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EDC UPDATE – 17 November 2016

To: Board OF DIRECTORS AND EDC MEMBERS

General UPDATE –

There are no surprises since our report to you of two months ago. Now, and at year's end, we expect to report that income was well above the PLAN approved by this board one year ago and that expenses have been considerably less than budget. We are at about 150 percent of targeted private sector revenue and expect to continue to build EDC reserves that had been badly depleted less than three years ago. Like every other ADO in the state, however, we remain extremely dependent on public sector support for the majority of our funding, and we are deeply appreciative to the County, the Port, and many other such partners in 2016. We intend to work hard with our public partners, including all of our cities, to give them absolute confidence that theirs is money well spent on the economic development of Clallam County.

As we all pursue economic development and focus on workforce training, we need to remember that manufacturing is still by far the largest sector of the U.S. economy. Indeed, our factories now produce twice what they did in 1984 – but with one-third fewer workers. What seems clear is that whatever jobs emerge will require more knowledge.* One of the EDC's responses to this issue is the upcoming seminar in February which has a laser focus on technological changes that will affect our county businesses in the next five years.

BUSINESS RETENTION & EXPANSION –

We continue to help any business in the county in any way possible. That is our primary role. Companies join the EDC because they are beneficiaries of that work or see that we are helping others and they believe that such work benefits them and the community in the long run.

A new "line of business" has presented itself since we reported the Lincoln acquisition of Allform in July. We have heard from a significant number of companies who seek advice on succession planning. Typically, a successful business owner who seeks to retire would like to place his company in strong hands; to sell what he has built for a profit. But he often does not know where to look. Fortunately, because our EDC team has now met with substantially more than 200 county companies, our rolodex has become a major resource. And because we have acted in confidence, we have an informed sense of those companies who would be appropriate acquirers. In a local acquisition there can be multiple winners beyond the two companies involved and their employees. Local banks, accountants, and law firms are all likely to be part of the process. Local real estate firms can be the seller's agent. And the EDC may have the chance to install the many incentives available to our county which could make the transaction more attractive to the buyer. In the end, such activity often saves jobs and creates new ones. In the past 60 days, we have met with at least five owners regarding a possible sale of their business.

Throughout the year we have run a series of ads in county newspapers which turn the spotlight on our EDC member companies and partners. From substantial feedback there is no question that our members truly appreciate these ads. The ads have also tended to help in the recruitment of new members (which is a long-standing board directive). The cost has been approximately 12 percent of our private sector revenues to date.



RECRUITMENT

Joining with partners, most particularly with the Port and private landowners, we have tried very hard to attract new businesses to the county. In recent months two important wood product manufacturers have made serious visits to the community and a potential manufacturer whose major raw material could be recycled composites has reached out, as well. However, in the last week one of the wood product companies completed its site selection and Port Angeles did not make the short list. Here are the reasons given as stated by management:

1. No rail close to any site
2. Logistics and transportation
3. Other municipalities were very aggressive with their incentive offerings
4. Plus, other smaller issues

As we know from the Department of Commerce, only 150-200 companies in the U.S. relocate each year. The competition is severe. But, beyond the importance of securing direct-to-SeaTac air service, it appears to be critical for the cities and the county to work together to develop a package of incentives that sets us apart – or makes us competitive – with others.

METRICS REPORT & FINANCIALS

We met recently with County Commissioner Mark Ozias to further refine our reporting process to a form satisfactory to our partners. He was quite helpful in a review of the past nine months and we are making adjustments now so that full year-end reporting will tell our story in an easily understood format. The EDC budget for 2017 was approved by our board in September.

SPECIAL NOTE: CONSIDER HIRING A VET –

Starting last October 1, and for the next six years, the State Department of Revenue will allow up to a \$1500 tax credit for any business that hires an unemployed veteran. The relatively simple terms and conditions are outlined in a Special Notice that is appended to this update.

UPCOMING EVENTS

In February, the EDC will sponsor a 90-minute seminar on coming technological changes that will affect us all in the next five years. We have recruited outstanding seminar leaders from the community and their focus is as follows: “Here’s what’s coming and here’s what you can do about it.”

THE ANNUAL EDC MEMBER DINNER WILL BE HELD ON FRIDAY, JANUARY 20, 2017. PLEASE SAVE THE DATE.

*Thomas L. Friedman, NYT 11/2/16

Respectfully submitted,

Bill Greenwood

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Amy McDonald