

rejected a proposal for funding an assistance program for local small business and instead used the money to give Hynix another \$2 million in tax breaks.

Jack Roberts, the head of the Metro Partnership, says his agency's efforts target both small and large businesses. If big volatile industries are "the end all and be all of your economic development strategy, it will fail," he says.

But when Hynix (then called Hyundai) came to town in 1995, Roberts was a major booster and dismissed the small businesses at Saturday Market. At a pro-Hynix rally, Roberts jeered tax break opponents, saying "How much more do they think they'll be making working at the Saturday Market?"

Saturday Market supporters pointed out that, in fact, the market has employed far more local people for far more years than Hynix and is a major incubator of spin-off local businesses and a major tourist attraction, even without millions of dollars in public subsidies.

Kelly, who serves on the Metro Partnership board, says he's urged more work for small business but corporate "recruitment seems to be getting most of the focus."

## TARGETED RECRUITING

"There is a place for very targeted recruiting," Kelly says. But he says it shouldn't be of low-paid, unstable jobs stamping chips at "cookie cutter" factories. Companies that design products or do other knowledge-based work depend on local skilled workers, provide higher paid jobs and are less likely to leave, according to Kelly.

Kelly, himself a computer programmer, says one high-wage, low-impact industry that could work for Eugene is software development. "We've got a lot of very talented software developers locally," he says. But the local industry may need some help to take off. Local companies are having trouble attracting skilled workers who worry that there aren't many other local software firms to switch to if a new employer folds. "There isn't enough of a critical mass," Kelly says.

Councilor Betty Taylor says the city should "try to discourage the big box stores coming in" and driving small, local downtown stores out of business. The city spends millions trying to revive downtown while helping Wal-Mart and others build big new stores on the edge, she

says, "I think it's so stupid."

Kelly says the city could change its purchasing rules to give preferences to local suppliers. The city could also help educate consumers to buy from locally owned businesses and show the local impact, "when they go to Wal-Mart instead of Jerry's," he says.

"There's no magic economic bullet," Kelly says. He says the Metro Partnership should involve citizens in a "very broad community conversation" about what economic strategy people want. Talking now will help avoid surprises and backlash at subsidies later, according to Kelly.

To design Oregon's economic development strategy, Kulongoski has been conversing mostly with big business leaders. Part of his strategy does involve investing in some government services to create jobs. He wants new taxes and fees to support increased tourism marketing and road and bridge repair work.

But Kulongoski and his development director Brantley's focus is on recruiting big industry to come to Oregon. If schools are in a funding crisis, "The way you grow the revenue is to grow the tax base," says Brantley.

Oregon must keep taxes low and expand tax

breaks to lure the big companies that will expand the tax base, according to Brantley. "If the cost of business goes up, that appeal to go somewhere else becomes very strong."

That somewhere else could be a state like South Carolina. That state has some of the lowest taxes and biggest corporate breaks in the nation. South Carolina also has some of the lowest SAT scores in the U.S. and 40 percent of homes are unconnected to sewers.

A recent report from the Oregon Center for Public Policy shows Kulongoski's strategy of funding schools through business growth won't work. Oregon will have to grow far faster than most economists predict to make up enough revenue in the next five years to get back to government funding levels before the recession.

Economist Whitelaw says giving more tax breaks to get more tax revenue doesn't make sense. Logically, "it starts to unravel."

But if you spend more on schools and other key government services, research shows "unequivocally, it improves economic growth," Whitelaw says. On the other hand, "if you decrease it [spending], it has a negative effect," he says. "Low taxes with low services are going to screw you over the long run." **EW**



## DESIGN IT & THEY WILL COME by Bobbie Willis

The ring of fallen big business is still echoing here in Lane county, but Eugene could be a Northwest hotspot for small business success based on art, design and media. Several such businesses are surviving, even flourishing, here.

Carolyn and Rick Fierro own and run Fierro Designs, a company that caters to a niche market - fresh produce suppliers. Fierro Designs creates graphics for produce containers - boxes, crates, etc.

Fierro Designs began in the San Francisco Bay area. At the height of the dot-com madness, the Fierros found that they kept losing employees to "the next big thing." "After our last designer left," says Carolyn Fierro, "We said, 'Do we really want to be here?'"

The decision to move to Eugene was based on quality of life. Fierro says, "We were looking for a community where we could really set down roots and we had always loved Oregon."

The Fierros have found the lifestyle and community they were looking for. As for the business end, Fierro says, "The way it works, we aren't really dependent on the local economy." Fierro Designs has clients in California, Arizona, even Kansas. Their niche market and the ability to work via the Internet allows the Fierros to enjoy life away from the big city, with the ability to grow a business one might find there.

Steve Christiansen is one of two owners of InterVision, a company of designers, producers and publishers of video and interactive media. Again, lifestyle is a factor in deciding to start a small, creative business in a small town full of creative people. Christiansen says, "One develops a niche. We feel the environment here is supportive in that a small town allows you to build a network and make connections with some ease." InterVision has been so successful in that networking process that they now house a number of related busi-

nesses and even client businesses in their downtown building.

Joy Archer and Harry Pattison own Volcano, Inc., a group of writers who create film, video and audio materials, largely marketing related. They work directly with clients such as Oregon Medical Group, Silk Soy Milk, Oregon Chai, and indirectly with companies such as 3Com, Comedy Central, Nordstrom and Mutual of Omaha.

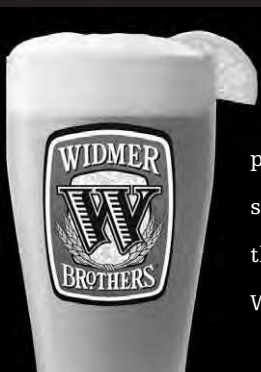
Of the difficulties in running a small, creative business venture in this town, Archer says, "Eugene can be very difficult to work in successfully as a creative professional ... It seems that often the standard of 'quality work' is relaxed here, which isn't at all helpful. The key to our success has been to define ourselves as 'working from Eugene,' that is to say, living and working in Eugene, but focusing on clients and projects that are out of market - ranging from the entire West Coast to as far east as New York and Boston."

In terms of whether the city supports small businesses, Archer says, "Eugene doesn't deliberately support small business. Few towns do. But we'd be very surprised if small businesses aren't responsible for the vast majority of jobs in town ... It's interesting that Eugene tends to view small business with such benign neglect, since it's most likely the key to revitalizing downtown ... Goofy choices like parking meters make it harder for small businesses to survive downtown. Like most towns, misguided as they may be, Eugene tends to put its eggs in the occasional big basket like a Hynix or a PeaceHealth, instead of into the more vigorous and rugged small businesses that have made us kind of a cool town in the first place."

Archer is hopeful, however, and Volcano is thriving. She says, "The broader focus has paid off, we believe, for the clients that we work with locally. And their recognition of the quality of our work is very heartening for the future."

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