strategy, Florence should look at the growing employment in Lane County for opportunities to gain market share. Florence should be presented as an alternative location for firms that are locating or expanding in this market, but do not need to be in the larger metropolitan centers.

OREGON COAST

The economy of Florence has more similarity to other communities along the Oregon coast than it does with the Eugene / Springfield area, especially with its dependence on tourism and relative lack of manufacturing employment. Projections for employment growth along the Oregon coast are not as great as they are for the Willamette Valley counties.

For example, the regions that include Clatsop, Columbia, Coos, Curry and Tillamook counties show projected total employment growth of less than 15 percent between 1996 and 2006, compared to the state's 21 percent growth. Manufacturing employment is projected to grow by only 130 jobs, or 1.3 percent, partly because of declines in the Lumber & Wood Products sector in Coos and Curry counties. All manufacturing industries combined are expected to represent about 15.4 percent of total payroll employment in 2006, down from 17.4 percent in 1996.

Conversely, the services and trade sectors are expected to show higher rates of growth in these coastal counties. Employment in the services sector is projected to grow by 32.6 percent over the ten-year period, while employment in the trade sector is projected to grow by 16.8 percent.

The strong employment growth forecast for Oregon, especially in the manufacturing sector, will assure continuing demand for industrial and commercial land. This is a positive scenario for the Kingwood Business Industrial Park. The concentration of demand in northwestern Oregon within a three-hour driving distance from Florence is also positive. But the forecasts predict that the growth will not spread much beyond the Willamette Valley, and that the coastal areas will lag behind the state in the creation of new jobs. The challenge for Kingwood is to establish greater linkages with the Eugene / Springfield area and the Willamette Valley, to have Florence become an extension of that area's economy, in order to share in the growing markets of that region.

PART 2: THE COMPETITIVE ENVIRONMENT

Recruiting companies to Florence will have to be done in competition with other communities that are also promoting their economic development. The major competition will come from the areas where growth is expected to be the highest. Most of these larger communities in the Willamette Valley have well established economic development programs, as well as large private sector developers and industrial real estate brokers aggressively promoting sites for new and expanding companies.

EUGENE/SPRINGFIELD

The Eugene/Springfield area is the largest nearby growth market for recruiting companies to Florence, but it also has one of the most active industrial site development and marketing programs in the state.

Recent Industrial Activities in Lane County

A list of industrial real estate transactions in Lane County for the period from April 1996 to May 1998 was obtained from Cascade Title Company in Eugene. There were more than 500 titles recorded for industrial properties during that period. Many of these were multiple tax lots sold to single buyers, so not all 500 records indicate new businesses. In addition, many of the sales were made to investors or other buyers who do not represent business owners and do not plan to develop the property in the near term.

A clear pattern is revealed from examination of these records: Other than investor purchases, most industrial land sales were to developers and/or builders rather than owner-occupants. This indicates that most of these land sales were either for developer-owned business parks or for build-to-suit leasebacks.

The following spreadsheets show industrial land sales to user companies over this two-year period. Many of the title records do not show certain information and this is represented by N/R (not reported). Other sources were referenced to fill in the gaps, where possible, and/or the companies were contacted to obtain additional information. There were some companies listed for which no contact information was available.

LANE COUNTY INDUSTRIAL LAND SALES: April 1996 - May - 1998

DATE	BUYER/COMPANY	TYPE OF BUSINESS	HOME LOCATION	SITE LOCATION	PROPERTY TYPE	ACRES	PRICE (\$)
4/14/96	OR Cascade Fabrication	Steel Fabrication	Eugene	Eugene	Ind. Building	N/R	60,000
4/22/96	Hearin Forest Industries	Dry kiln; planing mill	Eugene	Eugene	Ind. Building	2.85	N/R
4/23/96	Gregory Barnes	(Use not known)	Florence	Florence	Vacant land	N/R	42,000
4/30/96	HMT Technology Corp.	Computer disk drives	Fremont, CA	Eugene	Ind. Building	N/R	800,000
5/31/96	Carpenter Trucking, Inc.	Local trucking w/o storage	Eugene	Springfield	Vacant land	N/R	40,000
6/14/96	Rosboro Lumber Co.	Sawmill & planing	Springfield	Springfield	Vacant land	2.55	703,000
7/1/96	Woodtech Inc.	Laminated wood products	Cottage Grove	Cottage Grove	Ind. Building	0.63	N/R
7/3/96	Cascade Glacier Ice Cream	Ice cream products	Eugene	Eugene	Ind. Building	N/R	N/R
8/28/96	North American Pine	Sawmill & planing	Eugene	Eugene	Vacant land	1.22	500,000
9/4/96	Heceta Properties	N/R	Florence	Florence	Vacant land	N/R	41,390
9/9/96	Pacific Detroit Diesel	Truck engine repair	Portland	Springfield	Vacant land	5.89	513,137
10/10/96	Springfield Indoor Soccer	Athletic club	Eugene	Springfield	Vacant land	1.12	50,000
10/16/96	California Oregon Brdcast.	Radio communications	Medford	Eugene	Vacant land	1.59	320,000
10/28/96	Zip-0-Log Mills	Sawmill & planing	Eugene	Eugene	Vacant land	0.29	775,000
11/1/96	Bertelsen Self Storage	Self storage warehouse	Eugene	Eugene	Vacant land	0.59	N/R
11/18/96	Eugene Freezing & Storage	Cold storage	Eugene	Eugene	Vacant land	0.40	N/R
11/20/96	Westside Warehouse	Storage	Eugene	Eugene	Vacant land	0.44	56,000
11/26/96	Goodwill Industries	Rehab facility	Eugene	N/R	Vacant land	10.02	400,000
11/27/96	G&C Pierce Enterprises	N/R	Springfield	Springfield	Ind. Building	1.00	N/R
12/5/96	Lane Plywood, Inc.	Plywood & veneer mfg.	Eugene	Eugene	Ind. Building	16.47	474,342
12/9/96	Hammer Lumber Co.	Lumber distribution	Eugene	N/R	Vacant land	4.25	458,600
12/20/96	Cuddeback Lumber	Wholesale	Eugene	Eugene	Vacant land	2.11	375,000
12/27/96	Seneca Sawmill Co.	Sawmill & planing	Eugene	Eugene	Vacant land	2.23	N/R
1/20/97	Hearin Enterprises	Dry kiln; planing mill	Portland	Eugene	Vacant land	6.55	113,556
1/24/97	Star Wood Products	Lumber & wood products	Eugene	Eugene	Vacant land	N/R	500
2/18/97	Willow Creek Racquet Club	Athletic club	Eugene	Eugene	Ind. Building	6.11	N/R
3/17/97	Burkland Lumber Co.	Sawmill & planing	Springfield	N/R	Vacant land	1.08	N/R
3/31/97	Tosco Corp.	N/R	Phoenix, AZ	Eugene	Ind. Building	0.51	16,661
4/8/97	NW Steel Fabricators	Steel Fabrication	Eugene	Springfield	Ind. Building	5.64	360,000
6/10/97	Western Patch & Mfg. Inc.	Patches, badges, awards	Springfield	Eugene	Ind. Building	2.73	515,000
6/11/97	Total Communications	N/R	Eugene	Eugene	Ind. Building	N/R	N/R
7/2/97	St. Johns Corporation	N/R	Portland	Springfield	Vacant land	3.68	800,000
7/8/97	Nova Industries	N/R	Eugene	Eugene	Ind. Building	6.26	2,425,000
7/14/97	Mill-Log Equipment Co.	Sawmill equipment	Eugene	Coburg	Vacant land	4.91	428,000
8/8/97	Emerald Rail Technologies	Rebuild railroad equipment	Springfield	Springfield	Vacant land	1.75	N/R
8/12/97	Heceta Properties	N/R	Florence	Florence	Vacant land	N/R	40,000

LANE COUNTY INDUSTRIAL LAND SALES: April 1996 - May - 1998

DATE	BUYER/COMPANY	TYPE OF BUSINESS	HOME LOCATION	SITE LOCATION	PROPERTY TYPE	ACRES	PRICE (\$)
8/19/97	Oregon News Media	Publishing	Albany	Springfield	Ind. Building	0.39	N/R
9/17/97	Stafek & Son Trucking	Local trucking & storage	Springfield	Springfield	Vacant land	1.93	33,000
10/3/97	US Filter Distribution	Wholesale	N/R	N/R	Ind. Building	1.74	241,800
10/21/97	Or-Cal Inc.	N/R	Junction City	Junction City	Vacant land	3.91	87,895
10/22/97	Pape Properties Inc.	Heavy Equipment Sales	Eugene	Eugene	Vacant land	3.19	239,057
11/18/97	Heceta Properties	Multi-tenant industrial	Florence	Florence	Vacant land	N/R	80,000
11/26/97	Pape Properties Inc.	Heavy Equipment Sales	Eugene	Junction City	Vacant land	6.36	220,000
12/8/97	Obie Communications	N/R	Eugene	Eugene	Ind. Building	2.40	N/R
12/9/97	Willamette Valley Co.	Chemicals for wood products	Eugene	Eugene	Ind. Building	0.76	280,000
12/12/97	Grain Millers, Inc.	Ag. Processing	Eugene	Eugene	Ind. Building	N/R	650,000
12/23/97	Dugdale Enterprises	N/R	Springfield	Springfield	Ind. Building	0.84	N/R
1/20/98	Springwood, Inc.	N/R	Springfield	Springfield	Vacant land	24.57	N/R
1/28/98	B R Custom Drying	Lumber kiln	Eugene	Eugene	Ind. Building	2.04	520,000
1/29/98	Neighborhood EDG	Family counseling	Eugene	Eugene	Ind. Building	N/R	80,431
1/30/98	Sterling Pacific	N/R	San Raphael, CA	Eugene	Ind. Building	1.64	N/R
3/31/98	Anglers Mfg. Inc.	Fishing equipment	Florence	Florence	Vacant land	N/R	32,000

There are 53 buyers listed on the spreadsheets. Nine of these were not confirmed as industrial users and may instead represent investors. Four of the transactions were in Florence. Two of these were to Heceta Development Company that constructs industrial buildings for single and multi-tenant occupancy. The types of users for those facilities were not determined.

The most significant finding of this research was that virtually all of the user sales of industrial land and buildings in Lane County were to local companies during this two-year period. Some of them represented expansions of existing facilities such as the sale to HMT Technologies of Fremont, California. Many of them were relatively small purchases of adjacent land or buildings for minor expansions. Several were for non-industrial uses, such as the two athletic clubs on the list.

These patterns of industrial land sales in Lane County have important implications for marketing **KINGWOOD** Business & Industrial Park. One of the most significant is that investors and/or development companies represent the largest market for industrial land sales rather than end users. Another is that focusing on the relocation or expansion of existing companies will produce greater results than relying on the recruitment of new firms to Florence.

Industrial Site Competition in the Eugene/Springfield Area

The Eugene/Springfield Metropolitan Partnership provided information on industrial sites available in that area. They divide the area into seven geographic locations and list the sites by their zoning. The zones include Special Light, Light Medium, Special Heavy, Heavy, and the highly restrictive "Mixed University" zone adjacent to the University of Oregon. The remaining locations range from West Eugene to East Springfield. The Partnership also provided information on sites in Junction City, Veneta, Cogurg, Creswell, Cottage Grove, and Oakridge/Westfir.

Veneta is closest to Florence and that community has about 190 acres of land zoned for light medium industrial uses. This zoning provides the highest level of flexibility in siting various kinds of industrial operations. Most of the industrial land is owned by five companies located on these properties, including International Paper Company and Willamette Industries, leaving mostly small sites available for new firms.

In the West Eugene area there are approximately 395 acres of Special Light industrial land, which includes the site of the Hyundai facility and a high-technology park being developed on the north side of Hwy. 126 in the same vicinity. The restrictions of the SL zoning limit the types of uses allowed in the industrial park and it offers little competition to **KINGWOOD**.

However, West Eugene also has about 427 acres of Light Medium industrial zoning in 14 sites and 269 acres of Heavy Industrial zoning in 15 sites. More than 100 acres of the LM-zoned properties have recently been developed or are in the planning state, which still leaves more than 300 acres that are competitive with **KINGWOOD**. There are an additional 854 acres of LM-zoned land throughout the Eugene/Springfield metropolitan area. While existing companies occupy much of this land, it is estimated that more than 600 acres are vacant and could be made available for new or expanding companies. It does not appear that land shortages in the Eugene/Springfield area will be a factor in shifting industrial activities to Florence.

Economic Development Marketing in Lane County

The Eugene/Springfield Metropolitan Partnership, Inc., is a private, non-profit organization supported by the City of Eugene, the City of Springfield, the Eugene Chamber of Commerce, the Springfield Chamber of Commerce, Lane County and other public and private members to promote the economic growth of the metropolitan community. The Partnership conducts research and publishes data and information about the area, advertises for business recruitment, provides professional staff support for location assistance and facility expansions, and coordinates funding programs. They also maintain a complete inventory of available industrial sites.

The Partnership lists the following range of services that it provides to companies:

Site and Building Information

- Computerized inventory of industrial sites and buildings
- Lane County industrial site map
- Site tours
- Individualized site analyses and cost comparisons
- Assistance with permitting processes, including environmental permits
- Coordination with governments and utilities on infrastructure requirements

Cost Information

- Cost analysis for locating a business in Lane County
- Utility rate information
- Loan pools, industrial revenue bonds, other financing programs
- Financial incentives, including tax abatements

Employment and Training Information and Assistance

- Low or no-cost customized employee recruitment, screening and training through the Southern Willamette Private Industry Council
- Specialized curriculum development through Lane Community College, the University of Oregon, and Oregon State University
- Certification of prospective employees for special programs such as Enterprise Zones, public loans, etc.
- Customized labor market research and wage analysis by the Oregon Employment Department

Industry and Business Information and Assistance

- Industry contacts and plant tours
Lists of major employers and industries in Lane County
- Technology transfer through the Advanced Science and Technology Institute, sponsored by the University of Oregon and Oregon State University
- Referrals to local and statewide business assistance services, including Oregon's network of 19 Business Development Centers
- Lists of vendors and suppliers through Oregon Marketplace, which locates in-state vendors for all kinds of products
- Immediate access to the regional office of the Oregon Economic Development Department
- Export development through the Willamette International Trade Center and the World Trade Center in Portland

Community Information and Assistance

- Up-to-date fact sheets on population, demographics, taxes, schools, climate, social services, housing, arts and culture, recreation, and the economy
- Video overview of the area in English, Japanese, Korean and Mandarin
- Assistance with employee relocation including community tours

The primary marketing piece is an eight-page brochure with a pocket containing Fact Sheets on eight major subjects: Economy; Employment; Transportation; Support Services; Education; Culture & Recreation; Community; and Sites. An additional Fast Facts provides an overview of demographic and other statistical data. This format allows for easily updating the Fact Sheets to assure that the brochure remains current. As noted above, the Partnership also produces a video and maintains a web site on the Internet.

The Partnership is a professional and well-funded community economic development organization. It also benefits from co-location with the regional office of the Oregon Economic Development Department. It has a wide range of resources to use for the assistance of individual companies that are considering locating or expanding in the southern Willamette Valley.

One of those resources is the Enterprise Zone designation. The Enterprise Zone offers a three-year, 100 percent property tax abatement on buildings and equipment. Qualifying zones are available in Eugene, Springfield and Oakridge. Eligibility standards for qualification are subject to city approval.

The Partnership will also help companies qualify for a wide range of other types of incentives, including loans and loan guarantees. Its Fact Sheet on development incentives lists twenty separate programs, ranging from microloans up to \$25,000 to industrial revenue bonds with a cap of \$10 million. One of these incentives is the Eugene Business Development Fund, administered by the City of Eugene, which provides up to \$500,000 in below-market-rate loans based on one job for every \$10,000 borrowed. Several of the programs offered by the Partnership are State and Federal programs so they are also available to companies locating in Florence.

The Partnership does not own and develop its own industrial land, but refers prospective users to private sector developers. Most of the recent and current industrial land development in the Eugene area has been taking place on the west side of the city, along West 11th Street, in the vicinity of the new Hyundai plant. There are several new industrial parks currently in the development stage, with all infrastructure being extended to the individual sites. Prices for fully developed industrial land are generally quoted in the range of \$2.10 - \$2.85 per square foot, with building costs generally quoted in the range of \$38 to \$50 per square foot for shell construction.

The recent surge of economic activity in the southern Willamette Valley has included several diversified types of new industries, some of which may be suitable for recruiting to the Florence area, as well. Several examples are given below:

Call Centers

Call centers are currently a \$650 billion industry nationwide, growing at an annual rate of 20 percent. The Eugene/Springfield area has attracted the full range of the call-center business, including catalog sales, customer service, technical support, political polling, market research, and answering services. These facilities currently employ about 1,000 workers year-round in the metropolitan area. One company, Intersearch, has 160 employees who make national and international calls on behalf of such clients as Microsoft and Prudential. Another firm, Symantec, has 550 employees who field 200,000 calls per month for technical support and customer service.

According to the Partnership, a primary requirement for recruiting call centers is a large pool of well-educated workers who want flexible work hours. Eugene/Springfield can offer a pool of students and faculty at the University of Oregon who are willing to work part-time.

According to these companies, another requirement is moderate weather with no storm-related equipment outages, and the most modern telecommunications capabilities, including fiber optic lines and high-speed, high-capacity digital switching systems.

Computer Graphics / Films

Eugene/Springfield is also the home to new companies that are in the business of making films or supporting the film making industry through computer graphics. Eugene has the largest and most technically advanced film production facility in the state, with a new 15,000 square foot sound stage, three production studios, and offices. Firms such as Digital Artworks have their customer base in the Los Angeles area, but operate from facilities in Eugene. According to industry representatives, the Internet makes this kind of long distance technology possible. The major advantage cited for being in the Eugene/Springfield area is a better quality of life and the ability to recruit top workers who want that environment.

Recycling / Resource Recovery

About 25 companies offer recycling equipment or services in the Eugene/Springfield area, while 50 more offer environmental and ecological services. This has become a major growth industry in the area. Key reasons cited for the location of this industry in the southern Willamette Valley are a large labor force, necessary for this labor-intensive business, along with low water and electric power rates. Other advantages include a wide range of industries at both the supplier and the customer end, and a well-developed transportation system with access to international ports.

RV Manufacturing

The Eugene/Springfield area is home to half-a-dozen RV and camper manufacturers, employing more than 1,600 people. The area also boasts two of the largest companies making high-end luxury motor homes with prices up to one-half million dollars each. These companies are able to take advantage of skilled workers displaced from the timber industries, as well as other specialists in the building trades. Their wages range from \$9 - \$12 per hour with benefits.

High Technology Manufacturing

Perhaps the most publicized of the emerging industrial sectors in the Eugene/Springfield area is the electronics industry. Hyundai Semiconductor America is planning to employ more than 3,000 workers at full production, paying wages that will be 150 percent of the prevailing Lane County average wages and benefits under its Enterprise Zone agreement with the City of Eugene. A special program at Lane Community College enables Hyundai workers to obtain training for manufacturing technicians. This program has been customized to meet specific skill requirements of other high-tech manufacturers as well.

In addition to Hyundai, HMT Technology currently employs nearly 700 workers in a new \$50 million expansion. Formerly named Computer Memory Disk, the Eugene plant sends its production to HMT's main facility in Fremont, California, which finishes the product into thin-film, high-capacity disks, which it sells to electronics manufacturers around the world.

Other major high-technology manufacturers include Sony Disk Mfg., Co., with 340 employees; Spectra-Physics with 500 workers; and Emerald Electronics with 200 employees.

Software Development & Production

The Partnership's list of major area employers in 1996 included six firms developing and producing software. Employment at these firms ranged from 50 to more than 500 workers. One of these firms makes custom software for specialized customer applications.

The diversity of business development in the Eugene/Springfield area shows that it is no longer tied to resource industries and is successfully attracting the new, emerging knowledge-based industries. Based on employment projections, it can be anticipated that this area will experience continued growth and expansion of industries that are on the cutting edge of technology and economic development.

COOS BAY AREA

One of the other areas competing with Florence for business development is Oregon's "Bay Area", consisting of Coos Bay, North Bend and adjacent communities. This has been a heavily industrialized area and has suffered from the loss of timber-related jobs as the Lumber & Wood Products industry has declined in recent years. In January, 1998, the Weyerhaeuser Company announced it is closing its large sawmill and related shipping operations in Coos Bay.

As a result of these job losses, large and well-funded efforts have been developed in the Coos Bay area to diversify the economic base by recruiting and developing new kinds of businesses. There are several organizations currently working to attract companies to the Coos Bay area.

The Coos Curry Douglas Business Development Corporation, based in Roseburg, has a satellite office in North Bend adjacent to the commercial airport. It operates as a tenant in the Coos County Business Development Center, a multiple-tenant incubator building that offers space at reduced rents for start-up manufacturing and distribution companies. The building is owned and operated by Coos County Economic Development, which also administers the area's Enterprise Zone, the Urban Renewal Agency, and the Economic Improvement Board. A small cabinet shop, a food distributor, and several fabricators are currently located in the incubator.

CCD Business Development Corporation also packages loan programs and other incentives for businesses locating in the area. In addition to its own revolving loan program, it offers most of the same programs that are offered by the Eugene/Springfield Metropolitan Partnership.

The other major development agency in the Coos Bay area is the Oregon International Port of Coos Bay. Its primary activity is operating the port facilities, but the Port also participates in economic development activities and utilizes its resources to support major projects. At the present time, the Port is actively involved in a regional effort to recruit a major steel company to the area. If it is successful, it is anticipated that two or three related companies will also locate facilities in the general area.

Most of these agencies do not spend major resources on advertising or extensive recruiting efforts. Instead, their approach is to rely on leads from the Oregon Economic Development Department, which has its regional office co-located with the Port, and to work together as a network, responding to specific requirements and packaging solutions that will enable companies to start up, expand, or locate in the Coos Bay area. Leads are also generated by the Small Business Development Center at Southwestern Oregon Community College, especially opportunities for start-up businesses.

A relatively new force in economic development in the Coos Bay area is the Coquille Indian Tribe, which is currently master planning 900 acres of Tribal land for mixed-use development, including about 100 acres for a business park. It is expected that the marketing of this property will be primarily through CCD Business Development Corporation and the Oregon Economic Development Department.

NEWPORT / TOLEDO

Fifty miles north of Florence is a well-organized and professional effort to recruit firms to the Newport/Toledo area along with the rest of Lincoln County. The Economic Development Alliance of Lincoln County, based at Depoe Bay, is a non-profit, public-private partnership dedicated to diversifying the economy in Lincoln County and facilitating the creation of family-wage jobs in Lincoln County. The Alliance's board is made up of volunteers representing the arts, chambers of commerce, economic partnerships, education, fisheries, forest products, government, high technology, housing, regional planning, telecommunications, and tourism. These board members are active in the programs of the Alliance and support the work of its full-time director.

The Alliance has established a set of economic development priorities to guide its programs. These include:

- Support the recruitment of responsible businesses for job creation and economic diversification.
- Continue to provide a business environment that supports the establishment and growth of entrepreneurial small businesses with training, financing, role models, and support services matched to their needs.
- Plan carefully balanced economic growth that provides jobs for county residents without creating urban sprawl and congestion.
- Support the educational system, investing in the most precious resource of Lincoln County: our residents of all ages.

- Continue providing a health care system that enhances the attractiveness of Lincoln County for its work force and retirees.
- Support the transportation networks that handle the travel requirements of Lincoln County's residents and visitors.
- Support the expansion of water and sanitary disposal facilities to meet the requirements of a growing local and tourist population.
- Support telecommunications facilities that connect county residents and businesses to the global economy by voice, video and data networks, permitting telecommuting employment and trade.
- Protect the natural environment that makes Lincoln County such a beautiful place to live in and to visit.
- Encourage the responsible use of our energy resources.
- Support government services responsive to the needs of local residents.

Many of these priorities are virtually the same as those in the May, 1997 strategic plan for community economic development for the Greater Florence Area.

A main function of the Alliance is to coordinate inter-organizational efforts for economic development with the numerous public and private agencies involved in its programs. The Alliance serves as a "one stop shop" for businesses considering locating in Lincoln County, coordinating all of the required services, including permitting and regulatory requirements, at no charge. It also helps with locating appropriate commercial or industrial sites, and offers referral information about utilities, employee training programs, rental property rates, and similar business concerns.

The Alliance's Business Investment Committee considers loan proposals based on solid business plans, making recommendations to the Lincoln County Board of Commissioners for the use of the Lincoln County Business Investment Fund - video lottery dollars returned to Lincoln County for economic development projects, especially job creation. Recipients of these loan funds include a specialty wood products company, a light industrial firm that located in Lincoln County, a microbrewery, and four manufacturing firms that received financing for new equipment. As of January, 1998, this program was credited with creating more than 50 new jobs in the county.

The Alliance publishes a 15-page, detailed information package at its web site on the Internet. This enables it to continuously update the information without having to print hard-copy brochures.

Among the resources listed by the Alliance are industrial sites at Newport and Toledo, developed and marketed by the respective Ports. Most of the industrial properties owned by the Port of Newport are used for marine-related development, including its terminal facilities and shoreside processing plants. The Port of Toledo has a 9.5-acre vacant industrial property that it intends to develop for marine or non-marine related industries. It also has a 15-acre site where its offices are located along with several small businesses. These include two machine shops; auto repair and equipment mechanics; a custom furniture building business; and a logging company.

Lincoln County does not currently offer an Enterprise Zone to business locating there. However, it does offer the various business loan programs available through Cascades West Council of Governments and Cascades West Financial Services, Inc., in addition to the Lincoln County Business Investment Fund.

REEDSPORT/GARDINER AREA

The City of Reedsport has recently completed a business diversification study aimed at recruiting new companies to the area and reducing dependence on resource-based industries, primarily fishing and the large International Paper Company mills at Gardiner. IP closed its sawmill operations and has had prolonged shutdowns of its paperboard plant, causing the loss of several hundred family wage jobs. The future of the remaining IP plant is uncertain.

Reedsport's strategy is to target small, owner-managed companies from other locations in Oregon and the West Coast. The focus is almost entirely on lifestyle advantages of living on the Oregon coast. The City will use the example of several successful companies already located there, such as CBSI and Torley Precision Machining, to convince other companies that Reedsport offers a good location for companies that sell in regional, national and global markets. It plans to conduct its recruiting programs through direct mail campaigns, limited advertising, and telecommunications.

Reedsport also plans to offer the business advantages of its Enterprise Zone, along with the loan programs and other incentives available through CCD Business Development Corporation and Douglas County.

There are several barriers that are preventing the program from being launched. One is that there is no full-time program manager to undertake the considerable effort of contacting the target companies and following up with leads. An ad hoc group of local business and civic leaders provides a response team on a part-time basis, but is not organized to perform the marketing and pre-qualification work required to produce bona fide prospects. The City's community development office is a logical place to house these functions, but the small staff is already dividing efforts between many other necessary functions. At this point, it has not been determined who will do the marketing.

Other barriers include the lack of developed or serviceable industrial sites, and the lack of residential building sites. Most of the zoned industrial land in Reedsport and Gardiner consists of former mill sites or land used for staging, log storage, or waste dumps. In order to actively recruit new companies, some of this land will need to be acquired and improved. It has not been determined who will do that and how it will be paid for. Recruiting owner-managed companies also requires having residential housing available, and Reedsport has very limited capacities to expand its current housing supply.

TILLAMOOK

Economic development in the Tillamook area is a joint effort between the City of Tillamook, the Tillamook Chamber of Commerce, the Tillamook Economic Development Council, and the Port of Tillamook Bay. Tillamook has an Enterprise Zone that it uses in its business recruitment efforts.

The Port is the primary provider of economic development services. The Port owns and operates the former U.S. Naval Air Station property at Tillamook, which houses the general aviation airport, a large air museum, and about 136 acres of industrial land. According to current reports, about 80 acres of industrial land are presently available.

The Port manager and the property director work with prospects to identify suitable sites and determine the development requirements and costs. Land can be made available at below-market lease rates, and assistance can be provided for build-to-suit construction using State and Federal loan programs. The Port does not have an active marketing program, relying mostly on leads generated from the local business community and the Oregon Economic Development Department.

REDMOND

Redmond, in eastern Oregon, is not a direct competitor with Florence but it has an aggressive economic development program and is a good example of how successful programs operate. Redmond has recruited more than a dozen new companies in the past six years, several of which employ more than 100 workers.

Redmond is marketed by the Redmond Economic Development Assistance Partnership (REDAP) which is a partnership of the City of Redmond and the Redmond Chamber of Commerce with its own board of directors. The organization is dedicated to the active pursuit of business retention and expansion opportunities and the promotion of new business development relating to industrial manufacturing.

REDAP coordinates and assists in economic development activities for Redmond but does not own any industrial land. Instead, it markets industrial land owned by the City of Redmond as well as private developers and land owners. Some of the public lands are only available for lease, primarily those within the boundaries of the Redmond Airport which are controlled by FAA restrictions. One of the major marketing messages of REDAP is the abundance of industrial site choices at varying prices and terms.

REDAP also offers the advantages of an Enterprise Zone and uses the provisions of the zone for most of its prospects. Because the City is an active partner, it is able to structure a wide range of incentives including reduced system development charges and utility connection fees as well as the three-year moratorium on property taxes.

These incentives are especially important for Redmond because of high land costs. Fully developed sites are generally priced in the range of \$2.50 to \$3.50 per square foot, mostly because of high costs of extending roads and utilities in the lava rock that typifies the high desert region.

REDAP also works closely with the Central Oregon Intergovernmental Council (COIC), to package low-cost loans and labor force training programs. OEDD financial programs are also used extensively, including the public works funding programs to reduce the costs of developing individual sites for companies locating in Redmond.

Several marketing methods are used by REDAP. The organization works with leads provided by OEDD, but also by the Central Oregon Economic Development Council, a regional marketing organization. COEDC is funded by local governments and private companies to focus on the marketing aspects of economic development, leaving the follow up work to the local community organizations. REDAP also does its own limited marketing and has effectively used business networking to identify potential prospects.

This section has shown that Florence is located relatively close to a rapidly growing and diversifying business market in Lane County and the southern Willamette Valley. This market, along with the other counties north to the Portland area, are expected to attract more than two-thirds of all the new jobs created in the state over the next ten years. A logical focus for a marketing strategy would be to concentrate on this geographic area of opportunity.

In doing this, Florence will be in competition with other communities that are also working at economic development and diversification, some of which have well organized and funded programs with full time staffs, along with special advantages such as enterprise zones, commercial airports, and ocean shipping facilities. In order to market Kingwood, Florence needs to identify its unique market niches and develop the tools to make it competitive with these other areas.

SECTION 3

BUSINESS DEVELOPMENT OPPORTUNITIES

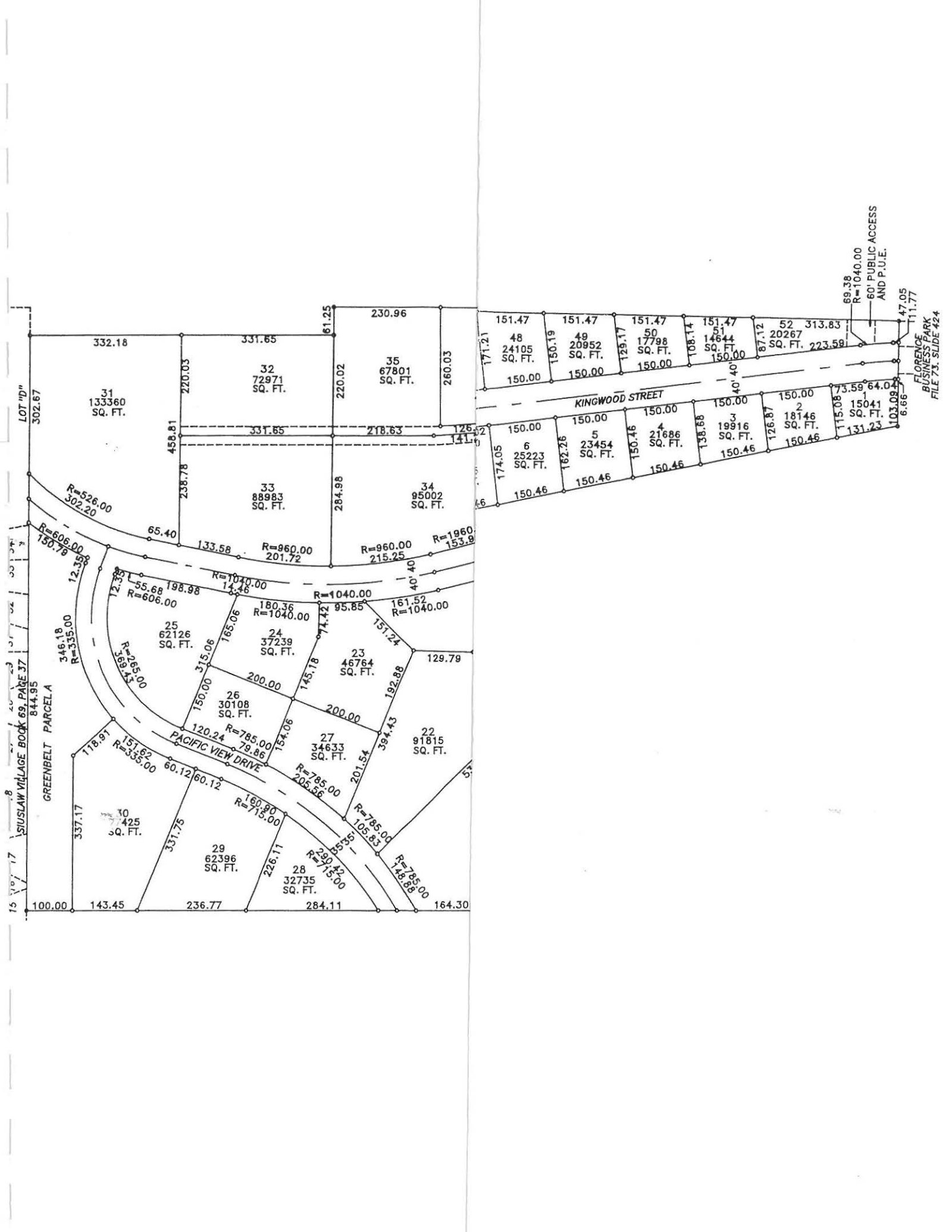
SECTION 3: BUSINESS DEVELOPMENT OPPORTUNITIES

The previous sections have assessed the characteristics of the Florence area as a business location and have examined potential markets and competition for recruiting new businesses. The following key points are relevant in terms of extending that analysis to the identification of business development opportunities for **KINGWOOD** Business & Industrial Park.

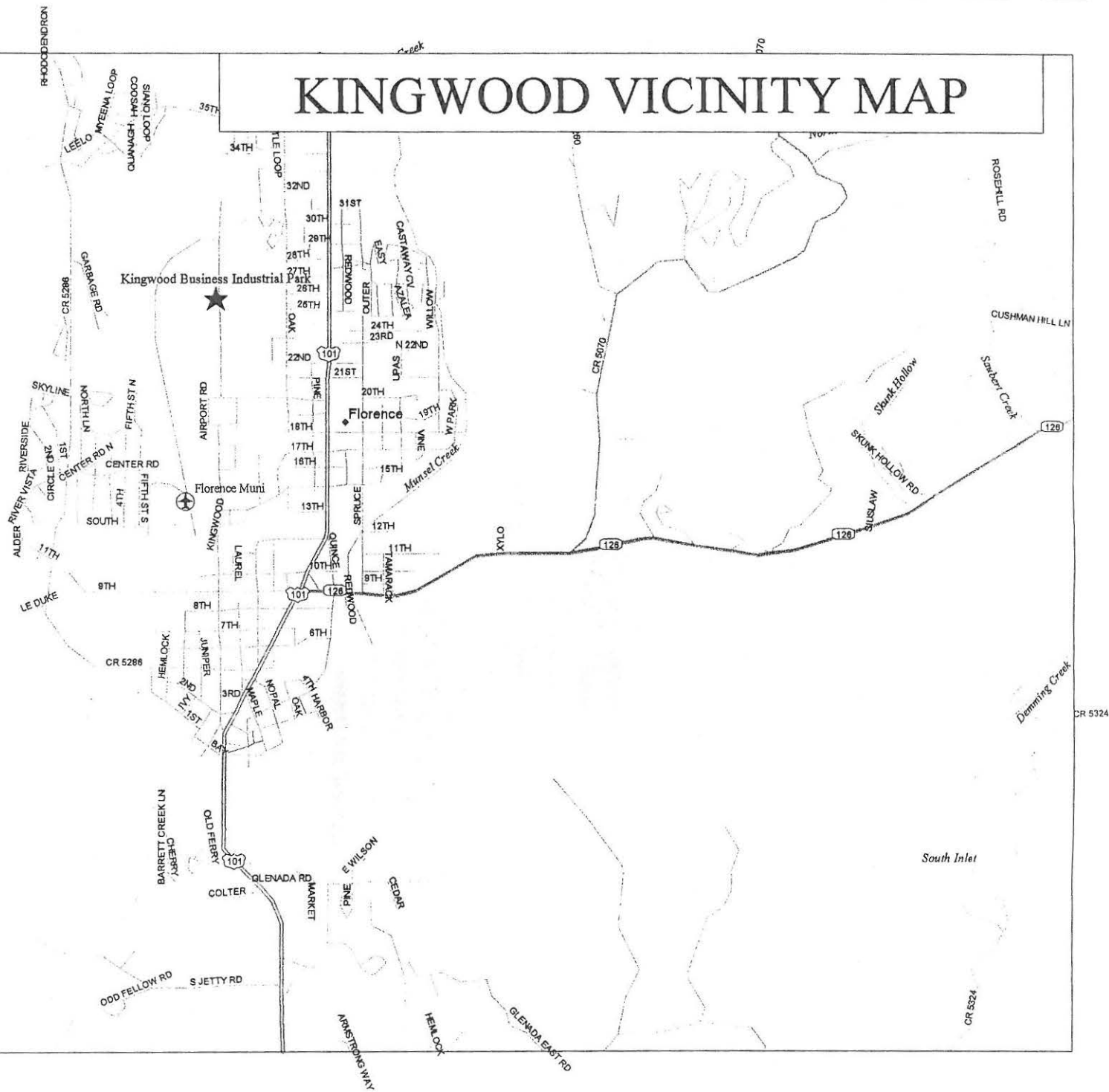
- High rates of residential and commercial growth in the Florence area will continue to generate demand for additional commercial/industrial service and supply companies suitable for locating at **KINGWOOD**. Most of the firms currently located at the Florence Business and Industrial Center are these types of companies, supplying products and services to the construction industry and to local residents and establishments.
- The size and characteristics of the area's labor force are advantages for recruiting businesses to Florence. High rates of underemployment assure a large resident labor force for companies with family-wage pay scales and opportunities for upward mobility. While the range of occupational skills is limited, at least in terms of applications to the local field office of the Oregon Employment Department, the range of skills is adaptable to many kinds of manufacturing and processing applications.
- The large percentage of population growth represented by retirees may contain significant skill sets that could be used either for employment or for entrepreneurial startups. The combination of early retirements, along with longer and healthier lives, creates a resource of knowledgeable and experienced people who often have the financial capabilities and the industry contacts to start up small companies and manage them on either a part-time or full-time basis.
- Florence is located within one hour of one of the fastest-growing and diversifying markets in the state of Oregon. The rapid growth of the southern Willamette Valley is projected to continue for at least the next ten years. Extending the driving radius to three hours from Florence encompasses a region that is expected to generate more than two-thirds of all new job growth in Oregon between 1996 and 2006.

- While opportunities can be derived from proximity to the Eugene/Springfield area, That same area also provides Florence with its greatest competition. If companies really want convenient access to the Eugene/ Springfield markets, they will locate in the Eugene/Springfield area. There are numerous industrial parks in that area that compete with **KINGWOOD**. Florence also does not have the range of occupational skills in its labor force that is available in the larger metropolitan centers. Most business and economic growth will continue to locate in the Willamette Valley where the dominant resources are readily available.
- Florence can offer all basic business service capabilities, except for natural gas utilities, with reliable trucking and overnight package express services. There may be a cost disadvantage for some firms because of the added transportation distances and the lack of discount-price warehouses.
- Florence offers a very attractive quality of life for people who prefer a small town environment along with the scenic and recreational amenities of the Oregon Coast. This can be used to recruit business owner-managers who are able to operate away from the major metropolitan centers and transportation corridors.

These factors indicate that Florence can expect to see a continued inflow of new companies to the area, and that it can effectively compete for companies that are expanding or relocating. **KINGWOOD** Business & Industrial Park can be marketed as the prime location for these companies.



KINGWOOD VICINITY MAP



OVERVIEW OF KINGWOOD BUSINESS & INDUSTRIAL PARK

KINGWOOD Business & Industrial Park was being constructed during the early period of research for this report, and was completed with finished sites available in early 1998. Some of the information about **KINGWOOD** was obtained from planning documents and other sources, including a meeting with the engineering firm that managed the development. Additional information was provided by the City's public works department and by the listing agent, as well as on-site inspections.

The business park is located on both sides of Kingwood Street between 20th Street and 35th Street, west of Hwy. 101 in Florence. A primary access mid-point from Hwy. 101 is 27th Street. The east boundary of the Florence Municipal Airport generally forms the western boundary of the business park at the south end, while the eastern edge of the park abuts the public school properties occupied by LCC, Siuslaw High School, Siuslaw Middle School, and other school district facilities. (See map)

KINGWOOD has approximate 50 usable acres divided into 52 lots. These lots range in size from 14,664 square feet (0.34 acres) to 216,016 square feet (4.98 acres). Thirty-two of the lots are one acre or less in size, while 20 lots are more than one acre. Of those 20 lots, thirteen are between one acre and two acres in size, while seven lots are more than two acres. All but two of the over one-acre lots are located north of 27th Street. Lot number 36, consisting of approximately 2.04 acres, is the site of a new electric utility substation. The remaining lots provide a good variety of sizes to meet many different facility requirements. Most of the lots are generally square or rectangular, and lots can be combined to provide sites for larger users.

Kingwood is listed with the real estate firm of Prudential Pacific Properties in Florence. According to the listing sheet, lot values are mostly in the range of \$1.60 to \$1.85 per square foot, which is approximately \$1.00 psf lower than comparable industrial park lots in the West Eugene area. Lots 1 – 121 are only available for lease because of FAA restrictions associated with the airport. Lots 22 – 30 are available for lease with the potential for future sale. Lots 31 – 52 are listed for sale.

There are some general rules that can be applied to determine the sizes of facilities and the numbers of workers that can be accommodated on these lots. If buildings at full build-out cover a maximum of 50 percent of the site, then a 40,000-sq. ft. lot will accommodate a building with a maximum size of 20,000 square feet. The LI zone allows

100% site coverage, but this needs to include areas for off-street parking, truck maneuvering space and loading docks, other on-site uses.

However, most companies prefer to buy excess land to provide capabilities for future expansion. While the amount varies, a general rule is that the lot size should enable the tenant to double the size of the initial facility without having to move to a larger lot. On that basis, a 40,000 square foot lot (one acre = 43,560 sq. ft.) should be used for an initial building size of only 10,000 square feet. A ratio of 4:1 in land to buildings, then, provides an adequate margin for doubling the size of the initial facility without tying up excess idle land.

Employment densities vary with the type of use, ranging from 250 square feet per worker in high-density, office types of environments to more than 1,500 square feet per worker for low-density manufacturing or distribution operations. Most light manufacturing operations average around 400 sq. ft. per worker. Using this figure, a 10,000-sq. ft. building will provide space for about 25 workers. Again, this varies by type of use but a general employment level of 25 workers per acre is a reasonable target for lot sales or leases and the construction of initial facilities.

KINGWOOD is being developed as a fully serviced business park with high-capacity infrastructure and attractive site amenities, including a greenbelt and natural buffers. Most of Kingwood Street has been improved to two 14-foot traffic lanes, with standard curbs and gutters, and medians and turn lanes at each end. The drawings show 8", 10" and 12" water lines throughout the park, with 4", 6" and 8" sanitary sewer lines, and 8", 10", and 12" storm sewers connecting to a 48" interceptor. There are sidewalks on both sides of the road, and a 5-foot wide bike path. All of the utility lines, including electric power, are installed underground.

According to the City of Florence's zoning map, the business park is zoned as a Limited Industrial District (LI). The purpose of this district is "intended to provide areas for manufacturing, assembly, packaging, warehousing and related activities that do not create a significant detrimental impact on adjacent districts". Any uses that create negative impacts are required to obtain a conditional use permit through the City's approval processes. In general, however, any potential business uses foreseen for the Florence area, either by market-driven demand or active recruitment, can be accommodated at the **KINGWOOD** Business & Industrial Park.

The LI zone allows a wide variety of businesses as permitted uses. Not all of these are fully compatible and controls need to be exercised to make sure that permitting one use does not preclude developing other desirable uses on adjacent or nearby lots. This issue is also addressed in the next section of this report.

KINGWOOD Business & Industrial Park provides an excellent site inventory to support business development and recruitment in Florence. It is superior to the sites in many of the communities that are competing with Florence for economic development. For companies that need fully-developed, raw land sites, the business park provides Florence with the resource needed to accommodate virtually any type of industry that could be expected to locate in the area.

BUSINESS DEVELOPMENT OBJECTIVES OF THE STRATEGIC PLAN

The Greater Florence Area Strategic Plan for Community Economic Development, prepared by citizens of the Greater Florence Area with assistance from Rural Development Initiatives, Inc., published in May, 1997, identified several specific objectives for economic and business development. Major elements of that plan are summarized below with references to elements that may relate to the marketing goals and strategies for **KINGWOOD**.

For example, under Goal 2 in the Economics/Business Development section, which aims at increasing local expenditures in the local market by 25 percent by Fall of 1999, Strategy 1 is to organize an entrepreneurial training program using the resources of SCORE, LCC, and other sources. This was identified as an important part of the business development strategies of other communities competing with Florence for new jobs.

Goal 3 in this section is to generate a minimum 25 percent increase in "family wage" jobs available in the Florence workforce by Fall, 1999. Specific strategies are:

- Strategy 1 - Develop and market the Industrial Park in new ways.
- Strategy 2 - Create a formal local business response board for all business inquiries.

- Strategy 3 - Develop and lobby for infrastructure to support targeted industries
- Strategy 4 - Develop and target knowledge-based businesses, telemarketing firms, teleconferencing centers, manufacturing, high-tech, and research companies. Focus on clean industries.

The Plan also contains several Workforce Development goals and strategies, with emphasis on providing skill training to meet the needs of future employers. These goals and strategies also impact on the business development opportunities for **KINGWOOD**.

Under Workforce Development, Goal 1 is: By Fall 2002, one hundred percent of local wage seeking residents will have the technical and employability skills needed for employment. Strategy 1 under this Goal is to: Work with schools and businesses to develop and enhance school-to-work and apprenticeship programs.

Six action steps are proposed to accomplish this strategy. Action Step 1 is to answer critical questions that support the goal and strategy.

- What jobs should we be training for in Florence (current and future)?
- What skills do they need?
- How do we keep the young here?
- What's our workforce profile in 2002?

Action Step 2 is to develop entrepreneurial training programs and foster the attitude that this is a valuable option.

Action Step 3 is to survey local businesses to determine existing and future competencies/skills needed.

Action Step 4 is to survey 10th graders and older to determine what they would like to be trained in (through process, educate them on the Florence job market).

Action Step 5 is to survey the current workforce to determine under employment so that further training can be made available to move them into other positions which take advantage of their skills. “What do you need on the job to get you in and stay in the training (daycare, other workforce issues)?”

Action Step 6 is to coordinate vocational training programs available.

The second strategy under Goal 1 is to work with businesses to expand on-the-job training. Strategy 3 is to facilitate public and private workforce training efforts. Strategy 4 is to explore employer incentive programs. Presumably this means incentive programs for using the workforce training programs.

Goal 2 is to support Lane Community College development of expanded business courses, with four supporting strategies:

- Strategy 1 is to increase opportunities for technical and business education programs.
- Strategy 2 is to develop an entrepreneur training program.
- Strategy 3 is to assist LCC in developing a marketing program for local education opportunities.
- Strategy 4 is to work with youths to develop motivation for their further education.

Obviously, a great deal of thought and consideration was put into developing these goals, strategies and action steps. Existing shortcomings were recognized, but resources and processes to overcome them were also identified. If these strategies are implemented, the opportunities for business development in Florence will be greatly expanded.

The primary business development emphasis in this Plan is on entrepreneurial start-ups. The only other “targets” cited are knowledge-based businesses, telemarketing firms, teleconferencing centers, manufacturing, high-tech, and research companies, with a focus on clean industries. Of course, this list is very broad when the entire scope of the manufacturing sector is included.

The analysis indicates that to achieve these targets there needs to be improvements in state-of-the-art infrastructure to support the high-technology sectors. In particular, the kind of high capacity, digital fiber optics telecommunications system proposed through CoastNet needs to be in place to support telemarketing, teleconferencing, and other firms requiring modern networks for global access. Goals and strategies to develop this state-of-the-art infrastructure are included in the Plan. Until these are implemented, Florence will be less competitive with the Eugene/Springfield area and other locations for these kinds of businesses.

Overall, the Strategic Plan outlines goals and strategies that are consistent with the findings in this report. However, the target dates for achieving some of the goals are overly ambitious. In particular, it is not realistic to expect a 25 percent increase in local expenditures and a 25 percent increase in family-wage jobs by fall of 1999. Business expansion in Florence is more likely to create these kinds of changes over a five-to-ten year period, depending on the rate of growth and the kinds of companies that locate at **KINGWOOD**.

TARGET INDUSTRIES FOR KINGWOOD BUSINESS & INDUSTRIAL PARK

Based on the prior analysis, opportunities for locating companies in the KINGWOOD Business & Industrial Park generally fit into three categories:

1. Local market-driven business location and/or relocation
2. Entrepreneurial business start-ups
3. New business recruitment

Each of these opportunities is assessed in terms of specific types of businesses in the following discussion.

Local-Market Business Opportunities

This category consists of two types of opportunities:

- Firms that are locating in Florence in response to overall population and economic growth, and need sites to locate their facilities.
- Existing firms that are expanding and need to move to larger and/or more suitable locations.

Both of these kinds of demand are market driven and will occur without marketing or promotional efforts. Because they are market driven, they are not capable of being “targeted” in the usual sense. They will mostly include commercial and industrial service and supply companies, along with expansions of local manufacturers and business service companies. The primary need is to be able to respond to them, especially to accommodate the needs of local companies that are expanding in order to retain them in Florence and avoid their relocation somewhere else. Strategies for addressing the needs of expanding local companies are included in the next section of this report.

KINGWOOD meets the demand for both of these kinds of location requirements. The strategy for selling or leasing sites to these firms involves the typical share-of-the-market real estate approach, which is to offer sites and terms that are competitive with other locations that could also meet the needs of these firms. Strategies will be discussed in the next section.

According to the City of Florence, Community Development Department Issue Paper #1 - Commercial and Industrial Land Uses, dated July, 1997, historical industrial land absorption over the past eight years averaged only 0.67 acres per year. That figure does not include major new companies moving into Florence, so it is probably a good indicator of past demand by the market-driven industrial sector. As the Issue Paper correctly observes, that past absorption rate is not necessarily an accurate indicator of future demand.

As population and commercial growth continue in Florence, it is reasonable to expect that there will be additional demands that will raise the absorption rates. For example, the new outlet mall and Fred Meyer store may support additional local warehousing and/or a truck terminal. It is not possible to quantify this demand, but it would not be unreasonable to anticipate that absorption could rise to the level of 1.5 to 2.0 acres per year to meet these needs, or even higher.

Entrepreneurial Business Start-ups

This is another category of opportunity that can not be quantified in advance. It also does not lend itself to targeting because it is primarily dependent on the interests, background and capabilities of the entrepreneurs. By definition, entrepreneurial start-ups usually require small amounts of space and are often accommodated in a single, multi-tenant building such as the incubator at North Bend. It would not be unusual for five or six companies, or more, to be housed in a building of only 3,000 - 6,000 square feet which would require less than a one-half acre site.

A strategy is proposed in the next section to develop entrepreneurial start-ups in Florence. The largest component of industrial land demand created by these types of firms is their spin-off to their own sites and facilities after they successfully outgrow the incubator. At that point, they become expanding local firms and are no longer classified as start-ups. A successful program could potentially create demand for another one-to-two acres of land after several years of entrepreneurial operations.

Recruiting New Businesses to Florence

Most of the demand for industrial sites at **KINGWOOD** will need to be generated by recruiting new companies to Florence. This is the focus of the rest of this section and is a major part of the strategies presented in the next section of this report.

Earlier in this report, data were provided that indicate business sectors expected to grow in the Willamette Valley and especially in the Eugene/Springfield area. Obviously, industries with growth potential should be targeted rather than industries that are expected to remain static or decline. Some of the major growth sectors are:

- Manufacturing, except Lumber & Wood Products, and Food Products
- Construction
- Transportation (excludes Communications & Utilities from TCU sector)
- Trade, both Wholesale and Retail
- Finance, Insurance & Real Estate, especially in Lane County
- Services, especially Business Services, Health Services, and Engineering & Management Services

In the Manufacturing sector, detailed forecasts were not provided for Lane County but the fastest growing sectors in the state included Machinery, Electronic & Electrical Equipment, Transportation Equipment, and Instruments and Related Products.

One of the recruiting strategies proposed for Florence in the next section is to promote the **KINGWOOD** Business & Industrial Park as a location for growing companies in these sectors. However, another strategy is to recruit firms in other sectors that are being crowded out of their current locations by rising costs of land, labor and other resources associated with growth in their markets.

That opens the list of potential targets to include almost all industries. The list can be narrowed by applying qualitative criteria to assure that the targets are compatible with the planning goals of Florence, and also by applying the screening of Florence's ability to meet the operating needs of the various industries.

CRITERIA FOR TARGETING

The following set of criteria is drawn from the community assessment section of this report, as well as from the Strategic Plan and other sources. It represents the opinion of the authors as to what is both desirable and achievable in recruiting new businesses to Florence. The criteria are not listed in any order of priorities, but are taken all together to provide a screening process for identifying appropriate business recruitment targets.

1. A key criterion is that the targeted companies have "clean" operations, i.e., that they do not produce hazardous, obnoxious, offensive or unsightly byproducts from their operations. The LI zone defines these as "emission of odor, sound, vibration, radioactivity, electrical interference, flare, liquid or solid wastes, smoke or other air pollutants". While these kinds of byproducts may be allowed under a conditional use permit, it would not be desirable to target companies that are known to produce them. Companies requiring outside materials storage do not need to be excluded because the LI zone ordinance requires appropriate screening.
2. Owner-managed companies that will hire their workers locally are preferred over branch facilities that will move workers to Florence from other locations.
3. Smaller companies are more suited to the resource limitations of Florence than large companies. It would be preferable to target companies with fewer than 50 employees and have them grow in Florence, rather than recruiting larger firms that have developed somewhere else.
4. Firms need to be targeted that pay wages of \$10 per hour or higher, with good benefits. Based on a 2,000-hour year, that wage equates to \$20,000 per year firms paying even higher wages should be prioritized.

5. It would be desirable to target companies that have diverse occupational characteristics, providing upward mobility opportunities for workers who are initially employed in entry-level jobs. Firms with a single occupational requirement may offer dead-end jobs.
6. The characteristics of occupational skills of the local labor force indicate that firms should be targeted in “basic” industries, but with opportunities to develop higher skills through training.
7. Firms producing high-value, low-bulk products that can be shipped by package express are more suited to Florence than firms with requirements for common carrier trucking services. Firms with limited shipping and receiving requirements are more suited than firms requiring heavy volumes of transportation. This also limits firms that require inbound shipments of heavy or bulky materials.
8. Firms that interact with the Eugene/Springfield market may be able to meet their transportation needs by using their own delivery vehicles.
9. Firms with extensive travel requirements would probably not find Florence to be as desirable as other locations nearer commercial airports.
10. Firms should be targeted that have “niche” markets, producing products or services that are not competitive solely on the basis of price. These kinds of firms may even operate in global markets, maintaining their competitiveness on the basis of a unique product or service, superior quality, or similar factor other than cost.

These ten criteria provide a reasonable means of screening target industries, although it is not always possible to make broad generalizations about individual companies. The targeted recruiting program needs to be responsive to individual company opportunities that are suitable for Florence, even if they are in industries that are characterized as unsuitable.

SELECTION OF INDUSTRY TARGETS

The following industries are recommended as targets for the business recruiting program for the **KINGWOOD** Business & Industrial Park. Brief descriptions are included as to why these industries have been selected, along with comments about the geographic locations for the marketing. They are presented in prioritized order according to what the consultants believe are the best opportunities for developing and/or recruiting the various industrial sectors to **KINGWOOD**. These priorities are subjective, of course, and actual marketing should target several sectors rather than focusing on each sector individually.

SIC 30 - RUBBER & MISCELLANEOUS PLASTIC PRODUCTS

Component Sectors

SIC 3089 Plastics Products, nec.

Several sectors of this industry could be accommodated in Florence, but the category of miscellaneous plastics products offers the largest market, with 148 firms in Oregon in 1996. This category includes all plastics products except film and sheet, pipe, foam, and plumbing fixtures. It is a relatively high-wage industry and has been showing above average growth in Oregon, especially in Douglas County. It is an industry where small firms often provide specialty products for customers in regional, national or global markets. The labor force in Florence is suited for this industry, and other support requirements are also available. This sector should be one of the higher priorities for recruiting to **KINGWOOD**.

Industry Trends

Nationally, the value of shipments in this industry grew by more than 40 percent between 1989 and 1998. This was an average annual growth rate of 3.45 percent. Employment grew by more than 11 percent from 1989 to 1995. Industry projections call for about 3 percent growth between 1994 and 2005, running counter to the national trend of declines in manufacturing sectors.

In Oregon, this industry added 3,881 workers between 1986 and 1996, for a total growth rate of more than 114 percent! This sector is projected to show increases in employment of 10.9 percent from 1996 to 2006. Average weekly wages in this sector were \$528.81 in 1996.

Locational Requirements

Firms in this industry require semi-skilled workers to operate machinery and equipment, normal small-package shipping and delivery services, and reasonable access to customers. They are competitive in costs and quality of product, and normally require low to medium value industrial sites and buildings.

SIC 34 - FABRICATED METAL PRODUCTS

Component Sectors

- SIC 3441 Fabricated Structural Metal
- SIC 3442 Metal Doors, Sash & Trim
- SIC 3444 Sheet Metalwork
- SIC 3499 Fabricated Metal Products, nec.

This is another industry that is already represented in Florence, primarily welding and sheet metal shops. Most of these firms are supplying local markets, but there may be opportunities to recruit companies that have their customer bases in the Willamette Valley or elsewhere. The Florence labor force is suitable for these industries, and the other support requirements are also available. Focus needs to be on firms making specialty products for custom markets, such as suppliers to Hyundai and the other new companies locating in the Eugene/Springfield area. There were 216 firms in these four categories in Oregon in 1996, with 57 companies in the overall industry located in Lane County.

Industry Trends

Nationally this industry has shown only small increases in the value of shipments and declines in employment. Employment is projected to decline by another 15 percent between 1994 and 2005.

Oregon is showing an opposite trend, largely because this industry is responsive to the kinds of construction growth being experienced in Oregon. Employment grew by more than 30 percent between 1986 and 1996, and is forecast to grow by 13 percent between 1996 and 2006. Wages paid in this sector in 1996 averaged \$592.23 per week.

Locational Requirements

Access to steel distributors is important for this industry, as well as relatively close proximity to markets. Labor requirements are for basic-trainable or semi-skilled workers. The focus for this industry should be local opportunities in Florence and Eugene.

SIC 35 - INDUSTRIAL MACHINERY & EQUIPMENT

Component Sectors

- SIC 3569 General Industrial Machinery, nec.
- SIC 3571 Electronic Computers
- SIC 3577 Computer Peripheral Equipment, nec.
- SIC 3599 Industrial Machinery, nec.

This industry includes a large list of machinery for other industries, such as woodworking, paper, food products and packaging. It also includes smaller support manufacturing, such as machine tools, industrial patterns, pumps, blowers and fans, refrigeration and heating equipment, etc. Many of these could be accommodated at **KINGWOOD** but there is no major rationale for their locating in Florence. It may be possible to recruit some of these firms from the Willamette Valley that supply products to the expanding industries in that area.

This is also the industry classification that covers computers and peripheral equipment. It is not realistic to believe that Florence will recruit a major computer manufacturer, but there is a strong trend in the industry toward custom construction of PC's on a smaller scale. Florence could also provide a suitable location for smaller firms making peripheral equipment and supplying the large electronics companies in the Willamette Valley. The industry meets the criteria of being clean, offering above average wages, and providing upward job mobility.

Industry Trends

National trends in the industrial machinery sector vary significantly between individual components, but have generally been showing strong growth during the mid-1990's which has been tapering off during the past two years. Employment is forecast to decline by 11 percent between 1994 and 2005. In Oregon, employment grew by nearly 48 percent between 1986 and 1996, and is projected to grow by nearly 26 percent between 1996 and 2006. Average weekly wages in Oregon were \$754.59 in 1996.

SIC 35 – INDUSTRIAL MACHINERY & EQUIPMENT (CONTINUED)

In the computer and peripherals sectors, the value of shipments nationally grew by nearly 92 percent between 1989 and 1998. However, employment declined by 19 percent between 1989 and 1995, the last year for which national data are available. Employment is forecast to continue to decline by about 10 percent between 1994 and 2005.

Oregon has run counter to the national trends. Employment grew by more than 115 percent between 1986 and 1996 and is forecast to grow by another 39.5 percent between 1996 and 2006. While this represents a slower rate of growth, it still indicates a strong upward trend. Average weekly wages in the electronic computer sector were \$1,169.22 in 1996, while in the computer peripherals sector they were \$606.28. There were 44 firms in the combined sectors in Oregon in 1996.

Locational Requirements

Manufacturing of smaller industrial machinery requires access to materials and component suppliers, along with a good production labor force. These tend to be high bulk, low value products so reasonable proximity to markets is important. It is recommended that this sector be focused on opportunities in western Oregon to minimize shipping costs.

The computer and peripherals sector requires a highly trained and productive labor force, along with access to advanced university research. It also requires state-of-the-art telecommunications capabilities, dependable electric power supplies, and access to commercial air services. However, smaller suppliers and subcontractors can often operate without these levels of services as long as they have dependable workers, overnight shipping services, and reasonable access to their customers.

SIC 37 - TRANSPORTATION EQUIPMENT

Component Sectors

SIC 3714 Motor Vehicle Parts & Accessories
SIC 3799 Transportation Equipment, nec.

The strong growth of the recreational vehicle industry in the Eugene/Springfield area creates opportunities to recruit suppliers and parts manufacturers to Florence. This industry is projected to show continued expansion, so there will be growing need for component parts. Manufacturers could locate at **KINGWOOD** and be just a little over an hour away from their customers. This is another industry that uses the kind of labor force available in Florence and pays above average wages. In 1996, there were 26 companies in Lane County in the overall Transportation Equipment category.

Industry Trends

This industry is driven by the final demand in the manufactured housing and RV markets. Manufactured housing has shown very strong growth nationally, with the value of shipments increasing by more than 150 percent between 1989 and 1998. Employment in this industry grew by 35 percent between 1989 and 1995. The RV sector has also shown growth, with the value of shipments of campers and trailers increasing more than 102 percent between 1989 and 1998 and employment rising by more than 46 percent between 1989 and 1995.

Comparable data are not available for these sub-categories in Oregon, except for manufactured homes where employment grew by more than 141 percent between 1986 and 1996. Projections are not provided at this 4-digit level, but continued high rates of growth are expected as the average age of the population increases.

Locational Requirements

Proximity to end-users is the primary requirement for this industry, along with a good supply of production workers.

SIC 37 – TRANSPORTATION EQUIPMENT (continued)

Component Sector

SIC 3732 Boat Building & Repairing

This industry is generally found in some form in most of the port cities along the Oregon coast. For example, Reedsport has a sizable private company that rebuilds commercial fishing vessels from Alaska during the off-season. There are several companies along the Siuslaw River that service and repair both commercial fishing boats and pleasure boats, but there are no major boat builders. The large tourism industry in Florence, with its many nearby lakes and its reputation as a sport fishing center on the Oregon coast, could create both an identity and a market for building sport fishing boats and other types of recreational boats.

Industry Trends

The U.S. boat building industry is the world's largest supplier of recreational craft. More than 2,600 manufacturers in the industry employed 48,000 workers in 1995. The industry is dominated by three major corporations, with most of the other companies being relatively small and/or specializing in unique types of watercraft. The industry tends to be cyclical, responding dramatically to changes in the U.S. economy which affect disposable incomes. In Oregon, the number of companies in this SIC category fell from 59 to 49 between 1992 and 1996, while employment increased from 608 workers to 749. Wages tend to be relatively low, averaging \$441.28 per week in 1996. Forecasts are not available at this SIC code level.

Locational Requirements

Boat building is a labor-intensive industry and a key requirement is the availability of semi-skilled workers at competitive wage rates. Most products are shipped by truck to regional or larger markets, so good highway access is also important. Local markets are important for the repair end of the business. Florence could provide a suitable location for this industry, primarily for custom boats and/or relatively small companies.

SIC 27 - PRINTING & PUBLISHING

Component Sectors

- SIC 2731 Book Publishing
- SIC 2741 Miscellaneous Publishing

The sectors listed above are those that supply products to regional, national or global markets. Many firms in these sectors provide specialty products to niche markets and are less price sensitive than many other industries, so they can locate anywhere there is a good supply of labor. These sectors paid above average wages in Oregon in 1996. There were only 123 companies in these two sectors in Oregon in 1996, so it is not a large industry from which to recruit. A breakdown for Lane County is not available.

Industry Trends

The value of shipments for book publishing grew by 64 percent between 1989 and 1998, although employment grew by only two percent between 1989 and 1995. In the miscellaneous publishing category, the value of shipments was up 77 percent and employment was up six percent during these same periods. In the overall sector, national forecasts project an increase in employment of six percent between 1994 and 2005.

In Oregon, employment in the overall sector rose by 32 percent between 1986 and 1996, and is projected to increase by 13.9 percent between 1996 and 2006. Average weekly wages paid in the publishing industry in Oregon in 1996 were \$562.10.

Location Requirements

The categories listed above include everything from local shopping guides and newsletters to national catalogs and directories. Key locational requirements include good telecommunications capabilities for electronic media services, and good distribution services. Firms often have niche markets, such as publication of specific industry newsletters, and can locate almost anywhere they choose.

SIC 73 - BUSINESS SERVICES

Component Sectors

- SIC 7371 Computer Programming Services
- SIC 7372 Prepackaged Software
- SIC 7373 Computer Integrated Systems Design
- SIC 7374 Data Processing & Preparation

These high-tech business services are recommended for target marketing because of the ability of firms in Florence to service customers in the Eugene/Springfield area and the rest of the Willamette Valley. Also, many of these companies produce custom products that are not fully price sensitive. These sectors should also be targets for entrepreneurial development, but there may be existing firms in the Eugene/Springfield area or other markets that could be recruited to **KINGWOOD** because of the lifestyle advantages of Florence.

Industry Trends

These are relatively new components of the Business Services industry and long term data are not available at the national level. However, the U.S. Department of Commerce estimates that the total receipts of the professional computer services sector were about \$46.4 billion in 1992 and these will rise to \$196.8 billion in the year 2002, for an increase of more than 324 percent over the ten year period. Data processing and network services are predicted to show similar growth, rising from \$23 billion in 1992 to more than \$79 billion in 2002, for an overall growth rate of 244 percent.

In Oregon, business services were not separately measured until 1988. In that year the sector employed 43,000 workers, increasing to 86,423 workers in 1996 for a gain of 101 percent. The sector is projected to increase by 46.1 percent from 1996 to 2006. Average weekly wages in 1996 in the four categories listed above ranged from \$777.95 to \$1,296.72.

SIC 73 - BUSINESS SERVICES (continued)

Locational Requirements

Software manufacturers and computer services companies can be found in smaller communities throughout the Northwest and other regions of the country. This is one industry where the quality of life preferences of the owners are a prime determinant of the location of the company.

However, most of these are spin-offs of larger firms and tend to be clustered near cities with major concentrations of programmers and other technical professionals. Firms with large requirements for skilled workers will look for locations near universities where they can tap into the supply of graduates from computer sciences programs.

Smaller companies need to be able to recruit skilled workers who want the amenities of smaller communities, without the long commutes and other hassles associated with larger cities. They also need good shipping services, as well as good support services such as packaging and printing.

SIC 87 - ENGINEERING & MANAGEMENT SERVICES

This final sector is recommended for target marketing because of the high rate of growth projected in Lane County and the state of Oregon. There are more than 4,000 companies in the state in this category, employing more than 25,000 workers. This industry is changing rapidly, with the use of computers, CAD systems, and the Internet to provide professional services from remote locations. Many of these kinds of companies also operate their own aircraft to meet with clients and work on-site at projects. Florence has the basic resources needed to support these firms and can offer attractive lifestyles at potentially lower operating costs.

Industry Trends

National data are not available for engineering services; however, data for management, consulting, and public relations services show that revenues increased by 93 percent between 1992 and 1998 while employment increased by 68 percent. According to the U.S. Department of Commerce, between 1989 and 1995, 75 percent of all job growth in the United States was in managerial and professional positions. Industry sources estimate that in 1996 the professional services sector produced 95 percent of new private nonfarm employment in the country.

In Oregon, engineering and management services jobs increased by 59 percent between 1988 and 1996. They are forecast to grow by another 40.2 percent from 1996 to 2006. Wages vary by individual component sectors, but the overall average weekly wage in 1996 was \$702.12.

Locational Requirements

Locational requirements vary for each company and its customer base. Larger firms often locate branch facilities in smaller markets. However, there is a growing trend of companies that operate regionally, nationally, or even globally from small communities using telecommunications resources as their primary link to their customers. At least one such company is already located in Florence. Lifestyle preferences are a key factor in the location decision, along with technical resources and relative proximity to a commercial airport.

SIC 39 - MISCELLANEOUS MANUFACTURING INDUSTRIES

Component Sectors

SIC 3949 Sporting & Athletic Goods, nec.

This “catch-all” category includes many of the small manufacturers who make products for the tourism industry. It also includes manufacturers of games, toys, jewelry, musical instruments and a variety of other products. The focus recommended here is on companies making sporting and athletic goods, which includes fishing equipment, golf equipment, exercise equipment, and other products. These are often specialty products for niche markets and are not sold entirely on price. The overall industry had 280 firms in Oregon in 1996, with about 4,600 employees. Recruiting efforts could be aimed at small companies where the lifestyle choices of the owners are the major determining factor in company location. The only drawback to this industry is that average wages tend to be low.

Industry Trends

Nationally, the sporting and athletic goods industry saw revenue growth of more than 68 percent between 1989 and 1998, while employment grew at a more modest figure of 13.3 percent. The U.S. Department of Commerce forecasts continuing growth of about three percent annually (in constant dollars) through 2002.

In Oregon, trends and forecasts are not available at this 4-digit level. However, data from the Oregon Employment Department showed 14 new companies were established in the state between 1992 and 1996, adding 363 employees for a growth of 30.7 percent over the four-year period. Average weekly wages in 1996 were \$452.68.

Locational Requirements

This is another industry where location decisions are often made on the basis of personal choice. Some companies choose to locate in areas where they can associate their products (and company identity) with well-known recreational resources. For example, Florence could be a good location for fishing tackle manufacturers.

SIC 28 - CHEMICALS AND ALLIED PRODUCTS

Component Sectors

- SIC 2833 Medicinals & Botanicals
- SIC 2834 Pharmaceutical preparations
- SIC 2835 Diagnostic substances
- SIC 2836 Biological Products ex. Diagnostic

This industry is often avoided because of images of large chemical plants and pollution, but it includes several sectors that could be appropriate for Florence. The ones recommended above are related to health sciences, one of the fastest growing industries in the nation as well as the state. While these sectors require highly professional and skilled workers, they also require a larger number of production workers. There may be opportunities for firms located in Florence to tie into research programs at the University of Oregon and Oregon State University. Major facilities may not be realistic, but smaller specialty companies might be recruited to Florence. These sectors generally pay above-average wages, but the number of firms in Oregon is small. There were only 29 companies in these four sectors in 1996. Average weekly wages were \$598.16.

Industry Trends

National revenue growth in SIC 283 between 1989 and 1998 was more than 95 percent, while employment grew by a little over 11 percent between 1989 and 1995. The slower rate of growth in employment is attributed primarily to automation. The U.S. Department of Commerce predicts continued revenue growth of about 8 percent annually over the next five years. Trend data and forecasts for Oregon are not available at the 3-digit SIC code level. Data from the OED show there were 30 firms in Oregon in these four SIC codes in 1996, compared to only 16 in 1992. Employment rose from 518 workers in 1992 to 782 in 1996, for a gain of 51 percent in only four years.

Locational Requirements

Firms in this industry tend to locate close to medical research facilities, such as university hospitals. Labor requirements vary from highly skilled to trainable production workers. Firms produce high-value, low-bulk products and generally ship by express carriers.

SIC 36 - ELECTRIC & ELECTRONIC EQUIPMENT

Component Sectors

SIC 3672 Printed Circuit Boards

SIC 3699 Electrical Equipment & Supplies, nec.

These are two sectors that are found in smaller communities throughout the state of Oregon. There are printed circuit board plants in Sisters, John Day, and other cities smaller than Florence. This is an industry that could operate at **KINGWOOD** to supply customers in the Willamette Valley as well as larger markets on the West Coast. It pays above average wages, uses unskilled but trainable labor, and the high-value products are usually shipped by package express or company delivery trucks.

Industry Trends

Revenues from manufacture of printed circuit boards rose nationally by more than 68 percent between 1989 and 1998, while employment rose by only 2.5 percent, mostly due to automation. This is a very cost-competitive industry and much of the manufacturing has moved off-shore for lower labor rates. However, this same competition is causing many domestic manufacturers to seek lower cost locations in the United States. The U.S. Department of Commerce predicts the electronic manufacturing services sector will expand at rates between 15 and 25 percent through the year 2002. In Oregon, trends and forecasts for these 4-digit SIC codes are not separately measured. OED data show that the number of establishments in Oregon rose from 50 firms in 1992 to 58 in 1996, while employment grew by more than 68 percent. Average weekly wages paid in 1996 were \$508.74 in the PCB sector and \$540.74 in the electrical equipment and supplies sector.

Locational Requirements

As noted above, firms in this industry often locate in smaller communities where wages are lower. PCB manufacturers can be found in such diverse towns as John Day, Sisters, and Dallas, Oregon. Semi-skilled or trainable production workers are required, along with package express delivery for the high-value, low-bulk products.

SIC 38 - INSTRUMENTS & RELATED PRODUCTS

Component Sectors

SIC 3841 Surgical & Medical Instruments
SIC 3842 Surgical Appliances & Supplies
SIC 3843 Dental Equipment & Supplies
SIC 3845 Electromedical Equipment

This industry has been growing rapidly both in Oregon and in Lane County, with projections that the growth will continue. It is dominated in the state by one firm, Tektronix, but excluding that company still leaves 190 other companies in the state with more than 7,000 employees. Other sectors could also be recruited to Florence but the recommendation here is to focus on the medical products industry. These are generally high-value, low-bulk products that are not necessarily subject to price competition. Many firms in these sectors can locate almost anywhere and quality of life is a factor in choosing where they go. The established medical community in Florence is an asset for this industry, along with the access to the larger facilities in Eugene. Wages in these sectors run well above the statewide average for all manufacturing industries.

Industry Trends

In the SIC sector 385, revenues nationally grew by more than 83 percent from 1989 to 1998, while employment grew by 12 percent between 1989 and 1995. The U.S. is a net exporter of products in this industry so much of the growth has been fueled by worldwide demand. Growth is projected to continue at a rate of 6 to 7 percent annually through the year 2002. In Oregon, trends and forecasts at the three and four-digit SIC code level are not available. OED data show there were 59 establishments in these four sectors in 1992 and this increased to 74 in 1996. Employment grew by nearly 32 percent during these four years. Average weekly wages were \$691.28.

Locational Requirements

Locational requirements vary by company, but Oregon has many firms in this industry located in smaller, rural communities. Key requirements are a good production labor force and good shipping services for the high value products.

SIC 48 - COMMUNICATION

Component Sectors

SIC 4813 Telephone Communications

The standard industrial classification system has not been updated to cover some of the newer types of businesses such as call centers. As a result, most of these kinds of operations are classified under Communications instead of under Business Services. There were 284 companies in SIC 4813 in Oregon in 1996, with more than 6,500 employees. This sector was recommended as a recruiting target in the 1997 Strategic Plan, but it has been noted that a major requirement is high speed, high capacity digital fiber optics telecommunications lines. It may be premature to target this sector until the required infrastructure has been developed in Florence.

Industry Trends

Trends and forecasts for the call center component of this industry are not available. It is known to be expanding, but no figures are available to document the rate of growth.

Locational Requirements

As noted above, call centers need large numbers of workers, often working part-time, on shifts, and/or on weekends. A large, flexible labor force is a primary requirement, generally at low wages. They also need large capacity telephone systems.

SIC 25 - FURNITURE AND FIXTURES

Component Sectors

SIC 2511 Wood Household Furniture
SIC 2521 Wood Office Furniture

This is another sector that could supply growth markets in Lane County and beyond from a manufacturing location in Florence. It is a relatively small sector in Lane County, with only 22 firms in 1996 and average employment of 430 workers. In the whole state of Oregon, however, there were 170 firms employing more than 3,680 workers. This is a cost sensitive industry and advantage of lower manufacturing costs could offset the transportation costs of supplying markets in the Willamette Valley. It is also a relatively low wage sector.

Industry Trends

National trends and forecasts are not available at the 4-digit SIC code level. In the category of all household furniture (SIC 251), revenue growth was slightly over 42 percent between 1989 and 1998 while employment declined by a little over three percent. Employment in the overall furniture and fixtures category (SIC 25) is projected to grow by three percent nationally between 1994 and 2005, while in Oregon it is projected to grow by 8.1 percent between 1996 and 2006 after growing by nearly 36 percent between 1986 and 1996. Average weekly wages in this industry in Oregon in 1996 were relatively low at \$477.28.

Locational Requirements

This industry locates close to sources of supplies and raw materials. Most furniture today is made of reconstituted wood and/or laminates so the sources are generally large sawmills, planing mills, or veneer plants. It is a labor-intensive industry that requires good production workers and machinery operators.

SIC 24 - LUMBER & WOOD PRODUCTS

Component Sectors

SIC 2431 Millwork
SIC 2434 Wood Kitchen Cabinets
SIC 2499 Wood Products, nec

This industry is not recommended as a high priority, but it is one that may offer opportunities for recruiting small firms to **KINGWOOD**, especially from the Eugene/Springfield area. Florence already has several local companies in these industries supplying local markets and it is not suggested that companies be recruited to compete with them. Instead, firms supplying customers in the construction industry in the Willamette Valley could relocate to Florence to take advantage of the abundant labor force in the area with potentially lower costs of manufacturing. In 1996, there were 294 firms in SIC 24 located in Lane County so the market for recruiting is relatively large. These sectors of the industry tend to pay wages below the overall manufacturing average for Oregon, so it would not be desirable to make them a major component of the recruiting program.

Industry Trends

This is primarily a local industry, tied to local construction, so national trends are not very meaningful. In Oregon, both the number of establishments and the number of workers have shown declining trends during the period 1992 – 1996. Weekly wages in these two SIC code sectors averaged \$504.37 in 1996.

Locational Requirements

As noted above, the primary locational requirements are local markets although larger firms ship to regional markets or even farther. Growth in final demand is the primary requirement. Availability of component products is also important, as is a dependable supply of production workers.

The list above is not meant to be exclusive, but provides a good starting point for identifying specific companies to contact in a business recruiting program. As noted earlier, other opportunities can also be targeted when they arise. The next section of this report examines specific strategies for identifying and contacting targeted companies.

SECTION 4

MARKETING STRATEGIES

SECTION 4: MARKETING STRATEGIES

PART 1: PRE-MARKETING PLANNING & POLICY ISSUES

Interviews with City officials, members of the Economic Development Committee, and local business officials revealed that there are several planning and policy issues that need to be addressed before a major marketing effort gets underway. The key issues were identified as:

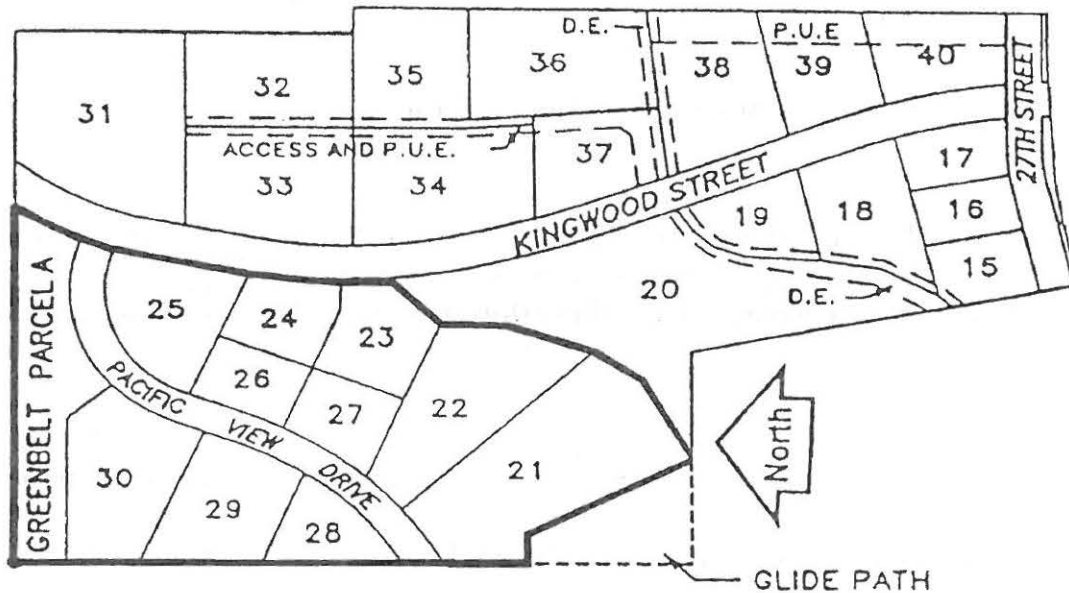
1. Segregating different uses in different areas of the business and industrial park
2. Applying different controlling documents (CC&R's) to those different areas
3. Determining what kinds of entities will be allowed to buy/lease sites
4. Pricing policies

SEGREGATION OF USES

KINGWOOD Business & Industrial Park is planned to accommodate a wide variety of uses under its LI zoning. Some of these uses are potentially of higher value than others and some companies making location decisions would place a premium value on lots with amenities such as ocean views. Other users may have characteristics that would make them less desirable as neighbors, such as outdoor storage, and may even make them incompatible with the higher-value uses. An appropriate way to address these issues is by dividing the park into different segments for these different kinds of uses.

The amenities of ocean views are found at the north end of the park, primarily those lots on the higher ground sloping up from the drainage easement to the north park boundary, on the west side of Kingwood Street. It is recommended that lots 21 – 30 be segregated for higher value uses, including commercial service uses that are compatible with the LI zoning and appropriate for location within the business park. These could include a hotel, restaurant, and office buildings. This area is referenced below as Pacific View.

Pacific View



These 10 lots contain a total of 14.11 acres, with lots ranging in size from 0.69 acres to 3.2 acres. Pacific View contains all eight of the lots having frontage on Pacific View Drive, with the other two lots fronting on Kingwood Street. The City is working with the FAA to allow sale, as well as lease if preferred by the developer, of all of the Pacific View lots. Ground leases favor higher value commercial and/or industrial uses because they reduce front-end costs and the lease payments are fully tax deductible.

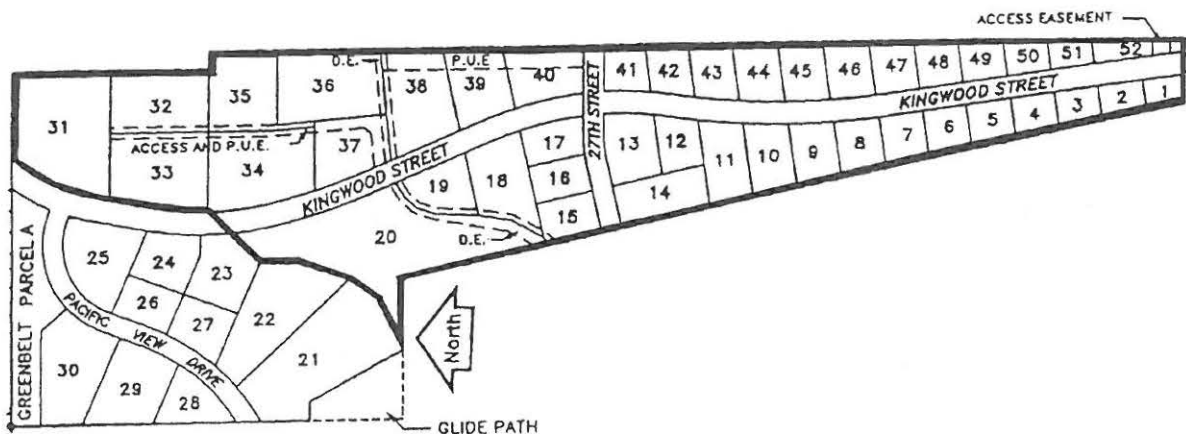
The LI zone does not specifically permit all of these types of uses, but they could be covered by some of the zone's more general provisions. For example, the ordinance permits "offices for engineers, architects, landscape architects, surveyors and those engaged in the practice of designing, drafting or graphics". It also permits "public and semi-public buildings". Restaurants are an outright permitted use. The ordinance also permits "other buildings and uses which shall not have any different or more detrimental effect upon the adjoining neighborhood areas.....". The only major restriction in the ordinance is on retail uses, which are allowed only if they are "incidental and directly related to the operation of permitted industrial uses".

Creating higher standards of uses in Pacific View will require a separate set of Covenants, Conditions and Restrictions (CC&R's). Recommendations for CC&R's for this area are included in this section.

The remaining lots at **KINGWOOD** are referenced as South Park. Some of the people interviewed for this report felt that there should be two additional areas, rather than just one, consisting of a medium-quality industrial area and a third area that could accommodate uses with less desirable characteristics. However, this would seem to defeat the purpose of the LI zone as well as the investment that the City has made to improve **KINGWOOD** with a relatively high level of amenities. If there are potential conflict between various uses, this problem can be handled by appropriate management of the lot selections and tenant acceptances without requiring a separate set of CC&R's or a separate designation.

The only other area that should receive special consideration is the four lots – 13, 17, 40 and 41 – which are located at the intersection of Kingwood Street and 27th Street. This has the potential to be a commercial service center for the business park and the higher restrictions of Pacific View could be applied. That should be a policy decision by the City and no recommendation is made as part of this report.

South Park



The restrictions in the LI zone will affect several of these lots and may affect the City's decisions on where to locate various potential tenants. For example, lots abutting residential areas may require 15-foot side and/or rear yard setbacks, reducing the usable square footage of the lots. The Airport Obstruction Overlay District will also have greater impact on the lots immediately adjacent to the airport, especially in regards to height limitations. However, these kinds of considerations can be handled through the sales and leasing management processes and do not require separate regulations or restrictions.

CONTROLLING DOCUMENTS

Interviews with local officials revealed some fairly strong differences of opinion regarding how restrictive the CC&R's ought to be. Some people believe that KINGWOOD should be a high-quality business park with CC&R's designed to assure maximum visual aesthetics; others would prefer a less restrictive environment with the LI zoning ordinance controlling site development. That ordinance allows 100 percent site coverage and does not require building setbacks except "for road widening or other purposes". The provisions for 15-foot side and/or rear yard setbacks on lots that abut residential areas are not absolute, as the ordinance says they "may" be required.

The separation of uses proposed in this report requires that separate governing documents apply to each of the two areas. The Pacific View area is proposed for high-quality business uses, including commercial uses that would benefit the entire community and not just the tenants in the business park. The visual amenities in that area support restrictions that will retain view corridors and enhance the natural aesthetics. Any CC&R's drawn up for this area will need to assure that it is not degraded by incompatible uses, designs, or operations.

For the South Park area, it is not evident that any controlling documents are required in addition to the LI zoning ordinance. That ordinance provides maximum flexibility in siting a wide variety of different kinds of uses and meeting the site needs of the widest possible range of potential tenants. As stated above, potential conflicts can be resolved through the sales and leasing management processes. A separate set of CC&R's could be developed that would be applicable to this area, if desired by the City, but no recommendation to use CC&R's is made in this report.

Main Provisions of CC&R's

Primary research materials on CC&R's were obtained from the Urban Land Institute (ULI), which cautions that "A developer should not adopt CC&R's designed for another park, no matter how well written, until they have been studied for suitability for the specific site". The ULI states that an attorney should assist in the drafting of the CC&R's and be responsible for preparing the final document in legal form. For this reason, this report does not include a recommended form of CC&R's for **KINGWOOD**. Instead, the major provisions of such a document are discussed in general terms, anticipating that the City will decide on the final restrictions.

CC&R's can be filed either with the plat or with each deed. Several industrial parks that were examined for this report preferred filing individual CC&R's with each deed in order to provide flexibility to cover special or unique situations.

The most common items included in CC&R's are:

- Recitals, Declarations of Intent, and Statement of Purpose
- Legal Description of the Property
- Management Associations, if any
- Maintenance Assessments, if any
- Permitted and/or Prohibited Land Uses (if applicable)
- Nuisance Restrictions
- Design Guidelines (unless covered in a separate document)
- Design or Architectural Review Procedures
- General Legal Provisions

CC&R's can be more restrictive than zoning but not less. For example, they can decrease the intensity of land use but cannot increase site coverage beyond that provided in the zoning ordinance. That is 100 percent in the LI zone, so CC&R's for the Pacific View area would reduce site coverage and make specific provisions for off-street parking, off-street truck loading and turn-around space, along with any other building provisions that are more restrictive than the zoning ordinances. CC&R's can also include requirements for landscaping, signage, lighting, storage restrictions, screening and fencing, and other on-site issues.

Performance standards can also be built into the CC&R's. These generally regulate industrial operations such as smoke, water pollution, particulate matter, odor, toxic materials, vibration, noise, and fire hazards. Most of these issues are addressed in the LI zone that applies to **KINGWOOD**, but any additional restrictions in the Pacific View area could be added through the CC&R's.

It is recommended that CC&R's be drafted for the Pacific View area that include provisions that are more restrictive than the zoning ordinances. Proposed setbacks for this area include a 20' front yard setback and 5' setbacks for the side and rear lot lines, reducing total lot coverage to a maximum of 73 percent. There should also be requirements for landscaping the setback areas, and requirements for screened outside storage (if allowed) and for off-street parking.

RESTRICTING TYPES OF BUYERS/LESSEES

Another issue that surfaced during the interviews was whether the City should restrict sales and leases to user-tenants or open them up to developers, investors and speculators. There are some people who feel that the City's objective should be to accelerate the return of its capital investment by selling or leasing lots to any entity willing to pay the price; others feel that only user-tenants should be allowed to buy or lease sites, with requirements to begin construction within a specified period of time subject to cancellation of the sale or lease for non-performance.

These are significantly different approaches and will require the City to make definitive policy decisions. It is beyond the scope of this report to make a recommendation. If the City's goal is to maximize cash flows, then it will make sales and leases to any party that has the financial capability to acquire the property, whether or not they utilize it in the short term. On the other hand, if the City's goal is to use **KINGWOOD** to

develop employment opportunities, generate property tax revenues from capital investment and generate user fees for the repayment of infrastructure costs, then the appropriate policy would be to require short-term build out as a condition of the sale or lease.

These alternative goals may not be as incompatible as they first appear. In the research of industrial land and building sales in Lane County over the past two years, it was found that more than 80 percent of all sales were made to developers, builders, or investors rather than to end users. In the development of residential subdivisions, it is common for the developer to sell lots to builders who then find qualified buyers and construct custom homes. In essence, the developer uses the builder as a medium to find the end user. A similar process appears to be operating in the industrial market in Lane County and it would seem reasonable for the City to sell sites to developers/builders without excessive restrictions on timelines for build-out.

However, that same principle may not apply to speculators who would acquire property only for resale. It does not seem likely that there would be many buyers willing to pay the City's prices for sites and then hold those sites in anticipation that future appreciation would cover their carrying costs and return a profit. The question for the City is whether it is more desirable for the City to hold the property until an end user is found, or allow an investor/speculator to hold it and assume the risk. The City still controls the uses through the zoning ordinances, and the CC&R's if applicable, so the ultimate uses of the property will be the same.

PRICING POLICIES

The interviews also revealed that there is a wide divergence of opinion regarding the price structure that has been applied to **KINGWOOD**. Lot prices generally range from \$1.60 to \$1.85 per square foot with leases based on these rates. Several of the business owners interviewed expressed their feelings that these prices are too high, and that alternative sites can be found for much less cost. It was not determined whether those alternative sites are fully developed to the same level as **KINGWOOD**, however, so the comparisons being made may not be accurate. Others stated that the prices are too low and that a higher price structure should be used to assure that only high quality firms willing to pay higher prices should be allowed to buy or lease sites in the park.

Again, there are some policy decisions involved in determining the appropriate pricing structure. Lower “incentive” prices are usually used to accelerate sales and leasing either to generate short-term cash flows or achieve build-out objectives of employment and tax revenues. Lower prices often reflect a subsidy used to accomplish economic development objectives rather than financial objectives.

Supply and demand factors in the competitive market are the best determinants of price. The research into industrial site competition showed that prices in the Willamette Valley tend to run about \$0.50 - \$1.00 per square foot higher than prices at **KINGWOOD**. They vary with the location, size, and other characteristics of the properties but sites that are fully developed with the same level of amenities tend to be priced in the range of \$2.50 to \$3.50 per square foot. Even properties that are not fully developed usually carry higher prices. For example, a site of 25 acres of industrial land located in Salem, close to I-5, is currently being advertised for \$100,000 per acre which translates to \$2.30 psf. Ten acres are zoned light industrial and 15 acres are zoned industrial park, with sewer and water to the property line. If the property were to be subdivided into lots comparable to **KINGWOOD**, the development costs would have to be added to the price.

One person who was interviewed expressed the opinion that these prices ought to be considered as negotiable, and that the City ought to be willing to offer incentive pricing to selected tenants that provide higher levels of benefits such as employment and/or wages. This is a policy decision for the City and no recommendation is made in this report. There are issues of fairness and equity involved but some limited flexibility in the pricing structure could be used as a “closing” tool to effect sales or leases that might otherwise go somewhere else.

The material that follows assumes the City has addressed these policy issues and has taken the appropriate actions. There is no reason why lot sales and leases cannot be negotiated prior to final action on these issues, recognizing that industrial site marketing needs to be flexible to respond to the needs of the market.

PART 2: REAL ESTATE MARKETING PLAN

Recommendations for marketing are divided into two components in this report: The first component provides a marketing plan for lot sales or leases by the real estate agency retained by the City as its broker of record. The second component is an economic development approach that will require a longer-term effort aimed at recruiting new firms to Florence as well as developing resources for new business formations and/or facilitating local start-ups and expansions. There are some overlapping strategies in these two plans but the implementation methods require different approaches. The economic development plan is provided in Part 3 of this report.

Industrial real estate marketing relies on making contacts with business owners who have a current need for new sites and/or facilities. These are mostly local companies that are outgrowing their present facilities or companies that are new entrants into the local market. Real estate brokers rarely rely on recruiting firms from outside the area and leave that function to the economic development agencies.

The three primary methods used to establish contacts are:

- Personal solicitations, by phone or in person
- Direct mail solicitations, using flyers or form letters
- Advertising

An effective real estate marketing plan for **KINGWOOD** will use all three of these techniques.

PERSONAL SOLICITATIONS

The obvious first step in a real estate marketing plan is to contact all of the existing companies in the Florence area that could be candidates for relocation to **KINGWOOD**. Casual observation shows that there are many companies located along the Hwy. 101 corridor that could operate as well in the business park. Wells Plastic, Inc. is an example.

Sites along Hwy. 101 generally have greater value in retail, service-commercial or tourist-commercial uses than in industrial uses. Companies that own their properties might be able to relocate to **KINGWOOD** and finance their new sites and facilities with the revenue generated from sale and reuse of their existing properties. Some of the individuals interviewed for this report indicated that Hwy. 101 is a preferred location in Florence and many companies like the exposure, so the rationale for their relocation will require persuasive arguments.

The obvious form of solicitation is by personal visits with the owners. This can be done by cold calls or by prearranged appointments. If cold calling is not used, then the contact method defaults to telephone solicitations to predetermine interest.

Personal contacts should also be maintained with local developers, such as Heceta Development, to market sites at **KINGWOOD** that can be used by their clients.

The broker of record already has a listing package that includes a graphic of the plat and a list of lot prices. In addition, materials are included in this report that can be used in the marketing solicitations and left with the prospective buyers/lessees.

DIRECT MAIL

In larger markets where personal contacts are necessarily limited by time and costs, prospective users can be targeted by direct mail. In a smaller market such as Florence, however, direct mail should be used only as a supplement to personal contacts. An alternative strategy would be to send marketing materials to all suitable companies in the Florence area, followed by telephone and/or personal contacts to determine interest. The immediate returns may be small in relation to the costs of materials and postage, but it may produce longer-term prospects by planting seeds with companies that will expand in the future.

Beyond the local market, direct mail is usually a function of economic development efforts rather than real estate broker marketing. The percentages of return are reduced exponentially as the distance from the local market increases, so real estate brokers who rely on commission revenues are rarely willing to invest the time, effort and costs to solicit prospects in outside markets.

However, this report includes lists of companies considered to be suitable for relocation to Florence. One list contains companies in Lane County, while the other list contains companies in the remainder of the Willamette Valley including the Portland area. It is recommended that direct mail solicitations to these firms be part of an ongoing economic development effort to recruit firms to Florence, although it could be done by the real estate broker using the listing package and other marketing materials included with this report.

ADVERTISING

Advertising is recommended as part of the economic development strategies described below. The real estate broker, emphasizing the availability of industrial properties rather than sending out the more generic message of the advantages of Florence, could also do it. Two obvious markets would be the local market in the Florence area and the Eugene/Springfield market. If the Portland market is targeted, then advertising the availability of industrial/commercial sites in the Oregonian newspaper and/or the Daily Journal of Commerce could be effective. It would have to be expected, however, that the results in relation to costs would be small.

A potentially more effective kind of advertising is recommended below. This is to market **KINGWOOD** in the many tourism publications that are read by visitors to the Oregon Coast. There is a very wide distribution of these publications and the marginal costs of placing information about the business park would be low in relation to the total market that is reached. While this is recommended as an economic development strategy, it would also be an appropriate real estate marketing strategy. Readers are used to seeing ads marketing coastal real estate, mostly residential properties, and including commercial and industrial properties would reach a market that has expressed interests in the coastal area. The ads would promote the idea of relocating existing businesses as well as personal relocation to Florence.

These elements of marketing sites as **KINGWOOD** are pretty straightforward and are used together as the primary means of selling commercial/industrial real estate. Some developers host open houses, invite prospective tenants on tours, or use other means to get out their messages. For those who want to maximize their sales, and commissions, no technique works better than making as many personal contacts as possible to qualified buyers.

PART 3: PRE-MARKETING ECONOMIC DEVELOPMENT STRATEGIES

The review of economic development programs in communities competing with Florence for new business recruitment showed that there are several elements common to the ones that are most successful. These were summarized at the end of Section 2, but the key elements include:

- An organization with resources, including staff, to prepare the programming, conduct the marketing, and follow up with leads.
- Good networking capability with Ports, the Oregon Economic Development Department, Oregon Employment Department, small business development centers, and other resources that work together to solve business problems and facilitate the location and expansion of companies.
- An Enterprise Zone designation.
- A portfolio of incentives to assist companies in acquiring land and constructing facilities, along with labor force training and other support services.
- Industrial land, suitably located and priced, in a ready-to-build condition.

Florence currently meets the last requirement with **KINGWOOD** Business & Industrial Park. However, Florence needs to address the other issues in order to develop strong competitive capabilities in a business development and recruitment program. Following are recommended strategies to make Florence more competitive in the general arena of economic development, along with specific marketing strategies to attract companies to **KINGWOOD** Business & Industrial Park. While the economic development strategies are not *required* to sell or lease land at **KINGWOOD**, it is probable that a targeted industry recruitment program will have only limited success without them.

ORGANIZATIONAL STRATEGIES

KINGWOOD is owned, developed and managed by the City of Florence, with sales and lease transactions handled by a designated broker. This is similar to the operations of private industrial park developers, who may do limited advertising but rely primarily on the brokerage community to generate leads and sign up tenants. This approach does not provide Florence with the broader range of economic development marketing that enables it to be competitive with other communities that operate full-time economic development organizations.

Strategy No. 1 Create the core organizational structure

It is recommended that Florence establish an entity and an individual responsible for community economic development marketing. This could be a City department, the Chamber of Commerce, or a new organization formed for this purpose.

From discussions with City officials, it does not appear that a full-time paid staff can be funded in the existing organizations at this time to carry out an economic development program. However, there may be a workable alternative if a well-qualified retiree or other volunteer could be found who would be willing to operate and coordinate this effort. For example, Coeur d'Alene, Idaho, hired a retired executive from AT&T to manage its Jobs Plus program, which has been one of the most successful business recruiting efforts in the Northwest. This individual had the knowledge of business decision-making, marketing, and facilities planning to be able to relate effectively with prospects in the national market. He also had the contacts, the drive, and the community interest to make the program work.

The important point is that there needs to be someone with responsibility and accountability to carry out the economic development marketing program and provide it with continuity. On advertising, direct mail, and telephone marketing, there needs to be someone's name to respond to, with contact telephone and fax numbers along with mail and e-mail addresses. This individual can be supported by a volunteer team to follow up on leads and respond to business inquiries. A nominal budget can be used to pay direct expenses, such as travel costs to Eugene to visit prospect companies. The designated broker could be the primary contact, but there needs to be someone else who can handle the longer term requirements of the business recruiting program.

ENTERPRISE ZONE DESIGNATION

Strategy No. 2 Designate Florence as an Enterprise Zone

Strategy No. 2 is that Florence apply for an Enterprise Zone designation. Oregon law authorizes up to 37 such zones throughout the state, and the following 35 were currently designated as of August 1996:

Astoria Area	Baker City
Bay Area (Coos Bay/North Bend)	Coquille Valley
Dallas	West Eugene
Grande Ronde (La Grande)	Harney County/Burns/Hines
Harrisburg	Hermiston Area
Illinois Valley	Klamath Falls
Lakeview	Lower Columbia Maritime
Lower Umpqua (Reedsport)	Madras
Oakridge/Westfir	Ontario
Pendleton	Port Orford Area
North/Northeast Portland	Redmond
Roberts Creek	St. Helens/Columbia City
Salem	Seaside
Silverton-East Valley	South Douglas County
South Santiam	Springfield
Sutherlin/Oakland	Sweet Home
The Dalles/Wasco County	Tillamook
Vale	

Enterprise zone designations last for ten years and may be redesignated. Ten zones were due to terminate through sunset provisions in 1997 and an additional five zones are set to terminate on June 30, 1998. It is expected that Florence would be able to achieve zone status either through existing openings or at the termination of existing zones.

Benefits to companies locating or expanding in an enterprise zone have been described earlier. They include 100% exemption from the property taxes normally assessed on significant new plant and equipment for a period of three years. This standard exemption may be lengthened to four or five consecutive years by the local government(s) sponsoring the zone. In addition, the local sponsoring governments frequently provide various benefits to firms that qualify in the enterprise zone, such as reduced fees for direct services, waivers from permit charges, regulatory flexibility, expedited or enhanced public services.

There are numerous restrictions that apply to the enterprise zone exemptions, mostly to guarantee that the zones are used to generate new jobs and new capital investment, not simply provide exemptions for existing taxable plant and equipment.

Enterprise zones benefit business operations that do not compete significantly within the local economy and that bring in outside income. Eligible business firms provide goods, products or services to other business operations. This includes not only conventional manufacturing and industrial activities, but also processing plants, distribution centers, maintenance facilities, warehouses, and even some operations that handle bulk clerical tasks or after-sales technical support (call centers). Regardless of whether they are performed for other businesses, the following and similar activities are not eligible: entertainment, tourism, health care, child care, serving meals, finance, housing, property management, leasing space, construction and sales of goods or services at the retail level. Certain provisions apply to firms that operate both eligible and ineligible business activities.

The downside of the enterprise zone, of course, is the loss of local property tax revenues for three years and potentially up to five years. The property still needs to be provided with roads, utilities and other municipal services so there are direct costs that are not reimbursed through property taxes. The benefit is the long-run returns through employment and future tax payments that would not otherwise be realized.

For Florence, the enterprise zone designation is recommended primarily to overcome the disadvantage of competing with communities that already offer the zone benefits, including Eugene, Springfield, Coos Bay and Reedsport. The Oregon Economic Development Department designates enterprise zones and the follow-up on this strategy would be to contact the Regional Development Officer, Mike Burton, in Eugene at 541/686-7811.

BUSINESS INCENTIVES

Strategy No. 3 Develop a business incentives package

The third pre-marketing strategy is that Florence develop a mechanism to “package” available incentive programs and consider supplementing these with its own revolving loan fund.

Virtually all of the communities that are successful in recruiting new businesses offer a variety of incentive programs. These usually focus on financial incentives but many also include labor force training programs, assistance in obtaining permits and approvals, and networking assistance to help companies find solutions to problems. Some communities in other states offer free land or developed sites at below market costs, even constructing build-to-suit facilities and leasing them back at nominal rates.

Incentives are a highly debated topic in the economic development field, with many people believing that companies should pay their own way and not expect giveaways. In the competitive realities of the marketplace, however, that is like a retailer refusing to put products on sale to match the prices of other retailers. Very few communities are so overwhelmingly superior as business locations that they can afford to ignore the incentives being offered by their competition.

Florence is presently able to offer a wide variety of financial incentives but does not have an organized method of packaging them for a prospect. Of the 20 development incentives offered by the Eugene Springfield Metropolitan Partnership, all but two are also available in Florence. Several incentive programs were identified in Section 1 of this report that are offered through the Lane Council of Governments, some of them representing the lending operations of Cascades West Financial Services, Inc. These programs are limited to a 14-county region of western Oregon, including Lane County. Some of the loan programs are only available in rural areas, which includes Florence but would exclude Eugene and Springfield.

Following is a more detailed description of the major incentive programs that can currently be offered in Florence:

Business Investment Fund This program is funded by the Oregon Lottery and is targeted toward financing for new or existing businesses in the three “key” industries selected by Lane County for its primary development focus: software, high-technology, and forest products. To be eligible businesses must create one job for every \$15,000 loaned. Loan amounts can be up to \$100,000 or 75% of the project cost. Length of loan can be up to ten years and requires 25% collateral, matching funds or equity. Fees are 1.5% of loan amount at closing.

Cascades West Microloan Program This program was described in Section 1 of this report. It was established to provide any new or existing business with extra capital for any purpose. A developed business plan is required. The loan amount can be up to \$25,000 for up to six years with a 20% match from owner equity.

Cascades West Revolving Loan Fund This program may finance land and buildings, equipment and machinery, and working capital. Amounts may be from \$5,000 to \$150,000 but may not exceed one-third of total project costs. A basic requirement is creation of one new job for every \$15,000 borrowed.

Commercial Mortgage Program The Oregon State Treasury established the commercial mortgage program to provide financing for large real estate development projects. It has been used to provide financing for large industries as well as destination resorts.

Economic Development Administration Funds may be available through the EDA to help finance building and site improvements and other project needs. A drawback to EDA programs is that the application process may take up to two years.

Industrial Revenue Bonds IDB's provide 100% financing for manufacturing facilities and equipment in Oregon. Interest paid may be exempt from federal, and in some cases, state income taxes although taxable bonds may also be issued. Bonds require endorsement by Lane County and by the Oregon Economic Development Commission. Amounts may be up to \$10 million. One of the potential disadvantages of IDB's is that the costs of underwriting and insuring the bonds may offset any rate advantages of tax-free municipal bonds.

Oregon Business Development Fund This provides long-term, fixed-rate financing for land, buildings, machinery and equipment, and permanent working capital. Amounts may be up to \$250,000 but may not exceed 40% of total project cost. A basic requirement is creation of one new job for each \$10,000 borrowed.

Oregon Capital Access Program This program established a reserve account with a lending institution and is matched by State funds. The loan amount is determined by the private participating lenders. It is available to most Oregon businesses. Fees run 4% - 7% of the loan amount on closing.

Oregon Entrepreneurial Development Loan Fund This fund helps finance land, buildings, equipment, machinery and working capital. To be eligible, businesses must be enrolled in the Business Development Center Management Program and have an approved written business plan. This fund is available for disadvantaged and for start-up businesses only.

Oregon Research & Technology Development Corporation ORTDC is an equity-based capital source for Oregon basic sector enterprises. It provides early-stage capital to move products into commercial markets or to prove technical feasibility. Up to \$500,000 for seed capital is available and up to \$100,000 for applied research. A basic requirement is a one-to-one match for applied research recipients. Funding for this program by the Legislature has been sporadic.

Rural Business Development Fund This fund is specific to Lane County. It requires that businesses are located outside the Eugene/Springfield city limits. Funds cannot be given to agricultural or recreational/tourism businesses. One job must be created for every \$350,000 in loan funds. Loan amounts can be up to \$150,000 or 75% of project costs.

Small Business Administration 7A Loan Guarantee Program This SBA program guarantees up to 90 percent of a loan by a participating commercial lender to small businesses. It may finance working capital, fixed asset acquisition, and leasehold improvements in amounts up to a \$500,000 guarantee. Some equity is required.

Small Business Administration 504 Loan Program This program offers fixed-interest loans at below market rates for construction, acquisition or rehabilitation of buildings, leasehold improvements, machinery and equipment. Up to \$1 million is available for rural applicants, but no more than 40% of total project costs. The business must have at least 10% equity, and private financing is required for the remainder.

Small Business Innovation Research Program (SBIR) This program provides grants from federal agencies for early stage research and development activities of young or start-up high tech firms that can meet specific agency needs. The amounts are variable and the program is limited to firms with 500 or fewer employees.

With all of these resources available, it may not be necessary for Florence to provide local funding although many communities do offer revolving loan programs to fill gaps, cover required matches, and meet the needs of companies that may not be able to qualify for other kinds of assistance. Many of the programs described above limit their loans to less than 50% of total project costs, so additional financing may be required.

*Grab
Tracks*

Whether or not Florence establishes its own revolving loan fund, it will be important to provide packaging assistance to assure that the available financing programs are offered to companies interested in locating in the area. This can be done by establishing working relationships with appropriate representatives of the Lane Council of Governments and the regional development officer for the Oregon Economic Development Department. Participation and cooperation of the commercial lending institutions will also be essential. Again, having a specific individual responsible for this function will greatly facilitate the coordination of these financing programs.

WORK FORCE TRAINING PROGRAMS

Strategy No. 4 Develop a system for providing work force training

Through the Oregon Employment Department and Lane Community College, the resources can be developed to enable Florence to offer specific work force training in occupational skills not currently available. Strategy No. 4 is to establish the mechanisms to develop those resources.

In many ways this is a chicken-and-egg situation, in that companies usually want to see the occupational skills already available in the local labor force, but providers of training programs need to see the demand before they train workers for jobs that do not yet exist. That is why the emphasis here is on establishing the mechanisms rather than starting new programs. Florence needs to be able to offer similar kinds of skill training that Eugene has been able to offer to firms such as Hyundai and Semantec.

There was major emphasis in the 1997 Strategic Plan on workforce development with the goals, strategies, and action steps outlined in Section 3 of this report. One of the interesting aspects of that Plan was finding out what jobs local people *want* to be trained for, both students looking forward to graduation and other citizens either currently in the labor force or interested in entering the labor force. This is a different emphasis on labor force training, with most programs focusing on the skill sets required by prospective employers rather than those that most interest the local citizenry. It is not known whether the job interests that would be identified through this process would match the needs of the kinds of companies that could be recruited to Florence. However, it would be worthwhile to go through that process and determine whether there are occupational interests that could be used to recruit companies that need those occupations.

BUSINESS INCUBATOR

Strategy No. 5 Create a small business incubator

Strategy No. 5 is that Florence develop a general purpose, small business incubator in **KINGWOOD** Business & Industrial Park. The kind of facility developed by Coos County Economic Development in North Bend is a good model of this type of business incubator. }

Business incubators are used in many communities to provide space and other resources for entrepreneurial start-up companies, or to provide low-cost space to help companies get established. This kind of facility is often found in larger industrial parks, providing leased space and services to companies that later expand into their own sites and buildings.

Business incubators are often found near the campuses of major research universities, where companies can take advantage of technology transfer and commercialization of university research. These facilities often provide technical resources such as computer rooms with access to the Internet and specialized databases. The business incubator at Moscow, Idaho, which is associated with the University of Idaho, has specialized in growing software development companies by linking them with the computer sciences programs and other technical resources on campus. At Pullman, Washington, the main focus of the business incubator has been agricultural research spin-offs from Washington State University.

Others business incubators are more basic, simply providing suitable small space for all kinds of small businesses and start-ups. At Spokane, Washington, and Sandpoint, Idaho, central kitchens are included in the facilities to support entrepreneurial start-ups in the food products industry.

This strategy needs to be linked with business counseling services, such as those provided by the Small Business Development Center and SCORE, to assure that the business has the potential to grow and eventually spin out of the incubator. Otherwise, a business incubator has the risk of becoming a low cost space for people to indulge their hobbies.

BUSINESS DEVELOPMENT CENTER

Strategy No. 6 Establish a small business development center

Associated with the business incubator, Strategy No. 6 is that Florence work toward establishing a branch office of the Small Business Development Center at Lane Community College. This will require regularly scheduled times when small businesses can meet with SBDC staff and receive business counseling. Several of the financial assistance programs require approved business plans, and the SBDC can help companies develop these. Through SCORE, there are numerous retired business executives with extensive experience who are willing to provide a core counseling group for entrepreneurs and small business owners.

The combination of resources recommended here will give Florence a very strong competitive program for developing new businesses, helping existing businesses to expand, and recruiting new businesses. The next part of this section examines specific strategies for accomplishing these objectives.

PART 4: LOCAL BUSINESS DEVELOPMENT STRATEGIES

One of the most obvious marketing opportunities for **KINGWOOD** Business & Industrial Park is to provide sites for local companies that are expanding, as well as firms that are locating in Florence to service the growing population and commercial sector. The basic strategy for doing this is to provide information about available sites and services to the real estate brokerage community, offer a competitive commission schedule, and have sales and lease forms prepared to effect the transactions. The City of Florence is currently doing these things and is adequately prepared to respond to local market opportunities. By using a designated broker, the City is assured of knowledgeable and professional real estate services for the sale or lease of sites at **KINGWOOD**. Contacting local companies was recommended as the primary real estate marketing strategy for the designated broker.

Not all local prospects can be accommodated this way, however. At least two manufacturing companies have already been identified in Florence that are candidates for relocation to **KINGWOOD**. Typical of many small companies, one of these firms needs assistance in obtaining its operating facilities and also requires additional working capital. The owners are devoting all of their time to running the business and have limited time and resources to spend acquiring a site and arranging for the construction of a building. In order to locate this firm at **KINGWOOD**, someone will have to walk them through the process.

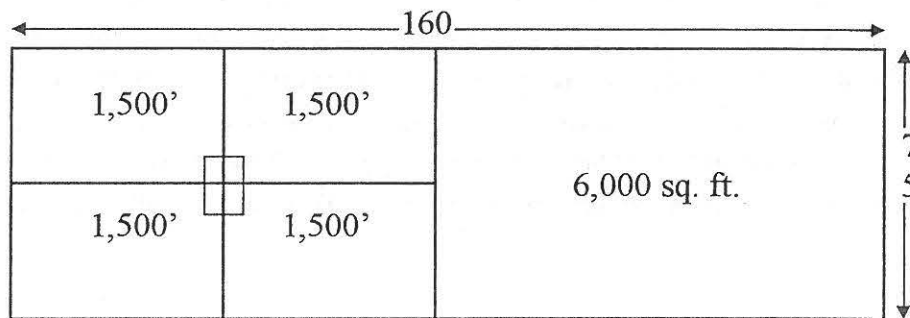
Strategy No. 7 Construct a multi-tenant building to lease space to local firms

One of the most effective ways to recruit local tenants is to offer multi-tenant building space for lease. The firm referenced above is a candidate for about 6,000 square feet of space, which could be half of a 12,000-sq. ft. building. The other half could be leased to a single tenant, or subdivided into as many as four 1,500-sq. ft. bays. The 1,500-sq. ft. bay is a fairly common size for multiple tenant speculative space, with a drive-in door at one end and a small office and restroom. This kind of space is flexible and can accommodate light manufacturing or assembly, distribution, or industrial services.

Having this kind of space available would be a major advantage for **KINGWOOD**. The City would probably have to construct it, but this might be a more effective incentive than providing a revolving loan fund. It essentially targets firms that can provide their own financing, but that need to move quickly into existing building space rather than waiting through the protracted construction process. A portion of this building could also serve as the business incubator described above.

An alternative would be to work with a private developer to construct such a building. However, it may be difficult to find a private company willing to take the financial risk in a small market such as Florence.

In order to provide maximum flexibility, a rectangular building with the floor layout shown below would be appropriate. One of the 1,500-sq. ft. sections could be further subdivided into three or four small incubator spaces, along with common area.



If the 6,000-sq. ft. tenant can be secured on a long-term lease, then only one-half of the building would need to be carried as speculative space. With this kind of flexibility, though, it is probable that tenants could be found relatively quickly. As a hedge, the City could have the building designed and the site prepared to offer immediate construction and near-term occupancy upon the signing of a lease.

This strategy will be most effective in the long run if adequate land is available for expansion. One 12,000 sq. ft. building would cover only 27.6 percent of a one-acre site, allowing a second building to be constructed and still have only about 55 percent site coverage. This would give the City long-term flexibility to locate companies at **KINGWOOD** that require smaller, leased space. The ideal location for this kind of facility would be on land that can only be leased, not sold, because of FAA restrictions around the airport.

Strategy No. 8 Have a plan for build-to-suit construction for leaseback

Many companies will prefer to occupy their own, single-tenant buildings rather than part of a multi-tenant facility. Some will acquire their own lots and build, but others may prefer to lease their space to reserve their capital for operations. To meet the needs of the second kind of companies, the City needs to be able to identify and offer fast-track ways of having build-to-suit facilities constructed for leaseback.

The questions that need to be answered are: (1) Who will own it; (2) Who will finance it; and (3) Who will construct it. The developer usually finances a leased facility, often securing the financing through the lease commitment of a strong tenant on a long-term lease. For less than AAA tenants, or for shorter-term leases, conventional financing may not be available to a private developer.

The City needs a strategy for providing build-to-suit buildings for leaseback. Interviews with real estate brokers and developers in Florence revealed that the construction capabilities are available locally, either with local investment money or investors in the Eugene/Springfield area. This capability needs to be part of the marketing package.

This strategy is also suited to those sites that can not be sold because of FAA restrictions on properties around the airport. Ground leases have been proven to be the least effective means of siting industrial companies, so constructing build-to-suit facilities and leasing both the buildings and the site as a single package overcomes the market resistance to ground leases. }

Having construction capabilities identified is also important for companies that want to own their facilities. Larger firms usually have their own contractors and can arrange for their own construction, but smaller companies may need assistance in identifying firms capable of building their facilities and making the necessary arrangements. }

Strategy No. 9 Form a Local Business Council

One of the more effective strategies for assisting the retention and expansion of local businesses is to form a business council, where the owners and managers of local companies can meet with City officials and civic leaders on a regular basis to discuss opportunities, needs, and solutions to problems. In many communities, local business councils are part of the chambers of commerce. They create the contacts and establish the networks that facilitate quick response to the needs of local businesses.

As part of this strategy, it is important that the economic development coordinator maintain contacts with local companies that will provide signals to expansion opportunities along with potential threats of losing the business, either through relocation or shutdown. A sample, two-page form is included in this report that provides an inventory of local businesses and addresses questions about each company's operations and plans. When maintained on a regular basis, this kind of questionnaire can alert the business council or economic development coordinator to potential prospects for new facilities at **KINGWOOD**. This makes it a marketing tool, as well as a resource for business retention.

A CONFIDENTIAL BUSINESS QUESTIONNAIRE

NAME OF COMPANY _____

KEY CONTACT PERSON AT YOUR LOCATION _____

ADDRESS AT YOUR LOCATION _____

TELEPHONE _____ FAX _____

PRIMARY PRODUCT (S) _____

1. What is the total gross floor area at your location?

- Under 5,000 sq. ft. 5,000 - 10,000 sq. ft.
 10,001 - 20,000 sq. ft. 20,001 - 40,000 sq. ft.
 40,001 - 100,000 sq. ft. Over 100,000 sq. ft.

2. What is your total permanent employment at your location?

- 1-4 employees 5-9 employees
 10-19 employees 20-49 employees
 50-99 employees 100-249 employees
 250-499 employees 500+ employees

a. In the next year, do you expect a change in the number of employees at your location?

- Yes No (if no, skip to Question 2.d.)

b. If yes, what is the estimated change (+ or -)? _____

c. In what skill areas?

- entry semi-skilled skilled technical professional/management

d. Do you have difficulty finding new, qualified employees?

- Yes No If yes, in what skill areas?

- entry semi-skilled skilled technical professional/management

e. What are your sources for finding new employees? (check all that apply)

- Vocational schools College
 State employment services Recommendations from employees
 Newspaper Word-of-mouth
 Job training (JTPA) Private employment agencies
 Other (specify) _____

f. What are your major problems with the work force? (check all that apply)

- Lack of basic skills Availability
 Work attitude/ethics Turnover
 Lack of problem solving skills Other (specify) _____

- g. What are the strengths of your present work force? (check all that apply)
- | | | |
|---|---|--|
| <input type="checkbox"/> Work ethic | <input type="checkbox"/> Problem solving skills | <input type="checkbox"/> Other (specify) |
| <input type="checkbox"/> Interpersonal skills | <input type="checkbox"/> Motivated | _____ |
| <input type="checkbox"/> Education/training | <input type="checkbox"/> Adaptability | _____ |

- h. If you outsource or subcontract any of your work, are you satisfied?
- Satisfied Not satisfied Do not use

3. Are you considering a physical expansion of this facility during the next two years?
- Yes No

4. Are you considering a relocation of this facility during the next two years?
- Yes No (if no, skip to Question 5)

If yes, which of the following locations will you consider? Please rank the locations you mark "yes" with "1" being the most desirable, "2" being the next most desirable, and "3" being the least desirable.

			Rank
Within this community	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Within this county	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Out of the area	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____

5. Are decisions regarding facility expansion, relocation, or closure made at this location?
- Yes No If not, where are these decisions made?

6. Is your facility adequately served by public services? Yes No
- If no, what services are deficient? _____

7. Are there reasons you would relocate your business out of this community? _____
- _____

8. What are the positive aspects of doing business in this community and area? _____

9. What are the impediments to doing business in this community and area? _____
- _____

10. What service/support industries would you like to see locate in this community to support your business? _____

11. What approximate percentage of your sales are out of the area? _____ %

12. What approximate percentage of your materials are purchased from local suppliers? _____ %

13. Do you have any suppliers or customers that would consider locating facilities in this area _____
- _____

14. Other comments: _____

PART 5: ENTREPRENEURIAL BUSINESS DEVELOPMENT STRATEGIES

Entrepreneurial start-ups may be one of the best opportunities for Florence to develop new businesses, especially utilizing the pool of talent that exists in the retirement community. The requirements for this kind of business development were described above, consisting of suitable incubator space, small business assistance, and financing. If the strategies for implementing these support resources are implemented, then Florence will have the capability of providing as much assistance as it can for development of entrepreneurial businesses. Of course, the entrepreneurs will still have to make the major contributions of time, equity capital, and knowledge of their products or services and their markets.

The relevance of this strategy to **KINGWOOD**, of course, is that it creates short-term tenants for incubator space and longer-term prospects for individual sites and buildings as the companies mature and spin out of the incubator.

Strategy No. 10 Develop the support resources for entrepreneurial start-ups

As noted above, most of the support resources have already been identified and the strategy requires implementing them. The key question, however, is who is going to do that. Helping entrepreneurs is a demanding and time-consuming task. This is a strategy that would benefit significantly from having a volunteer organization in place, with a specific individual taking the point, who can coordinate resources and lead the process from initial contact to start of operations. This may involve coordination with funding sources, determining space requirements and helping the entrepreneur acquire them, and establishing contacts with the Small Business Development Center for business plans, financial plans, and marketing plans. Assistance should not extend to doing work that the entrepreneur should do.

Strategy No. 11 Identify entrepreneurial prospects

It is generally assumed that when the resources are in place and their availability is made known, prospects for entrepreneurial start-ups will seek out the economic development coordinator and initiate the processes. However, it may also be possible to recruit entrepreneurs to Florence from outside the area. Part of the coordination and networking efforts should include agencies, such as LCC, that can refer prospects.

Contacts also need to be established with the University of Oregon and Oregon State University, with the message that Florence is looking for entrepreneurs who want to start new businesses. Other network contacts should include the Eugene/Springfield Metropolitan Partnership, the Oregon Economic Development Department, and the Lane Council of Governments.

Strategy No. 12 Use tourism to promote Florence as an entrepreneurial center

Florence is best known as a tourism community, and it receives its greatest outside promotion through tourism channels including local publications about the community and events. It can be assumed that many of the people reading about Florence, or actually visiting the city, are active or retired business executives who may have the interest and capability of developing new entrepreneurial businesses. Some portion of the tourism advertising needs to include the message that Florence has a system in place for responding to individuals who would like to start up new businesses. This strategy was recommended above as part of the real estate marketing, but a community-based advertising effort could be more far reaching.

PART 6: RECRUITING COMPANIES TO FLORENCE

The strategies recommended above are part of a long-range economic development plan for Florence, but their ability to attract near-term tenants to **KINGWOOD** is limited by the small size of the local market. An additional strategy for marketing sites at **KINGWOOD** will involve active recruiting of outside firms to relocate and/or expand in Florence and to buy or lease sites at the **KINGWOOD** Business & Industrial Park. This requires a larger marketing component than the other strategies of accommodating market-driven local development and entrepreneurial start-ups.

MARKETING PLAN FOR KINGWOOD BUSINESS & INDUSTRIAL PARK

The marketing strategies discussed below are divided into two areas of geographic focus, although many of the materials and techniques will be the same. As noted earlier, Florence's strongest economic linkages are with the Eugene/Springfield area and this should have its own marketing program.

Recruiting companies to Florence will require marketing its strongest advantages. The matrix of strengths and weaknesses in Section 1 of this report showed that Florence has its primary advantages in (1) its proximity to the major markets of the southern Willamette Valley; (2) its large labor pool at potentially lower rates than its competition; (3) its lower property tax rates; (4) the availability of a fully developed and serviced industrial park; and (5) its quality of life. Florence's only significant weakness is in market access, and that is mostly because of the competitive advantages of communities that are located on the I-5 corridor and have rail access and commercial air service.

Some of these factors can be directly translated into lower costs. Generalized cost comparisons can only be hypothetical because each company and each location is subject to different cost structures. However, the comparison of selected costs on the next page shows that a case can be made for lower capital costs and lower annual operating costs in Florence compared to cities in the Willamette Valley. The only factor in which Florence is shown to have higher costs is shipping, using the \$150 per trip cost estimated by local firms to deliver products to the Eugene area compared to a \$50 cost for companies located in Eugene.

Strategy No. 13 Market the financial cost advantages of Florence

**COMPARISONS OF CAPITAL AND OPERATING COSTS
FLORENCE AND WILLAMETTE VALLEY CITIES**

	CITY OF FLORENCE		WILLAMETTE VALLEY	
	Cost Basis	Cost	Cost Basis	Cost
CAPITAL COSTS				
Site Costs (1 acre)	\$1.85/psf	\$80,586	\$2.60/psf	\$113,256
Building Costs (20,000 sq. ft.)	\$50/psf	\$1,000,000	\$55/psf	\$1,100,000
ANNUAL OPERATING COSTS				
Labor (40 employees)	\$11.50/hr + 17%	\$1,076,400	\$12.50/hr + 20%	\$1,200,000
Utilities (3,000 kwh/mo.)	\$11/mo + 4.45c/kwh	\$1,734	\$15/mo + 6.85c/kwh	\$2,646
Shipping costs (annual)	200 @ \$150	\$30,000	200 @ \$50	\$10,000
TAXES				
Property taxes	12.1394/\$000	\$13,118	18.6523/\$000	\$22,630
TOTAL CAPITAL COSTS		\$1,080,586		\$1,213,256
ANNUAL COSTS		\$1,121,252		\$1,235,276

FLORENCE ADVANTAGE	
Capital Costs	\$132,670
Annual Operating Costs	\$114,024

Notes: Capital costs are current Kingwood pricing schedule and comparables. The additional \$5/psf in the Willamette Valley assumes higher permit fees and SDC's. Hourly wage rates reflect current practices for comparable skills and slightly higher benefits required in some Willamette Valley cities, calculated on a 2,000-hour work year. Utility costs are for Schedule 190 of the Central Lincoln PUD, compared with averaging several rates in the Willamette Valley. Property taxes compare 1997 rates in Florence and rural Eugene.

In the marketing program, it would be advantageous to obtain land/building and operating requirements from individual companies and compare them to other locations being considered in competition to Florence. It is expected that Florence will be financially competitive for most firms unless there are specific factors that favor the other locations.

- Eugene/Springfield Market Area

Strategy No. 14 Establish an identity in the Eugene/Springfield market through advertising and publicity

Before direct contacts with businesses can be effective, Florence needs to let firms in the Eugene/Springfield area know about **KINGWOOD** Business & Industrial Park and that Florence is actively recruiting firms that want to relocate there. This is not a targeted industry approach, but instead seeks to build the “image” in that market that Florence is receptive to new businesses and has the support resources available to accommodate them.

It is probable that most people in the southern Willamette Valley think of Florence as a pleasant tourist town and a place to visit on weekends. Promoting active business development is not in conflict with that image, but instead adds the new dimension of recognizing that Florence is also a good business location. The message needs to say that Florence is receptive to new businesses, has a new industrial park for, and has support resources to assist companies in locating there.

There are several specific techniques for developing this kind of recognition. Paid advertising in appropriate local publications is one method, but there are also ways to obtain free publicity.

Action 13-1: Advertise KINGWOOD in the Business News - 1998 Corporate Reports

It is recommended that the City of Florence buy a full-page, two-color ad in the 1998 Corporate Reports, published by The Business News in Eugene. This is an annual publication with a minimum circulation of 7,000 businesses in the southern Willamette Valley. The Eugene/Springfield Metropolitan Partnership advertises in the Corporate Reports, along with a large number of private companies and public agencies.

The ad copy should highlight the business park, showing the site plan for the individual lots, and provide information about the services available at KINGWOOD. It should also provide information about the resources available to assist companies relocating to Florence, including the large labor force. Rather than putting a lot of promotional copy into the ad, there should be a response cutout that can be sent to the City requesting additional information.

The 1998 Corporate Reports are scheduled for publication in the Spring of 1998. The cost at the municipal rate is \$1350. In addition to the ad copy, however, this also buys 1,000 single-sheet copies of the ad that can be used as direct mail pieces. By advertising in this publication, the City accomplishes a second objective of obtaining a flyer that can be used throughout the year for business recruiting.

Action 13-2: Place quarterly ads in the Business News

It is generally agreed in the economic development field that one-time ads are not very effective in producing immediate results. There needs to be sufficient continuity for companies in the Eugene/Springfield area to gain name familiarity and accept Florence as a potential business location. For that reason, it is recommended that one-quarter page ads be placed in the Business News each of the other three quarters of the year to provide a follow up message that Florence is recruiting businesses to Kingwood.

Action 13-3: Submit regular articles to the Eugene Register Guard

To further reinforce the image of Florence as a business location, every sale or lease at Kingwood should be described in a news article and submitted to the Eugene Register Guard newspaper for publication. Other newsworthy items should also be submitted. It would be desirable for the economic development coordinator to go to Eugene and meet with the business editors, letting them know that Florence is also part of Lane County and business events in Florence need to be reported in their newspaper.

Action 13-4: Consider a business display ad at the Eugene Airport

Display ads at airports have been proven to be an effective way to direct messages to business executives. A permanent display has the advantage of reaching a large number of people over a long period of time. It also provides a means of repeating the message to people who travel extensively and make many visits to the airport. The ads are most effective if they are combined with literature, which needs to be maintained, and the name of a contact person and telephone number for requesting follow-up information. This person could be the designated broker for **KINGWOOD**.

Strategy No. 15 Conduct a target marketing campaign to companies in the Eugene/Springfield area

The techniques of Strategy No. 13 are forms of indirect marketing and are not aimed at specific companies. They are intended to build an image in the market, and solicit responses from any firms that may be interested in relocating. This includes firms that may not be suitable or desirable for locating in Florence.

A more direct approach is to target specific companies and make contacts with their executive decision-makers, making a sales pitch that Florence wants them to consider relocating or expanding to **KINGWOOD**. There are several ways to do this.

Action 14-1: Select companies for target marketing

The opportunities analysis in Section 3 identified a list of 35 SIC codes that would be most appropriate for targeting companies to recruit to Florence. Some of the other criteria for selecting target companies included headquarters firms rather than branches, and smaller companies with 50 employees or less. These codes and criteria were run through the 1998 Oregon Manufacturers Register and the result was a list of 182 firms located in Lane County (outside of Florence, Mapleton and Swisshome) that are candidates for target marketing. Not all of these firms may be appropriate and additional screening needs to be done to eliminate companies that are not suitable, but this list provides a good starting point to make direct contacts with firms in the Eugene/Springfield area.

Action 14-2: Conduct a direct mail campaign to the targeted companies

Direct mail is the most common way of reaching company decision-makers in an economic development campaign. There are some techniques that can make it even more effective.

The objective of a direct mail campaign is to plant the seed that Florence wants to recruit their firms and asks them to respond. This usually takes more than one contact. The first contact is often a business letter, signed by the mayor or other appropriate official, with a brief flyer describing **KINGWOOD** Business & Industrial Park along with basic information about what is available to assist in their relocation. Direct mail relies on percentages, and probably no more than five percent of the recipients will respond. The ad copy from the 1998 Corporate Reports could be used as the initial mailing piece, reinforcing name recognition if they have seen the original publication.

This can be followed up with a second marketing piece that asks for a specific response, e.g., "Do you want to be kept on our mailing list for further information?" A response card is included, postage paid, so that the recipient can answer yes or no, or ask for someone to contact them for further information.

Finally, a telephone call is usually made to determine the interests, or lack thereof, of the targeted officials who have not responded.

Based on percentages, this approach to 182 companies could produce 8 - 10 “prospects” - firms that want more information and are interested in at least looking at what Florence has to offer. Obviously there needs to be follow up with those companies that express an interest. There also needs to be a follow-up letter to those who state they are not interested, thanking them for their time and offering assistance in the future if they should find their circumstances have changes.

Action 14-3: Visit targeted companies

The volunteer team should visit companies that have an interest in looking at **KINGWOOD**, or are even mildly interested in Florence. The visit does not need to be a hard sell, but needs to offer information and assistance for further follow-up.

These techniques take time and money and the results may be small and not immediate, but if they are continued over time, the combination of image advertising and direct contacts in the Eugene/Springfield market will provide one of the most effective recruiting tools for marketing sites at **KINGWOOD**.

- The Willamette Valley Market Area

A marketing campaign in the Eugene/Springfield area, along with business recruitment advertising in tourism literature, may be sufficient to develop working prospects for **KINGWOOD**. If Florence wants to extend these efforts, then the next logical market would be the rest of the Willamette Valley north of Lane County. The techniques are similar to those listed above for the Eugene/Springfield area.

Strategy 16 Establish an identity in Willamette Valley markets

Action 15-1: Limited ads in Willamette Valley business publications

There are similar publications to the 1998 Corporate Reports in Portland and other Willamette Valley markets. One publication that is highly regarded by economic development practitioners in the state is Oregon Business Magazine. The costs for advertising in this publication are relatively high, especially when it is recognized that a

series of ads in needed rather than a one-time promotion. Other business publications include the Daily Journal of Commerce, especially their various special editions, and the Oregonian newspaper.

It is not recommended that Florence spend major resources on advertising in these markets. Because the economic linkages are weaker, the level of responses can be expected to be lower. Advertising in the upper Willamette Valley will reach a large number of companies, but the cost per respondent is likely to be significantly higher. A better strategy might be to add a business message to tourism advertising.

Action 15-2: Maximize use of publicity, news articles

Newsworthy stories about business developments in Florence should be circulated to Willamette Valley publications outside of Lane County. Again, the purpose is to build name familiarity and the image that Florence is a business center as well as a tourist destination. This kind of publicity rarely produces direct inquiries, but it lays the groundwork for further contacts and direct marketing.

Action 15-3: Direct mail and personal contacts with Willamette Valley firms.

It was noted in the real estate marketing plan that the direct mail program could be expanded to include targeted industries in the Willamette Valley and Portland area. The targeted companies could also be contacted by telephone or personal visits. While the payoff is likely to be low, a list of potential target companies is included as an appendix to this report.

Action 15-4: Networking

One of the strategies cited for the Eugene/Springfield area was to network with the various agencies that can be sources of business leads. This strategy also applies to the rest of the Willamette Valley. The only effective way to do this is to have a designated economic development coordinator who can maintain the contacts on a regular basis. Florence is part of the Benton-Lane-Lincoln-Linn county region that is identified and marketed by OEDD, so regional networking would be especially appropriate in this area.

A more productive networking opportunity may exist between Florence and Reedsport, which would cross lines between Lane and Douglas counties. Reedsport is also interested in recruiting new companies to its area and shares many of the same resources as Florence. However, they do not have a developed industrial park such as **KINGWOOD**, and they are limited in land available to build new housing. Florence could work cooperatively with Reedsport to offer housing opportunities for companies locating in Reedsport, as well as providing site options that would complement a joint marketing effort between the two cities. Marketing the advantages of both cities, and sharing the rewards, could enhance opportunities to draw companies to the central Oregon coast instead of losing them to Willamette Valley cities.


It is not recommended that Florence broaden its business recruiting efforts to wider Oregon market areas or out-of-state markets. By coordinating business ads and messages into tourism literature, many potential business owners in larger markets will learn about **KINGWOOD** and the interests of Florence in recruiting new businesses. The return on costs of direct advertising or marketing in these larger markets is likely to be very small and the resources would be better directed to more realistic target markets.

Part 7: FOLLOW-UP STRATEGIES FOR THE MARKETING PROGRAM

Rarely are companies so internally motivated that they will relocate to Florence on their own without continuous follow-up through the process of initial contact to start of operations. This may happen with companies that are locating in Florence in response to market-driven opportunities, but companies being actively recruited need someone to follow-up on leads and hand-hold the prospects until the deal is done.

Strategy 17 Have a business response plan and use it

Any lead needs to be followed up on immediately with a phone call to the appropriate person to determine the validity of the lead and establish the process for moving forward with it. If a company is considering relocating to Florence, it can be assumed that other locations may also be under consideration. This is the point at which the “marketing” turns into “selling”.



A business response team needs to be in place, made up of people who can be resources to companies looking at Florence. At a minimum, this would include a representative of the City, a local bank officer who is knowledgeable about all available financing programs, a CPA who can do comparative cost analyses, a representative of Central Lincoln PUD, a representative of the Oregon Employment Department, and a representative of LCC who can discuss business services and workforce training. It would also be desirable to have the City's designated real estate broker, a representative of the Siuslaw School District, and a local business owner who can relate positive experiences and solutions to problems encountered in Florence.

The team needs to be available, on call, when the economic development coordinator generates a lead or a viable prospect. Meetings with the prospect need to be structured in advance to determine the main areas of interest. When the prospect visits Florence, the business response team needs to make sure that all of the areas of interest and/or concern are addressed through a community tour, lunch, and/or business meeting.

This process is pretty much self evident, but the key point is that it has to be organized and structured to accomplish predetermined objectives, rather than being an ad hoc, impromptu response.

CONCLUSIONS

The strategies and techniques discussed above are common to most community economic development programs. The most important aspects are finding the right methods to reach prospects, giving them the right message, then providing long-term continuity of the effort and consistent follow up.

In addition to long-term business development in Florence, however, the short-term need is to find companies that will buy or lease sites in the Kingwood Business & Industrial Park. This is accomplished in the real estate field by prioritizing efforts to concentrate on actual sales opportunities rather than the longer term marketing. That is one of the reasons why personal contact and follow up are so important. Prospects for an industrial park need to be qualified, just as prospects for any other type of sale.

Finally, it should be noted that business recruiting is not an exact science and there are no guaranteed results associated with any of the various strategies. The programs need to be evaluated for their effectiveness on a regular basis, with emphasis shifting toward those things that work and away from those that do not. This report is intended to provide a starting point for Florence's efforts to recruit companies to the **KINGWOOD** Business & Industrial Park, recognizing that these efforts may change as the markets change and new opportunities are identified.



ADDENDUM 2

LIST OF INFORMATION SOURCES

ADDENDA

ADDENDUM 1: TARGET INDUSTRY MARKETING LISTS

As a separate addendum to this report, two lists of potential target industries are provided that can be contacted either by personal solicitation or direct mail. The lists were generated by electronic media using the database of the Oregon Manufacturers Register, published by Database Publishing Company. Each list is provided in two formats: A summary list of companies sorted by SIC codes, and a matching list of the same companies provided in mailing label format. Actual mailing labels can be made on a copier.

The Lane County list contains 108 companies in the selected SIC codes that were described in Section 3 of this report. Because the companies are located in Lane County, the list includes many firms that were selected for their proximity to Florence even if they do not match the profile of optimal operating characteristics, e.g., high-value, low-bulk products. The primary value used in the selection was an employment range of 5 – 50 workers.

The second list contains companies located in the northern part of the Willamette Valley. These firms are in SIC codes that more closely fit the high-value, low-bulk profile. The selected employment range was 5 – 25 employees, which resulted in a total of 196 firms being included.

It needs to be emphasized that these lists are not meant to be exclusive and **KINGWOOD** can and should be marketed to a much larger market. As with any target industry program, these initial lists are only intended to launch the effort and it is assumed the target industries will be continually examined and refined as the results of the program are measured.

ADDENDUM 2: LIST OF PRIMARY INFORMATION SOURCES

Included as an addendum within this report is a list of persons who were contacted and interviewed during this project, as well as agencies that provided information and primary research documents that were reviewed.

ADDENDUM
List of Primary Sources of Information

Persons Interviewed

Ken Hobson, City Manager, City of Florence
John Theilacker, Community Development Director, City of Florence
Christian Mathieson, Chief of Police, City of Florence
Tom Grove, President & CEO, Oregon Pacific Banking Company
Lonnie Iholts, Executive Vice President, Siuslaw Valley Bank
Richard Albright, Asst. Vice President & Manager, Western Bank
Alan Burns, Owner, Burn's Riverside Chapel
Kathleen Aiken, engineering technician, Central Lincoln PUD
Tom Kartrude, Port Manager, Port of Siuslaw
Debby Wright, loan manager, LCOG
Carolyn Housdorf, LCOG
John & Hendrena DeJonge, owners, Cozy Cruiser Mfg.
Tony Wells, Prudential Real Estate
Rob Ward, owner, Ward NW and Traverse PC
Mary Avila, M&M Seaplanes
Romelle Renner, Labor Market Information Specialist, OED
Brad Angle, Labor Market Analyst, OED
Roger Middlebrook, Branch Engineering

Other agencies contacted that provided information

Lane Community College, Florence Branch Campus
Siuslaw School District 97J
Peace Harbor Hospital
Eugene/Springfield Metropolitan Partnership
Wobbe & Associates, Inc.

Documents Used as Data Sources

A Demographic and Economic Description of the Oregon Coast. Oregon Coastal Zone Management Association, Inc. March, 1994.

Florence Community Profile. Oregon Economic Development Department. Salem, Oregon. April, 1998.

Documents Used as Data Sources (continued)

Florence, Oregon Community Assessment. Prepared for Rural Development Initiatives, Inc., by E.D. Hovee & Company. November, 1995

Forecasts for Employment, Population and Housing for the City of Florence. ECO Northwest. July, 1995

Greater Florence Area Strategic Plan for Community Economic Development. Prepared by Citizens of the Greater Florence Area. May, 1997.

Labor Trends- Eugene Springfield Metropolitan Area. Various issues through March, 1998. Oregon Employment Department. Salem, Oregon.

Marine Industrial Park Planning Study. Prepared for the Port of Siuslaw by The Research Group. Corvallis, Oregon. June, 1995.

Population Estimates for Oregon: July 1, 1997. Center for Population Research and Census, Portland State University. Portland, Oregon. March, 1998

1996 Regional Economic Profile: Region 5 – Lane County. Oregon Employment Department. Salem, Oregon. December, 1995

Oregon Manufacturers Register. Database Publishing Co., Anaheim, CA 1998

ELESCO, LTD.

P.O. Box 3539

Sunriver, OR 97707

Ph./Fax: 541 / 593 - 3963

elesco@teleport.com