

# STILLWATER

CHAMBER *of* COMMERCE  
ECONOMIC DEVELOPMENT ORGANIZATION

July 18, 2016

The Honorable Mayor Noble and

Members of the Stillwater City Council:

As the President and CEO of the Stillwater Chamber of Commerce, I am pleased to have this opportunity to give you a report on our economic development activities and our focus for the next fiscal year. As you know, the Chamber is a non-profit organization with a simple but far reaching mission of pursuing growth in Stillwater's economy and improvement in its quality of life.

First and foremost, I would like to say **THANK YOU** for the funding support the City has provided to our economic development program and its long-standing public/private partnership with the Chamber in moving Stillwater forward.

#### **Stillwater's Economic Indicators:**

**Payne County's Total employment is 38,801 workers**, which is relatively unchanged from a year ago. This stability in total employment is an indication of continued strength in our diverse industrial sector as well as a result of ongoing construction activity on the OSU campus and around our community.

**The unemployment rate in Payne County is currently 3.7%**. This continues to be significantly under the State's rate at 4.7% and the nation's at 4.9%. We anticipate the near-term employment picture to be flat or decline slightly as State agencies and small businesses, are adjusting their budgets to the reality of a weakening economy and tempered sales activity.

No doubt, you are watchful of monthly sales tax receipts tracking under the previous projections and have been adjusting your budget accordingly. The same is true with our local employers. While Stillwater's economy is an exceptional bright spot, other communities around the state are less fortunate and experiencing a much worse scenario.

The State's painful funding cuts have impacted not only OSU and state agencies, but once again funding for our public schools has also been slashed. This long-standing trend has greatly tarnished Oklahoma's image and is a tremendous embarrassment for local economic developers trying to attract employers.

Stillwater as a whole continues to be somewhat insulated and very fortunate to have predictable stability and in some cases, measurable growth in key economic drivers. Overall:

1. Our local industrial sector is healthy, diverse, and still hiring.

2. OSU's student enrollment is near a record high.
3. There are 31 current construction projects on campus totaling \$484M.
4. Stillwater Medical Center continues to build "best-in-class" facilities and is creating new staff positions.
5. All categories of our housing market are healthy.

#### **Overview of the Chamber's Economic Development Program:**

The Chamber's current E.D. operational budget is \$662,333, which includes staffing, office expense, operations, marketing, debt service, and special projects. These funds are maintained separately from the Chamber's other operational accounts.

There are many competing economic development organizations (EDOs) in cities around the region that are funded entirely through a local dedicated sales tax. In Stillwater, we embrace the Public/Private approach. Our current service agreement with the City of Stillwater represents 38% of our E.D. budget and the other 62% is generated from a variety of funding activities in the private sector.

#### **Primary initiatives over the past fiscal year:**

1. In March we established a new Economic Development Committee comprised of 20 community stakeholders and 7 ex-officio members, including City Manager Norman McNickle, Deputy City Manager Dan Blankenship, and Stillwater Industrial Foundation Trustees. This group is meeting monthly with the task of guiding the utilization of our resources, evaluating operations and promotional activities, improving accountability, and serving as a collaborative "think tank" to develop strategies that will improve our local economy. It is not intended to duplicate or overlap the important role of the Stillwater Economic Development Advisory Council.

#### **Current marketing activities:**

- a. Full-page Advertising in "*The State of Success*" magazine, produced by Conway, a leading publisher in the site selection field, and distributed widely by the Oklahoma Department of Commerce in its business attraction activities.
  - b. Visitations to corporate site selectors, site selection consultants, and national development firms in participation with OKC and Tulsa Regional Partnerships.
  - c. Industry trade shows and conferences of targeted industries.
  - d. Website: [www.stillwaterchamber.org](http://www.stillwaterchamber.org)
  - e. Distribution of "*Stillwater Community Profile and Demographics*" and "*Commerce – Stillwater Profile Magazine*."
  - f. Partner with City, airport, and OSU staff to promote the benefits of "Fly Stillwater" commercial air service to businesses in the region.
2. **Local incentives** are now a common expectation and an important part of business attraction. Nearly all of our regional competitors have such programs in place. Our Chairman Gary Clark has taken the lead on developing our own "quality jobs" incentive program and so far, he has secured funding pledges from OSU, Stillwater Medical Center, Central Electric Cooperative, Bank

SNB, BancFirst, Payne County, and Stillwater Designs. Under Mr. Clark's leadership and determination, more pledges will be coming soon.

This program is another example of our belief in the public/private approach to local economic development. While still in its early stages, guidelines are currently being drafted that will clearly define how these funds will be used to attract more quality jobs. Five local EDOs have all shared their own guidelines in the spirit of regional cooperation.

3. Last October, the Stillwater Industrial Foundation (SIF) joined forces with the Chamber by transferring its assets to our economic development program. This event greatly strengthened our capacity, as it included three industrial sites east of North Perkins Road and capital reserves for making infrastructure improvements.

Recognizing that there is a limited inventory of fully developed "shovel-ready" sites to accommodate new and expanding industries, the Chamber's E. D. Committee is exploring the need for a new business park.

4. It's a widely known fact that more than 80% of quality job growth comes from existing industries. Therefore, addressing their needs is the highest priority in our Strategic Plan. This initiative is referred to as "**Business Retention and Expansion**" (or BRE) activity. We are conducting site visits every week to area businesses of all sizes without consideration of them being a Chamber member or not. The objective of BRE visits is to:
  - a. Understand the nature of their business,
  - b. Help them overcome challenges by providing access to resource programs,
  - c. Identify common issues and trends that affect the local economy,
  - d. Maintain confidentiality of their proprietary information,
  - e. Serve as an advocate for maintaining a pro-business environment, and
  - f. Express appreciation for their presence in our community.

During the last fiscal year, 59 BRE site visits were conducted by Chamber staff. During these site visits, four local industries shared their plans to increase their workforce in high-skilled positions through targeted recruitment. However, they all expressed a concern on the difficulty in hiring experienced talent from other areas and convincing them (and their spouses) to live here.

We see an immediate need to develop effective marketing tools to promote Stillwater's outstanding quality of life and strengthen our overall marketing efforts.

There is also a need to establish a common vision of Stillwater's future. We must continually strive to make improvements wherever possible with new amenities and social events that would attract more young talented workers and their families to live in Stillwater.

5. Companies and site consultants prefer to work with the economic development organizations (EDOs) of large metro areas which play the role of issuing "Requests For Proposals" (RFPs) to the local EDOs in their region, then qualifying, gathering and disseminating their proposals in standardized formats as specified by the prospective client or site consultant.

Therefore, we have continued to actively participate in the OKC Regional Partnership and, as of January of this year, we are also participating in the Tulsa Regional Partnership. We also maintain a strong working relationship with the professional staff at the Oklahoma Department of Commerce.

These three entities generate nearly all of our industrial prospect opportunities. We have closely analyzed the 55 RFPs issued by these three groups over the past year and we submitted 18 proposals in cases where Stillwater met the specifications of those projects.

Available buildings define the current business attraction market, a result from softening economic cycles as vacant buildings are becoming abundant in cities and towns throughout the region.

Many competitors use an ongoing "shell building program" to generate more prospect activity. This concept greatly reduces the construction period after the sale or lease allowing a business to be in production in 3-4 months rather than 8-14 months of new construction starting from scratch. It also provides a more predictable completion date in cases where a client's production start-date is a requirement.

Most searches conducted in our region were focused on existing vacant buildings, which highlights the importance of maintaining an inventory of available buildings. Our E.D. Committee is evaluating a shell building program. However, Stillwater currently has a few privately-owned vacant industrial buildings that are being used in site proposals.

Stillwater's industrial and commercial building inventory is found on our website using "XCelligent," a widely accepted national database where buildings of various sizes and specifications are accessed by site selection consultants and businesses. Very few inquiries were searching for fully-developed sites and those required much larger parcels than what is available in Stillwater.

These issues may appear unfair for non-metro communities like Stillwater, but is indicative of an emerging national trend that strongly favors large cities that offer a much larger labor pool as well as alternative job options and spousal employment opportunities. Young talented workers, including new college graduates, migrate to larger cities for their lifestyle amenities and activities. Such trends support the need for a common vision for Stillwater's future

6. **Workforce development** has also become the key to economic growth. Nearly all site searches in business attraction and nearly all of our BRE site visits are raising the need for attracting qualified talent. It's not only a primary determining factor for business attraction prospects, but also the most common constraint of growth among larger employers in the U.S.

The **Labor Shed Analysis** conducted last Fall provides some useful data on available skills and worker commuter patterns in our defined labor pool. This independent labor study, conducted by Avalanche Consulting and funded by the Stillwater Economic Development Authority, is now being referenced regularly in our RFP proposals and is available on our website.

In addition, a new staff position dedicated entirely to workforce development is being evaluated.

7. **Support services for small businesses and new start-ups** continues to be a major priority. On any given day, the Chamber delivers a variety of programs and events designed to benefit a wide range of businesses. This is another area of highly collaborative public/private partnerships. The Chamber's efforts are only possible through spirited teamwork with eleven local and statewide agencies. These organizations and their services have been cataloged and are in the process of being added on the Chamber's website.

**Active Prospect:** At this time, we are working through the due-diligence process with a local company as they consider the purchase of one of our industrial sites. Their employment averages 23 and would expand once a site is identified and new 20,000 square foot facility is completed. This project is progressing nicely, thanks in part to assistance from Norman McNickle and the ongoing efforts of his administrative team as well as several members of our E.D. Committee.

**New Business Groundbreaking:** The Ranch development project recently broke ground on a new "continuing care retirement community" after a 5-year formation cycle. Once completed, it will employ 140 people and generate an economic impact of \$9.6 million annually.

Overall, current prospect activity is very slow across the nation and most notably in Oklahoma. However, you can be assured the Chamber is making every effort to improve Stillwater's ability to compete in bringing quality jobs to the community.

#### **Going Forward:**

The Stillwater Chamber of Commerce will continue to deliver high-impact programs and services to assist and support our local businesses according to our Strategic Plan, which are detailed on our website. However, our focus for the next fiscal year will also include:

1. Reporting to the City Council and City Manager on a quarterly basis.
2. Pursue a community-wide "visioning" process, identify improvement goals, and develop implementation strategies.
3. Continue to promote "Fly Stillwater" commercial air service.
4. Encourage new development in the downtown area.
5. Re-structure the "Jingle Bells" campaign and greatly reduce the fee during the holiday shopping period to gain more participation among local retailers.
6. Develop marketing tools to promote Stillwater's outstanding "livability" to attract more talented workers and their families to live here.
7. Explore potential funding sources to establish a full-time workforce development coordinator position.

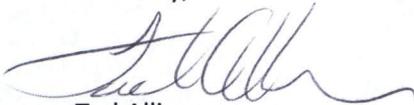
8. Promote the use of college-level internships in local businesses to retain more graduates in collaboration with OSU.

**In Conclusion:**

On behalf our board of directors and approximately 800 member businesses, I thank you for this opportunity and your investment in our economic development program. We hope you are pleased with our activities over the past year and will authorize the renewal of the Chamber's Professional Service Agreement.

I would be glad to address any questions or comments you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Allison", written in a cursive style.

Ted Allison

## Stillwater, OK Economic Indicators: 2016 Fiscal Year Overview

Tax Collection	July '15	August '15	September '15	October '15	November '15	December '15	January '16	February '16	March '16	April '16	May '16	June '16	2016 Total
City Sales Tax	\$2,791,698.95	\$2,233,135.15	\$3,332,477.77	\$2,804,305.84	\$2,457,967.22	\$2,426,974.57	\$2,424,482.46	\$2,302,511.53	\$2,316,666.66	\$2,297,671.05	\$2,281,101.62	\$2,328,426.96	\$28,997,419.78
City Use Tax	\$98,893.57	\$76,035.62	\$71,956.66	\$76,471.37	\$78,336.85	\$99,634.22	\$129,748.31	\$99,444.45	\$111,694.90	\$110,519.37	\$99,224.34	\$88,614.80	\$1,140,574.46

\*Collected from City of Stillwater

Building Permits	July '15	August '15	September '15	October '15	November '15	December '15	January '16	February '16	March '16	April '16	May '16	June '16	2016 Total
Commercial Permits	9	14	2	10	5	14	9	6	12	7	7	7	102
Valuation (\$)	\$11,189,642.00	\$35,494,437.40	\$1,286,000.00	\$1,635,200.00	\$8,046,500.00	\$10,632,001.00	\$2,370,825.00	\$2,526,622.00	\$6,840,356.00	\$426,100.00	\$24,773,400.00	\$44,600.00	\$105,265,683.40
Residential Permits**	3	13	14	11	12	19	12	6	12	3	7	8	120
Valuation (\$)	\$933,435.00	\$3,834,603.00	\$3,345,369.00	\$3,619,085.00	\$2,602,303.00	\$4,712,339.65	\$2,994,345.00	\$2,036,036.00	\$2,895,481.00	\$633,684.00	\$1,455,965.00	\$2,476,088.00	\$31,538,733.65
Duplex Permits	1	0	1	0	0	0	0	3	0	0	1	1	7
Valuation (\$)	\$185,000	-	\$150,000	-	-	-	-	\$775,000	-	-	N/A	\$350,000.00	\$1,460,000.00

\*\*1 & 2 family permits

\*\*Collected from City of Stillwater Development Services Department

\*\*\*Duplex valuation is included in residential valuation number

Employment Statistics	July '15	August '15	September '15	October '15	November '15	December '15	January '16	February '16	March '16	April '16	May '16	June '16	2016 Average
Labor Force	38,734	38,848	39,269	38,740	38,771	38,548	38,066	39,037	39,298	39,182	38,801	N/A	38,845
Employment	37,348	37,519	38,043	37,523	37,629	37,411	36,758	37,568	37,904	37,932	37,377	N/A	37,566
Unemployment	1,386	1,329	1,226	1,217	1,142	1,137	1,308	1,469	1,394	1,250	1,424	N/A	1,290
Unemployment Rate	3.6%	3.4%	3.1%	3.3%	2.9%	2.9%	3.4%	3.8%	3.5%	3.2%	3.7%	N/A	3.3%

\*Collected from the U.S. Department of Labor