

ANNUAL REPORT

FISCAL YEAR 2009

business
oregon



A message from Commission Chair Van Valkenburg:

The past year has been one of great challenges, both for Oregon and for the world at large. Unprecedented strains on the global financial system led to severe dislocations in the worldwide economy. Those dislocations led many companies to reduce their workforce, and others to cease operations altogether.

In Oregon, as in other parts of the world, the downturn has been broad and deep. Our state's leading industries, including manufacturing and wood products, were hit particularly hard by the recession. In the face of these challenges, it has been more important than ever that we retain the businesses that operate here, as well as that we attract new companies that can help lead us to economic recovery.

The Oregon Business Development Commission directs the work of the Oregon Business Development Department, also known as Business Oregon, the state's economic development agency. Throughout the past year, the commission and the department have attempted to reach out to Oregon-based companies, to learn what challenges they face, and to provide whatever assistance we can. We can never take for granted the importance of these companies to the well-being of our state.

In addition to our ongoing effort to assist existing Oregon employers, we also are focused on opportunities to add new employers, companies that may be looking to relocate, to open new facilities or even to begin initial operations. In 2009, the commission adopted a strategic plan for the department, one that focuses our efforts on industries where we believe Oregon has a competitive advantage over other locations. The target industries we identified, Advanced Manufacturing, Clean Technology, Forestry & Wood Products, High Technology, and Outdoor Gear & Apparel, are industries that generate family-wage jobs and that we believe are likely to find Oregon particularly attractive as a place to do business.

An illustrative example is the clean technology segment. This segment includes companies ranging from solar panel and wind turbine manufacturers to wind farm developers to architects, engineers and developers of green buildings. According to the Oregon Employment Department, about one of every 100 workers in Oregon works in the clean technology industry, the largest percentage in the nation. That agency estimates that Oregon had 51,000 "green" jobs at 5,000 companies in 2008. And experts rank Oregon in the top three states nationwide when it comes to growing a clean technology economy.

To help Oregon compete more effectively for companies that will employ our people, the department in 2009 also completed a restructuring in which a number of functions the department performs that relate to public infrastructure were separated from the department's business recruitment and retention functions. Those infrastructure-related functions are now supervised by an Infrastructure Finance Authority (IFA) within the department. The IFA is responsible for the program administration of the state Water/Wastewater, Special Public Works and Port Revolving Loan Funds. In addition, the IFA will administer federal Safe Drinking Water and Community Development Block Grant programs.

Finally, it is important to note that the department does not work alone in its efforts. We work hand in hand with a network of partners across the state, including city and county economic development agencies, business-sponsored

organizations and other state agencies, in our efforts to grow jobs here. In the face of the adversity we have experienced over the past several months, the bonds with those partners have been strengthened, and we look forward to their continued cooperation and support as we move forward.

The recession has challenged us all. The team at Business Oregon, together with its partners, continues to work extremely hard to make Oregon a competitive place to do business. We look forward to working with those partners, and with the business community, to help bring economic recovery to all Oregonians.

Sincerely,



E. Walter Van Valkenburg, Chair

Oregon Business Development Commission

Department Web Presence

In October 2009, Business Oregon launched an updated Web site at www.oregon4biz.com. The site profiles Oregon's business environment, its competitive advantages, key industries, as well as services and programs available through Business Oregon. The site also is connected to its "sister" site, www.orinfrastructure.org, which covers the programs and services of the new Infrastructure Finance Authority.

The new Web site's features include:

- A modern graphic design, intended to integrate a high-tech/innovative feel, with a natural, active, outdoor image to better fit the brand image of Oregon;
- A balance of information on Oregon as a globally competitive business location, the services Business Oregon can offer, and the services the Infrastructure Finance Authority can offer;
- More dynamic content, such as an interactive map with examples of Business Oregon success around the state;
- Specific program information presented in a more user-friendly and intuitive way than ever before;
- A mobile-friendly version of the site; and
- An exciting new desktop application that users can keep running in the background on their computers, with contact info, news feeds, events and a calendar.

A message from Director Tim McCabe:

In 2008, the Governor and the Oregon Business Development Commission sought to establish a new agency structure to ensure the department would become more effective and accountable to all Oregonians. With the 2009 passage of HB 2152, we are now the Oregon Business Development Department—operating as “Business Oregon”—and our new, more strategic focus is to help existing Oregon businesses retain and create jobs, as well as to recruit new, targeted investment to the state.

In addition, the legislation’s creation of the Infrastructure Finance Authority (IFA) will allow the department to better administer the infrastructure programs serving communities across the state. We will now work closely with the Governor’s Office and the IFA’s independent oversight board to better identify and prioritize the state’s infrastructure needs. Finally, the addition of the Office of Minority, Women and Emerging Small Businesses provides a logical enhancement of the department’s small business assistance services.

The successful reorganization of our agency would not have been possible without the direction and support of the Oregon Business Development Commission and its Chair, Wally Van Valkenburg. In addition, the support of the agency’s community development partners: the League of Oregon Cities, the Association of Oregon Counties, the Oregon Public Ports Association and the Special Districts Association of Oregon were invaluable in creating the Infrastructure Finance Authority.

On May 15, the Oregon Business Development Commission approved an updated strategic plan for the agency. The new strategic goals will help drive economic growth in Oregon over both the short and long term and reflect the aims of our new Global Strategies section of the department.

The new Global Strategies section combines the functions previously carried out by our innovation and international trade staff. Our new industry teams will develop and implement comprehensive strategic plans for each key industry group—Advanced Manufacturing, Clean Technology, Forestry & Wood Products, High Technology, and Outdoor Gear & Apparel. That said, we will continue to work with Oregon businesses across all industries to ensure their viability during these challenging times.

This year was also marked by the federal government’s distribution of stimulus funds. The IFA awarded stimulus funds to Oregon communities for safe drinking water and wastewater system improvements and through Community Development Block Grants. We also utilized stimulus funds to help fuel growth of the state’s expanding clean technology sector. Of the \$1 billion received by the state in stimulus funds, \$115 million will be spent on clean tech projects including energy efficiency upgrades, renewable energy development and weatherization upgrades. An additional \$170 million went to Oregon companies developing wind energy farms, battery manufacturing facilities and solar energy grid integration systems.

Finally, while we have a new name, and a new refocused mission statement, our daily efforts remain focused on working closely with our partners across the state with one overriding goal: to help Oregon companies retain and create new jobs for Oregonians.

Sincerely,



Tim McCabe, Director

Oregon Business Development Department

KEY PERFORMANCE MEASURES

When reporting to the Legislative Assembly, Business Oregon measures the performance and success of its programs by ten key performance measures that reflect legislative direction in this area.

Since a large number of economic development results are realized from investments made over a period of time, the jobs listed as created and retained in fiscal year 2009 are from investments made in previous years. These jobs have been verified by the Oregon Employment Department as actual jobs, not just “proposed” jobs as

the department had previously reported. Those investments made by the department in fiscal year 2009 will, in turn, create jobs in future biennia. The targets established for the past year were carried forward methodology used in previous biennia and do not take into account the economic conditions that have limited development in the state and nation as a whole.

The department remains committed to ensuring investments made by the Legislature will result in the highest rate of return possible. The department’s strategic investments in businesses and communities in Oregon are part of a comprehensive strategy to support and further economic development efforts throughout the state.

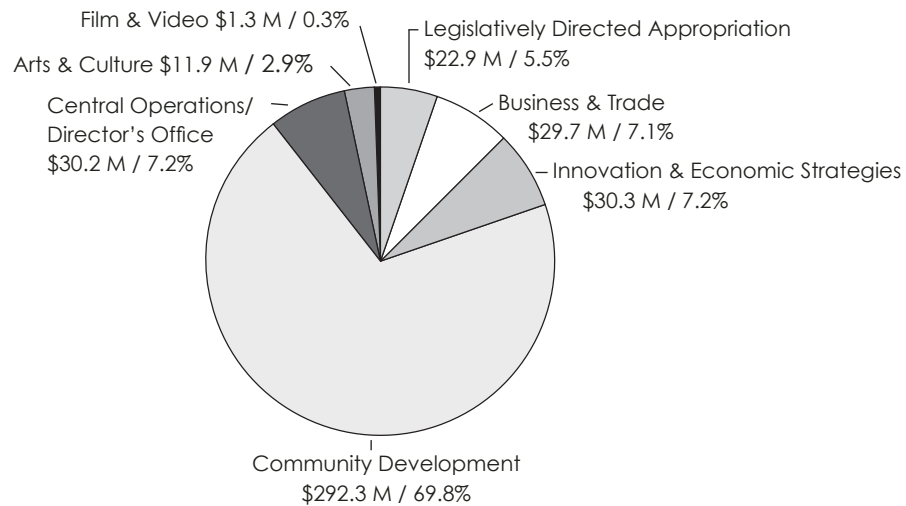
Key Performance Measures (KPMs)			
KPM #	Department Results for July 1, 2008–June 30, 2009	Targets	Results
1	Jobs created —increase in employment by firms participating from department programs (actual jobs for projects that were completed in the fiscal year)	5,525	1,559
2	Jobs retained —total jobs retained by firms participating from department programs (actual jobs for projects that were completed in the fiscal year)	2,975	6,060
3	State income tax revenue —amount of estimated state personal income tax generated by department’s investment in jobs	\$14.5M	\$17.2M*
4	Export sales —the growth in sales among Oregon firms assisted directly by department programs	\$12.0M	\$22.2M
5	Small business survival rate —small businesses that remain in business at least four years after receiving assistance from Small Business Development Center Network	70%	44%
6	Small business federal funding —federal small business innovation and technology funding received by Oregon companies as compared to total U.S. funding	1.25%	1.16%**
7	Industrial site certification —number of new industrial sites/acres certified “project ready”	12 site 600 acres	5 sites 237 acres
8	Infrastructure construction —number of community capital projects assisted for construction	50	51
9	Infrastructure planning —number of community capital projects assisted for planning	45	46

*State income tax revenue is calculated using a formula based upon number of jobs created. **Numbers as federally reported for 2008.

AGENCY BUDGET

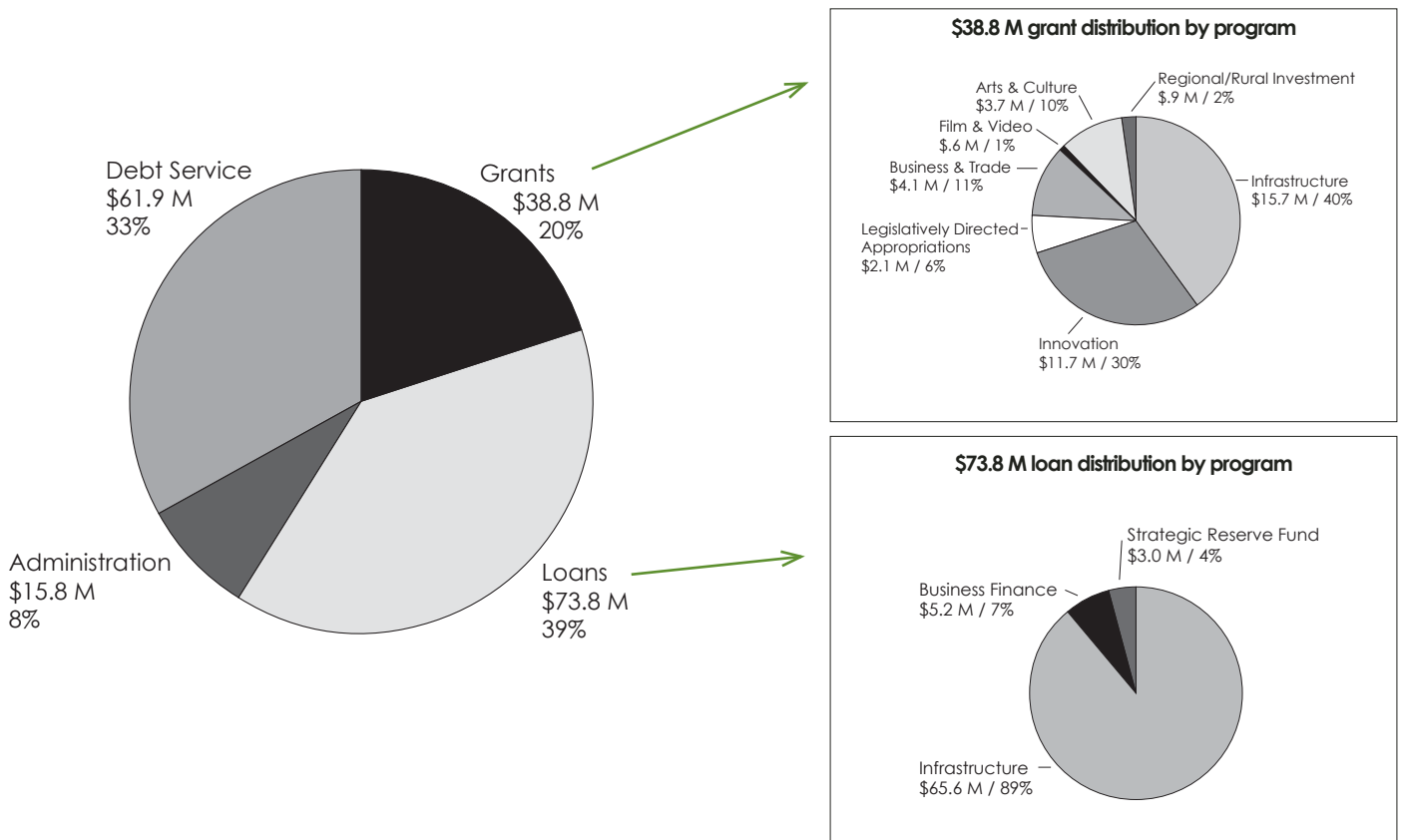
JULY 1, 2007–JUNE 30, 2009 BIENNIAL BUDGET \$418.7 Million

Distribution of funds across department divisions and programs.
(Division names reflect former agency organization)



FISCAL YEAR 2009 (JULY 1, 2008–JUNE 30, 2009) EXPENDITURES BY TYPE \$190.3 Million

How budgeted funds were spent in fiscal year 2009.



Business, Innovation & Trade Division



Business Development Success Story

Krauss Craft, Inc.

Krauss Craft, Inc., based in the southern Oregon community of Merlin, manufactures commercial playground equipment for school and park districts through a network of distributors. Business Oregon provided the company with a \$500,000 business development loan in April 2008. The loan

The Business, Innovation and Trade Division promotes business growth, retention and job creation by working with Oregon businesses to remove barriers to industry competitiveness and by addressing common industry needs.

Business, Innovation and Trade services include administration of the Governor's Strategic Reserve Fund, Industry Competitiveness Fund, Strategic Investment Program and business finance programs. Business development officers, global trade specialists, key industry strategists and loan officers work to achieve these goals in partnership with Oregon businesses throughout the state.

As a result of the economic downturn facing the state, Business Oregon focused the majority of its activities in the past year on helping existing Oregon businesses weather the impacts of the current recession. During fiscal year 2009, the department's efforts helped retain and create more than 7,619 jobs from investments made over previous biennia. This was achieved, in large part, due to the targeted investments made in existing companies through the Governor's Strategic Reserve Fund. Investments from the fund in fiscal year 2009 alone are projected to create or retain at least 499 jobs, yielding a 210 percent return on the state's investment.

BUSINESS DEVELOPMENT SERVICES

Nine business development officers represent Business Oregon throughout the state. Two recruitment officers manage statewide recruitment efforts working with local partners and provide site-selection assistance to firms considering Oregon. Business development officers help with retention and expansion of existing companies by connecting them with financial programs, workforce

training programs and supply chain contacts. These efforts promote the state's key industry strategies and provide comprehensive resources and services to grow business and jobs in Oregon.

In addition, staff works closely with other members of the Business Services team to assist Oregon companies to identify and improve lands for future development.

BROWNFIELDS

The state-funded Brownfields Redevelopment Fund primarily offers low-interest loans with flexible terms to private persons, local governments and non-profit organizations seeking financing to determine the impact of brownfields in their community as well as to complete the evaluation and cleanup of brownfields. The sale of state revenue bonds funds the program. A brownfield is real property where expansion or redevelopment is complicated by actual or perceived environmental contamination. Environmental actions funded through this program must be linked to site redevelopment that facilitates economic development, community revitalization and affords protection to human health and the environment.

will be used to purchase two rotational molding machines and related equipment, and to help finance the construction of a 30,000-square-foot building. Krauss Craft has 65 employees and expects to create 40 new jobs over the next three years as a result of the \$1.8 million expansion project.

The federally-funded Oregon Coalition Brownfields Cleanup Fund program also offers low-interest loan and grant financing options for projects on properties impacted by the existence of hazardous substances and petroleum.

INDUSTRIALLANDS

In today's economy, project development timelines are shrinking and information technology is allowing many companies the option to locate virtually anywhere in the world. Certifying industrial lands as "project ready" (i.e., providing assurance that a site can be developed in 180 days or less) for specific industry profiles saves prospective companies significant cost, time and risk.

For 2009 fiscal year, Business Oregon certified five sites totaling 237 acres for future development. These sites were in Hillsboro, Tillamook, Salem, Sutherlin and Molalla. The sites ranged from 25 to 80 acres in size. Certification gives Oregon communities the opportunity to compete for businesses they might not otherwise attract.

A new tool for assessing the economic impact of industrial lands also was introduced in 2009. The 'Industrial Lands Mapping Pilot' which was developed and funded by Business Oregon, looked at the economic

productivity of close to 4,000 acres of industrial land in Hillsboro, Oregon. The pilot project demonstrated the significant impact of industrial land to the region's and the state's economy. The project identified more than \$2 billion annually in salaries and close to 27,000 jobs in this high-performing region of the state.

GLOBAL STRATEGIES

As Business Oregon enters the new fiscal year, as part of the agency realignment, the new Global Strategies section combines the functions previously carried out by our innovation and international trade staff. This cross-functional team will develop and implement comprehensive strategic initiatives to enhance the competitiveness of key industries in Oregon including Advanced Manufacturing, Clean Technology, Forestry & Wood Products, High Technology, and Outdoor Gear & Apparel. These strategic initiatives will fully integrate the spectrum of services available to businesses and industries, including everything from one-on-one technical assistance through administered financial tools to support for innovation initiatives within the *Oregon Innovation Plan*. The new team structure will generate increased value for our customers and partners by enabling staff to cultivate greater industry expertise. In addition, the new section will increase coordination with state and local partners and streamline tactics around tangible, measurable results.

We will continue to field a team of regional business development officers who serve communities around the state. Those regional staff will now have an enhanced ability to connect regional activities with statewide initiatives.



International Trade Success Story

Cloud Cap Technology

In 2009, Business Oregon's global trade staff helped Cloud Cap Technology secure a \$2,500 Oregon Trade Promotion Program grant to assist the company with its participation in the Paris Air Show. The Hood River Company is a

INTERNATIONAL TRADE

Understanding the need to diversify the state's economy due to the economic crisis, Business Oregon worked to maximize the state's international presence to better serve Oregon companies. Four global trade specialists and an international trade officer in Oregon—as well as overseas trade representatives in Tokyo, Seoul, Beijing and Shanghai—assist small- and medium-sized Oregon businesses and industries expand their exports of goods and services. International trade officers provide one-on-one business counseling, market research and entry strategies, and due diligence assistance to identify or evaluate international partners and other customers to enhance Oregon businesses' global standing.

In 2009, the department exceeded its performance target for international sales, with Oregon companies selling \$22.4 million in goods and services overseas. This figure was due in part to a single, large wood products sale to the Middle East. Total export sales without this ongoing transaction (\$6 million) would have been \$16.4 million. This total is still \$1.4 million above the set target, and \$8.2 million above fiscal 2008 sales totals (subtracting a large helicopter sale for 2008).

It should be noted that Business Oregon overseas offices provided assistance for agricultural sales in cooperation with the Oregon Department of Agriculture. These sales figures, which accounted for \$1.8 million of the total, also may be reported by the Oregon Department of Agriculture.

Business Oregon also offers financial assistance, through the Oregon Trade Promotion Program (OTTP), to Oregon companies who seek to take

advantage of international trade shows and trade missions to enter new markets or expand sales into existing markets. For fiscal year 2009, Business Oregon's international team funded 13 companies with \$25,000 in OTTP grant funding. As a result of those companies participating in targeted trade events, they reported actual and projected sales of approximately \$3.33M.

If these total sales figures are realized, the return on investment for the agency's \$25,000 would be 132 to 1.

World Trade Week and Road Show

International Trade Services introduced its new Japan Representative Office staff to Oregon exporters during World Trade Week in May 2009. Business Oregon's partner in the Middle East, the U.S.-Saudi Arabia Business Council, also participated in the road show. A three-city program was organized in Portland, Eugene and Bend, and market overviews were provided about both Japan and Saudi Arabia (and Mexico and Canada in Portland). Information about Business Oregon's international services also was presented at each location. Several of Business Oregon's international services clients were recognized at Portland Mayor Sam Adams' Export Awards Dinner.

manufacturer of unmanned aircraft systems and was subsequently purchased by Goodrich Corporation.

As a result of its trade show participation, the company expects to sell an additional \$2 million worth of equipment globally. Business Oregon continues to assist Cloud Cap as it prepares to participate in other international air shows and conferences.

As a result of the road show, Bend fuel cell company, IdaTech joined the U.S.-Saudi Arabia Business Council. Following a one-on-one meeting in Bend with Oregon's Japan staff, Kialoa Paddles of Bend received a sample order from a new importer in Japan.

OREGON INNOVATION COUNCIL

As part of its strategic focus, Business Oregon seeks to incorporate innovation whenever possible to assist Oregon companies. Global Strategies team members research and implement forward-looking strategies that help advance Oregon's economy through innovation-based economic development. A key component of the team's efforts is its work to support the efforts of the Oregon Innovation Council (Oregon InC).

Oregon InC is the cross-sector leadership team formed in 2005 by the Governor and Legislature to drive the state's innovation strategy. The council's mission is to expand markets for Oregon companies, create jobs across the state and leverage Oregon's strengths to compete in the global economy.

Oregon InC is an important part of Business Oregon's mission, creating a synergy between the innovative ideas of the state's research universities and the know-how of entrepreneurs and business leaders who can help turn

ideas into the next generation of Oregon businesses. Business Oregon has identified Oregon's top, innovation-driven growth opportunities to maximize the state's competitive advantages and establish Oregon's niche in the global economy.

- Oregon Nanoscience and Microtechnologies Institute (ONAMI)—The state's first Signature Research Center, ONAMI facilitates collaboration between private industry and the state's research universities in "green" nanotechnology and energy generation to create the next generation of companies and jobs in Oregon. (2007–09 funding: \$9 Million)
- Oregon Translational Research and Drug Development Institute (OTRADI)—The institute is focusing on commercializing vaccines and diagnostics to combat infectious disease. OTRADI already has identified more than 50 novel chemicals for possible use in fighting infectious diseases including Malaria and E.coli bacteria. (2007–09 funding: \$5.25 Million)
- Oregon Built Environment and Sustainable Technologies Institute (Oregon BEST)—Oregon leads the world in green building technology, and Oregon biomass products and biofuels hold promise for economic development in rural communities. (2007–09 funding: \$2.5 Million)
- Oregon Wave Energy Trust (OWET)—Oregon has been identified as the best site in the United States for this clean energy, which will create jobs along the coast, provide manufacturing opportunities to build equipment and generate renewable power for the state. (2007–09 funding: \$4.2 Million)
- Food Processing Initiative—The Northwest Food Processing Innovation Productivity Center (IPC) helps processors in this \$6 billion industry

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Innovation Success Story

Next-Generation Nanotechnology

Imagine tiny crystals—so small that even scientists call them "dots"—that gather light so efficiently that they could potentially replace large solar panels. The dots—one-ten thousandth the width of a human hair—can power video displays, replace fluorescent lighting, improve night

vision goggles, be used in medical research or even replace the camera in your cellphone.

Beaverton-based Voxel Inc. is helping make all this possible one day with a new manufacturing process that promises to drastically reduce the cost of these semiconducting "quantum dots." Within two years, Voxel plans to have a pilot manufacturing line up and running in Eugene and

Business, Innovation & Trade Division Investments for Fiscal Year 2009

Investment Fund/Program	Recipients	Investment Type	Investment Amount
Strategic Reserve Fund	15 projects	loans/grants	\$1,596,875
Industry Competitiveness Fund (<i>formerly ISO Fund</i>)	16 projects	grants	\$420,986
Business Development Fund ¹	22 projects	loans	\$5,174,600
Credit Enhancement Fund ¹	29 new/renewed guarantees		\$7,917,525
Capital Access Program ¹	40 projects	matching funds	\$83,281
Small Business Development Centers	19 centers	grant funds	\$950,000
Targeted Service Providers	11 providers	grants	\$624,173
Business Retention Service Contracts	9 contracts	grants	\$46,000
Entrepreneurial Loan Fund ¹	3 projects	loans	\$75,000
Industrial Development Bonds*	0		\$0

*From July 1, 2008, to June 30, 2009, economic, real estate and financial market conditions deteriorated significantly, limiting the appeal and benefit of the Industrial Development Bonds.

Corvallis, eventually licensing the technology to larger companies for high-volume production in a market projected to grow to more than \$700 million by 2013.

The quantum dot research making this possible took place in the Oregon Nanoscience and Microtechnologies Institute's Lokey Laboratory at the University of Oregon in Eugene.



become more efficient, sustainable and competitive, helping keep good-paying jobs. (2007–09 funding: \$3.4 Million)

- **Seafood Industry Initiative**—This initiative helps industry retain jobs by increasing efficiency and helping launch research into new products. (2007–09 funding: \$900,000)
- **Manufacturing Competitiveness Initiative**—This initiative provided facilities and training for innovative businesses like wind and wave energy, which needed workers capable of translating research into practical, cost-efficient design and products. (Funding for the initiative ended in March 2009 with \$850,000 expended. Remaining funds returned to State Treasury in May 2009.)

BUSINESS SERVICES

BUSINESS FINANCE SERVICES

In 2009, the Business Finance section and its programs were fully integrated into the Business, Innovation and Trade Division of Business Oregon. The Business Finance team provides a range of financing services to Oregon businesses and lending partners. These services include revolving loan funds for working capital and term loans; loan guarantees on bank loans; loans for

startup businesses; and tax-exempt bond financing for manufacturers.

Specifically:

- **Oregon Business Development Fund (OBDF)** provides direct loans that leverage private capital and provides an incentive for businesses to expand or locate in Oregon.
- **Oregon Capital Access Program (CAP)** provides a form of loan portfolio insurance so banks may make business loans that carry higher than conventional risks while complying with federal and state banking regulations.
- **Oregon Credit Enhancement Fund (CEF)** provides loan guarantees to banks in order to increase capital availability to small businesses.
- **Oregon Industrial Development Bonds (IDB)** are available to manufacturing projects to help in job creation and access to capital.
- **Entrepreneurial Development Loan Fund (EDLF)** offers direct loans to help new businesses get started.

SMALL BUSINESS SERVICES

Small Business Services staff work directly with the statewide network of Small Business Development Centers to provide services such as information, referral, technical assistance and training to current and aspiring small business owners. Business Oregon staff also assist the Small Business Advisory Council, a state-level advisory body that offers guidance on how to maintain a strong economic environment for the state's small businesses.

Business Oregon Success Story

Wings for Uncle Sam

Northwest UAV Propulsion Systems, (NWUAV) located in McMinnville, Oregon, is the largest unmanned aerial vehicle engine system manufacturer in the U.S. NWUAV has grown from 7 employees in 2008 to 36 today. NWUAV has produced over 4,500 engines and expects

continued growth in 2010. NWUAV is a critical supplier of engines for Boeing's Scan Eagle.

Business Oregon staff connected NWUAV with research & development resources at ONAMI to design and develop a prototype of a new fuel injector required to meet federal regulations. Business Oregon invested significantly to build out the capabilities of ONAMI for such partnerships that

Minority & Emerging Small Business

As part of the reorganization, the Office of Minority, Women and Emerging Small Business (OMWESB) was incorporated into Business Oregon to provide a single source for small business services. OMWESB administers the Disadvantaged Business Enterprise (DBE), Minority Business Enterprise/ Women Business Enterprise (MBE/WBE) and Emerging Small Business (ESB) programs. OMWESB strives to ensure that minorities, women and emerging small businesses have equal access to contracting opportunities in both the public and private sector.

As the sole certification authority in Oregon for targeted government contracts for disadvantaged, minority- and woman-owned businesses, and emerging small businesses, OMWESB provides “one-stop” certification.

OREGONMAINSTREET

This community-driven downtown revitalization program developed by the National Trust for Historic Preservation was launched in Oregon in 2008. Through an application process, 62 communities enrolled or were selected into the program. Cities as small as Mitchell to as large as Salem are using the comprehensive Main Street Approach™ to build and strengthen their downtown commercial districts. The Oregon Main Street program assisted communities in this process through training workshops, meetings with local groups, community assessments, historic surveys and other technical assistance. Through a grant program, 10 communities received awards for façade and sign improvements in their downtown districts.

The state program supported the development of the Clackamas County Main Street Program and the Portland Main Street Program. In partnership with the state program, these programs will provide increased assistance to additional communities that will stimulate new investment, create jobs and increase business in Oregon.

With the passage of HB 5054, the 2009 Legislature funded the program from Oregon Parks and Recreation Department’s property management account, and the program will be jointly housed between Oregon Parks and Recreation Department and Business Oregon for the 2009–2011 biennium.

drive development of products for Oregon companies. Business Oregon also helped the company receive a forgivable loan that would help drive the project’s success from an idea to prototype to an actual production ready device and awarded the company a \$450,000 credit guarantee through the Credit Enhancement Program to help increase its private line of credit.



Infrastructure Finance Authority



Infrastructure Finance Success Story

Butler Aviation Grows in Central Oregon

Business Oregon assisted Butler Aviation, a heavy aircraft repair and maintenance firm operating in Madras and Redmond, to construct infrastructure as well as a new hangar at the Madras Airport to accommodate Butler's expansion plans. Butler Aviation estimates an additional \$20 million in

As a result of the 2009 agency realignment, the department's infrastructure activities are now supervised by an Infrastructure Finance Authority (IFA) within Business Oregon. The Oregon Business Development Commission and the Governor recommended this change in 2008 to ensure the state would be more effective and accountable to all Oregonians in relation to the construction of infrastructure. The Governor appointed an IFA Board of Directors in the fall of 2009 to direct infrastructure spending across the state.

For the first time, a specific entity has been named to address the infrastructure finance needs of the state. The IFA board has strong representation from the entities that both use the programs and supply much of the state's infrastructure as well as individuals with experience in public finance, to better use limited staff resources. This is new for Oregon and follows the approach of many western states. The board also establishes program policy and recommendations for review and modification. Also, since the Legislature has representation on the IFA board, there is a direct tie to the Legislature that previously did not exist.

The department's new strategic plan includes the following as one of its primary goals:

Assist communities to build infrastructure capacity to address public health safety and compliance issues as well as support their ability to attract, retain and expand businesses.

To address this overarching agency goal, the IFA works with Oregon communities to develop their infrastructure, public facilities and to address their economic needs by creating fiscally responsible funding solutions in a timely manner.

The IFA is responsible for the program administration of the state Water/Wastewater, Special Public Works and Port Revolving Loan funds. In addition, the IFA administers the federal Safe Drinking Water and Community Development Block Grant programs.

The IFA's funding programs include:

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)

The CDBG program utilizes federal funds to support a variety of community facilities, public works projects, housing rehabilitation, and services to microenterprises and other businesses.

The primary objective of the program is the development of viable communities by expanding economic opportunities and providing decent housing and a suitable living environment principally for persons of low and moderate income. Only non-metropolitan cities and counties in rural Oregon can apply for and receive grants from the state program.

economic impact in the region over the next decade and anticipates creation of 15 full-time jobs.

Business Oregon, in partnership with the Oregon Department of Transportation, helped the city of Madras secure an Immediate Opportunity Fund grant of \$347,358 to make road improvements to the new

city-owned aircraft hangar at the city airport. In addition, the city received a Special Public Works Fund (SPWF) loan of \$478,000 and a SPWF grant of \$50,000 to help construct the new hangar.

WATER/**WASTEWATER**FINANCING PROGRAM (W/W)

The water/wastewater program provides technical assistance and construction financing for public water and wastewater systems that are needed to meet state and federal water quality standards.

Eligible activities include reasonable costs for construction improvement or expansion of drinking water, wastewater or storm water systems. Eligible systems are those with compliance issues regarding the Safe Drinking Water Act or the Clean Water Act. The fund provides both loans and grants, but it is primarily a loan program.

SPECIAL**PUBLICWORKS**FUND (SPWF)

The Special Public Works program, established by the Legislature in 1985, provides primarily loans and limited grant funding for municipally-owned facilities that support economic and community development in Oregon. Funding is available to municipalities for planning, designing, purchasing, improving and constructing municipally-owned facilities such as water, sewer and road extensions, or buildings or other facilities.

SAFE**DRINKINGWATER**REVOLVINGLOANFUND (SDWRLF)

The Safe Drinking Water financing program utilizes federal funds to provide low-cost financing for construction and/or improvements of public and private water systems. This is accomplished through two separate programs:

- Safe Drinking Water Revolving Loan Fund (SDWRLF) for collection, treatment, distribution and related infrastructure. The Safe Drinking Water Revolving Loan Fund (SDWRLF) lends up to \$6 million per project.
- Drinking Water Protection Fund (DWPLF) for protection of sources of drinking water prior to system intake.

The program's financing is available to all sizes of water systems that are subject to federal regulations, although 15 percent of the funds are reserved for systems serving a population of fewer than 10,000.

PORT**REVOLVING**FUND (OPRF)

The Port Revolving Fund is a port loan program for the planning and construction of facilities and infrastructure that promote the maritime shipping, aviation and commercial/industrial activities of ports. Funding may be used for port development projects or to assist port-related private business development projects.

The variety of eligible projects is broad. Projects include, water-oriented facilities, industrial parks, airports and commercial or industrial developments. Eligible project costs can include engineering, acquisition, improvement, rehabilitation, construction, operation, maintenance or pre-project planning. Projects must be located within port district boundaries.

Special Public Works Fund Success Story

Coos Bay Rail Line Improvements

Business Oregon provided the Port of Coos Bay with two Special Public Works Fund loans totaling \$12.6 million to purchase the Coos Bay rail line running between Coos Bay and Lane County in the summer of 2009. The Port has since secured additional state and federal funding to make repairs with the goal of reopening the line in 2010.

PORT **PLANNING & MARKETING** FUND (PP&MF)

The Port Planning & Marketing Fund assists with planning and marketing activities to improve a port's trade and commerce capacity. Business Oregon issues grants to assist ports in conducting planning or marketing studies relating to expanding their trade and commerce activities.

The project must meet criteria such as: enhance the port's ability to conduct trade and commerce; lead to economic diversification through development or redevelopment of existing public facilities; and the funding cannot be used to subsidize regular port operating expenses.

MARINE **NAVIGATION IMPROVEMENT** FUND (MNIF)

The Marine Navigation Improvement program provides funding for two categories of projects: 1) federally authorized projects where the federal government provides 75 percent of the funding; the state provides a 25 percent match through appropriations made by the Legislature; and 2) non-federally authorized projects—these are smaller projects that cannot qualify for federal assistance.

Infrastructure Finance Authority Investments for Fiscal Year 2009

Investment Fund/Program	Recipients	Investment Type	Investment Amount
Special Public Works	28	loans/grants	\$29,484,703
Water/Wastewater	14	loans/grants	\$20,024,127
Safe Drinking Water Revolving Loan	12	loans/grants	\$22,999,926
Community Development Block Grant	32	grants	\$9,359,200
Ports	8	loans/grants	\$996,362
Brownfields*	3	grants	\$799,000

*As part of the department's reorganization, Brownfields program is administered by Business Services effective July 1, 2009.

This is a critical piece of infrastructure for local manufacturers and shippers as well southern Oregon and coastal communities. More than 700 manufacturing jobs have been impacted by the rail closure, 40 percent of the manufacturing employment in the affected area. Before closure, approximately 6,000 rail cars moved goods from the region to national markets annually.



Arts Commission, Cultural Trust & Film & Video Office



Arts Success Story

Growing the Arts as Small Business

In 2009, the Oregon Arts Commission undertook a pilot technical assistance program to help artists statewide increase sales, increase income earning potential and gain better access to markets. Technical assistance funding totaled \$57,000, of which approximately \$30,000 came from a U.S. Department of Agriculture Rural Business Enterprise Grant.

ARTS AND CULTURE

Business Oregon staffs the Oregon Arts Commission and the Oregon Cultural Trust. The Arts Commission advocates for arts and culture as cornerstones of community and civic life and its work is based on the understanding that:

- Arts help us discover who we are;
- Arts bring people together, strengthening communities;
- Arts are critical for our students; and
- Arts add value to Oregon's economy.

Both the Cultural Trust and the Arts Commission work to ensure that art and culture touch the lives of all Oregonians. Almost six million Oregonians and visitors experienced the arts in 2009, and arts and cultural programs reached 503,000 Oregon youth. More than 21,000 individual artists were involved in programs supported by the Arts Commission.

In 2009, with increased funds authorized by the Governor and Legislature through the CHAMP (culture, history, arts, movies and preservation) initiative, the Arts Commission awarded 240 grants totaling \$2,063,903 to Oregon artists and arts groups who matched those dollars with \$144,465,000 in other funds. The Arts Commission continued to offer arts and business training to individual artists in seven counties in partnership with local and regional arts councils and community colleges. The commission continued the Career Opportunity Grant program to enable other artists to strengthen their work and ability to market it.

The commission continued to track Oregon's employment and participation in the arts by commissioning the third *Creative Vitality Index Report* in 2009. Oregon as a state continues to rank above the national average in the *Creative Vitality Index*. The workforce development area comprised of Multnomah and Washington counties ranks more than double the national average in creative employment.

In FY2009, the Cultural Trust, Oregon's innovative mechanism to increase and sustain support for the arts, heritage and the humanities, grew its permanent fund to more than \$11.2 million. The Trust's FY2009 grants totaled \$1.6 million, an increase of 15 percent over the previous year.

In late spring 2009, the Arts Commission was awarded \$307,600 in federal stimulus funds to support lost or threatened positions in the arts in Oregon. Funds were distributed in fiscal year 2010.

The program initially identified 14 financially distressed counties (as measured by their total unemployment and low-average family income) where the commission could deliver key business training to artists. The program eventually reached 315 artists who participated in 35 classes over twelve months.

Sandi Whetzel of Roseburg, reported a greater than doubling of her summer art sales at festivals following the sales and marketing training.

Vinita Pappas, of Roseburg, used the web-based marketing techniques learned to develop a web blog to stay in touch with customers.

More than 24 of the artists who participated in Thomas Osborne's *Bridging the Digital Divide* photography training have more effectively utilized their new professionally produced images to market their work.

FILM AND VIDEO

The mission of Oregon's Film and Video Office (OFVO) is to promote statewide development of the film, video and multimedia industry in Oregon and to enhance the industry's revenues, profile and reputation within Oregon and among the industry internationally. With a staff of five full-time employees and a 2009–2011 budget of \$1,251,703, the office supports an industry in Oregon that now has a total economic impact of \$1.39 billion¹.

The office supports the industry by:

- Marketing Oregon as a filming location, recruiting out-of-state productions and serving as a liaison to the productions to help navigate permits, access or other production-related concerns.
- Supporting a thriving indigenous film, video and multimedia industry.
- Supporting and advising the state's public and private higher educational institutions as they prepare their students for a future in the media industry.
- Working with other governmental entities to create and streamline filming regulations.
- Serving as a spokesperson for the industry, both within, and outside of the state.

The office also is the administrating agency for the Oregon Production Incentive Fund as well as the Greenlight Oregon Rebate program. These two programs created in 2003 and 2005 respectively have become the chief marketing tool for recruiting large out-of-state film productions. According to a recent independent industry report, the film and video industry brings high-wage jobs to the state. The average annual wage for the industry is \$43,527, 10 percent more than the statewide average. In 2009, the projects shot in Oregon will contribute more than \$3,000,000 in health and pension benefit funds for those who work on the projects.

In the last two years, two projects not only brought high-wage jobs to Oregon, but also succeeded at the box office. The first *Twilight* film, shot in northwest Oregon in 2008, grossed more than \$350 million worldwide. Local animation company LAIKA released its first 3D-animated feature—*Coraline*—in early 2009. The film has grossed more than \$150 million worldwide in theatrical and DVD sales.

It is now certain that 2009 will be the biggest year ever for Oregon's film and video industry. With the addition of the feature film *Restless*, due to film in November 2009, total spending on feature film and television series in Oregon will be more than \$56 million. Other projects of note in 2009 include *Extreme Measures*, starring Brendan Fraser, Keri Russell and Harrison Ford, and the TNT series *Leverage* starring Timothy Hutton. In Eugene, Merchant Films shot its first feature *Something Wicked* which stars Brittany Murphy and James Patrick Stuart. Filming projects were not limited to the Willamette Valley, Eastern Oregon hosted the filming of *Meeks Cutoff* this fall, just outside of Burns.

¹ The economic impact figure is total direct and indirect economic output of Oregon's film, video and broadcast industry according to the 2007 ECONorthwest report.

Film & Video Success Story

Leveraging the Locale

In 2009, the Oregon Film and Video Office successfully recruited the TNT hit series *Leverage* to shoot its second season in Oregon. The show shot fifteen episodes in and around the Portland area which resulted in more than \$20 million of spending here in the

state. Thanks to the commitment of the production company Electric Entertainment to hire locally, *Leverage* utilized almost 100,000 hours of work by local Oregon residents.

After its successful run on TNT, *Leverage* was picked up for a third season—due to begin production again in Oregon early next year. According to the producers, it is expected that even more local cast, crew and resources will be used in the third season compared the second.

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