

## SISTERS SEES INCREASE IN ECONOMIC ACTIVITY

By Jim Cornelius

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Economic vitality has always been a central issue in Sisters Country.

Even before the area felt the impact of the 2008 financial crisis, the meltdown of the U.S. housing market and a deep global recession, Sisters struggled to maintain economic diversity. Large employers like Multnomah Publishing, Weitech pest control and O'Keefe's Working Hands Crème and others left Sisters, and the community struggled to replace them with similar businesses.

And after three years of hard times, Sisters' tourist-oriented retail sector is battered. Many storefronts in the downtown area are empty and many merchants feel like they're running to stand still.

Yet there are encouraging signs of an improved economic climate. Some retailers, like Stitchin' Post, are doing well, serving a loyal clientele and expanding it through Internet sales. Sisters Log Furniture expanded with an "Outpost" store this year. Several new retailers opened and a new restaurant is set to open this week (see related story, page 13).

There are 16 more business licenses in Sisters this year than at a comparable time last year, representing a variety of business types, from retail to home businesses. That marks an improvement, not a recovery.

At last week's city council meeting, Councilor Sharlene Weed noted that business licenses have dropped from 475 in 2009 to 387 this year.

The City of Sisters reports an uptick in planning activity.

The planning department has worked on 10 site-plan reviews so far in 2012, and planner Eric Porter says, "we expect four or five more, if not more than that" before the year is out. While that's not close to the pace set in the mid-2000s, it's a jump from the seven site plans the department dealt with in 2011.

"That's a pretty good indication of community development activity," Porter said.

Not all indicators are up, however. Subdivision of land moved at a furious pace in the mid-2000s; it's not happening now.

"Land division activity has been frightfully down, and that hasn't rallied yet," Porter said. "It just means that the value of the land isn't there yet."

A quiet struggle is being waged to keep as many Sisters businesses viable as possible.

Patty Cordoni of SBART (Sisters Business Attraction and Retention Team) reported recently to the city council:

"Landlords in both retail and industrial are trying to stay competitive without losing their existing tenants that have contracts in place from 2-3 years back," she reported. These older rates are higher than what can be offered in today's environment, and losing existing tenants due to hard feelings would be devastating to our community.

"We have landlords in both sectors that are working with existing tenants in an effort to keep their doors open. This is happening throughout Sisters, but is not made public due to confidentiality agreements... Sometimes this helps the tenant get through their low times, but some have found it not to be enough to stay in business... Landlords are very sensitive to the current economic environment and are doing what they can to help our town stay alive. It's just not visible from the outside."

Potential sales of commercial real estate complicates the issue of affordability, as Cordoni noted:

"Vacant buildings are hard to sell, especially in a small city that is trying to recover. The Cascade Station building, as you enter town, is another example of a building for sale that needs tenants. The lease rates in this building are much higher than others within the city, but they need that level of lease rate to support a cap rate that is attractive to a buyer. Currently, there are only two tenants in that building."

Sisters Economic Development Director Mac Hay just had his \$30,000-per-year contract with the City renewed. He counts a couple of signal successes in the past year. Rescue Response Gear decided to stay in Sisters after Hay helped them find appropriate accommodations in the former Weitech/Multnomah Publishing building on LarchStreet in the Sisters Industrial Park. That also helped to nearly fill that long-vacant facility.

Hay also helped broker a deal between the City of Sisters and Three Creeks Brewing

Co., creating incentives to allow the brewery to site a plant in Sisters instead of in Redmond.

The agreement includes a 30-percent reduction in sewer fees up to a maximum of \$10,000. The incentive has no end date. The incentive was created to bring the costs of establishing the brewery in Sisters into equivalence with Redmond.

The agreement also includes a formula by which Three Creeks Brewing Co. will fund a portion of upgrades to the sewer system aerators when its production of effluent triggers a need for such an upgrade.

Hay believes such agreements are good policy for a city that is "open for business."

"Do we want to have the opportunity to cut deals like that in the future? Yes," he said. "The objective standards are the first criteria... You try to create the best (situation) for the city and the business - and that's vetted by the staff (public works and planning). It's up to the elective body to say 'This is a deal we want to enter into' or it's not. The community elected them to make the decision."

Hay told The Nugget he is also helping several local businesses - including retail operations, service providers and manufacturers - seek financing.

The economic development director's job is somewhat vaguely defined and the city council has been reluctant to assign clear-cut measures of success - in part because a lot of Hay's work is hard to quantify. He spends a lot of effort fielding inquiries and acting as what he calls "a facilitator and point-person following up leads and inquiries" and developing contacts with local government officials and staff, landlords and financial institutions. It's a lot of spade work that doesn't necessarily yield immediate, quantifiable results, ie. a certain number of jobs created, etc.

While Hay says he works with all sectors, there is a strong perception that the greatest effort is toward attracting businesses with a manufacturing focus - what is known as "traded sector," or industries in which firms sell their goods or services into markets for which national or international competition exists.

There are varying feelings about that.

Bill Mintiens, a long-time observer of the economic scene in Sisters, believes Sisters should acknowledge its status as a tourist-oriented community.

"My personal feeling is that Sisters, now more than ever, has become a true bedroom community - second-home/retirement, vacation homes. Truly a tourist town. With no increase in businesses with jobs, higher land and home prices, higher commercial rents, you have a recipe for a demographic that excludes young families and concentrates on the wealthy and retirees. This is the reality. Once we accept that as a community, we can capitalize on it. But how?"

Councilor Sharlene Weed wants to see a broad focus on all sectors in a more coordinated fashion.

"The City should consider forming a commission on economic development composed of citizens representing each sector: arts and culture, downtown businesses, recreation (especially cycling), light industrial, real estate, development, affordable housing, tourism and education. The commission would advise the economic development director and shepherd the new plan. They would also make recommendations to the city council regarding policy, code changes, funding or other actions that could promote economic activity."

Councilor David Asson serves as the City of Sisters representative to EDCO (Economic Development for Central Oregon).

"I leave every meeting with excitement and verve," he said. "Confidentiality restrains both from publicizing their merits but they regularly post wins. They raise capital, train employees, lobby for favors, promote industry and bring thousands of jobs to Central Oregon."

Asson acknowledges that "many of the jobs are not in Sisters," but he believes the groundwork is being laid for more.

"Some believe that traded sector companies... will never come to Sisters," he said. "That is not true. They are here now. Among the firms truly committed to Sisters are: ENERGYneering Solutions, Inc., Bird Gard, Metabolic Maintenance, Kruger Optical and our coming brewery. Together that's over 100 employees and growing. More will come as we reach out..."

As the summer tourist season heats up, Sisters Country is keeping its fingers crossed that recovery is underway - and all eyes are on the future. Development Manager Mac Hay. "This is a model of how that really works."