

Northeast Oregon Alliance

Regional Investment Strategy

2007-2013

**Prepared for Submission
to the
Governor of Oregon and the
Oregon Economic & Community Development Commission and Department**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
NEEDS EXAMINATION & RESOURCE ANALYSIS	5
IDENTIFIED PRIORITIES — LONG-TERM AND SHORT-TERM	29
SIX-YEAR INVESTMENT STRATEGY & IMPLEMENTATION PLAN	31
RURAL ACTION PLAN AND RURAL SET ASIDE	34
BARRIERS TO IMPLEMENTATION	34
PLAN FOR INVOLVEMENT OF DISADVANTAGED AND MINORITY GROUPS ...	39
SPECIAL USES OF FUNDS	41
MANAGEMENT PLAN	44
EVALUATION PLAN	49
FIRST SOURCE HIRING AGREEMENTS	54

Northeast Oregon Alliance Regional Investment Strategy

EXECUTIVE SUMMARY

Introduction

The Regional Investment Program, which replaced the Regional Strategies program, was established by the 1999 Legislature, signed into law by Governor Kitzhaber, and reaffirmed in the OECD statutory revision by the 2006 Legislature.

In 1993, Umatilla, Union and Wallowa Counties created the Northeast Oregon Alliance region for these programs. The counties entered into an intergovernmental agreement and each county selected five board members to develop a regional investment plan and make funding decisions. In 2003, the counties amended their intergovernmental agreement to allow each county to appoint six members to the board. In 2005, the counties signed a new intergovernmental agreement reaffirming their commitment to work together to strive to improve the economy of northeast Oregon. The Regional Board is appointed by the three counties. The board members include representatives of cities, counties, the Port of Umatilla, the Confederated Tribes of the Umatilla Indian Reservation (CTUIR), rural areas and the private sector.

The region has a proven track record. It successfully invested the regional funds from the 2005-2007 biennium in a number of projects. The region had a goal of creating or retaining 1 job for every \$5,000 invested and leveraging five dollars for every dollar invested. The region will build upon its proven track record in the coming years.

2007-2009 Biennium Results			
Investment by Type	Total Grant Awards	Jobs Created or Retained	Other Public & Private Investment
Business Development	\$405,000	306	\$29,627,699
Infrastructure	\$65,000	250	\$4,313,300
Administration	\$61,730	N/A	N/A

The strategic planning process is evolutionary in nature and can be considered a work in progress. This document reflects the planning process at a specific point in time. The investment strategy will be subject to modifications in response to changing conditions, evaluation of project success, and analysis of additional data. Staff consulted with representatives of cities, counties, Confederated Tribes of the Umatilla

Indian Reservation, the Port of Umatilla, special districts, OECDD, non-profit organizations and private citizens during the development of the strategy.

The region shares many of the characteristics of other eastern Oregon counties. Much of the land is publicly owned and managed by the US Forest Service. The region has traditionally had an economy based on agriculture, forest products and tourism. As employment in the forest products industry has declined, diversified manufacturing, distribution and service industries have increased in importance. While Umatilla county's population has increased fairly steadily, the population in Union and Wallowa counties has remained relatively flat. Population density is sparse, seventeen of the twenty-three towns in the region have under 2,000 residents. Data on the economic structure of the region can be found in the Needs Examination and Resource Analysis section of the strategy starting on page 5.

Mission of the Northeast Oregon Alliance

The Northeast Oregon Alliance's mission is the managed development of a dynamic, diverse and viable economic base, through innovation and teamwork, to promote an ever improving quality of life for the region's people and to help rural areas finance projects that address locally-determined economic development needs.

Key Goals of the Region

The region has established a goal of increasing the economic prosperity of the region that has been left out of Oregon's economic expansion and diversification. The region desires to fund projects which will make a major contribution to the economy, have a high current or potential level of value added to products or services that are produced within the region, or that pay above average wages.

The key economic goals of the region are:

- Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages
- Improve national and global competitiveness of companies in the region
- Assist communities in the region to build capacity to retain, expand and attract businesses
- Positively influence the combined employment and income of the region's proprietors

These goals support the following legislative priorities:

- Retaining and creating jobs and raising real wages

- Promoting the structures and processes of public and private organizations to effectively create, adapt, foster and sustain economic development in this rural and distressed region of the state
- Ensuring that economic strategies reinforce Oregon's long-term prosperity and livability
- Coordinating economic development efforts and efforts to support a locally skilled workforce in order to compete in the global economy

Unique Aspects, Advantages and Challenges

The region has reviewed and summarized its strengths, weaknesses, opportunities and threats from the comments of over 130 individuals representing a diversity of organizations and interests in both the public and private sector. This information is contained in the SWOT Analysis section of the document beginning on page 24.

Long Term Strategies

The long term strategies for the Northeast Oregon Alliance are designed to assist with diversification of the economy of the region. This includes providing support for projects in the private business, non-profit and public sectors. Support may be in the form of providing capital for business expansion and start-up, infrastructure development, research and development, technical assistance and other needs. Participation by board and staff in a variety of planning activities and projects throughout the region will help ensure that regional priorities and needs are identified. Communication among the various agencies (including OECDD), governmental bodies and planning processes provides for a coordinated effort to complete those activities which will move the region toward a healthier economy and improved quality of life for the region's residents. The region will focus on maximizing their short-term investment by focusing on the number of jobs created and the funds leveraged by their investments as stated in the purpose and eligibility requirements for the Opportunity Fund beginning on page 32. The region will solicit projects and review them on an on-going basis. The solicitation will include press releases to papers and radio stations that serve the region. All forms will be available on our staff's website (www.neoedd.org). The board will ask OECDD for input on the projects prior to awarding funds. By adopting a formalized process for input to the board from the state, the board will ensure that state concerns and priorities are considered during the project selection process.

Performance Evaluation

The Board has developed benchmarks and performance measures for activities that will meet the overall goals of the region. These benchmarks and performance measures are listed in detail beginning on page 49. Staff will periodically collect data on the performance measures and report to the board, county governing bodies, the Commission, the Governor and the Legislative Assembly. The board will use this information to determine how successfully projects funded in the region have contributed to meeting the needs of communities lagging behind in Oregon's economic success, helping local businesses to compete worldwide, reinforcing Oregon's long-term prosperity and livability and how well they have been coordinated so that development efforts effectively utilize available resources.

The region has established a goal of creating or retaining 1 job for every \$5,000 invested. The region has established a goal of leveraging \$5 for every dollar invested.

The region adopted the following key performance measures:

1. Number of jobs created
2. Number of jobs retained
3. Amount of estimated state personal income tax generated by the Department's investment in jobs
4. New export sales of assisted clients
5. Number of new industrial sites/acres certified "project ready"
6. Amount of proprietors' net income increase

NEEDS EXAMINATION & RESOURCE ANALYSIS

Regional Geography

The Northeast Oregon Alliance is located in Northeast Oregon and borders Washington and Idaho. It encompasses Umatilla, Union and Wallowa Counties. The Blue Mountains are a prominent feature of the region as are the Columbia and Snake Rivers. The region's topography varies dramatically and includes forested foothills, high desert plateaus, snow-covered mountains, rimrock canyons and fertile valleys.

Other Partners

Planning and implementation of the region's priorities is a public process and participation by groups and individuals is encouraged. The press is notified of all meetings. Members of the Governor's Economic Revitalization Team that have expressed an interest receive notice of board meetings.

Analysis of the Region and Its Economy

County Profiles

Umatilla County

Umatilla County is named from an Indian word meaning "water rippling over sand." Pendleton, situated on Interstate 84, is the county seat and the largest city in Eastern Oregon. Umatilla County is bordered on the north by the State of Washington and on the east by Union and Wallowa Counties. Morrow County is to the west and Grant County is to the south.

Umatilla County maintains the largest population in the region with 72,190 residents, and has the most diversified economy. Umatilla County has a significant population of Hispanics and Native Americans. Agriculture forms an important sector of the local economy. Major agricultural products include potatoes, hay, grain, green peas and cattle; growing in significance are row crops and orchards in the Hermiston and Milton-Freewater areas. The food processing sector employs over 1,638 people on an annual average basis. The opening of a casino, cultural center and golf course at the Confederated Tribes of the Umatilla Indian Reservation has increased the influence of tourism and boosted job creation. The tribe employed an average of 1,090 people in 2006. In the public sector, Eastern Oregon Correctional Institute, the Umatilla Army Depot, the U.S. Forest Service, and other federal, state and local government provide an important employment base for the economy. Timber harvesting and production of both durable and non-durable goods round out the economy.

Umatilla County comprises 3,231 square miles, has a population density of 22.3 people per square mile, and a 2005 per capita assessed value of \$50,105/person and a real market value of \$61,784/person. Elevations range from 200 feet above sea level near the Columbia River to 5,000 feet in the Blue Mountains. The topography of the county is primarily rolling plains and low hills and includes a portion of the Blue Mountains.

Union County

Union County is located in the heart of Northeast Oregon, nestled between the Blue and Wallowa Mountain ranges. Known as the "Valley of Peace", the Grande Ronde Valley contains most of the population and industry of the county. La Grande, situated on Interstate 84, is the county seat and the largest city in the county. The fertile valley is covered with the rich silt of an old lake bed which provides good soils for farming.

Union County has an overall population of 25,110. The economy is somewhat diversified, but still relies heavily on the timber industry. Expansion of the wood products sector into secondary wood product manufacturing, especially in the travel trailer sector, has increased the economic output of the area. Agriculture is another important industry in the county, with tourism and the retail sector beginning to increase in importance. Eastern Oregon University, located in La Grande, serves the surrounding counties in the eastern half of the state and is a large employer in the county. EOU also has a large foreign student population.

Union County encompasses 2,038 square miles, has a population density of 12.3 persons per square mile, and a 2005 per capita assessed value of \$45,935/person and a real market value of \$81,069/person. The geography of the county is primarily mountains and valleys. Union County borders Umatilla and Grant counties to the west, Baker County to the south, and Wallowa County to the east.

Wallowa County

Wallowa County has a population of 7,140 and is known as the "Land of Winding Waters". The forest products industry was historically the key employer in the area, but is no longer the most significant industry in the county. Agriculture makes a significant contribution to the economy, with livestock as the largest component, followed by hay and grain. An arts industry has developed in the past 25 years with the establishment and expansion of bronze foundries and galleries. The Hells Canyon National Recreational Area and Eagle Cap Wilderness both offer spectacular outdoor recreation opportunities. Tourism is an important sector of the economy. Federal, State and local governments are the largest employers in the County.

Wallowa County has some of the most varied terrain in the State of Oregon - from the depths of the Snake River of Hells Canyon to the peaks of the Eagle Cap Wilderness in the Wallowa Mountains. Over 50% of the county is owned by the federal government.

Wallowa County comprises 3,153 square miles, has a population density of 2.3 persons per square mile, and a 2005 per capita assessed value of \$71,518/person and a real market value of \$163,530/person. The county borders Idaho on the east and Washington on the north. Umatilla and Union Counties are to the west and Baker County is to the south.

Resources

Natural Resources - The region is blessed with abundant natural resources in the form of forested mountains, productive farm land, and fresh water. Umatilla County possesses highly productive dry land wheat and irrigated farmland. Irrigation has greatly changed the landscape, diversified the output of the area and helped lead to the establishment and growth of food processing operations.

Forest land, owned by a variety of interests, covers much of the land area and provides the raw materials for the region's largest manufacturing sector - lumber and wood products. The Umatilla National Forest and the Wallowa-Whitman National Forest have traditionally supplied much of the timber used within the wood products industry. The amount of timber available from these sources has fallen dramatically as timber sales have been restricted by the environmental review process, the Endangered Species Act, and changing public opinion about the uses of public lands. Years of drought and past management actions which suppressed wildfire and removed large overstory trees have resulted in forest health problems which are receiving a great deal of attention.

Recreational and Visitor Opportunities - The region encompasses some of the most beautiful and breathtaking mountains, lakes, streams and wildlife in the United States. Development of specialized service businesses and related retail or wholesale businesses offers significant economic opportunity. Tours offering hands-on experiences or educational visits focusing on cultural heritage, natural history, and agricultural activities should be of interest to the region's visitors.

The outdoors provide year-round recreation opportunities including hunting, skiing, camping, fishing, hiking, boating, trail riding, wildlife viewing, biking and mountain climbing. The Hells Canyon National Recreation Area, Wenaha-Tucannon Wilderness and Eagle Cap Wilderness offer spectacular outdoor experiences.

Hunters throughout the state are attracted to the region in the fall by the largest Rocky Mountain Elk herd in the United States. In recent years, the number of tags issued for elk have been reduced due to a decline in animal populations. While it is not known exactly why elk populations have declined, one theory is that an increase in predation is responsible for the reduction. Deer, bear, big horn sheep, cougar and antelope are other big game animals in the area. Bird hunting opportunities include chukker, grouse, quail, pheasant, turkey, duck and geese. Fishing opportunities include trout, bass, salmon, steelhead, crappie and catfish.

Historic sites are abundant in all three counties. The Oregon Trail, the Lewis & Clark Trail, and the Nez Perce National Historic Trail pass through the region. The Confederated Tribes of the Umatilla Indian Reservation have developed an interpretive center to present their view of the immigration of white settlers into the region. The Pendleton Underground also attracts visitors interested in the history of the region. In Wallowa County, the Wallowa Band Nez Perce Interpretive Center has developed the Nez Perce Homeland Project to interpret and celebrate Nez Perce history. County

museums, ghost towns, revitalized and restored downtown areas and pioneer cemeteries are also of interest to the region's visitors.

Human Resources - Because of high unemployment rates and the types of jobs that have been available in the region, the workforce is weighted towards semi-skilled laborers. These individuals need access to strong job training resources to participate in the diversification of the economy. The Regional Workforce Investment Boards in the region are addressing the needs of the workforce. Their legislative requirement is to coordinate public sector training programs to end duplication and identify and address gaps in training services.

The Region 13 of WorkSource Oregon has adopted the following strategies:

- 1) Invest workforce system funds to support High School completion and attainment of diploma, GED or equivalent and to prepare youth for a successful entry into the workforce.
- 2) Continue to pursue additional resources to increase investments in rural communities, workforce and businesses.

The Region 12 Workforce Investment Board has recognized the following strategies:

- 1) Provide feedback to Oregon Department of Education on existing high school graduation requirements and core curriculum, and suggest appropriate changes.
- 2) Develop and maintain One Stop Centers to assure the availability of high quality and consistent services in support of employer recruitment and labor exchange, work search, work readiness, training and placement services for new, transitioning and current workers.
- 3) Support the Governor's legislative concept for a Skill Up Oregon Fund as a tool to help prepare Oregonians for high-demand jobs and help Oregon businesses and workers compete globally.
- 4) Support the Governor's legislative concept for a Cluster Investment Fund to expand on the current Employer Workforce Training Fund program.

Transportation - The region is served by major highway, waterway, and train transportation routes. The Hells Canyon All American Road is open for summer traffic and is used by both visitors and residents. Union Pacific Railroad's east/west line and Interstate 84 pass through Union and Umatilla Counties. Umatilla County is also served by Interstate 82 and its connections to Washington state. Umatilla County's ports provide access to bulk and container cargo barges on the Columbia River. Efforts to preserve salmon runs in the Northwest have the potential to affect river transportation. Wallowa County is connected to Union County and Washington State through the state

highway system. The Wallowa Union Railroad provides freight and passenger excursion services from Elgin to Joseph.

Scheduled air service is available in Pendleton at the Eastern Oregon Regional Airport and is considered a major asset of the region. General aviation airports are located at La Grande, Enterprise and Joseph. Union County would like to see scheduled air service return to the La Grande airport, but are supportive of continued and increasing operations at Pendleton. Wallowa County's airports have recently been improved, the Joseph State Airport was expanded and upgraded, and the Enterprise Municipal Airport was resurfaced.

Quality of Life - The quality of life that a potential site can offer to management or other key personnel has been cited as an important criterion for deciding where to locate or expand facilities. It has also been noted by major industries that the most effective thing that local governments can do to encourage economic development is to cultivate hometown pride, build loyalty and establish good relations with the businesses and industries already located in an area. This may be the real "quality of life" that creates an environment from which businesses can successfully expand and grow. In Northeast Oregon, there are many quality advantages. These include clean air and water, beautiful scenery and recreational opportunities, a lack of congestion, low crime rates, a variety of retail establishments, and community pride.

Climate - While the region generally experiences warm summers and snowy winters, climate in any particular location varies greatly with the topography. Umatilla County is generally warmer than the rest of the region and Wallowa County is typically cooler. Vegetation can range from alpine to forest to grasslands to sagebrush desert.

Housing - A lack of affordable and livable housing has been considered a long term problem within the region. Housing prices are holding steady in Umatilla and Wallowa counties with prices falling somewhat in Union County. Housing rental prices have risen steadily in the last decade. Rental vacancy rates range from 4% to 10% throughout the region. In Union and Wallowa counties the rental market is described as very tight, however there does not appear to be a shortage of homes for sale. The region is now experiencing the highest level of new home construction in over 10 years. Umatilla County is demonstrating the largest increase in new housing with more than 700 units either under construction or planned for development including single family homes, duplexes, apartments and manufactured home developments.

Education - Educational facilities are generally adequate throughout the region. Enrollment in elementary and secondary schools has declined in Union and Wallowa County. Meanwhile, enrollment has increased in Umatilla county. The region is well served by Eastern Oregon University in La Grande, which is a four-year degree granting university and Blue Mountain Community College in Pendleton, which is a two-year associate degree granting and technical college. Enrollment in these colleges has increased steadily over the past five years and is at an all time high.

Military Base - The Umatilla Army Depot, the only military institution in the region, is scheduled for closure. A military plan has classified the site for conversion to non-military uses. The military will dispose of the chemicals stored on the site before conversion to non-military uses. Although the current plan to incinerate the chemicals has met with controversy within the region, the project is moving ahead. The Umatilla Depot Task Force is developing a strategic plan for the site. The plan will include conversion of the existing buildings and site to various uses including industrial uses. The depot is centrally located with good access to I-84 and I-82. In future years, it could be developed as an important industrial site for both Umatilla and Morrow Counties.

Statistical Information

Population

Area	1990	2000	2002	2003	2006	% Change 1990- 2000	% Change 2000-2006
Umatilla County	59,000	70,500	71,000	71,100	72,190	19.5%	2.4%
Union County	23,600	24,500	24,600	24,650	25,110	3.8%	2.4%
Wallowa County	6,950	7,200	7,150	7,150	7,140	3.6%	(0.8%)
Region	89,550	102,200	102,750	102,900	104,440	14.1%	2.2%

Source: Portland State University-Population Research Center

The region's population is primarily located in a collection of small cities surrounded by a more rural or agricultural sector, with large tracts of nearly unpopulated mountainous areas in between.

Northeast Oregon's population is at once both younger and older than Oregon's as a whole. Persons under age 18 comprised 23.6% of the total population in Oregon. Two of the three counties in the region exceeds that figure (Umatilla - 26.1%; Union - 23.4%; Wallowa - 20.8%).

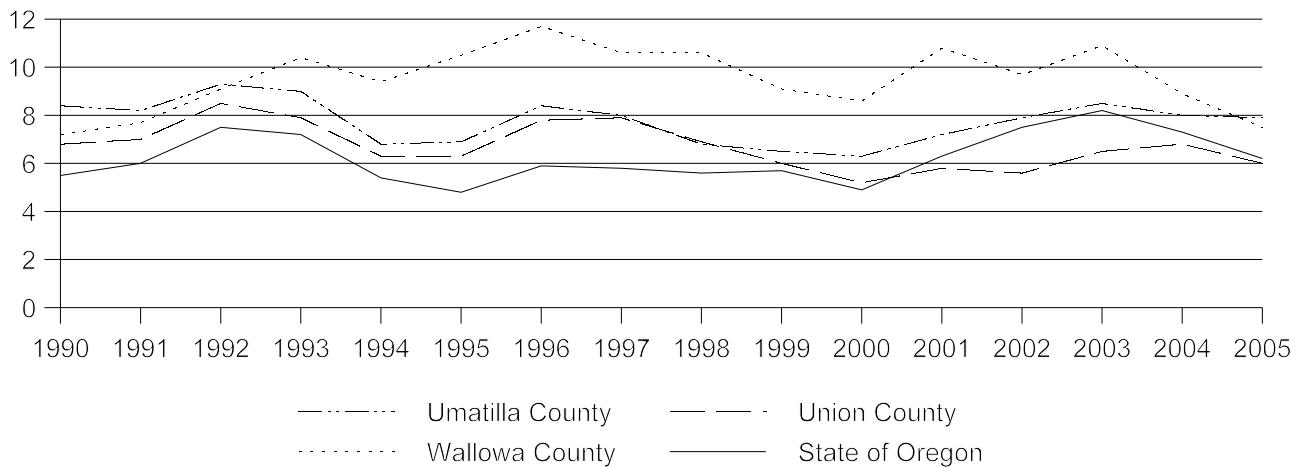
Similarly, persons 65 years of age and older made up 12.5% of the statewide population. Each of these three counties exceeds that figure (Umatilla - 12.6%; Union - 15.0%; Wallowa - 20.2%).

The region has a larger than average proportion of children and senior citizens. The implication is that this region finds a smaller share of its population in the middle groups, those aged 18 to 64.

Unemployment Rate												
Area	1990	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004	2005
Umatilla County	8.4	8.2	9.0	6.9	8.0	6.5	6.3	7.2	7.9	8.5	8.0	7.9
Union County	6.8	7.0	7.9	6.3	7.9	6.0	5.2	5.8	5.6	6.5	7.3	6.8
Wallowa County	7.2	7.7	10.4	10.5	10.6	9.1	8.6	10.8	9.7	10.9	8.9	7.5
State of Oregon	5.5	6.0	7.2	4.8	5.8	5.7	4.9	6.3	7.5	8.2	7.3	6.2

Source: Oregon Employment Division

Unemployment Rate



Per Capita Personal Income

Per capita income is an estimate of an area's total personal income - wages, rents, dividends, interest income, and all other money income - divided by the area's total population. Per capita income is used as a rough measure of how well off one region is as compared to another. One of the weaknesses of using per capita income is that it does not convey how income is distributed within a region. Two regions may have the same per capita income while in one region the income is concentrated in the hands of 2 percent of the population while in the other region income is more evenly distributed.

As a region, Umatilla, Union and Wallowa Counties have been consistently below the state and federal averages in per capita income.

Per Capita Personal Income							
Area	1990	2000	2003	2004	2005	% Growth 1990-2000	% Growth 2000-2005
U.S.	19,572	29,760	31,472	33,090	34,471	52.1%	15.8%
Oregon	18,242	27,836	28,734	31,017	32,289	52.6%	16.0%
Umatilla County	14,614	21,694	23,011	24,676	25,322	48.4%	16.7%
Union County	14,981	22,832	24,463	27,092	27,522	52.4%	20.5%
Wallowa County	15,447	21,675	23,319	27,326	28,300	40.3%	30.6%

Source: Bureau of Economic Analysis, U.S. Department of Commerce - OLMIS

Number of Private Employing Units										
Area	1990	2000	2001	2002	2003	2004	2005	2006	% Change 1990- 2000	% Change 1990- 2006
Umatilla	1,428	1,719	1,850	1,740	1,763	1,918	1,742	1,777	20.4%	3.4%
Union	649	736	750	758	759	765	792	819	13.4%	11.3%
Wallowa	234	314	328	337	330	346	354	365	38.9%	16.2%
Region	2311	2769	2928	2835	2,852	3,029	2,888	2,961	19.8%	6.9%
Oregon	79,776	105,713	108,648	110,288	111,334	112,367	116,821	122,671	32.5%	16.0%

Source: Employment Department, OLMIS

The region has seen improvement in its annual average wage and average annual employment levels. The region's employment rose by 28% from 1990-2000 while Oregon's employment rose by 30%. Both the region and Oregon experienced a loss in

employment of less than 1% from 2000-2004. However, by 2006, Oregon experienced a 5.8% gain in employment levels from 2000. The region had experienced a 7% loss in employment from 2000 to 2006.

1990 Oregon Covered Employment and Payroll					
	Umatilla	Union	Wallowa	Region	Oregon
Total Average Annual Employment	21,448	8,303	2,216	31,964	1,236,243
Total Average Annual Wage	\$17,063	\$17,776	\$17,082	\$19,068	\$21,321
Average Annual Employment by Specific Sector					
Agriculture, Forestry, Fisheries	1,366	172	54	1592	35,085
Manufacturing - Food Products	2,742	0	0	2,742	24,710
Manufacturing - Lumber & Wood Products	863	1,254	408	2,525	64,371

Source: Oregon Employment Department, OLMIS, SIC data

2000 Oregon Covered Employment and Payroll					
	Umatilla	Union	Wallowa	Region	Oregon
Total Average Annual Employment	28,965	9,686	2,272	40,923	1,607,911
Total Average Annual Wage	\$25,732	\$24,149	\$22,546	\$25,180	\$32,776
Average Annual Employment by Specific Sector					
Agriculture, Forestry, Fisheries	2,499	321	77	2,897	47,993
Manufacturing - Food Products	2,451	0	0	2,451	23,861
Manufacturing - Lumber & Wood Products	749	885	158	1,792	49,046

Source: Oregon Employment Department, SIC data

2004 Oregon Covered Employment and Payroll					
	Umatilla	Union	Wallowa	Region	Oregon
Total Average Annual Employment	29,052	9,546	2,266	40,864	1,595,683
Total Average Annual Wage	\$29,343	\$27,883	\$23,808	\$28,695	\$35,621
Average Annual Employment by Specific Sector					
Agriculture, Forestry, Fisheries	2,093	373	132	2,598	47,178
Manufacturing - Food Products	2,319	0	0	2,319	22,048
Manufacturing - Lumber & Wood Products	543	773	0*	1,316*	32,089

Source: Oregon Employment Department, OLMIS, NAICS Data

*Wallowa County's lumber and wood products manufacturing data was not released this year due to confidentiality issues.

2006 Oregon Covered Employment and Payroll					
	Umatilla	Union	Wallowa	Region	Oregon
Total Average Annual Employment	29,153	9,785	2,442	41,380	1,700,407
Total Average Annual Wage	30,537	29,158	25,178	84,873	38,057
Average Annual Employment by Specific Sector					
Agriculture, Forestry, Fisheries	770	111	confidential	880	47,867
Manufacturing - Food Products	1,638	0	0	1,638	22,119
Manufacturing - Lumber & Wood Products	520	696	confidential	1216	32,320

Source: Oregon Employment Department, OLMIS, NAICS Data

*Wallowa County's lumber and wood products manufacturing data was not released this year due to confidentiality issues.

Note: This the preceding four tables, data is for persons covered by unemployment insurance. Most agricultural producers do not pay unemployment insurance, so these totals do not fully count the number of agricultural employees

The region's employment in the agriculture, forestry and fisheries sector rose by 81% from 1990-2000 and fell by 69.6% from 2000-2006 with a resulting loss of 44.7% over the 16 year period. The state's employment in the same sector rose by 37% from 1990-2000 and fell by 0.3% from 2000-2006 with a resulting gain of 36.4% over the 16 year period. The region and state saw a steady drop in food products manufacturing and lumber and wood products manufacturing over the past 16 years. The region's food product manufacturing employment fell by 33.2% the from 2000-2006 and lost a total of 40.3% over the 16 year period. The state's food products manufacturing employment fell by 7.3% from 2000-2006 and lost a total of 10.5% over the 16 year period. The region's reported lumber and wood products manufacturing employment fell by 32.1% from 2000-2006 and by 51.8% from 1990-2006. The state's lumber and wood products manufacturing employment fell by 34.1% from 2000-2006 and by 49.8% from 1990-2006. The region's decline is somewhat overstated as there were not enough firms employing workers in Wallowa County for data to be released, but we know that the employment in the remaining firm(s) is not enough to dramatically change the reported decline in employment.

1990 Proprietor Employment and Income by County			
County	Total Proprietor Employment	Non-Farm Proprietor Employment	Farm Proprietor Employment
Umatilla	6,472	4,778	1,694
Union	3,363	2,494	869
Wallowa	1,490	954	536
Total Proprietor Income			
	Total Proprietor Income	Non-Farm Proprietor Income	Farm Proprietor Income
Umatilla	\$70,692,000	\$61,879,000	\$8,813,000
Union	\$32,432,000	\$28,307,000	\$4,125,000
Wallowa	\$13,463,000	\$12,896,000	\$567,000
Average Proprietor Income			
	Average Proprietor Income	Average Non-Farm Proprietor Income	Average Farm Proprietor Income
Umatilla	\$10,923	\$12,951	\$5,202
Union	\$9,644	\$11,350	\$4,747
Wallowa	\$9,036	\$13,518	\$1,058

Source: BEA, Regional Economic Accounts, CA30

2000 Proprietor Employment and Income by County			
County	Total Proprietor Employment	Non-Farm Proprietor Employment	Farm Proprietor Employment
Umatilla	7,970	6,177	1,793
Union	4,296	3,323	973
Wallowa	1,989	1,445	544
	Total Proprietor Income	Non-Farm Proprietor Income	Farm Proprietor Income
Umatilla	\$123,494,000	\$108,538,000	\$14,956,000
Union	\$46,203,000	\$46,194,000	\$9,000
Wallowa	\$15,734,000	\$22,854,000	(\$7,120,000)
	Average Proprietor Income	Average Non-Farm Proprietor Income	Average Farm Proprietor Income
Umatilla	\$15,495	\$17,571	\$8,341
Union	\$10,754	\$13,901	\$9
Wallowa	\$7,911	\$15,816	(\$13,088)

Source: BEA, Regional Economic Accounts, CA30

2004 Proprietor Employment and Income by County			
County	Total Proprietor Employment	Non-Farm Proprietor Employment	Farm Proprietor Employment
Umatilla	7,980	6,167	1,813
Union	4,157	3,173	984
Wallowa	1,982	1,431	551
	Total Proprietor Income	Non-Farm Proprietor Income	Farm Proprietor Income
Umatilla	\$102,919,000	\$113,251,000	(\$10,333,000)
Union	\$25,568,000	\$35,298,000	(\$9,730,000)
Wallowa	\$16,064,000	\$24,724,000	(\$8,660,000)
	Average Proprietor Income	Average Non-Farm Proprietor Income	Average Farm Proprietor Income
Umatilla	\$12,897	\$18,364	(\$5,699)
Union	\$6,150	\$11,124	(\$9,888)
Wallowa	\$8,105	\$17,277	(\$15,717)

Source: BEA, Regional Economic Accounts, CA30

2005 Proprietor Employment and Income by County			
County	Total Proprietor Employment	Non-Farm Proprietor Employment	Farm Proprietor Employment
Umatilla	8,422	6,639	1,783
Union	4,269	3,301	968
Wallowa	2,055	1,513	542
	Total Proprietor Income	Non-Farm Proprietor Income	Farm Proprietor Income
Umatilla	\$126,281,000	\$118,704,000	(\$7,577,000)
Union	\$34,258,000	\$37,258,000	(\$2,634,000)
Wallowa	\$28,034,000	\$28,175,000	(\$141,000)
	Average Proprietor Income	Average Non-Farm Proprietor Income	Average Farm Proprietor Income
Umatilla	\$14,994	\$17,880	(\$4,250)
Union	\$8,025	\$11,288	(\$2,721)
Wallowa	\$13,642	\$18,622	(\$260)

Source: BEA, Regional Economic Accounts, CA30

There has been a significant growth in the number of proprietors in the region. Since 1990, the number of proprietors has risen by over 30%. There was an increase in both farm and non-farm proprietors, but the increase in non-farm proprietors was much larger (39.2% compared to 6.3%). Non-farm proprietor income increased by 78.6%. Farm proprietor income saw a huge overall decline. Average farm proprietor income in the region fell from \$4,357 in 1990 to -\$3,143 in 2005. Farm proprietor income appears to be especially volatile with losses across the region in 2004 and 2005.

Travel Impacts by County					
County	Travel Expenditures (In millions)	Earnings (In millions)	Employment Employees & Proprietors	Tax Receipts (In millions)	
				Local	State
Umatilla - 1991	43.1	9.8	870	0.3	2.0
Umatilla - 1998	75.2	19.4	1,520	0.6	2.9
Umatilla - 1999	81.5	20.8	1,550	0.6	3.0
Umatilla - 2000	92.5	22.7	1,640	0.7	3.3
Umatilla - 2001	91.8	22.6	1,630	0.7	3.3
Umatilla - 2002	97.3	24.8	1,750	0.7	3.3
Umatilla - 2003	103.0	25.6	1,720	0.7	3.4
Umatilla - 2004	115.0	28.2	1,850	.9	4.0
Umatilla - 2005	123.8	29.5	1,870	.9	4.2
Union - 1991	18.7	5.2	470	0.2	0.8
Union - 1998	22.9	6.7	440	0.3	1.0
Union - 1999	24.3	6.9	440	0.3	1.1
Union - 2000	26.4	7.0	440	0.3	1.2
Union - 2001	27.6	7.4	490	0.3	1.2
Union - 2002	25.9	7.0	430	0.3	1.1
Union - 2003	27.7	7.2	430	0.3	1.2
Union - 2004	29.4	7.3	430	.3	1.3
Union - 2005	30.4	6.9	400	.3	1.3
Wallowa - 1991	12.3	3.6	340	0.0	0.2
Wallowa - 1998	20.7	6.6	520	0.1	0.3
Wallowa - 1999	21.6	6.9	530	0.1	0.3
Wallowa - 2000	23.0	7.3	570	0.2	0.4
Wallowa - 2001	23.9	7.6	570	0.2	0.4
Wallowa - 2002	24.3	7.7	590	0.2	0.4
Wallowa - 2003	24.8	7.9	590	0.2	0.4
Wallowa - 2004	22.7	7.1	500	.2	.4
Wallowa - 2005	23.7	7.5	470	.2	.5

Regional Travel Impacts				
	Travel Expenditures (In millions)	Earnings (In millions)	Employment (Employees & Proprietors)	Tax Receipts Local and State Combined (In millions)
Region - 1991	74.1	18.6	1,680	3.5
Region - 1998	118.8	32.7	2,480	5.2
Region - 1999	127.4	34.6	2,520	5.4
Region - 2000	141.9	37.0	2,650	6.1
Region - 2001	143.3	37.6	2,690	6.1
Region - 2002	147.5	39.5	2,770	6.0
Region - 2003	155.5	40.7	2,740	6.2
Region - 2004	167.1	42.6	2,780	7.1
Region - 2005	177.9	43.9	2,740	7.4
Oregon State Travel Impacts				
	Travel Expenditures (In millions)	Earnings (In millions)	Employment (Employees & proprietors, thousands)	Tax Receipts Local and State Combined (In millions)
State - 1991	2,404	882	64.2	124
State - 1998	5,256	1,385	78.0	194
State - 1999	5,590	1,469	79.7	202
State - 2000	6,178	1,599	83.6	224
State - 2001	6,163	1,637	85.4	226
State - 2002	6,301	1,709	86.7	227
State - 2003	6,527	1,717	86.5	223
State - 2004	6,903	1,794	87.6	282
State - 2005	7,367	1,866	88.9	299

Source: Oregon Economic Development Department - Tourism Division

Educational Attainment - Persons 25 years and over				
Education Level	Umatilla	Union	Wallowa	Oregon
Less than 9th Grade	8.7%	4.3%	3.7%	4.9%
9-12 Grade, No Diploma	13.5%	10.1%	8.8%	9.9%
High School Graduate	29.6%	31%	36.7%	26.3%
Some College	24.6%	26.9%	23.9%	27.1%
Associate Degree	7.6%	6%	6.6%	6.6%
Bachelor's Degree	9.4%	14.5%	13.6%	16.4%
Graduate or Professional Degree	6.6%	7.2%	6.7%	8.7%

Source: 2000 Census

The educational attainment of residents in the region is generally lower than the state as a whole. However, Union and Wallowa Counties have a lower percentage of residents that completed their schooling prior to receiving a high school diploma. The entire region has a higher percentage of residents that completed their education upon receiving a high school diploma than the state.

Regional Strengths, Weaknesses, Opportunities and Threats Analysis

The Regional Board and staff conducted a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis for the region. So far, over 130 individuals representing a wide variety organizations and interests have contributed information to the SWOT and a summary of the results are presented here.

Strengths

The **quality of life** is the most important asset that the region offers to its residents. The sense of community, the relatively low cost of living, access to education, low crime rate, cultural opportunities, rural lifestyle and a lack of congestion are components that contribute to the region's quality of life. Blue Mountain Community College and Eastern Oregon University provide quality training and educational opportunities.

The region's **clean environment and pristine beauty** are valued by the residents. Numerous outdoor recreation opportunities are available including hunting, fishing, biking, wildlife viewing, boating, hiking, skiing, and rafting. The willingness to work together to restore salmon runs is also seen as important.

In addition to outdoor recreation, **traditional cultures, festivals, rodeos, museums, the arts and historic resources** draw visitors to the region, while a **friendly attitude** makes them feel welcome. The region is also viewed as **safe and affordable** by visitors.

In Umatilla County, the varied **ethnic and cultural diversity** is viewed as a strength.

The high quality of **health care** is a strength.

In Union and Umatilla counties, the **transportation systems**; airports, railroad, barge and Interstate Highways; are considered to be a major strength.

In Umatilla County, **diversification of employment opportunities**; such as manufacturing, distribution, construction and corrections-related employment; is a strength. The **long growing season** is also an advantage for Umatilla County.

In the wood products industry, a **trained workforce** and **primary processing facilities** as well as increasing **secondary processing facilities**, including a growing **recreational vehicle and manufactured home manufacturing sector**, are a strength in the region.

Educated and experienced resource managers and **exemplary small woodland owners** provide a base of knowledge and examples of sound practices.

Value-added agriculture processing facilities are a strength in the region along with **agricultural research facilities** located in Pendleton, Hermiston and Union.

Weaknesses

A **lack of participation** in decision making was identified as a weakness. People feel they are too busy just “eking out a living” to be proactive on important issues. Some feel that there is less consideration of community and more emphasis on personal-gain in decision making. The mobility of society may also be contributing to the lack of participation and commitment to community. Some feel that voters need to be better educated/informed. **A lack of leadership** and an unwillingness to serve in local government, or recalls of those willing to serve, are also a weakness for some communities.

The **resource based** economy and lack of diversity within the region constitute the area's major weakness. The regional economy is subject to severe economic impacts if the forest products and agriculture industries are curtailed or market forces drive prices down. The loss of higher paid natural resource jobs in both the public and private sector and in many cases their replacement by lower-paid service jobs lacking benefits means that incomes are often not sufficient to meet basic family needs.

In parts of the region, **climate** is seen as a weakness because of a shorter growing season and the difficulty of winter travel.

A **lack of unity** and **lack of access to unbiased information** fuels conflicts within various communities and counties and limits the region's ability to move forward with progressive plans for development. In some areas, there is a lack of support for expansion and growth, in other areas, there is only the absence of a unified plan and/or lack of coordination for development.

A **lack of affordable housing** is seen as a weakness. The rental housing market is tight. With rapid growth in Umatilla County, the need for affordable housing will continue to increase. Wallowa County leaders are also seeing a growing need for “workforce housing” as second-home owners and retirees drive up real estate prices.

The **unskilled or unmotivated workforce** was noted as a weakness. For several communities in Umatilla County, the lack of English language skills is a significant barrier. It may be difficult to expand the industrial base without a better trained workforce.

Wallowa County's **remoteness**, while viewed as its primary strength, is also its main economic weakness. The transportation system in Wallowa County is very limited, and transportation costs are high while there are very limited public transportation options. Wallowa County also has a limited supply of **industrial sites** that are serviced with infrastructure. Union County's light industrial park is nearly full and additional developed properties are needed within the county. Umatilla County is lacking well developed sites outside of the major population areas and port districts.

Inadequate telecommunications infrastructure is a weakness for many areas. Also noted was a **lack of access to capital** for business start-up and expansion and research and development activities.

Access to health care is a weakness. There are many uninsured workers in the region. The Oregon Office of Rural Health considers parts of the region to be “medically underserved”.

Lack of access to public transportation is also viewed as a weakness. Infrequent bus service and no train service make it difficult to travel in and out of the region.

Opportunities

There is an opportunity for cooperative efforts to **improve telecommunication infrastructure** throughout the region. Improved **air service** and **airport facilities** would also provide for increased economic opportunities. Development of **new training and degree programs** related to science and technology and natural resources could attract new students to the area while meeting the needs of growing and changing industries. Once they have become established in their fields, graduates of these programs may return to the area to provide a source of new business investment.

Diversified industries such as **general manufacturing, co-generation facilities, distribution facilities** and the **art industry** were cited in the different counties of the region as opportunities. More support for **international trade relations** could benefit existing industries.

Agriculture processing and **wood products processing** were listed as opportunities for growth. Significant amounts of raw product from both industries are shipped out of the region without being processed. **Certified sustainably managed** wood products were also seen as a way to add value to raw products. The development of **stewardship contracting** could package a variety of resource management activities and help provide year-round employment for workers displaced by the downturn in the timber industry. The establishment of additional businesses supplying the **recreational vehicle and manufactured home** manufacturing sector is seen an opportunity in the region.

Direct marketing of agricultural products has the potential to deliver higher prices to producers. The establishment of **new orchards and vineyards** is a possibility for expansion in the agriculture industry.

The **tourism** industry has the opportunity to expand the visitor season through **development of additional fall, winter and spring activities and events**. The Confederated Tribes of the Umatilla Indian Reservation's Gaming Facility and Interpretive Center, the Blue Mountain Conference Center in La Grande, the Eagle Cap excursion train in Union and Wallowa counties and the Nez Perce Homeland project in Wallowa County should increase opportunities for attracting visitors and extending their stay in the region. **Cooperative marketing, attracting foreign tourists, and**

capitalizing on historic and natural tourism opportunities were noted as opportunities.

The market for **retirement** and **assisted living facilities** for the elderly could grow rapidly in the next decade. As the "baby boom" generation grows older, additional services for the elderly will be needed. In addition, there is an opportunity to attract wealthy retirees and their children to the region.

Expansion of small **cottage industries** and **light industries** is an opportunity that especially appeals to the smaller communities. Continuation and expansion of **entrepreneurial development** assistance programs could help new businesses become established or expand. This effort builds upon the high rate of business ownership in the region, particularly in Wallowa County. These businesses could be more successful and hire more employees if the owners were able to improve their business management practices. Growth in the use of high technology equipment and telecommunications is projected to provide opportunities for new businesses. Additional **professional services** could increase local employment while exporting services in engineering, architecture, technical writing, environmental analysis, web-site development and other areas.

Additional loan programs targeted to low-income entrepreneurs or very small businesses could also help stimulate the creation of new jobs.

Potential changes in the Endangered Species Act may allow greater utilization of natural resources.

Threats

The **Endangered Species Act**, **increased environmental regulations** and **government mandates**, and the resulting restrictions on natural resource use - tree harvesting, grazing, water usage, use of pesticides, etc. - pose a serious threat to the forest products and agriculture industries. The same forces may also limit the recreational use of the National Forests. **Increased global competition** is also perceived as a threat to agricultural and timber producers as prices for commodities decrease. The aging population and disincentives (such as fluctuating commodity prices, high land values and development pressures) to the **transition of farm/ranch ownership** to the next generation is seen as a threat to the agriculture community.

Water issues, both quality and quantity driven, are especially threatening in Umatilla County. These issues include potential Columbia River **dam removal**, increased demand by conflicting uses, and regulations that have a disproportionate effect on agricultural versus urban uses.

For the business community, **e-commerce**, **big box retailers** and **increased global competition** were seen as potential threats to main street and small businesses, although e-commerce may also be a benefit in accessing new markets.

Public perception of resource issues can negatively affect policy decisions with immediate repercussions for rural areas. A **shift in power** from rural to suburban areas and a **lack of understanding of the issues** is contributing to a feeling of disenfranchisement. A **lack of local control** makes it difficult to balance the use of natural resources with economic needs.

The **limited availability of workforce housing** is considered a threat to all counties in the region.

Negative social trends such as high teenage birth rates, an increase in single-parent households, both parents working and leaving children unsupervised, a shrinking middle class and less equitable distribution of wealth, and substance abuse were seen as threats to healthy communities. With an increasing older population and government limitation on medicare payments, the **availability of and access to health care** may be threatened. A **lack of affordable adequate child care** and a **lack of parental involvement** are seen as threats to healthy families in the region.

Volunteer burn-out is a threat to the many organizations and projects that rely on volunteers in the absence of paid staff. An increase in seasonal residents and a loss of families in Wallowa County further exacerbates this trend.

Within Wallowa County, the potential loss of the positive quality of life that could result if the county is promoted and discovered as a major **tourism** destination or **retirement community** is considered a threat by many residents. The increase in housing costs and population, and the numbers of visitors that might invade the county may threaten the peaceful lifestyle of the residents.

IDENTIFIED PRIORITIES — LONG-TERM AND SHORT-TERM

Mission

The Northeast Oregon Alliance's mission is the managed development of a dynamic, diverse and viable economic base, through innovation and teamwork, to promote an ever improving quality of life for the region's people.

The mission for the region is further exemplified by the following guiding principles. The guiding principles present the desired condition of the region as it will exist in 2020.

Guiding Principles - Year 2020

Umatilla, Union and Wallowa Counties have an economy that is diversified, healthy and growing, providing opportunities for future generations. The traditional, natural resource-based mainstays of the economy - agriculture and forest products - continue to provide a solid base of family wage jobs. The natural resources have been managed in an environmentally sensitive manner which has ensured a continued ability to provide natural resource products for the agriculture and timber industries. Industries that were emerging in the 80's and 90's, such as general manufacturing, distribution, tourism and the arts, provide a growing source of family wage jobs within the region.

Citizens of the Counties experience an excellent and ever improving quality of life. A quality environment and quality communities are cherished by this northeast Oregon region. The quality of life in the region is based on the traditional and local values shared by the residents. Enhanced service levels are present that meet the changing needs of the region's citizens. The health care and educational systems are high quality and meet the needs of all citizens, young and old, both in remote areas and within the major towns. The quality of life has been enhanced by the ability of the citizens to make economic choices and have control over their lives.

Growth in the region has been carefully managed. Basic infrastructure and service delivery were planned to accommodate the region's changing economy and population. The growth has resulted in a continual development of a dynamic and viable economic base. The qualities that the residents treasure (communities, natural beauty, and the environment) have not been destroyed by growth.

The communities and citizens in Northeast Oregon have developed a networking system to control their own destiny. The network has allowed communities within the region to discuss and plan for growth and to market the region's economic development efforts to targeted audiences. The state and federal government participated in the network and followed the region's lead in making policy and funding decisions for the region.

Goals

1. Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages.
2. Improve national and global competitiveness of companies in the region.
3. Assist communities in the region to build capacity to retain, expand and attract businesses.
4. Positively influence the combined employment and income of the region's proprietors.

Priority Actions

The Northeast Oregon Alliance's short and long-term priority is economic diversification. The board has determined that it will provide capital to implement the following priority actions as part of its long term strategy to diversify the economy:

1. Assist providers/services to update facilities & technology;
2. Support infrastructure development;
3. Provide funds for research, development & implementation of new technologies and uses of wastes;
4. Encourage the production of higher value-added products;
5. Encourage tourism;
6. Encourage production of crops & livestock;
7. Support marketing and joint marketing efforts.

In implementing its strategy, the Northeast Oregon Alliance will ensure that its actions are consistent with the following state priorities:

1. Retaining and creating jobs and raising real wages;
2. Promoting the structures and processes of public and private organizations to effectively create, adapt, foster and sustain economic development in this rural and distressed region of the state;
3. Ensuring that economic strategies reinforce Oregon's long-term prosperity and livability; and
4. Coordinating economic development efforts and efforts to support a locally skilled workforce in order to compete in the global economy.

SIX-YEAR INVESTMENT STRATEGY & IMPLEMENTATION PLAN

The plan includes actions to support general infrastructure, business finance, marketing, added-value production, and activities to support advances in technology and tourism. The actions are very broad and cannot be adequately supported with the funds available. Therefore, many actions will not be implemented on a broad scale, some actions may be implemented by local, state or federal governmental organizations or by private businesses or non-profits. Some actions will be supported by investments from the Opportunity Fund.

In order to implement the plan, the local governments will participate in the implementation of the plan by having representation on the board and responding to requests from the board and potentially funding projects in partnership with the board. State government can help with the implementation of the plan by coordinating with the region to finance business start-ups and expansions, providing funding for infrastructure development to support business and residential growth, providing funding for housing projects, and providing road, rail and airport facilities that support the movement of goods and people. The State can partner with the region in funding projects that are selected by the region for investment.

The plan revolves around the actions of the private sector. Job creation and wealth formation will come from the private sector. Innovation, entrepreneurship and investment by the private sector will determine the success of the plan.

The federal government could assure that economic development programs are included in the national budget and that funds are available to serve our region. The federal government could assure that international trading policies support industries located in our region. NEOEDD will maintain its contacts with the Economic Development Administration and USDA Rural Development to ensure that projects developed by the board are considered for funding by these agencies if there is a good fit with program goals.

Actions to Implement the Plan

The Northeast Oregon Alliance Board believes that economic growth results from the establishment and growth of businesses. The board believes that the most highly competitive economic system exists when there are as few restrictions and regulations as possible.

The board solicited input from cities, county, city and regional economic development staff, ports, special districts, regional workforce committees, members of the Governor's Economic Revitalization Teams, representatives of minority populations, tourism staff, chambers of commerce and Indian tribes prior to finalizing the regional investment. The board is composed of representatives of rural areas and businesses that were involved

in the creation of the new plan. The region also circulated the draft plan to the same individuals and organizations for comment.

The board developed the following list of projects and activities as potential areas for investment:

- Business Finance
- Entrepreneurship
- Science and High Technology
- Precision Agriculture
- Recreation
- Industrial Park Development
- Telecommunications Improvements
- Forest Stewardship
- Agriculture
- Business Recruitment
- Water Recharge
- Renewable Energy
- Value-Added Natural Resources
- Manufacturing
- Bio-anything

The board will consider projects and activities that are not included on the list.

The board will award funds through the Opportunity Fund.

Opportunity Fund Description and Guidelines

Purpose of the Opportunity Fund

The purpose of the Opportunity Fund is to support primary economic development in the Northeast Oregon Alliance region. The Opportunity Fund will be financed with 100% of the guideline funds allocated to the Northeast Oregon Alliance minus the funds used for staffing costs. The maximum amount available for a single project is \$100,000. Projects will be solicited throughout the year with no established application deadlines.

The Opportunity Fund is designed to meet the goal of increasing the strategic performance and economic prosperity of the region. In order to make significant progress towards this objective, the region will fund projects that create new jobs that pay above average wages and result in the investment of significant matching funds.

Guidelines and Eligibility Requirements

A key factor in determining eligibility for funds is whether a commitment of funds is required to influence the location, relocation, expansion or retention of a firm in the region. The fund is designed to assist economic development projects that affirm job

retention and job creation opportunities with an emphasis on primary jobs such as manufacturing, production, warehousing, distribution, or other jobs that create new wealth for the Oregon economy. Normally, retail and service jobs do not meet this definition. Self-employment projects may qualify as job creation projects.

Projects which may not result in direct job creation will be considered for funding if they can demonstrate the potential for significant long-term job creation and/or leverage of matching resources.

Notice of Funding Availability Process

Projects will be accepted from businesses, the general public, non-profit entities, cities, counties, special districts, Regional WorkSource Oregon Boards, and Indian tribes. Opportunities for funding notices will be submitted to the East Oregonian, the Observer, the Hermiston Herald, the Valley Times, the Wallowa County Chieftain and radio stations within the region.

Pre-Application and Fee

Completion of a pre-application submitted to staff with a \$100 application fee is the first step in the application process. The pre-application will be reviewed by a three-person subcommittee of the board. The subcommittee will determine if a full application should be submitted to the board. The pre-application will request basic information on the project including a project description, budget, and job creation projections.

Application and Interview

After an application is invited and received, it will be reviewed by staff. If the project is a private business project, a business plan, financial projections and financial statements for the business and owner will be a required. A credit report will be obtained and reviewed by staff. If the project is a public or non-profit economic development project, an application with a project plan, budget and financial statements will be required. Staff will prepare a summary for the board. The board will invite all applicants to interview with the board prior to making a funding decision. Staff designated by OECDD will be invited to present written or oral recommendations on projects prior to board funding decisions.

Funding Award

Funds will be awarded to projects on either a grant or loan basis. The form of financial assistance will be determined by the board after consulting with the applicant. Staff will prepare a contract and enter into a funding agreement with the recipient. Funds will normally be released to the recipient on a reimbursement basis as required matching funds are invested.

NEOEDD will maintain a file for each project containing the application, staff report, grant contract, and disbursement documentation. This file shall be maintained until the program is closed out and no longer subject to audit by OECDD.

RURAL ACTION PLAN AND RURAL SET ASIDE

The entire Northeast Oregon Alliance region is rural; therefore, the board has not adopted a separate rural action plan and has not set aside funds.

BARRIERS TO IMPLEMENTATION

The Northeast Oregon Alliance has very successfully implemented its strategic plan in the past. For instance, in the 2005-2007 biennium, the region invested in six projects. These projects have had extraordinary results to date and the impacts from some of the projects are still to be realized. The projects expect to create 556 jobs and leverage \$33.9 million. However, even with extraordinary project-level results, the economy of the region is still struggling. Wallowa county just lost its last sawmill. Agricultural producers are still producing commodity crops that are sold in the world market and farmers experienced yield-reducing droughts in 2007.

The Northeast Oregon Alliance seeks to respond to regional priorities for economic development. These priorities encompass a wide variety of needs and types of projects. Since the board is limited in the scope of assistance they may provide, successful completion of priority projects may entail the participation and assistance of other entities, both private and public. By inviting the Governor's Economic Revitalization Team to participate in the region's processes, the board hopes to stimulate awareness of regional needs and facilitate the delivery of additional resources and expertise required to address those needs. The board will also consider the results of other planning processes, specifically the Comprehensive Economic Development Strategies prepared by the Greater Eastern Oregon Development Corporation and the Northeast Oregon Economic Development District.

In addition to project description and financial information, the board will solicit information from businesses applying for funding assistance regarding issues other than funding that may present barriers to the project's implementation. This information is used to identify local, state, federal, or private resources which may address these barriers and contribute to the project's success. For-profit businesses may also receive referrals for regional loan programs and other sources of financing. Board and staff also participate in a variety of other planning venues including, but not limited to membership on county planning commissions, county boards of commissioners, commissions on children and families, industry organizations, chambers of commerce, non-profit organizations, workforce boards, and educational boards which helps the region identify resources and avoid duplication of services.

Barriers to implementation of the board's plan include a lack of sufficient capital; lack of capacity by some project proponents to develop projects and pursue funding; lack of coordination among state, local and federal agencies; and a lack of recognition by other entities of the priorities which have been identified at the local and regional level. Regional priorities have not yet been established for some resources, such as cultural

assets, community involvement and leadership, health, air quality, or public lands management, among others. The successful development and implementation of projects designed to meet the region's needs would be greatly enhanced if private and public sector partners would recognize the priorities expressed in the Regional Investment Plan and invest their resources accordingly. The timing and ease of access to additional public and private resources could also be improved. Project proponents are often confused about the processes required to access federal and state assistance. In implementing the Regional Investment Program, it will be important for state partners to provide adequate staffing so that issues can be resolved and contracts completed in a timely manner.

Following is a review of the region's priority actions followed by potential barriers and solutions to those barriers.

Assist providers/services to update facilities and technology

Potential Barriers to Implementation

Lack of funds to provide assistance - either technical assistance or asset investment

Lack of technical expertise

Industry uncertainty regarding the benefit of updating facilities and technology

Lack of qualified workers to implement new technologies

Potential Solutions

Adequate funding

Request assistance from Oregon Manufacturing Extension Partnership

Coordination of education efforts with regional WorkSource Oregon boards, BMCC, EOU

Intensive staff support to assist industry clusters to work together, identify facility and technology improvements that would increase competitiveness and profitability and markets for products/services

Support infrastructure development

Potential Barriers to Implementation

Lack of funding for master planning and investment in infrastructure improvements

Lack of community support for revenue bonds

Lack of city capacity to complete grant/loan applications and/or administer grants/loans

Potential Solutions

Technical assistance to build community support, prepare funding applications, administer projects

Increased funding for infrastructure projects

Provide funds for research, development & implementation of new technologies and uses of wastes

Potential Barriers to Implementation

Lack of funding

New technologies are risky - probability of success is unknown

Lack of technical expertise

Potential Solutions

Adequate funding

Request assistance from Oregon Manufacturing Extension Partnership

Coordination of education efforts with regional WorkSource Oregon boards, BMCC, EOU

Intensive staff support to assist industry clusters to work together, identify facility and technology improvements that would increase competitiveness and profitability and markets for products/services

Encourage the production of higher value-added products

Potential Barriers to Implementation

Lack of funds to provide assistance - either technical assistance or asset investment

Lack of technical expertise

Lack of skilled workers

Lack of market knowledge

Lack of ability to compete in the marketplace due to high transportation costs, high labor costs or other production factors

Potential Solutions

Adequate funding

Intensive staff support, and cooperation from BMCC, EOU, OECDD, WorkSource

Oregon and others to assist industry clusters to work together, identify facility and technology improvements that would increase competitiveness, profitability and add value to products to compete in the marketplace

Encourage tourism

Potential Barriers to Implementation

Insufficient public transportation options throughout the region

Bad air quality in the summer due to forest fires

Lack of funds, time and understanding by entrepreneurs to participate in statewide/regional partnership efforts and tourism development best-practices

Lack of funding for tourism development organizations

Insufficient winter recreation access & events and organizations and volunteers

Housing for tourism workforce

Potential Solutions

Increased networking and communication among entrepreneurs about the benefits and opportunities for shared promotion, and adoption of best-practices

Stewardship contracting to reduce forest fuels

Exploration of public transportation or rental vehicle options for tourists

Adequate funding for outreach and tourism development organizations

Funding and coordination of efforts to improve winter recreation accessibility and develop events to attract visitors to the region

Encourage production of crops & livestock

Potential Barriers to Implementation

Purchase of land by owners not interested in agricultural production

Risk of financial loss due to increased production costs (fuel/chemicals)

Conflicts between agriculture sectors such as corn for ethanol vs. corn for livestock feed

Insufficient outreach to and networking among small and large-scale producers
Limited availability of long-term agricultural leases
Conversion of agricultural lands to non-agricultural uses

Potential Solutions

Communicate with non-agricultural landowners and encourage them to partner with local farmers/ranchers

Funding and/or staffing to develop and implement more effective outreach/
communication of agricultural initiatives and resources

Utilizing a cluster industry approach to bring agricultural producers and processors and consumers together to increase networking and identification of market and policy opportunities

Increase scope and utilization of OSU Extension to overcome barriers to agricultural producers

Support marketing and joint marketing efforts

Potential Barriers to Implementation

Insufficient awareness of effective marketing methods and existing joint marketing opportunities among entrepreneurs and small businesses

Lack of networking among business owners that could identify joint marketing opportunities at the industry or regional level

Potential Solutions

Funding and/or staffing to develop and implement educational efforts on effective marketing methods and existing joint marketing opportunities.

Funding and/or staffing to support additional networking at the industry or regional level

During the 2007 planning process, the Northeast Oregon Alliance board identified the following barriers to economic development:

- , A legislative process which results in a non-continuity of dependable funding to support job creation projects.
- , Insufficient capital to fund public economic development projects and investment in business ventures from federal, state, local and the private sector sources.
- , Aging infrastructure.
- , Lack of land for industrial development.
- , Lack of awareness by the Legislature of the Regional Board's ability to make good decisions and little recognition of our past accomplishments.
- , Lack of understanding by the Legislature of our regional circumstances. Our population is small, the geographic area is large, the economy faces uncertainty

and performs at lower levels than urban areas.

, State agency rules are sometimes contradictory or unenforceable.

, State economic development goals and performance measures are inconsistent and change over time.

The following actions could help remove these barriers:

, Encourage state legislators, legislative staff and OECDD staff to visit the region and interact with community leaders, business owners and residents and learn about the region

, Adopt method and schedule for regional representatives to regularly visit with state legislators to provide information about the region and the projects that the regional board has invested in

, Provide information to the Legislature and appropriate state agencies from cities and counties about their need for industrial zoned land and funding for infrastructure improvements

, State agencies refer agency rules to the Office of Rural Policy for review and comment prior to adoption. Ask the Office of Rural Policy to determine the impact of the rules on rural Oregon and determine the consistency of rules within and across agencies.

, Allow regions to determine their own goals and performance measures for the Regional Investment Program. Allow deviation from state goals and performance measures if there is a logical, demonstrable reason why the region's goals and performance measures should differ from state adopted goals and performance measures.

, Obtain funding to assess, plan for and invest in improvements and needed additions to the region's infrastructure.

PLAN FOR INVOLVEMENT OF DISADVANTAGED AND MINORITY GROUPS

Population by Race

RACE	Region's Population	Percent of Region's Population
Total Population	102,304	100.0%
White alone	87,954	86.0%
Native Hawaiian & Other Pacific Islander alone	278	0.3%
Black or African American alone	708	0.7%
Native American -Alaska Native alone	2,634	2.6%
Asian alone	756	0.7%
Other alone	7,897	7.7%
Two or more races	2,077	2.0%

Source: U.S. Census Bureau, 2000

The region's minority population (particularly Hispanic) has been increased over the past 27 years. Native Americans have always lived in the region. The Confederated Tribes of the Umatilla Indian Reservation (CTUIR) was established in 1855. CTUIR currently has over 2,500 members. The Confederated Tribes of the Umatilla Indian Reservation has become an economic powerhouse in Umatilla County. CTUIR currently employs over 1,000 people, is Umatilla County's second largest employer, and with expected growth could become the largest employer in the county within the next year. The Northeast Oregon Alliance has previously invested in a number of tribal ventures and considers itself to be a partner with the tribe in growing the regional economy.

The Hispanic community has grown significantly in Umatilla County. Hispanics now comprise 18.4% of the population. Hispanics provide labor to a number of businesses including agriculture and food processing businesses. Most of the Hispanic population is stable. Individuals are becoming active in the community and are beginning to run for elective office. They are also entrepreneurial. In 2002, there were 110 Hispanic or Latino owned businesses with over \$20 million of sales. 18 of these businesses employed 167 workers. The Hispanic population has grown slightly in Union and Wallowa Counties, to 3.3% and 2.1% respectively.

Involvement of minorities has been encouraged by having minority representation on the Regional Board and having groups and individuals representing minorities and the disadvantaged participate in the SWOT analysis used to identify needs and issues facing

the region. NEOEDD bilingual staff conducted interviews for the SWOT analysis (initially conducted in 1999) in an attempt to ensure that minority needs and issues are included in the plan as well as including individuals and groups in mailings about the planning process. The Confederated Tribes of the Umatilla Indian Reservation are represented by a member of the Regional Board. Community Action Program East Central Oregon (CAPECO) has had an opportunity to review the Regional Investment Strategy. CAPECO provides services to many disadvantaged persons in the region. The Horizon Project also provided input for the Regional Investment Strategy. The Horizon Project provides services to disabled and minority residents in Umatilla County. Community Connections and New Day Enterprises work with seniors and the disadvantaged in Union and Wallowa counties and have also had the opportunity to review the Regional Investment Strategy. In the past, the Northeast Oregon Alliance has provided funding for job creation projects of New Day Enterprises and The Horizon Project.

The Region is served by Region 12 and Region 13 of WorkSource Oregon. WorkSource Oregon has committed to improve basic job training skills and literacy skills for the region's population base. The Northeast Oregon Alliance Board encourages WorkSource Oregon representation at Board meetings in hopes of coordinating efforts and identifying gaps in program delivery.

Every phase of the regional investment plan will allow for the continued involvement of the disadvantaged and minority population. The Board will continue to look for opportunities to assist economically disadvantaged citizens and minority groups. Possible areas of exploration include:

- Inviting representatives of minority and disadvantaged groups to make formal presentations to the board on a biennial basis.
- Providing interpretation services at board meetings and bilingual project application forms to those who require them. (NEOEDD has staff members who are multi-lingual and can provide this expertise.)
- Giving special consideration to projects that specifically address the issues of minority and/or disadvantaged groups or that provide family wage jobs to these groups.

SPECIAL USES OF FUNDS

Tourism and Industrial Marketing

The board does not intend to use its limited funds for tourism or industrial marketing activities. Prior to funding any tourism or industrial marketing activities, the Northeast Oregon Alliance board would require project applicants to coordinate their efforts with current statewide marketing efforts to ensure that there are no mixed messages and to facilitate communication and coordination with other regions and the state. The board would require approval of the plan from the appropriate state official prior to funding any project. The board may approve a business specific or cluster-specific marketing activity. A business specific marketing activity would not require any coordination effort. If a regional cluster came to the board for marketing funds, the board would consider the request on a case-by-case basis. If it were possible for the regional cluster to consult with a statewide cluster, the board would require that consultation to take place. If a statewide cluster did not exist, no consultation would be required.

Private Fixed Assets

Business Finance Terms and Conditions

The basis on which grants or loans to private businesses are made is determined by the Regional Board. First-source hiring agreements will not be required. The Regional Board will provide grants for private business financing based on the parameters listed below. These conditions will also apply to public applicants whose project directly benefits a private business.

- A summary business plan will normally be required. The plan will be reviewed by staff. Plan content should include: description of the business/product, definition and qualifications of the business management team, marketing plan, monthly cash flow projections for two years, financial resources of the business and its owners, a description of the project plans and need for financial assistance.
- Funding recipients will be held responsible for fulfilling the terms of the grant award for a maximum of five years.
- Liens will be filed on business assets financed with grants. Trust deeds will be required for all projects that include real estate financing. In addition, titles will be obtained for vehicles purchased with grant funding.
- Funds for construction projects will not be released until completion of construction activities, therefore, interim construction financing will be necessary.
- The project must document expenditure of matching funds when requesting funds.
- Funds will normally be released on a reimbursement basis or a joint-payee basis.

- Funds will be allocated through loans as well as grants.
- The maximum funding award to an individual business will be \$100,000.
- Funds will be re-captured in the event of a default by a project, including failure to meet performance measures. The decision regarding specific default consequences will be made by the Regional Board or its designee.
- Funds will be limited to "gap" financing and will not represent the entire cost of the project. The applicant may be required to demonstrate need.
- Funds may not displace existing private or public sources of funding.
- The region will not fund the relocation of existing Oregon businesses or economic activity from one region of the state to another unless it is accompanied by a significant increase in employment.

Project Review Criteria

The project review criteria will be utilized by the Regional Board to help them in selecting projects to be funded. Projects which involve ineligible activities or which do not meet all of the threshold criteria will not be considered for funding by the Regional Board. Business finance projects will also be subject to additional financial review such as is customary for business loan programs.

Ineligible Activities

The Northeast Oregon Alliance will not fund projects that include activities in the following list as they are prohibited by Administrative Rule:

1. Retirement of any debt;
2. Payments for expenses incurred prior to approval of the Northeast Oregon Alliance's Regional Investment Strategy by the State of Oregon;
3. Payments for, or substitutions of, local government expenditures for Existing or Continuing Public Services;
4. Relocation of a facility from one labor market within the State to another, unless accompanied by a significant expansion of the applicant's business or employment.

Threshold Criteria:

- Ë Lead to accomplishment of the Regional Investment Strategy mission and goals.
- ,
- ,
- Ë Maintain an average of \$5,000 of investment per job created or retained.
- Ë Maintain an average of \$5 of match per dollar invested.
- Ë Demonstrate that the groundwork has been laid to proceed on project activities within three months of award of funds.
- Ë Demonstrate financial feasibility by ensuring the project's sustainability or completion without the need for additional regional funding.
- ,
- Ë Demonstrate compliance with federal, state and local laws and/or regulations.

Competitive Criteria:

- Ë Retain, create, or lead to an increase in the number of permanent family wage jobs in the region. This will be measured by the number of jobs created divided by the amount of regional funds invested.
- Ë Track record and history of the applicant. This information will be used to help establish the likelihood of success of the project.
- Ë Diversify the economy.
- Ë Create new partnerships with industry and/or other state, federal and private agencies. This will be measured by the number of significant financial supporters.

MANAGEMENT PLAN

Administrative Standards

Regional Board

The Northeast Oregon Alliance was formed by the county governing bodies through an Intergovernmental Agreement. The intergovernmental agreement is incorporated into this document by reference. At this point in time, the region is subject to an Intergovernmental Agreement that became effective on July 1, 2005. The Intergovernmental Agreement meets the 2007 Administrative Standards required in the budget note. Each county has appointed six people to the Board of Directors. This Board is responsible for developing the strategic plan for the region and allocating funds to specific projects. Board members represent a diversity of organizations and interests including tribal government, city and county government, ports, special districts, non-profit organizations, industry associations and private businesses. The Board is composed of a majority of private sector representatives. The Board reviewed its membership and determined that the board members adequately represent the interests of rural areas within the region. At the time of preparation of this document the members were:

Umatilla County: Russ Dorran, Lewis Key, Kevin Hale, Hulette Johnson, Kim Puzey, Bill Tovey

Union County: Dennis Cross, Judy Loudermilk, Colleen MacLeod, Dennis Spray, Todd Richmond, Bill Whittemore

Wallowa County: Dan DeBoie, Ron Gay, Bob Keyser, Joseph McCormack, Timothy Nitz, Michele Young

The board has adopted policies requiring meeting minutes to be approved at board meetings, allowing individual board members' travel expenses to be reimbursed if their costs of participation are not covered by their employer and requiring new board members to receive orientation sessions provided by staff within three months of their appointment to the board.

The board has adopted written procedures and policies for awarding and disbursing funds. The procedures for disbursing funds are determined on a case-by-case basis and the dates change depending on the biennium. The following are the standard conditions that have been adopted by the board.

Standard Conditions Applicable to All Projects:

1. Project activities must be complete by xx (date determined by contract between region and state).
2. Grant funds may be disbursed jointly to project vendors and the Recipient, or disbursed to Recipient as reimbursement for eligible expenses.

3. Costs incurred after xx (date determined by contract between region and state) will be eligible for reimbursement.
4. When requesting grant funds, the Recipient must document expenditure of matching funds at their project matching funds rate for every dollar of grant funds requested.
5. Contract must be signed by xx (usually about two months after award of funds) or it will become null and void.
6. Matching funds must qualify as matching funds as set out in Exhibit E. Funds expended after xx (date determined by contract between region and state) may be counted as match.
7. Prior to disbursement of funds, recipient shall supply requested baseline job and or sales data.

Standard Business Project Conditions:

1. Equipment financed by a RIF grant will be secured by a security agreement and a UCC-1.
2. Trust Deed on real property for all grants - whether or not property acquisition or construction is financed by RIF.
3. Personal guarantee required from all owners with 20% or more ownership in any corporation or proprietorship financed with a grant - not applicable to partnerships or sole proprietorships.
4. Documents to include contract and promissory note. Contract provisions must be met for a five year period and grant must be repaid if contract provisions are not met during the five year period.

For Corporations:

1. The Recipient shall provide copies of the Articles of Incorporation and By-Laws prior to drawing any grant funds.
2. The Recipient shall pass a resolution designating an official signatory and accepting the grant funds and contingent liability prior to signing the grant contract. A copy of the resolution and minutes of the meeting where the resolution was passed shall be provided to the Northeast Oregon Alliance.

Construction/Remodeling Project Conditions:

1. City or county planning authority must write letter to NEOEDD stating that building construction and intended use are allowed uses at the site or a copy of the building permit and zoning map shall be submitted to NEOEDD.
2. Final project funding released only upon completion of construction project. A minimum of 10% of grant funds withheld until project is completed and certificate of occupancy submitted to NEOEDD.

Regional Staff

The Region is staffed by the Northeast Oregon Economic Development District (NEOEDD). NEOEDD provides staff support and acts as the contracting and fiscal agent on behalf of the Board. NEOEDD's two economic development staff members' 30+ years combined experience in economic development and past performance in staffing a variety of state and federal programs validates its capacity to effectively manage the Regional Investment Fund program.

These programs include:

- NEOEDD's EDA Title IX Revolving Loan Fund which is used for projects throughout Union, Wallowa and Baker Counties, with assets of approximately \$550,000. NEOEDD also manages an Intermediary Relending Program with loan funds of \$1,650,000.
- NEOEDD's past management of the \$500,000 Golden Circle Investment Fund (Regional Strategies Rounds 1 & 2) and over \$5 million of Regional Strategy and Rural Investment funds.
- NEOEDD's administration of the Northeast Oregon Business Development's Intermediary Relending Program's \$1,650,000 revolving loan fund.
- NEOEDD's grant administration for various Oregon Community Development Block Grants, Economic Development Administration, USDA Rural Business Services, and Hazard Mitigation Grant programs.

NEOEDD is a unit of local government and maintains financial records in accordance with generally accepted accounting principles and administrative records in accordance with Public Records Law.

NEOEDD's board of directors is responsible for financial control and oversight of the District. Bank reconciliations are performed monthly by staff following written procedures and are available for board chair review. Financial reports are provided to the board quarterly. Status reports on projects are provided to the board quarterly. Staff utilize a contract template that has been approved by legal counsel. Analyzing, processing and reporting financial transactions are conducted in accordance with generally accepted accounting principles. NEOEDD's accounting system is set up as a fund accounting system and receives an A-133 audit annually by the firm Seydel, Lewis, Moeller, Poe and Gunderson. An audit committee meets with the auditors as part of the audit process and the audit is presented to the board and discussed with the auditor at a regular board meeting. The audit is provided to OECDD annually.

Administration of Loans and Grants

The Board will generally not use its funds for loans; however, they want to maintain the option of lending funds if that appears to be the best option. In the past, they have loaned funds to one business that needed working capital financing with unusual terms. This business has become very successful and the loan was repaid in full. Having the option to make a loan of this type was critical to the growth of the company. NEOEDD has operated a Revolving Loan Fund for 20 years. NEOEDD staff are experienced in underwriting practices and have a good understanding of public loan programs and public and private financing options in the state.

The regional board has adopted the following eligibility criteria:

- Ë The project clearly implements an identifiable activity in this plan.
- Ë The results of the project are consistent with the region's performance measures.
- Ë The funds will not be used to retire any debt.
- Ë The funds will not reimburse any expenditures made or expenses incurred before final approval of the strategy.
- Ë The funds will not substitute for available budgeted resources in supporting ongoing public services or infrastructure that already exist, but rather support only new or enhanced services.
- Ë The funds will not maintain existing staff of a public or private entity, except staff time dedicated to: the administrative needs of the Strategy or the board; or redirected or augmented efforts consistent with the Strategy, such as new technical assistance for enhancing regional coordination or local economic development activities/capacity.
- Ë The funds will not be used to fulfill objectives or activities of the Strategy as initiated in a previous biennium.
- Ë The funds will not be used to assist in any way with the relocation of a business facility within this state from one labor market to another, unless the job losses in the originating labor market area are less than or equal to 0.1 percent of the most recently available estimate for the civilian workforce therein; or the relocation entails an improvement of the quality and a significant increase in the size of the business's total in-state employment, without being detrimental to an rural area, subject to determinations of OECDD.

È It the funds will be used to assist individual private business in acquiring assets such as land, buildings, machinery and equipment, or to recapitalize a revolving loan fund which would provide such assistance to individual private businesses, the project meets the terms and conditions for such loans or grants as set forth in the Strategy.

Additionally, the following criteria will be considered by the board:

- È Readiness of the project to proceed.
- È Capability of project proponent to manage the project and funds and to comply with the contract provisions.
- È Reasonableness of costs/budget for undertaking the project or activity.
- È Suitable commitment of funds from other sources, including the project's proponent.
- È Amount of leverage and match.
- È Awarding funds for gap financing.
- È The project is not replacing an otherwise available source of funds (public or private).

EVALUATION PLAN

The evaluation plan for the six year strategy is based on the goals established for the region. The evaluation plan will be linked to the projects that are funded and the specific objectives assigned to each project. The project review criteria will be utilized to develop the performance measures for each project funded, i.e., if a project is expected to create jobs, then the number of jobs created will be measured. Additional project-specific performance measures may be developed by the Board prior to final approval of a project. The projects will be evaluated semi-annually on their performance measures.

Project contacts will be responsible for collecting and providing project specific data on a semi-annual basis. Project contacts will also be asked to provide anecdotal information on the results of their project. These reporting requirements will be included in the contract with the Region.

Overall strategy data collection and analysis will be performed by the Regional Board's staff. They will collect the data from the project contacts and organize it into reports for the Regional Board. A comprehensive report for the Board and state will be prepared semi-annually. This report will inform the Board as to which individual projects appear to be performing most effectively.

The Board will utilize the evaluation process to revise and improve the Regional Investment Plan, goals, and action plans included in the strategy. The evaluation process will demonstrate which parts of the plan are working and which aren't. This information will be invaluable as the Board revises the plan.

The Northeast Oregon Alliance will provide periodic performance reports of the regional investment strategy as requested by the Oregon Economic and Community Development Department (OECDD). The region's staff will prepare these reports in a form prescribed by OECDD. Performance reports will outline the Regional Board's progress in implementing its strategies and in meeting performance measurements outlined in the strategy's evaluation plan. The reports will be made available to the county governing bodies of the region, the Oregon Economic and Community Development Commission, the Governor and the Legislative Assembly.

Regional Benchmarks

The Board has an overarching goal of diversifying the economy, supporting business development, creating jobs and raising real incomes. Through past experience, the board understands that although the projects they fund are successful, they have no ability to counteract national trends and economic cycles. Data that the region will track include covered employment, average annual wage, number of employing units and number of proprietors. The annual unemployment rate, average annual wage and number of employing units will be obtained from the Oregon Employment Department. This data will be available approximately 6 months after the end of the year. The number of proprietors will be obtained from the Bureau of Economic Analysis and will be available

approximately 18 months after the end of the year. The Board will consider the economy of the region and the trends in these regional benchmarks when adjusting the six-year strategy.

Performance Measures

The Regional Performance Measures provide an indication of overall strategy performance. In addition to the performance measures outlined below, additional performance measures may be developed for each project selected for funding.

Regional Performance Measures - based on an allocation of \$1,500,000.

- I. The region has established a goal of creating or retaining 1 job for every \$5,000 invested. The long-term goal for the 2007-2009 biennium is the creation or retention of 300 jobs. The short-term/direct goal is the creation of 200 jobs and the retention of 40 jobs. The long-term/indirect goal is the creation of 60 jobs. The region's goal is to create jobs that are 30-50% above the minimum wage rate.
- II. The region has established a goal of leveraging \$5 for every dollar invested. The goal for the 2007-2009 biennium is \$7,500,000 of matching funds. The short-term/direct goal is to leverage \$6,000,000 of matching funds and the long-term/indirect goal is to leverage \$1,500,000 of matching funds.
- III. The region will maximize moneys leveraged by short-term investments by funding projects that have a minimum of 1:1 match and will attempt to fund some projects that have more than \$10 of match for every dollar invested.

Key Performance Measures

1. Number of jobs created
2. Number of jobs retained
3. Amount of estimated state personal income tax generated by the Department's investment in jobs
4. New export sales of assisted clients
5. Number of new industrial sites/acres certified "project ready"
6. Amount of proprietors' net income increase

Information for Performance Measures

Definition of a Job

One full-time equivalent (FTE) job is equal to 1,820 hours worked per year. "Hours worked" does not include vacation time, sick leave or any other paid time where no work is performed. This definition was developed to be consistent with the data collected by the Oregon Employment Department for the Oregon Quarterly Reports and Form 132 (for Unemployment Insurance Tax). The 1920 figure represents an average of 35 hours worked per week.

Projected long-term job creation and retention

Definition: “long-term” job creation and retention. The number of FTE jobs projected to be created or retained within six years after completion of the project as a direct result of the assistance. When Regional Boards make funding decisions to award monies to “intermediary” projects, such as infrastructure extension to industrial sites, there is no initial job creation or retention in almost all cases. For industrial sites, there is no initial job creation or retention in almost all cases. For Boards that have significant investments in those type of projects, actual job creation/retention must wait until there is some additional activity, e.g. a business commits to locating in an area served by the infrastructure investment.

Source of data: OECDD commissioned study of infrastructure projects and others can be used to project results of these long-term investments. The region will contact our Regional Coordinator for this data.

Method and schedule to obtain data: Projected job number will be agreed upon between the project proponent, the Regional Board and OECDD at project start.

Projected short-term job creation

Definition: The number of FTE jobs projected to be created as a direct result of the assistance, within two years after completion of the project.

Source of Data: Application from the business.

Method and schedule to obtain data: Projected job number is agreed upon between the project proponent and the Regional Board at the time an award is made.

Projected short-term job retention

Definition: The number of FTE jobs the business indicates would no longer exist in Oregon if the project is not completed.

Source of data: Application from business, which contains the previous 4 quarters’ of Unemployment Insurance reports (see “Definition of a job, above).

Method and schedule to obtain data: Projected job number is obtained from the application. The one-year period used to determine Base FTE will be the four calendar quarters preceding the application. However, if the business/private organization started operations during the twelve month period and does not have a full twelve months of payroll preceding the application, the Base FTE will be calculated using a pro-rata of 1,820 hours, based on the number of months the business/private organization operated during the four quarters.

Number of jobs created along with the wage levels of those jobs

Note: The methodology outlined here is also used for calculating Key Performance Measure 3.

Number of jobs created

Definition: Base FTE is subtracted from the current FTE to determine the number of FTE jobs created within two years after the project is complete. It should be noted that for multi-year projects, there will still be a requirement to report progress annually.

Source of data: Quarterly Unemployment Insurance reported filed by the business with the Oregon Employment Department and provided to regional staff.

Method and schedule to obtain data: The application will include the previous four quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the business' Base FTE. As soon as possible following project completion, the business shall submit four consecutive quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the current FTE. The Base FTE will be subtracted from the current FTE to determine the number of FTE jobs created. Jobs must be created within two years after project completion.

Wage level of the jobs created

Note: The methodology outlined here is also used in Key Performance Measure 3 below.

Definition: Total wages paid for the year are divided by total FTE in the year to calculate the average wage. This is done at the application state using the Base FTE information and then at the required job creation period for each year that the job creation is reported.

Source of data: Quarterly Unemployment Insurance reports filed by the business with the Oregon Employment Department and provided to regional staff.

Method and schedule to obtain data: The application will include the previous four quarters Unemployment Insurance Reports that were filed with the Oregon Employment Department to establish the business' Base average wage. As soon as possible following project completion, the business shall submit four consecutive quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the current average wage.

Number of jobs retained, along with the wage levels of those jobs

Note: The methodology outlined here is also used in calculating Key Performance Measure 3.

Number of jobs retained

Definition: There are jobs that would have been lost had the project not been completed, but were retained over at least a one-year period.

Source of data: Quarterly Unemployment Insurance reports filed by the business with the Oregon Employment Department.

Method and schedule to obtain data: The application will include the previous four quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the business' Base FTE. The application will ask the applicant to identify the number of existing FTE jobs that will no longer exist in Oregon if the project is not completed. As soon as possible after the required one-year job retention period, the business will submit the previous four quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the current FTE.

Wage level of jobs retained

Note: The methodology outlined here is also used in Key Performance Measure 3

Definition: This performance measure assesses the actual average wage of a job retention project. Total wages paid for the year are divided by the total FTE in the year to calculate the average wage. This is done at the beginning of the project using the Base FTE information, and for the year covering the required retention period.

Source of data: Quarterly Unemployment Insurance reports filed by the business with the Oregon Employment Department.

Method and schedule to obtain data: The application will include the previous four quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the business' Base average wage. As soon as possible after the required one-year job retention period, the business will submit the previous four quarters' Unemployment Insurance reports that were filed with the Oregon Employment Department to establish the current average wage.

Long-term investment leveraged by the board's activity

Definition: The amount of money projected to be invested in the region within six years as a direct result of the board's investment and which, as determined by the recipient, would not have occurred without the board's investment.

Source of data: OECDD commissioned study of infrastructure projects and others can be used to project results of these long-term investments.

Method and schedule to obtain data: The OECDD Regional Coordinator will provide the data.

Short-term investment leveraged by the board's activity

Definition: The amount of money invested in the region within one year after completion of the project, as a direct result of the board's investment and which as determined by the recipient, would not have occurred without the board's investment.

Source of data: Recipient of Regional Investment Funds

Method and schedule to obtain data: A final report will be required to be submitted by the recipient after completion of the project. The final report will include the amount of money invested in the region as a direct result of the Regional Investment Funds and also will include a statement from the recipient as to whether the investment would have occurred without the Regional Investment Funds. In addition, the Recipient will provide receipts or invoiced and cancelled checks to document required matching investment when requesting approved project funding.

Amount of estimated state personal income tax generate by the Department's investment in jobs

Definition: The measure calculated personal income tax generated by job creation and retention projects.

Source of data: Quarterly Unemployment Insurance reports filed by the business with the Oregon Employment Department.

Method and schedule to obtain data: The measure is calculated by multiplying the following three elements: Average wage associated with the created or retained jobs, number of jobs, effective tax rate.

The calculation should be performed as soon as data is obtained for the measures on job creation, retention and wage levels. Currently the effective tax rate is determined to be 5.7%. The Department of Revenue last updated the effective tax rate in a report for tax year 2005 in the Spring of 2007. Any updates to the measure will be provided by OECDD after approval by the OECD Commission.

New export sales of assisted clients

Definition: The measure tracks new export sales that are a direct result of assistance which is calculated by specific contracts that the business attributes to the investment by the Board. Other contributors to the measure may include technical assistance.

Source of Data: Financial reports of the assisted business.

Method and schedule to obtain data: Businesses that are assisted in making new export sales during the Oregon fiscal year provide financial reports demonstrating sales total for the year assisted and for the preceding year to establish a base level of sales.

Number of new industrial sites/acres certified “project ready”

Definition: The measure tracks the number of new industrial sites and acres associated with those sites that are certified by the Department as ready for development within 180 days (“project ready”) as a result of the project.

Source of data: Documentation is obtained from a variety of agencies and others as appropriate. OECDD will provide a third-party letter of certification as a method of verification.

Method and schedule to obtain data: Documentation and the site itself is reviewed by an independent consultant who recommends certification. Results represent sites certified within the Oregon fiscal year and are reported in the month following that fiscal year.

Amount of proprietors’ net income increase

Definition: This measure tracks the net income of proprietor-owned businesses.

Source of data: Documentation will be obtained from assisted businesses.

Method and schedule to obtain data: Base data will be collected from the proprietor for the year preceding project selection as part of the application process. Data will be provided for the fiscal year following project closeout to show the change in net income. Data will be obtained from the business’ income statement.

FIRST SOURCE HIRING AGREEMENTS

First Source Hiring Agreements will not be required by the board.