

## Why did Deschutes fall so hard?

### Economic study to compare county with others in West that suffered less

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A Montana-based nonprofit is studying why Deschutes County has struggled more during this recession than other similarly populated areas that, like Deschutes, saw strong growth before the economic downturn.

Headwaters Economics' study aims to provide an analysis about how the county can better diversify its economy, how it has done so in the past and how it can become more resilient to recessions. The information gathered by Bozeman-based Headwaters will be used to learn why businesses come to Deschutes County, what keeps them here and the pros and cons of operating a business in the area.

Headwaters is interviewing people from a county in Idaho and another in Utah, which had pre-recession growth rates and economic environments similar to Deschutes County, to try to determine why those two counties have suffered less than Deschutes during the recession.

"They were even higher fliers than you guys," Ben Alexander, associate director of Headwaters Economics, said about Washington County, Utah, and Kootenai County, Idaho. "They did not fall as hard in the current recession. Why is that?"

Headwaters identifies itself as an independent organization funded with money from federal governmental agencies, partnerships with organizations such as universities or state governments, charitable organizations, and contract work with nonprofits, according to its website.

Alexander said Headwaters is funding the study at a cost of about \$15,000, with money from its own accounts and its supporters.

He said the Deschutes County study will be useful to more than Central Oregon's business and government leaders. It will serve Headwaters' purpose of public education and can show other communities how to diversify their economies, he added.

"If I write this up, and I post this on our website ... it's very helpful for me," Alexander said. "I hope it's helpful for other people, too."

Economic Development for Central Oregon is working with Headwaters, which focuses on small communities in the Western United States and released a report in 2007 about what is now the Badlands Wilderness east of Bend.

The 2007 report said making the Badlands a federally protected wilderness area could propel economic growth in Central Oregon because protected natural areas draw businesses, residents and tourists, according to a previous article in *The Bulletin*. The 30,000 acres was designated as a wilderness area in 2009.

### *About the study*

In addition to the two peer counties that had pre-recession similarities to Deschutes, Headwaters plans to study two other counties that have economies Deschutes County might aspire to: Boulder County in Colorado and Ada County in Idaho.

Alexander said Headwaters will research what those two counties, which house Boulder and Boise, respectively, have done to survive the economic downfall, as well as what they have done to become “more mature, modern, urban economies.”

In late May, Headwaters spent time interviewing business owners in Redmond, Bend and Sisters on topics such as why they came to Deschutes County, why they stay and what has hindered their growth.

Eric Strobel, EDCO’s Bend manager, will finish the process by interviewing La Pine businesses.

Strobel said Headwaters proposed to do the study after noticing how hard the recession had hit Deschutes County, and wanting to find out what draws business owners to certain areas.

Because much of Headwaters’ work deals with federal government departments such as the Bureau of Land Management, questions it sometimes asks deal with the impact of public land amenities, such as lakes or hiking trails, in attracting new residents and business owners.

“(Headwaters) saw the recession hit here pretty hard and wanted to find out more about how businesses are coming out of it, and what they’re looking for as a place to relocate,” Strobel said. “This study kind of takes all that into account.”

### *A guide to future economic growth?*

Revealing details about why Deschutes County has been so devastated by the recession may emerge when Headwaters compares information from Deschutes County with data gathered from the four other counties, Alexander said.

It also may provide a guide for what EDCO should do to provide economic growth opportunities, he said.

Alexander said it's more difficult for business owners in Deschutes County to access capital than those living in larger cities, in part because regional banks were harder-hit by the recession.

He said there also are limits on the skill level of the labor force in the county, which means businesses often recruit from out of the area.

Employees agree to move here for a job, Alexander said, because of the high quality of life, a reason many business owners also choose to locate in Deschutes County. But for some employees, if a job he or she came here for falls through, there may not be a comparable replacement, he said.

People also like Deschutes County because of its lower crime rates, compared with larger cities. But the county also has lower wages and a higher cost of living than other Oregon cities, he said.

"Basically you're being asked to take a pay cut to come to Bend," Alexander said.

More details will be available when the study is completed toward the end of June. Alexander plans to release the report and present it during EDCO's annual meeting in July.

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