



October 2, 2017
Mayor and City Council
City of Salem
555 Liberty Street SE
Salem, OR 97301

SEDCOR Annual 2016-17 Annual Report

OVERVIEW

As we celebrate our 35th anniversary, I think it's important to take a moment to thank the City of Salem for being a founding member and continuing to invest, support and value SEDCOR's mission to leverage strong public and private partnerships to successfully retain and attract high-value jobs and capital investment to our region.

As we complete the 2016-17 fiscal year and begin the 2017-18 fiscal year, I am pleased to share we are seeing continued interest in the area, growth in business investments and hiring in our region.

In the 2016-17 fiscal year, we saw \$108 million in new investment in the region with \$27.5 million of this within the City of Salem. After such a large year, it is important to note that there continues to be a large number of projects underway as well as others in the pipeline. The projects announced in 2016 are moving forward, and we see significant opportunities over the next 12 months from both local and new firms looking to invest in the city and the region.

In addition to the investments, a number of ongoing announced projects are making headway and adding jobs to the community. New projects included the expansion of firms in distribution, manufacturing, wood products as well as the food processing and beverage industries. In the last year, we also saw completion of earlier announced projects including the investment of PacTrust on the first two of six speculative buildings at Mill Creek Corporate Center; Kettle Foods investing in new equipment and adding new jobs; the opening of Cabinotch in Salem; and several building expansions and adding of new equipment and in the first quarter of our new year Amazon announced it is investing \$100 million and creating 1,000 jobs at Mill Creek Corporate Center.

Local investment drives growth in 2017

The new investment we saw in our calendar year 2017 was led by local companies with our region– the primary drivers of growth during the recent recovery. We are beginning to see a trend of new firms beginning to invest that will drive significant projects both this year and next. In the last year we had new announcements and investments from Kettle Foods, PacTrust, Cabinotch and Pro-Cure.

The cumulative impact of these traded sector firms’ investment in the last year was more than \$108 million in new investment in our region, with 595 new and retained jobs. In Salem, this resulted in \$27.5 million in new investment and about 50 jobs, not including the jobs created to build the PacTrust site. With the Amazon announcement in August, we currently have \$100 million in investment and 1,000 jobs in Salem to start the 2017-18 fiscal year.

2016-17
RESULTS TO-DATE
\$108 M
IN CAPITAL INVESTMENT
595 jobs

Projections for 2017-18 Fiscal Year

As mentioned above, we expect to see more significant growth in the next year. With the work that is being done for Amazon, as well as other projects in the works, we believe that next year will be a record year, building on the success of last year. The Mill Creek Corporate Center is truly a case of “If you build it, they will come.” With the limited availability of shovel ready land throughout the region and the Portland-area, SEDCOR is seeing an increase in interest at the Mill Creek Corporate Center. Having Amazon, PacTrust, Home Depot Rapid Deployment Center, FedEx and Henningsen as anchors at the site has been advantageous in attracting interest to the site and in the state.



With this investment from new firms, it is becoming even more important that we continue to help our local firms. To support this expectation, our portfolio of recruitment and retention projects is experiencing steady growth. As of June 30, we are working on 24 active retention and expansion projects, representing a potential of more than \$111 million in investment and an estimated 1,550 in new or retained jobs. The majority of these can be identified as either advanced manufacturing, distribution, or food processing sector projects.

Please be aware that while the breakdown below includes an estimated \$332.5 million in recruitment and retention projects, these are long-term initiatives. The likelihood of a project being completed is significantly higher with retention and expansion than with recruitment.

RETENTION/ EXPANSION HIGHLIGHTS

	<u>Retained & New Jobs</u>	<u>Total Capital Expenditure</u>
Recruit	570	\$332.5 million
Retain/Expand	1,578	\$111.25 million
Announced	595	\$108.150 million
TOTAL	2,743	\$551.9 million
<u>2015-16 Total RFI</u>	<u>2016-17 Total RFI</u>	<u>YTD RFI</u>
39	39	46

Here are two of the higher-profile expansions in Salem:

- **PacTrust**—Pac-Trust began construction on the first of two buildings at Mill Creek Corporate Center in Salem. Work will begin on two more buildings in the fall. The investment provides much needed industrial space for companies looking to expand or locate to Salem. When completed, the six buildings will total 395,000 square feet of commercial and industrial space. The buildings are much needed due to low inventory of available industrial buildings and land.
- **Kettle -** After being purchased by Snyder’s of Hanover, the company made a significant investment in its Salem Kettle Foods manufacturing facility, including adding new equipment and creating 20 new jobs.

Hosting Manufacturing Day

In honor of Manufacturing Day 2016, SEDCOR partnered with AKT Manufacturing to award a Certificate of Recognition to Salem manufacturer CabDoor, which makes custom hardware components. The company has been in Salem since it started in 1989 and employs more than 200 people.

Strengthening the Workforce

The biggest obstacle facing most traded-sector companies is finding and retaining qualified workers. Thankfully this is a challenge the community recognized some time ago and has been working to find solutions to the challenge. Since 2009, SEDCOR has been working with local food processors, construction companies and manufacturers on a program called “IMOM” that identifies and documents critical skills of existing employees, with the goal of transferring the knowledge and expertise to the next generation of workers.

SEDCOR also maintains exceptional workforce development partnerships. Salem-Keizer School District has been offering technical education in partnership with IMOM for many years. Chemeketa Community College is one of the best in the state for developing the workforce -- and is launching its new Applied Tech Complex this month. The ConTech/CTE House in Salem is completed and the team has started their next project, and the new CTE Center began classes this month.

At CTEC, students can now take classes in commercial manufacturing, residential construction, cosmetology, video and game design animation, auto repair and painting and drone technology and robotics. I am proud to share many of SEDCOR’s members are advocates of the CTEC program, including donating materials or time.

Sustaining the Family Agriculture Business

Nearly 150 agriculture producers from across Marion and Polk counties gathered for the fourth annual SEDCOR Ag Breakfast in March. The event was created to address the changes and coming needs of the region's critical agriculture industry. Working with the Oregon Department of Agriculture, we are working to help pass the agriculture business to the next generation of leaders.

Building the Supply Chain

In partnership with the Mid-Willamette Valley Council of Governments (MWVCOG), SEDCOR finalized the last year of our Make It In The Willamette Valley initiative. This is funded through a federal program to help manufacturers invest and grow jobs in the U.S. This year we finalized a qualitative report to identify supply chain gaps and opportunities to grow manufacturing in the region. Benefits from this initiative include ongoing connections and new relationships with manufacturers, both in Salem and the region. We continue our one-on-one conversations with local manufacturers to determine their needs and opportunities, and there is in-depth quantitative research on this as well. Additional support for this project comes from Business Oregon, Marion County, Yamhill County, Polk County, PGE and Pacific Power.

RECRUITMENT ACTIVITY

Recruitment activity picked up dramatically this year and early in the new fiscal year both with firms that are new to our region but as well projects that are in construction. Using a measurement of Requests for Information (RFI) on available properties, we have seen a significant increase since 2015-16. While last year we reported 39 RFIs, this year we have seen an increase in both the number of these 46, as well as the continued work and investment that has come as a result of this work. Much of this interest has been focused on Mill Creek Corporate Center, with new investments and new projects currently underway.

The map of Mill Creek below, gives a fair representation of what has been done in the last 15



months, as Henningsen, PacTrust and Amazon have all been added in that time period.

New vs. Existing Buildings

We currently have a recruitment portfolio of about \$332 million in investment, representing 570 in potential new jobs to the region.

Over the last year, we have seen an increase in the amount of space, which has been built to accommodate industrial uses with more than 500,000 square feet added or under construction in the region this year.

We expect this amount to increase next year based on announced investments and new projects. This new wave of investment has been created from the lack of space in the state and region, steady growth from business as well as new demand from inbound recruitments.

In the near term, our primary concern is the limited amount of space in existing buildings. This restricts the opportunities for firms who are exploring expansion or relocation. While our region has excellent industrial ground that can be developed very quickly, many companies restrict their search to existing buildings for reasons of cost, complexity or time to market. This will impact both our recruitment as well as our expansion projects in the near term.

This trend is nationwide. In the past few years, more companies have been looking for existing buildings as the availability of these buildings has been decreasing throughout the country. As such, we expect to see an increase in firms that are open to looking at new development in the

region. To support this trend, we have been strengthening our connections with local and regional brokers and developers who may be interested in a new industrial development.

To leverage this effort, we are working in partnership with the private sector, Business Oregon, and other groups to understand and market our region’s assets.

Industry-specific outreach: Food Processing

To leverage our incredible agriculture assets, officials from SEDCOR, Business Oregon, the Oregon Department of Agriculture and existing food companies headed to the 37th annual Natural Products Expo West in March to attract food processors to Salem and promote Oregon companies and goods. Salem companies participating included Kettle Foods, Oregon Cherry Growers, Truitt Brothers Inc., and Truitt Family Foods Inc. We also went to food/agriculture shows in Oregon, California and worked with the state to focus its outbound efforts to Japan on food processing opportunities there.

Large Lot Recruitment Project

SEDCOR has continued our work with owners and representatives of large lot (more than 50 acres) industrial land in the extended Metro region to discover the industries and companies who need this size of parcel for their next expansion, as well as learn what these firms need to be successful. This project has helped give nationwide exposure to Mill Creek Corporate Center, and helped us identify our role in the larger regional market. In the last twelve months we have worked directly to help connect this group to projects and developers in the region. This work has resulted in most of the partners in the group siting large projects on their land, adding large amounts of jobs and investment. This group also partnered on o hosting three national site selectors and highlight the state and region.

Mill Creek Marketing

During the past year, we have differentiated Mill Creek Corporate Center (MCCC) as the premier large lot industrial opportunity on the I-5 corridor. Working closely with both the City of Salem and the State of Oregon, we continue to grow our efforts to market this asset.

Interest in the Mill Creek Corporate Center has grown as the economy continues to grow and the real estate inventory remains limited. As real estate development is expensive and takes time, many of our clients begin by looking for an existing building but return to building new when they cannot find an existing facility. That being said we have seen steady interest in more than 90 percent of the park. The shovel ready parcels are clearly what is driving the interest, however we are currently working with clients who are willing to tackle the less developed pieces as well.

MILL CREEK SITE SELECTOR INTEREST			
	14/15 FY	15/16 FY	16/17 FY
RFP	28	25	30
Visits	12	14	11

It should be noted that any conversation about Mill Creek without recognizing the great work of both the City of Salem and the State of Oregon would not be a complete conversation. In the last year we have seen this great collaboration continue and we are beginning to see the results of that as well. One key example of this would be the Henningsen project, which took only 15

months from the initial conversations to the opening of this building in June 2017, and we are seeing improvement in the as well.

A key component in each of these requests is the availability to deliver this land to the client in a timely manner. The work that has been done by the City of Salem and State of Oregon is the only way we can ensure that this land is ready to support jobs. At a recent presentation to SEDCOR's Board of Directors, a representative from Capstone complimented the city of Salem on its willingness and eagerness to work with it and solve any challenges and how the process to get a permit went faster than expected.

Interest in Mill Creek has been driven by three industries each with different needs. The three driving industries has been Distribution, Food Processing, and Manufacturing companies which have each expressed strong interest in locations at the MCCC.

We have transitioned our marketing efforts to focus on specific industries and direct connections with national trade shows, companies, and site selectors. This work has included cooperative research projects with Business Oregon and other regions to identify our opportunities, as well as to market directly to decision makers for company investments. We are actively participating with Team Oregon Food Processing, as well as Technology and Manufacturing teams.

One key initiative has been our Large Lot research project done in conjunction with the State of Oregon, the Port of Portland, and groups in the Portland Metro Area. This work has identified specific market advantages of Mill Creek Corporate Center, as well as industries and companies that would benefit from this opportunity. This has been a great experience and helped Mill Creek gain both regional and national exposure.

In addition, we worked with Business Oregon to attend multiple food trade shows, which leveraged the resources of the state to focus on an industry that is very successful for our region.

In the last year we have hosted multiple site selectors in order to understand our competitive niche in the marketplace as well as to get their feedback on the market ready nature of this property. We continue to receive valuable information and guidance on the shovel-ready nature of this property.

The two photos below demonstrate work being done at PacTrust and the Amazon site.

Pac-Trust



Amazon site



Enterprise Zone

The Enterprise Zone is a key tool for helping to add jobs in the City of Salem and in Oregon’s Mid-Willamette Valley. Its valuable role has been very apparent; the projects we have seen in the last year have been made possible, at least in part, by the Enterprise Zone benefits. Enterprise Zone is much more than a recruitment tool; local companies undergoing sizeable expansion investments have been the highest participants for the past several years.

Enterprise Zone	FY 2016-17
Applicant Companies	2
Anticipated New Jobs	25
Anticipated Private Investment	3,100,000

We currently have 14 companies who currently have projects under the Enterprise Zone. Representing a total of about \$89 million invested in the region and providing over 219 new jobs to the city.

Other Strategic Initiatives

Business Retention & Expansion Program. SEDCOR is now working with 10 different communities in Marion County to deploy the organization's Business Retention & Expansion program (BR&E). The new multi-year initiative gives communities the framework and technical research to effectively create their own economic development plans. The program, endorsed by the International Economic Development Council, was launched in 2014 and brings together business leaders, local government and education officials, professional economic developers and interested citizens to systematically create a plan for the benefit of existing local businesses and the community.

SEDCOR Events



It truly was an honor to recognize the City of Salem and the State of Oregon with SEDCOR's Outstanding Public Partnership Award for the work they have done on the Mill Creek Corporate Center.

At SEDCOR's recent board of directors meeting, a Capstone representative shared how the City of Salem and Mill Creek Corporate Center are uniquely poised to be the next frontier with development because it's shovel ready. She also added the city of Salem staff members genuinely have a willingness to do business that is "night and day of what we have seen elsewhere." The city's staff was also praised for having a "can do attitude" and an eagerness to want to find solutions to problems. A huge thank you to the city's staff for what they do to promote and advocate for economic development in Salem.

SEDCOR host about 20 business-focused events a year besides our Annual Awards Celebration. The topics and dates are:

Wednesday, Oct. 11

Engage to Retain: Leading the Next Generation of Workers

Noon to 1:30 p.m. at Chemeketa Center for Business & Industry - 1st Floor, 626 High Street NE, Salem

Wednesday, Nov. 8

Oregon's Opioid Crisis

Noon to 1:30 p.m. at the Broadway Commons, 1300 Broadway St. NE, Salem

With the City of Salem's assistance and guidance, we will continue to improve the economy of Oregon's Mid-Willamette Valley, one project at a time. We thank you, once again, and appreciate your continued support and commitment to economic development.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad Freeman". The signature is fluid and cursive, with the first name "Chad" and last name "Freeman" clearly distinguishable.

Chad Freeman, President
SEDCOR