



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lance Robertson, Public Affairs Manager, and Monica Shovlin, Marketing & Creative Services Supervisor
DATE: April 5, 2013
SUBJECT: Business Climate Survey Results

Issue

The Eugene Area Chamber of Commerce and Lockwood Research have released the final results of the 2013 Business Climate Survey, the preliminary high-level results of which were presented on March 20 to more than 600 attendees of the Chamber's Annual Economic Forecast event, co-sponsored by EWEB and other institutions. The event sponsorship demonstrates EWEB's commitment to the local business community and support for the Chamber's economic development efforts. In addition, the survey provides valuable information on planned investments in commercial facilities in EWEB territory, as well as the level of awareness and perceptions of existing and potential EWEB programs for commercial customers.

Background

Since the strength of a community's business climate is directly connected to local business success and effective economic development efforts, the Chamber and EWEB have partnered on the first comprehensive analysis of the local business climate in more than a decade. The objective of the research is to measure the perceived hospitality of the area to the needs and desires of businesses located in, starting up, or considering a move to Eugene. This survey provides the opportunity to identify Eugene's strengths, as well as opportunities for our two organizations and businesses to work collaboratively to improve the local business climate. The survey also provides detailed information from business decision makers (i.e., owners and/or senior executives) including property descriptions, energy efficiency awareness and workplace practices, planned investments in commercial facilities in EWEB territory, and more. The 2013 survey results also will serve as a "benchmark" so that trends can be measured over time.

Discussion

An executive summary of survey results is attached. If you would like a CD of the full report, which includes verbatim responses, please contact one of us and we will provide it to you. This information is especially useful to EWEB Key Accounts, Energy Management and Power Planning staff as they develop a new model for commercial customer energy efficiency and demand response offerings that align with load forecasts, energy conservation and peak energy demand targets.

Recommendation

This partnership and event sponsorship are worth continuing as EWEB navigates the challenges of the next several budget cycles. The shared cost of survey administration and the marketing benefits

of the sponsorship provide a high value for community engagement. In addition, the data and trend information will help EWEB in the development of new programs or the recalibration of existing programs and services.

Requested Board Action

Information only; no action required. If you have specific questions about the survey results, please contact Monica Shovlin at monica.shovlin@eweb.org or at 541-685-7666.

SUMMARY & OBSERVATIONS

Eugene's overall business climate is better than it was in 2003 when a similar study was conducted. Firms' perception of the business climate as pro-business or anti-business is related to how they feel Eugene is as a place to do business.

- Respondents were asked to rate if they *personally* feel Eugene's business climate is pro-business, neutral, or anti-business. In 2013, 22% of the sample *personally* perceive Eugene as being pro-business, and 10% feel businesses outside the area also perceive the city as pro-business. In 2003, 13% personally perceived Eugene as pro-business and 3% believed businesses outside Eugene perceived Eugene as pro-business.
- In 2013, 38% *personally* perceive Eugene as being anti-business, and 56% feel businesses outside the area also perceive the city as anti-business. In 2003, 63% personally perceived Eugene as anti-business and 77% believed businesses outside Eugene perceived Eugene as anti-business.
- Overall, nearly three-fourths (72%) of the sample feels Eugene is a *good* to *fair* place to do business today. In 2013, 18% rated Eugene as *poor*, which is an improvement from 2003 when 30% rated Eugene a poor place to do business.
- Those who *personally* perceive Eugene as *pro-business* are statistically more likely to feel Eugene is a *good* (58%) or *excellent* (27%) place to do business. Those who personally perceive Eugene as *anti-business* are more likely to feel Eugene is a *poor* place to do business.
- Compared to two years ago, 53% of the sample feels Eugene is *about the same*; while 24% feel Eugene has gotten *better*, and 19% feel Eugene has gotten worse.
- Four out of ten (42%) businesses feel Eugene city government is *not supportive* of local businesses (19% *not all supportive* and 23% *somewhat unsupportive*).

The top advantages to doing business in Eugene are the presence of the University of Oregon; Eugene's central location, along with Eugene's location on the I-5 corridor; and Eugene's general living conditions which provide a good quality of life.

- Nineteen percent (19%) of the firms reported the presence of the *University of Oregon* as the most frequently mentioned advantage to doing business from a Eugene location. The University of Oregon was the most frequently mentioned *second* and *third* advantage when asked to name the top three.
- Eugene's *central location* was the most frequently mentioned *top advantage* when asked to name the top three, and ranked second overall with 16% of the cumulative mentions.
- Ten percent (10%) reported Eugene's *general living conditions* or *quality of life* as a top three advantage to doing business from a Eugene location.
- Ten percent (10%) recognized Eugene's *natural beauty* or *geographic location* as a top three advantage.

The top three problems or barriers to doing business in Eugene are the stagnant, depressed economy which hasn't recovered from the recession, high taxes, and too many regulations.

- Eleven percent (11%) of firms reported the *stagnant, depressed economy* as one of the three biggest problems or barriers to doing business from a Eugene location.
- Ten percent (10%) reported *high taxes* as one of their top three biggest problems.
- Eight percent (8%) mentioned *too many regulations* as one of their biggest barriers to doing business in Eugene.

Quality of life factors rate high in satisfaction with the sample, but are not as high in importance as regulatory factors and labor market forces.

- Parks and recreation is one of only two business climate factors on the survey that received a satisfaction score higher than the importance placed on it. The other one is medical facilities.
- Cost of doing business and workforce quality received the highest mean importance score: 4.5 out of a possible five. Satisfaction with the cost of doing business and workforce quality in Eugene are a mediocre 2.9 and 3.4, respectively.
- The state fiscal situation, over which the city has no control, has the largest gap between importance (4.2) and satisfaction (2.3) scores. Economic growth potential has the second largest gap between importance (4.4) and satisfaction (2.6) scores, and local tax policy has the third largest gap between importance (4.1) and satisfaction (2.5) scores.
- A quadrant analysis shows that the number of business climate factors that need to be addressed are about the same as those that could be used to promote the business climate. Economic growth potential, cost of doing business, community safety, and the education system are areas to be addressed.

Barriers to economic development in Eugene start with city government. The permit process is difficult, lengthy, and costly; and land use zoning regulations hinder businesses from locating to Eugene or expanding in Eugene. City Council's anti-growth and anti-business persona also stymies economic development.

- Land use zoning regulations were the most frequently mentioned barrier to economic development in Eugene (28 mentions, 12% of those who perceive there are barriers).
- The permitting process was also a frequently mentioned barrier. The difficulty of the permitting process was mentioned by 11% of those who perceive there are barriers (26 mentions), and the long permit process was mentioned by 7% (17 mentions).
- Taxes which impact businesses were mentioned by 7% of those who perceive there are barriers (18 mentions).
- The City Council is the fifth-most frequently mentioned barrier to economic development in Eugene (7%, 16 mentions).

Business performance is improving, and expectations are for increased activity. Firms surveyed reported that they expect their revenue, expenditures, and employment to expand, rather than decline, in 2013.

- Gross sales were up for 37% of the sample in 2012, compared to 2011.
- Fifty-seven percent (57%) of firms surveyed expect their gross revenues to increase in 2013 with only 10% expecting their revenues to decrease.
- The majority of firms (58%) reported their number of full-time employees is expected to *stay the same* in 2013. Over one-third (35%) of firms stated that they expect their full-time employment to *increase*, while only 3% expect their full-time employment to *decrease* in 2013.
- Six out of ten (61%) firms surveyed expect their expenditures for employee wages and/or personal draws to increase in 2013, with only 4% expecting a decrease.
- Six out of ten (62%) firms expect their overall business expenditures to increase in 2013, with only 6% expecting their business expenditures to decrease.
- Forty-three percent (43%) of firms surveyed expect to add new products or services in 2013.
- Two out of ten (21%) firms are likely to make significant capital investments in 2013. Of those, 60% are planning to build, 68% are investing in equipment, and 34% are investing in personnel.
- Twelve percent (12%) expect to expand to an additional location outside of Eugene.
- Nine percent (9%) of property owners are likely to expand the physical size of their building or plant in 2013.

The labor market is a primary concern for business and received some of the highest importance ratings. The presence of the University of Oregon and Lane Community College is considered an advantage and source for educated, trained employees.

- Almost one-half of the sample (45%) has 2 – 9 full-time employees who work at least 32 hours each week.
- Roughly one out of five (18%) firms have 0 – 1 full-time employees (self-employed).
- Workforce quality was rated *very* or *somewhat important* by 80% of the sample and received the highest mean score of 4.5 (on a 5-point scale). The sample is moderately satisfied (mean score 3.4) with the current workforce quality in Eugene.
- Workforce availability ranked seventh in importance among factors that affect the business climate with a mean score of 4.2 (on a 5-point scale). The sample is moderately satisfied (mean score 3.3) with the current workforce availability in Eugene.
- Those with 0 – 1 full-time employee are statistically more likely to rate Eugene a *poor* place to do business, while those with 2 – 9 employees are more likely to give Eugene a *fair* rating, and those with 100 – 249 employees are statistically more likely to rate Eugene a *good* place to do business.

The sample is a blend of randomly chosen EWEB commercial customers and Eugene Area Chamber of Commerce members. The sample closely matches the demographics of the 2003 sample and U.S. Department of Commerce census data for 2010.

- Two-thirds (68%) of the sample are Eugene Area Chamber of Commerce members.
- Six out of ten (63%) firms reported employing fewer than 10 full-time employees who work at least 32 hours each week.
- The largest sector of firms surveyed was the service sector, with 24% of firms. Construction and home building firms represented 9% of the sample; health care and human services represented 8%, and manufacturing (wood and non-wood) represented 6%. In 2003, the service sector accounted for 22% of firms, manufacturing accounted for 5%, and construction accounted for 12%.
- Nearly one-half (48%) of the sample reported their business or organization has been located in Eugene for 26 years or longer.
- Two businesses in the sample have been located in Eugene less than one year (six months and seven months), while the longest time spent in Eugene is 150 years.
- One-third (34%) of surveyed firms reported 2012 annual gross revenues below \$500,000, 20% reported revenues of \$500,000 - \$1 million, 22% reported revenues of \$1 million - \$5 million, and 11% reported revenues over \$5 million.

Office and industrial space are the most popular property descriptions among responding firms and are most likely located in 97401 or 97402 zip code areas.

- One-half (51%) of the sample occupy space that is 5,000 square feet or smaller.
- Four out of ten (41%) firms own the space they occupy, 41% lease the space and 17% rent.
- Nearly one-third (31%) of responding firms reported they are located in office space, primarily professional office space, and statistically more likely to be located in 97401.
- Nearly one-fourth (24%) of the sample is located in industrial space, which is statistically more likely to be located in 97402. Most industrial space is an office/warehouse space without refrigeration (39%), and 24% of the industrial space is office/warehouse with refrigeration.
- While retail accounts for 7% of the sample industries, 13% of the sample occupies retail space. Most of the retail space is located in a commercial strip (56%) or freestanding space (30%), versus an enclosed mall (5%).
- Eleven percent (11%) of the responding firms are home-based businesses.
- Food service accounts for 4% of the sample industries. Most of the food-based businesses are restaurants (79%), with 7% being fast food or a food cart (7%).

Firms responding to the survey rely primarily on electricity for their heat and cooling equipment. Energy conservation is not widely practiced among those who are renters or lease their business or organization's property.

- Over one-third (34%) of responding firms reported they engage in energy conservation efforts as a business strategy for controlling their businesses fixed costs *frequently* or *all the time*.
- Over one-fourth (26%) of responding firms reported they engage in energy conservation efforts to control their businesses fixed costs *almost never* or *not at all*.
- Sixteen percent (16%) of the responding firms participate in an EWEB-sponsored energy efficiency program. A few participated in the past. Two percent indicated they are *thinking about it*. The most popular program is *lighting* (39%), followed by *windows* (13%).
- Six out of ten (61%) respondents indicated they are *not at all* or *somewhat unlikely* to invest in energy efficiency upgrades at their location in the next one to two years.
- One-half (50%) of the sample is familiar with EWEB's rebates for energy efficient products.
- Those in food services show the highest level of interest in any of EWEB's energy efficiency programs. One-half (50%) of those in the food service industry are very interested in the program for energy efficient equipment including electric ovens, fryers, refrigerators, freezers, ice machines, and food holding cabinets.

CONCLUSIONS

This is the baseline measurement for a five-year Eugene Business Climate Study that will measure the pulse of the business community between 2013 and 2017. While some comparisons were made to a previous study conducted by the City in 2003, these 2013 findings are going to become the baseline from which future change will be measured. For Eugene to thrive as a business community, change is needed.

Compared to the findings of the 2003 survey, the current business climate is noticeably improved. The current research findings indicate that the pulse in the Eugene business community is getting stronger. Future expectations include increased workforce, increased sales, increased salaries, and future growth and expansion. There is optimism. The University of Oregon also plays a strong role in the local economy and is seen as one of the biggest advantages to doing business from a Eugene location. The University of Oregon, along with Lane Community College, provides a skilled, educated, and qualified workforce; one of two business climate factors which received the top rating in importance (4.5 out of 5). Both campuses have seen recent expansion and growth in enrollment.

Amidst all this optimism for the future is an underlying perception that Eugene is not business friendly. More businesses and organizations in the sample feel Eugene is more anti-business than pro-business (38% to 22%). This anti-business sentiment is seen as a barrier to economic development in Eugene, as well as a disadvantage of doing business from a Eugene location. In fact, over one-half of the sample (56%) feels businesses and organizations outside of the area perceive Eugene as anti-business and cited examples of lost recruitment opportunities because of it. This anti-business perception among business leaders fosters a feeling that Eugene is a "poor" place to do business.

Four out of ten firms do *not* feel Eugene city government is supportive of local business. At a time when the sample used the revitalization of the downtown core as an example of why they feel things are better in Eugene now, compared to two years ago, the Mayor and City Council voted to suspend a big property tax program designed to help downtown building projects get off the ground (MUPT). Economic growth potential has the second largest gap between the importance assigned to it (4.4 out of 5) and current satisfaction level (2.6 out of 5). One reason for that dissatisfaction is the City Council. The City Council was ranked fifth in the top five barriers to economic development. Land use zoning regulations was the most frequently mentioned barrier to economic development in Eugene, along with the permitting process.

While the policies of Eugene city government are important, many of the issues facing the local business community, across all industries, are tied to the economy at the local, state, and federal levels. Although Oregon's economy is recovering, it has not recovered. According to the State of Oregon's economic forecast, slow growth will continue to be the norm. The current research shows the State's fiscal situation has the largest gap between importance to the sample and satisfaction. The sample gave the State's fiscal situation an importance score of 4.2 (out of 5) and a satisfaction score of 2.3 (out of 5). Once Oregon's economy starts to rebound, Eugene's central location, seen as a primary advantage to doing business from a Eugene location, makes it an ideal retail and wholesale trade center for both central and southern

Oregon. Still, it is the stagnant, depressed economy of today that is considered to be one of the biggest problems Eugene businesses and organizations are facing.

Taxes are also a big concern to the sample, and there is uncertainty about what will happen with future taxes once the American Taxpayer Relief Act (2012) goes into affect. During the time the survey was conducted, the City of Eugene was considering a city property tax levy and stormwater and parks fee to help fund city services in face of a \$6 million budget shortfall. The businesses and organizations in the sample ranked taxes as the fourth most frequently mentioned barrier or problem their business or organization faced.

Only seven percent (7%) of the sample rated Eugene as an "excellent" place to do business today. Most, 72%, rate Eugene as "good" to "fair". Compared to two years ago, at least one-half of the sample feel Eugene is about the same. Examples of why Eugene is perceived to not have changed in the past two years ago are similar to the examples given of why Eugene is perceived to be worse than it was two years ago: the permitting process; taxes; and anti-growth sentiment were ranked in the top five mentions. Ranked number one is the lack of any observed or noticeable changes in the business or organization.

To gauge the direction the business climate is heading, respondents were asked to indicate their expectations for 2013 in five key performance areas. The only key area *not* expected to see a large increase is total business indebtedness; only 12% expect that to increase and 30% expect it to decrease. The business strategy most likely used to fuel future growth is the addition of new products or services.

Improving the overall business climate in Eugene will be a process that takes time. The annual Eugene Business Climate Survey is a tool that will help monitor the factors that affect the business climate and provide some direction to facilitate improvement. The Eugene Area Chamber of Commerce has programs that can assist local businesses and organizations bridge some of the importance and satisfaction gaps identified in this survey.

While the cost of doing business received the highest mean score of importance (4.5 out of 5) and a low satisfaction score (2.9 out of 5), only one out of three (34%) firms engage in energy conservation efforts as a business strategy for controlling their business' fixed costs. EWEB has a variety of energy-management and energy-efficiency programs for businesses of all sizes to help manage their cost-of-doing business by reducing their utility expenses. Although only ten percent (10%) of the sample believes it is possible to shift some of their electricity use away from high demand hours to off-peak times, the likelihood of participating in a Demand Response Program in exchange for a lower rate or other financial incentive is an optimistic 60% among those who are able. These are measures that help improve the business climate.