

RECIPE FOR SUCCESS

LAND
+ WORKERS
+ MONEY
ECONOMIC GROWTH
in CLARK COUNTY



STEVEN LANE/The Columbian

Logs are cut into lumber at Columbia Vista Corp., Clark County's last remaining sawmill.

Clark County doesn't have the right mix of ingredients for businesses to grow

CLARK COUNTY

Getting to Growth

In the weeks and months ahead, The Columbian will review the obstacles slowing Clark County's recovery and examine how well local leaders are working together to overcome these hurdles. Everything from our housing, financial and labor markets to our relationship with Portland, and our land-use and transportation plans will go under the microscope.

This story kicks off our "Getting to Growth" series by delving into the local and global decisions that drove us into this mess and by pointing to ways in which we might better use our land, bolster our work force and help businesses obtain capital.

By AARON CORVIN
Columbian staff writer

It's a three-step recipe for reviving an economy: take land, add labor and stir in capital.

Companies still need smart leaders and strong products, of course, but when a community can offer places to operate, a work force trained to do the job, and money to pay the way, solid businesses are positioned to grow.

Trouble is, Clark County lacks the right mix of those three key ingredients, and it's holding us back.

As the U.S. economy slowly recovers, Clark County is staggering under the weight of 28 consecutive months of double-digit unemployment, the third-worst foreclosure rate in the state and scant job growth. "We just haven't seen the turnaround," said Scott Bailey, regional labor economist for the state Employment Security Department. Today, some 28,000 of our friends, neighbors, and family members are unemployed and looking for work. With the private sector providing the

vast majority of local jobs, businesses need to start growing and hiring again to bring those numbers down.

Corporate crisis

A thriving sawmill on the Columbia River offers insight into the importance of land, labor and capital for one company — or even a region — to turn itself around.

Though healthy today, Vancouver-

GROWTH, Page A4



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GROWTH MULTIMEDIA PACKAGE

Visit the Getting to Growth series page at <http://www.columbian.com/growth>

It includes:

- Video of Columbia Vista Corp.
- Video of business reporter Aaron Corvin.
- An interactive graphic of recovery scenarios.



Growth:

From Page A1

based Columbia Vista Corp. suffered an economic crisis of its own in the mid-1990s, when Japan's real estate and stock bubble burst. Buyers from that country had been Columbia Vista's primary customers, making frequent payments that allowed the sawmill to keep the lights on, the logs coming in and the paychecks going out. Now its primary source of capital was gone.

Just as, a decade later, Clark County's over-reliance on one industry for job growth — housing — would exacerbate the worst local recession in more than a generation, Columbia Vista's over-reliance on one line of business left it teetering on the verge of ruin.

Firmly rooted in the natural resources economy of Clark County's past, the company looked unblinkingly toward the future. To turn his business around, Bob Lewis, the company's president, wanted to diversify into new product lines, build better relationships with suppliers, and invest in training and education for his employees. To fund the plan, the company would need a loan.

Were it faced with similar challenges today, an era of caution and conservatism in the banking sector, it's unclear whether Columbia Vista would be able to find the capital it needed. But in the mid-1990s, Lewis was able to convince a key investor — what he describes as “a golden angel” — that his business was worth the risk.

With the capital it needed, Columbia Vista successfully turned itself around. Revenues at Clark County's last remaining sawmill climbed from \$29 million in 1997 to \$44 million in 2009. Staffing today has reached 108 workers — up 16 workers since September.

Though capital funded the turnaround, Lewis also depended on a trained and able labor force to execute his plan. Lewis' basic philosophy is that a company is only as good as the people who work for it. By spending dollars to help workers build their skills and knowledge, the company sees multiple long-term benefits, including more loyalty from employees and less staff turnover which bolsters the bottom line.

The land beneath Columbia Vista's main plant is also central to its continued success — a seemingly obvious fact, but one that the company has had to fight to protect from county zoning changes that might have forced it to shut its doors. The company's collection of manufacturing and office buildings, where the sounds of saw blades and fired-up big rigs fill the air, depend on the “industrial” designation in county land-use codes. With ever more land plowed into housing instead of businesses over the past two decades, companies such as Columbia Vista have fewer options when they want to set up shop.

Despite the challenges that Clark County's economy faces, Lewis, a soft-spoken 60-year-old with a salt-and-pepper goatee, looks to the future with optimism drawn from Columbia Vista's successful turnaround.

“Anybody can do the things we did,” said Lewis, recalling how his company breathed new life into itself after nearly dying in the mid-1990s. “You just have to want to do them.”

Land: Growing fast but flawed

If the 1990s marked a time of soul-searching for Columbia Vista, the decade heralded a full-speed ahead period for Clark County's economy.

A suburban part of the Portland metro area, the county acted as a relief valve for families seeking affordable housing. It also scored significant employment victories, roping in high-tech employers and a variety of manufacturers, and sprouting scores of retail, construction and other businesses.

Clark County claimed a title in the '90s: fastest-growing in Washington state. But that title masked a growing problem. By taking on too many houses and too few jobs, the county was building a wobbly economic portfolio. It also was neglecting a key piece of economic development: industrial land.

In 1994, Brian Wolfe, who was at the time preparing to retire as chairman of the Columbia River Economic Development Council, warned against a lack of planning for industrial land, which he said was key to creating family-wage jobs and to building a diverse tax base to pay for public services.

“Realtors especially must realize you can't sell bedrooms without also planning for boardrooms,” he told 400 people who had gathered for a Realtors-sponsored business event. “They aren't just selling houses in



Photos by STEVEN LANE/The Columbian

Logs are loaded to be milled into lumber at Columbia Vista Corp., which makes several products, including crossarms for utility poles.

Clark County, they're selling quality of life in terms of good schools, good jobs and a clean environment.”

As data show, the message never sank in. In 1990, Clark County had 84 jobs per 100 households — not enough jobs within county limits to support the population, forcing many local workers to commute to Oregon. That state's Clackamas County was in a similar situation, with 85 jobs per 100 households. Over the next two decades, however, Oregon land-use policies that require communities to

set aside land for commercial and industrial use helped transform Clackamas from a commuter county to one with enough jobs to support its population. By 2009, Clackamas County had 98 jobs per 100 households — and in February, its unemployment rate was down to 9.5 percent, better than two thirds of Oregon counties.

Over the same period, home construction outpaced job creation in Clark County, which, by 2009, had 82 jobs for every 100 households. Clark County's 12.9 percent February jobless rate was worse than two thirds of Washington counties.

Wolfe, now a Port of Vancouver commissioner, said there had been too much pressure to cash in on breaking ground for houses and too little patience to set aside land for industry and jobs.

“It's very rare that you have a property owner that has the financial capacity to wait it out,” Wolfe said. “In our community, we had this gold rush for housing.”

Maintaining its industrial spot

Clark County's hunger for housing has had real consequences for industrial employers.

Lewis, the president of Columbia Vista Corp., said the encroachment of homes along roads near his sawmill has raised concerns for him about the long-term viability of his operation.

And the company has had to fight to protect the “heavy industry” designation that it needs to keep operating.

About seven years ago, Columbia Vista was temporarily bumped out of compliance with zoning rules when the county overlaid the company's property with a “business park” designation. The company fought the move during county planning commission meetings.

Ultimately, the company was annexed into the city of Vancouver and secured an agreement through the city council to keep its property zoned for heavy industry.

If the “business park” zoning designation had stuck, Lewis said, Columbia Vista wouldn't have been able to operate.

Lewis said the county has a severe shortage of industrial property, and the city's agreement with his company recognized this. While a business park “might create more jobs per square foot,” he said, “we create more higher-wage jobs per square foot than a business park.”

Lands to jobs?

Recognizing an imbalance in how land is used is one thing. Getting more land ready to meet the needs of business is much more complicated.

How to create jobs by tapping the county's



“Anybody can do the things we did. You just have to want to do them.”

Bob Lewis
President of Columbia Vista Corp., on his company's turnaround in the 1990s

land base is once again on the minds of the region's leaders as they scramble to spur job growth in the face of unrelenting unemployment.

A task force set up by Clark County commissioners is investigating how other counties have used their land-use codes to help retain and expand businesses. According to the task force's work program, it will “concentrate on providing opportunities for manufacturing and industrial facilities that create sustainable, high-paying jobs.”

The task force expects to develop recommendations by December.

Meanwhile, members of the nonprofit Columbia River Economic Development Council — the county's chief economic development agency — are assessing the county's supply of land to figure out how quickly more parcels can be put on the market for industrial or office development. That analysis, expected to finish this month, will eventually lead to policy recommendations for county, city and port leaders.

One of the leaders of the CREDC's effort, Brent Grening, executive director of the Port of Ridgefield, said the goal is to prepare land for companies that do business regionally or globally, and therefore import wealth.

“We've got a lot of housing,” Grening said. “We need some jobs to come in now.”

Manufacturing to housing

Though the balance between jobs and housing was virtually unchanged in the first decade of the 2000s, the types of jobs held by Clark County workers were transformed — to sometimes devastating effect.

The recession of 2001, marked in part by the bursting of the telecom bubble, “led to significant job losses in key high-wage industries” in Clark County, regional economist Bailey wrote in a recent report. One-third of the county's electronics and telecom jobs vanished, and the jobless rate more than doubled.

By mid-2003, job growth in the

county picked up again.

It was a mirage. Like the greater U.S. economy, the county's expansion was “largely reliant on the housing bubble and rising debt instead of new manufacturing investment,” according to Bailey. “Manufacturing, which made up 20 percent of county jobs in 1990, contributed only 9 percent in 2009.”

The Great Recession that followed the country's financial crisis — triggered, in large part, by high-stakes gambling on Wall Street — wiped out more than 10,000 Clark County jobs from 2008 to 2011, or roughly 7 percent of the county's non-farm job base — “on par with the state,” Bailey wrote, “but more than the nation.”

Construction workers were hit particularly hard as that sector shed about 30 percent of its jobs. Manufacturing didn't fare much better, losing roughly 20 percent. In February 2011, with the county's jobless rate at 12.9 percent, more than 28,000 Clark County residents were unemployed and looking for work.

Demand, training, education

In the aftermath of Clark County's economic troubles, an important question looms: Do we have too many people trained for jobs that have disappeared, and too few possessing skills to work in growing areas?

Lisa Nisenfeld, executive director of the Southwest Washington Workforce Development Council, said she believes the county is suffering from both a lack of demand from consumers and an off-balance work force.

If shoppers reached into their wallets again, that would spur private companies to hire.

But some Clark County companies can't find the workers they want, even now, especially in electronics and other high-tech fields.

The biggest weakness of the county's work force is its lower levels of education, Nisenfeld said. Census data show that 15.5 percent of Clark County's adults 25 and older have a bachelor's degree. That's lower than the state (19.9 percent) and lower than the U.S. (17.6 percent).

John Marck, president of Sharp Microelectronics of the Americas in Camas, has said that Clark County's low educational attainment, and not enough focus on science and technology, has forced him to look beyond the region to recruit new hires.

The Clark County High Tech and Community Council, of which Marck is past president, helped successfully lobby the state Legislature to expand high-tech offerings at Washington State University Vancouver.

Meanwhile, some private employers are taking training into their own hands, among them Columbia Vista, where each employee “has a custom-designed training plan,” said Lewis, the company's president. Columbia Vista spends \$300,000 annually on training and education programs for its workers.

But the company is not going it alone. Through a partnership with Clark College, for example, it brings an instructor on site each year to walk workers through the principles of pneumatics, hydraulics and electricity.

Such partnerships and investments in training are likely key to preparing Clark County's work force for the jobs of the future.

But there's more work to be done, local leaders say, despite a financial shortfall that is spurring major cuts to state education funding.

“The WSU program, generally speaking, is just getting started, but you've got to start somewhere,” Marck said. The Clark County

High Tech and Community Council, a low-profile industry advocacy group, still wants to improve technical education from grade school through the university, in order to bring more high-tech offerings to WSUV.

Added Nisenfeld: “We need to invest further in education to bring up our work force readiness on all levels, from entry-level people up through the university” system.

A question of capital

If businesses can't borrow the cash they need to grow and to hire workers, however, it won't matter how much training or education people receive.

The problem for would-be entrepreneurs, however, is how to obtain those initial dollars to get off the ground. Until the ripple effects from the recession become fewer, credit's going to remain tight, said Chris Butler, senior vice president and trust officer for Vancouver-based Riverview Asset Management Corp.

Banks have become more conservative about lending, which means entrepreneurs are going to need to get more creative than they ever have before.

When they do find their way to financing, business startups would do well to follow the example of Columbia Vista: Diversify, and don't get caught flat-footed. Columbia Vista's revenue has grown, and the company has added workers. That business plan it wrote so long ago is working.

“We have banks calling us all the time,” Lewis said. “If you're perceived as a good risk,” he added, bankers will see fit to issue loans.

However, Clark County's recovery will depend on more than local businesses finding creative ways to obtain capital, Butler said. Outside companies will play a significant role, too.

For example, the nonprofit health care system PeaceHealth, with \$1.3 billion in revenues, is moving its headquarters to Vancouver as it solidifies its new role as the parent of Southwest Washington Medical Center.

PeaceHealth's move will bring 340 jobs to the area by 2014, and up to 400 more by the end of the decade. “That's outside capital coming in,” Butler said. “Even though its outside capital, it brings the jobs.”

Bailey, the regional labor economist, said regional public works projects would also inject cash into the economy, spur demand for goods and services, and create jobs.

One of those projects is the Port of Vancouver's \$150 million rail expansion, planned for completion by 2017. The port is pursuing a \$76 million loan

from the federal government to help finish the work. Port officials forecast that the freight rail initiative will create about 4,000 temporary jobs during construction.

The region's other significant public works proposal is to build a new, \$3.6 billion Interstate 5 bridge across the Columbia River. Construction of that project, which faces significant political hurdles, is estimated to create at least 12,000 jobs — though groundbreaking wouldn't occur until 2013 at the earliest.

Searching for answers

The question for Clark County's economy is, where to next?

It's hard to find the answers when you're still picking through the wreckage of the latest economic crash.

Though the answers may not be clear yet, there will be opportunities to find them.

Clark County commissioners will consider changes to employment zones to spur job growth.

The Columbia River Economic Development Council must choose a new leader because its CEO recently stepped down. And a new countywide comprehensive economic development plan, spearheaded by the CREDC, is expected to go public in June.

The region's public works projects carry as many pitfalls as they do opportunities.

State and local governments face tough budget-cutting decisions that are likely to lead to layoffs and cuts to education.

Many households are still heavy with debt. Many consumers are trying to protect their none-too-fat wallets. Many private companies are still on the sidelines.

And those employers who get back in the game won't find it easy: They will grapple with rising energy costs, whether to export goods as the dollar weakens and how to stave off overseas competitors.

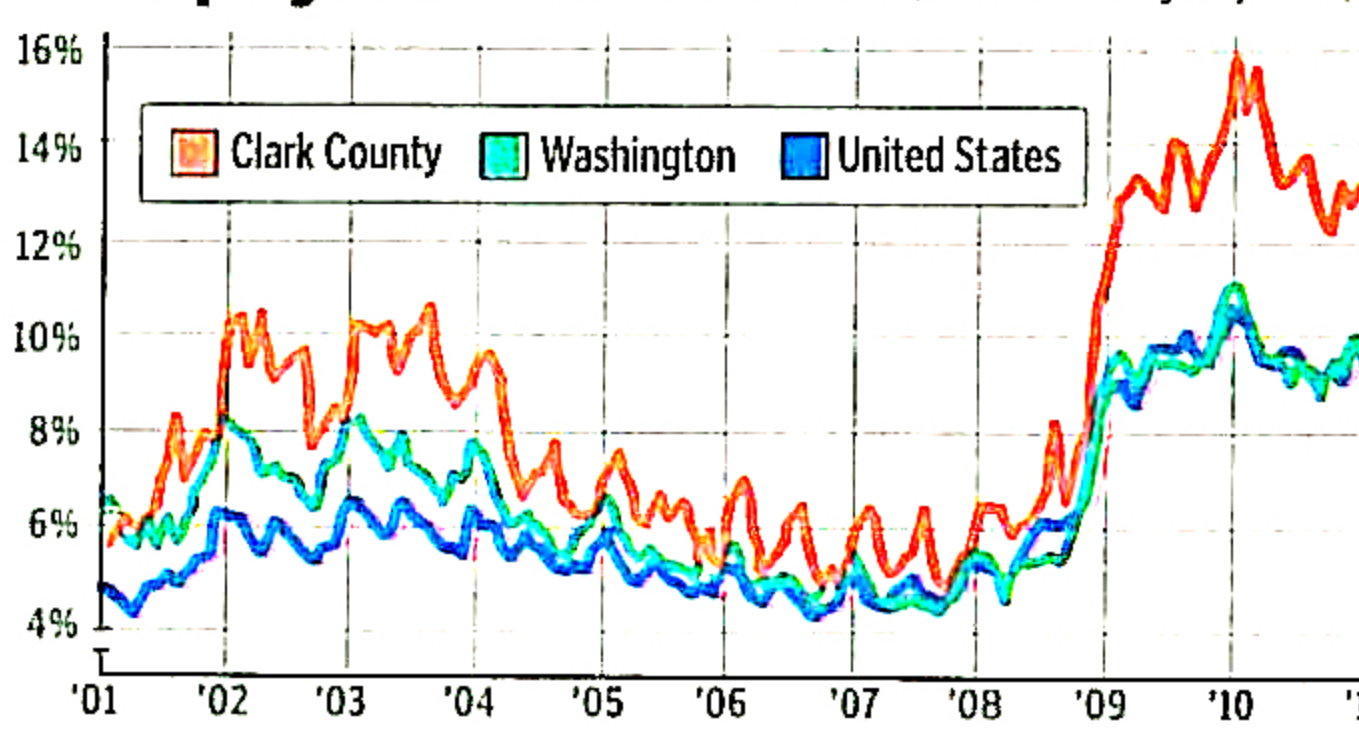
The complexities of getting back to growth are enormous.

But companies like Columbia Vista Corp. are finding ways to get there. In the process, they're getting that deceptively simple-sounding recipe — land, labor and capital — just right.

And if the experience of Columbia Vista provides any lesson, it is this: In Clark County, the possibility of renewal — of brighter days and of better lives — remains an unmistakable reality.

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Unemployment rate 2001–2011 (Not seasonally-adjusted)

SOURCE: State Employment Security Department

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