

KEY FINDINGS DEEP DIVE

A comprehensive quantitative and qualitative market analysis to understand Portland's current challenges and opportunities revealed four major findings.

1) Portland Benefits from a Strong Regional Economy and Lags in Business and Income Growth

Portland's regional economy (Multnomah, Washington, Clackamas, Columbia, Yamhill, Clark and Skamania counties) demonstrates strong growth and economic health. In 2020, the Portland metro area employed 1.09 million workers in 71,060 firms and generated \$148 billion in gross regional product (GRP). From 2012 to 2019, jobs in the Portland MSA grew by 20% coming out of the Great Recession, on par with the strongest economic regions in the United States. The region's workforce is more highly educated than national averages and over the 12 months ending in December 2022, Portland MSA had the fifth fastest job creation among the 50 largest MSAs with 5% job growth.

Local economies primarily operate at a regional level, and being part of a growing regional economy is a competitive advantage for Portland and its economic prospects. Portland's businesses and residents engage in and benefit from the region's strong job base; well-educated talent pool¹; competitive industry sectors; growing entrepreneurship supports; export-oriented, globally integrated companies; a world-class airport, strong management of urban sprawl, infrastructure for exporting, recreational amenities, and anchor institutions - from hospitals to universities.

The city of Portland's role as the economic engine of the region, however, has been shifting over time. Multnomah County's employment growth rate, business growth and median household income lag the region. While Multnomah County does generate most of the region's GRP (40%), this share has declined from 44% in 2000 and ~50% in 1990 as job growth in the Portland metro area has been driven by the other counties. These trends indicate that parts of Portland's economic engine are stalling and are particularly susceptible to economic downturns compared to the rest of the region. This became evident during the recent COVID-19 pandemic and subsequent economic recession.

¹ 42% of working age adults in the Portland region have a bachelor's degree or higher.

Multnomah County experienced #11 largest increase in median income in the country

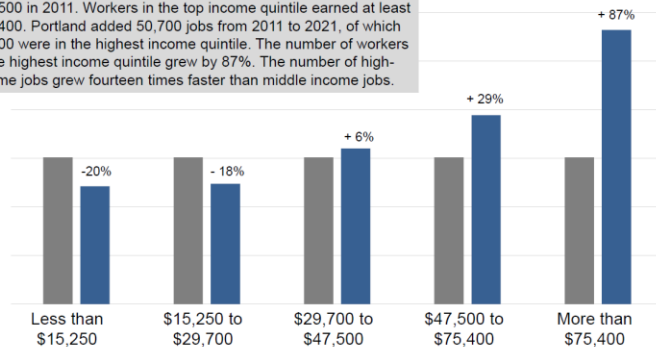
	Real GRP Annual Growth Rate (2001-20)	Real GRP Annual Growth Rate (2015-20)	Median Household (HH) Income (2020)	Median HH Income Rate (2010-20)	Emp. Growth Rate, Annualized (2010-2020)
Multnomah County	1.46%	2.07%	\$71,425	1.92%	1.37%
Portland MSA	2.85%	2.56%	\$77,511	1.47%	1.59%
USA	1.73%	1.12%	\$64,994	0.50%	0.99%

2) Significant High-Wage Job Growth with Inequitable and Wide-Reaching Impacts

Portland Location Employment by Income Quintile Full & Part Time Workers - 2011 and 2021

US Census ACS Table S0802

Dividing the workers **working** in the City of Portland into 5 income quintiles, middle income workers earned between \$29,700 to \$47,500 in 2011. Workers in the top income quintile earned at least \$75,400. Portland added 50,700 jobs from 2011 to 2021, of which 52,400 were in the highest income quintile. The number of workers in the highest income quintile grew by 87%. The number of high-income jobs grew fourteen times faster than middle income jobs.



In recent decades, Portland has experienced consistent growth and diversification across Tech, Athletic and Outdoor, and legacy industries such as Metals and Manufacturing. After the dotcom and housing bubbles burst, Portland experienced an influx of creatives between 2010 and 2020.

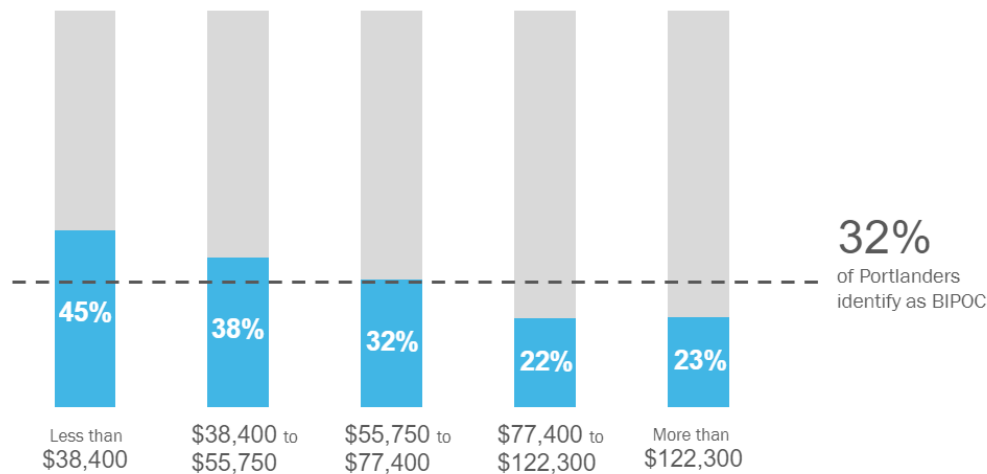
With easy access to nature,

continued investment in amenities, high per-capita income growth, high employment in knowledge occupations, and nearly 50% higher growth than the national average in college grads, more knowledge-based workers moved to the city for the startup scene and to work for the major tech and design firms. Wage data from the 2021 OEWS survey shows that the Portland MSA has the 7th least income inequality among the 50 largest MSA's in the US. Building on the region's natural amenities, Portland also specializes in food distribution and service activities. Against its strong agricultural backdrop, grocery stores, restaurants, and certain food manufacturing – including coffee roasting – have experienced faster job growth in Portland than nationally. [\[OEWS\]](#)

To put recent job growth trends into perspective: among the 50,700 jobs added to the city between 2011 and 2021, the numbers of workers earning more than \$75,000 a year grew by 87%. With Portland almost doubling the number of high-income earners, high-income jobs grew fourteen times faster than middle income jobs.

However, Black, Indigenous, and all Portlanders of color are deeply underrepresented in those higher-wage positions, while overrepresented in lower paying roles. The following chart shows the percentage of BIPOC Portlanders across five income quintiles, compared to the overall percentage of Portlanders identifying as BIPOC. Today, median household income for white households is \$77,513 and for Black households is \$36,783.

This rapid growth, its distribution and collective management have given rise to other challenges. Since 2000, Portland home prices have risen faster than in all but five of the nation’s 40 largest metro areas.^[1] Illustrating the interconnected nature of economic development, transportation, housing and land use, nearly two-thirds of Portlanders pay more than the recommended threshold of 45% of their income on transportation and housing,^[2] and 46% of renters are cost-burdened. Of the 30 largest urban areas in the country, Multnomah County has the fourth-highest number of people experiencing homelessness each night.^[3] In 2020, every census tract east of 82nd Avenue, home to a growing portion of the Black, Indigenous, and all persons of color in Portland, was considered at risk of displacement.



Against the backdrop of this growing disparity, the COVID-19 pandemic hit Portland especially hard. Like many West Coast urban centers, Portland is grappling with marked houselessness, drug abuse, increased gun violence, and mental health issues. Although the city’s economy is expected to fully recover - as of June 2022, Portland has recovered 96% of jobs lost^[4]- the pandemic highlighted Portland’s need to rebuild its economic foundation and redefine its economic trajectory, specifically with a racial equity lens².

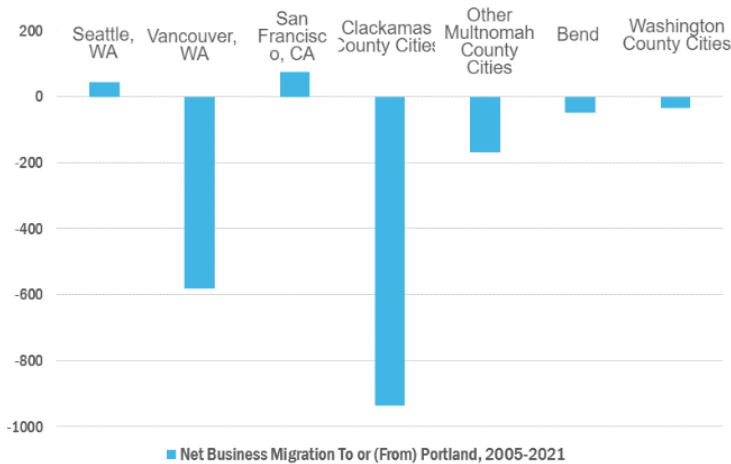
3) Taxes Have Increased Yet Perceived Value Has Declined for Businesses and Residents

In today’s knowledge economy, successful cities compete on value-added, rather than low cost. Portland has historically demonstrated a high value proposition due to its strong job base, strategic

² <https://www.mckinsey.com/bem/our-insights/america-2021-the-opportunity-to-advance-racial-equity>; <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-case-for-inclusive-growth>

infrastructure investments, government services, natural amenities, and quality of life assets and lower-cost location for workers and firms. In interviews, Portland businesses emphasize their success in the region as an outgrowth of unique regional assets such as the port, select anchor companies, and a singular quality of life woven together by an outdoor culture and rich amenities.

However, the concerns of affordability alongside increased crime, houselessness, and livability following the pandemic have impacted the perceived value proposition for residents and businesses. Increasing regulatory hurdles, unclear paths to investment, a lack of coordinated institutional networks, and an anti-growth mentality (discussed below) further intensify those sentiments.



At the same time, business taxes have risen 42% in Portland since January 2020, and Portlanders pay the highest personal taxes amongst peer cities³. Moreover, the tax structure for businesses is notably misaligned with other nearby counties, with multiple business taxes unique to Portland and/or Multnomah County. This is a challenge

because businesses are mobile and can often choose between parts of a region relatively easily (without looking access to regional workforce, infrastructure, amenities etc.)

This perceived imbalance of the tax-value proposition threatens Portland’s ability to retain and attract both companies and residents, who need to feel that the benefits of doing business or living in Portland has greater value than the costs. This dynamic has had significant impact to net business migration to and from the city.

4) Functional Fragmentation and Anti-Business Sentiment Impedes Collective Action

The knowledge economy places a premium on rich networks that enable the exchange of ideas and facilitate relationships, transactions and coordination across the public, private and civic sectors. While government plays a key role – shaping and enabling market activity and providing the public goods that enhance productivity and efficiency – a broad range of civic, private-sector and cross-sector institutions are central to establishing an environment conducive to economic growth.

Building formal and informal inclusive networks that enable flow of ideas and deals with broader private sector engagement and leadership is also critical to individual business success. Across the country, and

³ Note peer cities and reference where to find full chart in Appendix

particularly in leading metropolitan areas, corporations are realizing a greater alignment of their business interests with economic development activities – including enhancing regional competitiveness, building industry competitiveness, supporting workforce, innovation, community market development and other programs⁴.

Portland hosts a broad mix of economic development organizations, business service organizations, associations, and government entities supporting business growth, entrepreneurship, cluster development and attraction. From Business Oregon, Greater Portland Inc, and Prosper Portland to the Port of Portland, the Portland Metro Chamber (Portland Business Alliance), culturally specific and industry specific chambers of commerce as well as Business for a Better Portland, Travel Portland, Venture Portland, Worksystems, organized labor and coalitions of higher education partners, organizations work in concert toward related yet distinct economic growth objectives - and collaborate with one another as needed.

Despite the prevalence of these organizations, the formal ongoing ties between them are limited.

Business and nonprofit leaders stress that strategies historically have not had sufficient long-term funding, political will, or commitment to reach full implementation. And the public sector has disproportionately “owned” and driven economic development activities in the city of Portland, rather than more private sector engagement, ownership and driving of inclusive economic development through cross-sector institutions that the city participates in and supports but does not lead.

“There’s a feeling that Portland does a lot of planning, but not enough doing.” – Focus group member

Convincing private sector partners to engage can be difficult because of i) **anti-growth mentality**, which manifests in the excessive politicization of economic development efforts as it may result in greater public scrutiny, increased regulation, or greater costs; ii) **distrust** that cuts across relationships between residents and business, business and government, and city and regional organizations – and especially from BIPOC communities based on historic and ongoing marginalization; and iii) **elevation of form over substance** with planning and conversation followed by limited measurable actions, progress indicators, and functioning partnerships.

There is a need to reset the table, to rebuild cross-sector networks that enable the flow of ideas and deals. For the private sector, this means growing business leadership and engagement in inclusive economic development priorities. For the public sector, charter reform has created an opportunity to build new cross-sector relationships across the city and region, as well as to better conceive, coordinate, and manage new economic development initiatives.

Portland has a funny relationship with success. When you’re young and scrappy and not making any money, you’re super cool. And then as soon as you change absolutely nothing you’re doing, but successful, then you’re evil.

- Small Business Leader

⁴ http://rw-ventures.com/wp-content/uploads/2021/05/CorporateBusinessEngagementinCommunityandEconomicDevelopment_May2021.pdf