



TO: Columbia River Gorge Commission

FROM: Jason Hildreth, GIS Analyst/Land Use Planner

DATE: April 11, 2017

SUBJECT: Information Item: Economic Development in the NSA –Presentation by Gorge Economists.

Background

The purposes of the National Scenic Area (NSA) Act passed in 1986 by Congress are *(1) to establish a national scenic area to protect and provide for the enhancement of the scenic, cultural, recreational, and natural resources of the Columbia River Gorge; and (2) to protect and support the economy of the Columbia River Gorge area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with paragraph (1).*

The Commission believes that by protecting and enhancing the resources of the NSA, we are also supporting the economy of the region. For instance, by protecting farm and forest lands from conversion to residential use, we are supporting agriculture, a critical part of the Gorge's economy. And by protecting and enhancing all the resources listed in the first purpose – scenic, natural, cultural and recreational – we are promoting tourism and protecting the Gorge's unique quality of life which, in turn, attracts businesses, people, and economic growth. To date, the Commission has not fully explored how the two purposes of the Act are mutually reinforcing nor investigated how to demonstrate success in the second purpose of the Act. In an effort to discuss and evaluate our effectiveness at achieving the economic component of the Act's purposes, staff has prepared this report and invited regional economists to provide an overview for the Commission.

At the April 11, 2017 Commission meeting, two regional economists will make a presentation to the Commission. Dallas Fridley is a regional economist with the State of Oregon Employment Department. His focus is Gilliam, Hood River, Morrow, Sherman, Umatilla, Wasco, and Wheeler Counties. Scott Bailey is a regional labor economist with the Washington State Employment Security Department. His focus is Cowlitz, Clark, Skamania, and Klickitat Counties. Together, the geographic area that they track includes most of the National Scenic Area counties. Their presentation will address past and present economic trends in the Columbia River Gorge. They will discuss employment, wages & income, real estate, labor trends, payroll, and other data. This will also provide an opportunity for the Commission to begin a conversation about what types of "holistic" or non-traditional models of growth can be used to assess the National Scenic Area's effectiveness at promoting the interplay between the two purposes of the Act. This reflection may also be crucial for

modernizing our interpretation of the second purpose, taking into consideration the latest metrics used in natural resource economics, and concepts such as the “triple bottom line” which are used in discussions about sustainability.

The goals of the presentation are to inform the Commission about the current state of the Gorge economy and provide potentially useful economic metrics that the Commission might consider when engaging in Gorge 2020 Management Plan Review. The plan review provides an opportunity to develop a vision for economic development in the National Scenic Area, one that may end up providing an alternative model for rural development that differs from the traditional urban growth model. This memo provides background on economic development provisions in the Act and Management Plan, current Commission work specifically addressing economic development, and the Commission’s economic indicators as described in the 2009 Vital Signs Indicators project.

Economic Development Provisions in the Act

The National Scenic Area Act addresses economic development in several ways. The most notable include:

- ❖ In section 3 the second purpose of the Act is *“to protect and support the economy of the Columbia River Gorge area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with paragraph (1).”*
- ❖ In section 4(f), one of the four criteria for amending urban area boundaries requires the Commission to consider whether there is a demonstrable need to accommodate long range urban population growth requirements or economic needs consistent with the management plan. *The Commission may revise the boundaries of an urban area only if it finds that -*
 - *(A) a demonstrable need exists to accommodate long-range urban population growth requirements or economic needs consistent with the management plan;*
 - *(B) revision of urban area boundaries would be consistent with the standards established in section 544d of this title and the purposes of sections 544 to 544p of this title;*
 - *(C) revision of urban area boundaries would result in maximum efficiency of land uses within and on the fringe of existing urban areas; and*
 - *(D) revision of urban area boundaries would not result in the significant reduction of agricultural lands, forest lands, or open spaces*
- ❖ Section 6(a)(2) requires the Commission to conduct an economic opportunity study when preparing the original management plan. *Economic opportunity study. The Commission shall complete a study to identify opportunities to enhance the economies of communities in the scenic area in a manner consistent with the purposes of [this Act].*
- ❖ In section 11, the Act requires that Oregon and Washington’s economic development plans for the National Scenic Area grants and loans must be consistent with the economic opportunity study. This section also contains the authority and standards for the Commission’s certification of National Scenic Area grants and loans that the Oregon Investment Board and Washington Investment Board award.
- ❖ Section 16(b) of the Act authorized several specific appropriations:

- \$10 million in federal funding for economic development grants in the two states;
- \$10 million for the construction of a conference center in Washington (Skamania Lodge in Stevenson) and an interpretive center in Oregon (Discovery Center in The Dalles);
- \$10 million for the construction of recreation facilities; and
- \$2.8 million for restoring and reconstructing the Historic Columbia River Highway.

The Act requires the Commission to base its decisions on setting land use designations and adopting the management plan on the other required studies, but the Act does not require the Commission to base its decisions on the economic opportunity study. Staff today believe the policies in the management plan show the Commission did choose to base its decisions on the economic opportunity study (completed in 1988) and the Commission may base decisions on amending and revising the management plan on the findings and recommendations of the economic opportunity study. The Commission has not revised/updated this 1988 study, but instead is informed by several agencies that monitor the economic trends and vitality of the Gorge and publish reports on their findings such as the Mid-Columbia Economic Development District (MCEDD) and Skamania Economic Development Council (EDC) who source data from the two economists to inform their Columbia Gorge Economic Development Strategy. All the information they gather is made available to the Commission.

Management Plan Provisions Implementing the Second Purpose

Part III, Chapter 2 of the Management Plan contains the Commission's goals and policies for economic development in the General Management Area (GMA). Policies relate to working with National Scenic Area partners, considerations of special land uses, and creating an efficient loan and grant certification process.

Consultation: Regarding work with NSA partners, the policies require the Commission to consult with Oregon and Washington in their development and implementation of their economic development plans and to encourage the states to work together to maximize the benefit of federal dollars. Although not named specifically, the Commission works with economic development partners, such as MCEDD or Skamania Economic Development Council (EDC) to implement the second purpose of the Act.

Special Land Uses: The policies also require specific land use outcomes by protecting agriculture and forest industries by preventing fragmentation of the land base and minimizing interference with agricultural and forest practices from conflicting uses, and by allowing commercial uses outside of Urban Areas. The commercial uses allowed outside of urban areas are home occupations and cottage industries, and resource-based commercial uses such as wineries, commercial events, commercial uses in historic buildings, and recreation development.

Ports: The policies recognize the special role of the five ports in the National Scenic Area as providers of river transportation, recreation development, and waterfront development. To this end, the policies assign priority to urban area boundary revisions to requests involving port properties or projects, and by exempting urban waterfronts from wetland and riparian area guidelines in the Management Plan.

Certification timeline: Finally, the policies require the Commission to maintain a simple, efficient and speedy certification process to not delay economic development activities.

Other: Other chapters in the Management Plan address specific economic development issues. For example, Part II, Chapter 7 contains some broad guidelines for a replacement Columbia River Bridge between Hood River and the Bingen/White Salmon urban areas. These guidelines were added to ensure that the Management Plan specifically allowed a replacement bridge and to help with preliminary bridge concepts and design, which is necessary for seeking federal and state funding. The Commission also amended the Management Plan after the last plan review to specifically allow some commercial uses in historic buildings if the uses would contribute to the preservation of the historic buildings in which they are located. This amendment was controversial and only a few such uses have been approved.

Current Commission Work with Economic Development

Most of the Commission's direct work with economic development is reviewing economic development loan and grant applications that come from the ***Oregon Investment Board*** and ***Washington Investment Board***. The states established these board specifically to plan for distributing federal economic development grant and loan funds and oversee implementation of the grant and loan programs. Commission staff uses Commission Rule 350-120 to review grants and loans that the states' investment boards approve.

The Commission's review is limited to four standards: (1) the activities must be consistent with the purposes of Act, the management plan, and land use ordinances; (2) grants and loans may not be used to relocate a business from one community to another; (3) grants and loans may not be used for program administration; and (4) grants and loans are used only in counties which have in effect land use ordinances found consistent by the Commission and concurred on by the Secretary. Commission staff work closely with MCEDD and Skamania EDC, who administer the grant and loan programs, to ensure that loans and grants provided through the Oregon and Washington Investment Boards are consistent with the Act and the Management Plan. Staff also attend meetings with the Investment Boards to receive updates on loan actions, modifications and reports, as well as broader budget recommendations for the agencies.

Partnership with Mid-Columbia Economic Development District (MCEDD) and Skamania Economic Development Council (EDC)

MCEDD's mission is to promote the creation of family-wage jobs, the diversification of the economic base, and the growth, development and retention of business and industry within the five-county district that comprises Skamania, Klickitat, Hood River, Wasco, and Sherman counties. MCEDD gathers economic, workforce, and demographic data for the five-county region and produces reports on the region as well as the individual counties in their Mid-Columbia Comprehensive Economic Development Strategy.

The Skamania EDC's mission is to define, support, and promote policies and activities that contribute to the economic stability and growth of the tax base of Skamania County by supporting retention of existing business, business expansion, and new business development. The EDC acts as a clearing house for marketing research, data, and survey information.

Staff participates, as time allows, in the investment boards' meetings and their updates to their economic development plans. Over the past six months staff have participated in extensive scoping sessions with MCEDD to help shape their Economic Development Strategy for 2017-2022. MCEDD's

economic reports and strategies can be found at: <http://mcedd.org/reports/reports>. Staff has also participated in other regional and local economic development initiatives as an agency partner, such as the Skamania County Economic Development Council's annual meeting.

Partnership with Ports and Cities

In the past, the Commission has also supported efforts of Gorge cities to work together to jointly undertake and share urban services using National Scenic Area authorities where those authorities are more permissive than state law. For example, the Commission supported an effort by Cascade Locks, North Bonneville, and Stevenson, to work together on providing sewage service, study opportunities for Cascade Locks students to study at Stevenson schools rather than be bussed to Hood River, and jointly use EMS services. The Commission believes sharing services comfortably fits within the second purpose of the act and ensures efficient use of land within urban areas. Most recently, Commission staff have been working with the Recognition of EMS Personnel Licensure Interstate Compact (REPLICA) to connect compact officials with local officials to ensure Oregon legislators understand the unique problem of providing emergency medical services in the Gorge and the importance of that service to communities that are trying to attract economic investment.

The Commission staff have brought together the Port Directors and some of the leadership of the five port districts within the National Scenic Area to discuss regional economic development and to learn where the Commission may be able to support or influence the ports' efforts. One example was the Commission assisting the Port of Cascade Locks to organize a public meeting with the states' departments of transportation to discuss the recent weight restriction on the Bridge of the Gods and communicating the importance of the Bridge of the Gods in the overall economy of the Gorge and the states. A quick funding solution and necessary bridge repairs followed these efforts.

Vital Signs Project: Economic Indicators

The Commission launched the Vital Signs Indicators (VSI) project in 2007 to develop high level practical measures to assess the condition of Gorge resources. The subsequent VSI report, completed in 2009, presented indicators for measuring the health of the Gorge economy. The 2009 report includes trends through 2007, with some comparisons of 1989 and 1999 statistics. However, due to lack of staff capacity after budget reductions, the Gorge Commission staff were not able to continue the VSI project and develop a tracking system to monitor the metrics identified below. At this time, staff would like to revisit and revise the indicators to better reflect current conditions, select applicable metrics that could be more useful to the Commission, and be measurable in the NSA to reflect the implementation of the second purpose of the NSA Act. Note the list of VSI indicators tend to reflect established models of economic development and resource use, rather than addressing a place-based vision of economic development suited to the Act's two purposes and the Gorge's unique situation.

The 2009 VSI indicators for economic resources include:

1. Income: Per capita income of NSA urban area residents as a percent of state and non-metro per capita income: a) Oregon side and b) Washington side.
2. Job Growth: Net job growth: a) Oregon side and b) Washington side.
3. Construction: Building permits issued by urban area: a) housing, b) commercial, and c) industrial.
4. Vacancy Rate: Commercial vacancy rate by urban area.
5. Housing Affordability: Percent of households that can afford the median priced house.
6. Activity: Total number of a) agriculture and b) forestry enterprises.

7. Revenue: Total revenue of a) agriculture and b) forestry enterprises.
8. Payroll: Total payroll of a) agriculture and b) forestry enterprises
9. Land Base: Total acreage in a) agriculture uses and b) forest uses.
10. Income: Per capita income of NSA non-urban area residents as a percent of state and non-metro per capita income: a) Oregon side and b) Washington side.
11. Job Growth: Net job growth in rural areas: a) total; b) Oregon side; c) Washington side.
12. Construction: Building permits issued in rural centers and non-urban areas: a) housing, b) commercial, and c) agricultural.
13. Activity: Number of rural and rural center enterprises: a) total; b) Oregon side; c) Washington side.

Staff believes this list is too long and needs to be reviewed and shortened to identify three or four indicators that can be monitored over time to measure how well the Commission is implementing the Act.

Next Steps:

The presentation at the April 11, 2017 Commission meeting will provide initial information about indicators that are readily available for tracking economic trends in the NSA. This is an important starting point for a discussion about what types of “meta-indicators” or umbrella concepts and constructs could be used to assess whether the Gorge’s economy meets the community’s needs and the vitality called for by the language of the Act. The Commission could discuss what the desired vision or outcomes are for the Gorge. Ideally, the metrics would better explain how the Act and the Commission have--and are--promoting economic development. How, for instance, by protecting farm and forest lands the Act has protected the agricultural economy throughout the Gorge; how the National Scenic Area has drawn tourists from all over the region and world, promoting our food and lodging industries; how important an employer the Lodge is to Skamania County; and finally, how protection of the National Scenic Area’s world-class scenic, natural, cultural and recreational resources and unique quality of life has helped attract and retain a range of enterprises from small family businesses to Google and Insitu.

Once the vision and outcomes have been more fully explored, the Commission would then be in a position to assess what types of new and emerging economic indicators and analytics (i.e. natural resources economics) could help produce a smaller number of indicators that are most relevant and measurable. Staff can then work with the state economists, MCEDD, EDC and other partners or resources (i.e. University or other existing state programs that collect metrics) to review, track and eventually incorporate these indicators into the revised Management Plan.