

Chapter III

A View From Communities: Initiative Projects and Outcomes

Introduction

Policy must be assessed where it meets practice. In this section we shift the assessment lens away from the institutional implementation of the Northwest Economic Adjustment Initiative and to the evaluation of the Initiative where the “rubber meets the road,” or at least where it was intended to meet the road. For the Clinton Administration the public face of the Initiative was to serve workers and families, however, state and federal agencies agreed that communities would be the unit upon which they would focus the bulk of their assistance. Our evaluation of the Initiative therefore involves assessment of not only the institutions implementing policy, but also an evaluation of Initiative programs and projects where they “land” on the ground and their effects at those places, with a primary emphasis on the effects on workers, residents, and communities. This study is based on the premise that only through a focus on the policy targets—the workers and communities—and study of projects as they take place in communities and affect people in those communities can the Northwest Economic Adjustment Initiative be fully understood.

This chapter is divided into several sections. In this first introductory section we describe the regional milieu in which NEAI was launched, followed by a discussion of the universe of projects that are part of NEAI. In this latter section we begin with a summary of the universe of NEAI projects, the selected study communities, and our general approach to case analysis. We then describe the categories of community development projects that we focus on in our summary analysis of the community case studies. These development categories include: A) workforce development/training, B) industrial recruitment/expansion/retention, C) small business loan programs, and D) leadership development/human capacity-building or “soft infrastructure” development.

Historical Context: Conditions in Northern California, Oregon, and Washington before NEAI

Before discussing the effects of NEAI projects on workers and communities, it is useful to briefly review the regional and community milieu that set the stage for NEAI. Decades prior to the Initiative, much of the region along with the vast majority of the study communities were thriving by supplying wood to the post-WWII housing boom of the 1940s and 1950s. Entire towns, like McCloud, California were owned by mills, and workers could find the day’s employment with one of many logging outfits simply by “standing out on the street in the early hours of the morning,” according to one long-time resident of Port Orford, Oregon. Fueled by timber harvests, local economies hummed in most areas throughout the 1960s and 1970s. Residents of the Washington towns of Forks, near the coast, and the inland community of Colville, like residents elsewhere across the region, reported that these were the years that timber boomed in their communities.

A downturn in the timber industry began in the late 1970s and early 1980s in some communities as wood products companies began reorganizing or transferring ownership in response to a variety of factors, including competitive pressures to become more efficient, a decline in the availability of wood from federal lands, and new laws like the National Scenic Act creating the Columbia Gorge National Recreation Area that reduced the land base available for timber harvest. The early 1980s brought a national recession that hit the woods products industry hard in all three states. A number of workers and families left communities when mills downsized or closed outright. For some of the more remote areas, like Bridgeville, California or Port Orford, Oregon, the wood products industry decline began earlier as mills closed in the mid-1970s. At the same time workers began exiting their hometowns, communities like Cave Junction, Astoria, and Alsea in Oregon,



The Simpson Timber Mill in Shelton, Washington

Hayfork and McCloud in California, and Shelton in Washington, saw an influx of new residents. These newcomers included “back-to-the-landers” in search of simpler lifestyles along with a first wave of retirees. The influx of new residents changed the composition of a number of communities, and those communities—which had been based on a culture of natural resource use before the 1980s recession—began changing themselves. Sometimes clashes resulted between the newcomers and the old-timers.

In the mid-1980s, the timber industry experienced a resurgence. Following two to three years of increased harvests, the timber and wood products industry in the region slowed and contracted due to increased concentration of the industry, increased environmental restrictions, increased efficiencies and mill capacity outstripping supply, and another national economic slowdown, resulting in the displacement of workers, company downsizing, and the closure of mills. Those communities able to keep their mills, like Weed, California, often found them operating at reduced capacity or, elsewhere, at a far higher capacity though with fewer workers as a result

of increased mechanization. In some places the decline in employment was precipitous. Between 1979 and 1988, 200 people stopped working in the woods products industry in the Skamania County of Washington, and between 1988 and 1993, 440 people left the industry. Only two of the seven mills that had been in the area in the 1980s were left by 1990 and unemployment in 1992 reached 18 percent in Skamania County. In Klamath Falls, Oregon, by the early 1990s there was less than half of the employment in the woods products industry that had existed in the 1970s.

In response to the declining timber industry, there was action at the state and the community level. Communities in Oregon and Washington received assistance from statewide agencies—such as the Office of Trade and Economic Development in Washington and the Oregon Economic Development Department in Oregon—to build community capability to respond to local needs and create economic development strategies. In California, some unincorporated and incorporated communities mobilized and formed planning councils. Diversification became a

watchword, as communities like Weed and McCloud in California, Astoria, Port Orford, Garibaldi, and Cascade Locks in Oregon, and Forks, North Bonneville, Stevenson, and Darrington in Washington, to mention just a few, developed strategies to promote a tourist economy. Across all three states, communities remained focused on creating more family-wage jobs, and on the improving existing infrastructure to enable industrial and residential growth. Yet, they did so as wages in the timber industry continued to decline along with the availability of jobs. The service sector dramatically, if unevenly, expanded across the region. In Packwood, Washington, for example, service employment doubled between 1970 and 1990, while woods product work fell by 1,500 workers between 1978 and 1990. Contrary to the calls by some that timber and wood products industry could be replaced by the service industry, few of these new jobs provided family wages. Starting slowly at first, and increasing through the 1990s, the Hispanic population in the rural areas increased, as Hispanic workers were increasingly tapped for grueling tree planting, brushing, and other labor intensive work in the woods. Hispanics were also increasingly recruited for work in the tourism and associated service industries.

Hence, while the Northwest Economic Adjustment Initiative was launched as a response to the Northwest Forest Plan, it is important to recognize that changes in the rural economies of the region—most notably in the timber and wood products and the tourism and service sectors—and changes in the social make-up of the region resulting from in- and out-migration across worker, age, class, and ethnic lines, had been set in motion long before 1993. In many rural communities these deep-rooted changes brought hardships, economic and social, particularly to long-standing residents. The Northwest Economic Adjustment Initiative as a response to the prob-

lems of the worker and families of Northwest communities was therefore saddled with far more than the economic dislocations and hardships caused by the Northwest Forest Plan itself. The Clinton Administration only raised expectations with a promise to solve problems that were in reality far more deeply rooted than the Northwest Forest Plan. Few genuinely understood this, and the rhetoric of “timber versus owl” was only exacerbated the confusion. It is against this backdrop that the Northwest Economic Adjustment Initiative was launched, and against which we attempt to tease out what worked, what didn’t, and the lessons learned.

The Initiative Projects and Project Dollars by State

The Northwest Economic Adjustment Initiative involved approximately \$1.2 to \$1.3 billion in projects. The discrepancy in numbers is due to a variety of factors, not the least of which is inconsistency in record keeping, and the lack of support and lack of a single entity responsible for record keeping. The study team devoted considerable effort to identifying NEAI projects and developing a comprehensive project database for the study. The database was essential for understanding the projects funded and to assess their outcomes, as well as for use in determining the case study communities. Table 3.1 is a summary of NEAI projects by state. These data reflect spending by all NEAI MOU signatory agencies for 1994 and 1995. For 1996 and on, the NEAI investments of some agencies were not entered into the database. Notably, Department of Labor, Housing and Urban Development, Environmental Protection Agency, and Bureau of Land Management and the Forest Service Jobs-in-the-Woods contracts were not included in the SCERT records, representing \$206 million of NEAI expenditures. After months of work, discovery of new data reveals that errors remain in the database: in some instances funds that are not NEAI dollars are

Table 3.1: Summary of NEAI Projects Valued by State

	# of Projects	SCERT Projects* and (% of total)	Other NEAI Projects°	Adjusted Totals and (% of total)
California	619	\$98,070,671 (10.2)	\$150,524,312	\$248,594,983 (19.2)
Oregon	1135	\$572,000,209 (59.6)	\$22,647,684	\$594,647,893 (46.0)
Washington	702	\$289,276,941 (30.2)	\$160,957,553	\$450,234,494 (34.8)
Total	2456	\$959,347,841	\$334,129,549	\$1,293,477,370

* Project solicited, prioritized, or funded through the Project Notification Process (SCERT process).

° These projects were characterized as NEAI projects, usually by agency officials, but did not go through a SCERT process.

As shown in the table, Oregon received the lion's share of the project support, followed by Washington and California. One anomaly in the data is California's adjusted project dollar amount, which is 150 percent higher than its SCERT total. This stems primarily from the fact that all California Rural Development projects were categorized as NEAI projects, even though none traveled through the SCERT process to receive funding, and many of these projects were distant to the North State and had nothing to do with the Initiative. Calling all California Rural Development projects part of NEAI reportedly led to projects as far away as the San Joaquin Valley and on the Mexican border included as NEAI funded projects. Oregon had 46 percent of the total number of SCERT projects, exceeding Washington's 29 percent and California's 25 percent.

A Focus on Workers and Communities through Case Studies

The Northwest Economic Adjustment Initiative provided assistance in four broad categories: Business and Industry, Workers and Families, Community and Infrastructure, and Ecosystem Investment. Assistance in Business and Industry focused on retaining exist-

ing businesses and diversifying businesses by increasing access to capital (primarily via business loans), providing technical assistance and support, and improving access to markets (Tuchmann et al. 1996). Workers and Families focused on retraining programs and other support services for dislocated workers. Community and Infrastructure emphasized development of technical capacity and infrastructure to retain and promote the growth of existing businesses and recruit new businesses. This category also included support for necessary public works projects (such as upgrading water and sewer systems) to maintain the basic infrastructure of a community as well as to allow for future growth. The fourth category, Ecosystem Investment, focused on creating ecosystem restoration jobs through the Jobs-in-the-Woods program.

Initially, these categories were divided among four subcommittees of the SCERTs. Over time, however, these categorizations changed. Workers and Families and Business and Industry subcommittees dropped out of the process in 1996 because the structure of these types of programs (namely JTPA and business loan programs) was not amenable to the annual prioritization and funding processes of the SCERT. Also, in Oregon, a new category of "Other" was added to in-

clude projects that didn't fit into either the Community and Infrastructure or the Ecosystem Investment categories.

To understand the effects of the diverse community development approaches employed in NEAI, we developed and divided projects into an alternative categorization to reflect more specific types of projects funded and to facilitate examination of particular patterns of development support and their effectiveness. Our summary analysis of the effects of NEAI on communities focuses on two of the more unique kinds of NEAI development efforts: Workforce development/training (unique because of the effort to link training to ecosystem work), and Leadership development/human capacity-building or soft infrastructure development; and two of the more common but nonetheless challenging development approaches given the small size and isolated character of so many of the NEAI communities: Industrial development and small business loan programs. The effectiveness of each of these development approaches (as well as the integration of these approaches), and the factors that contributed to project success or failure are reviewed.

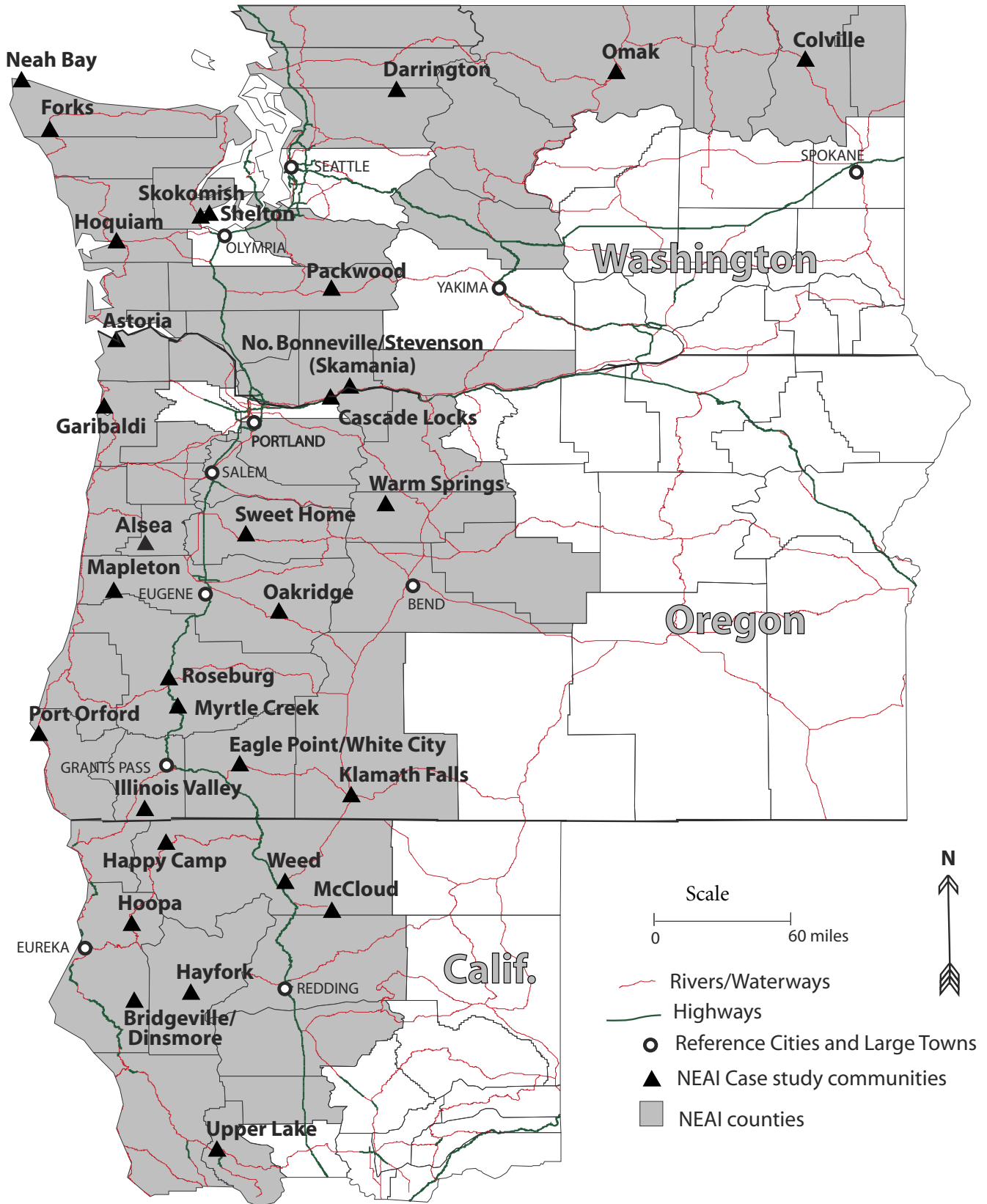
This portion of the assessment is based on the evaluation of projects in 31 case studies that include 34 communities. See figure 3.1 for the case study locations in the three-state NEAI area. A total of 14 case studies were conducted in Oregon, 10 in Washington, and 7 in California—a distribution that roughly corresponds to the total Initiative dollars spent in each state (for further details about the selection of these cases, the study process, and case analysis see case study methods in Appendix II). Six case studies involved Native American tribes: the Hoopa, Makah, Warm Springs, and Skokomish cases involve tribes exclusively; Omak and Happy Camp, including the Confederated Tribes of the Colville and the Karuk, respectively, are part of case studies that are focused on mixed communities, including, among others, Anglo European and Hispanic residents. Initiative projects are assessed individ-

ually and jointly, as each case study includes an evaluation of the overall short- and long-term project effects on workers and the community in terms of community capacity and well-being set in a regional and historical context.

In each case, measures of socioeconomic status are reviewed and discussed generally and in the light of projects where appropriate. The five dimensions of community capacity, defined as the collective ability of residents in a community to respond to external and internal stresses, to create and take advantage of opportunities, and to meet local needs, were discussed in light of the Initiative projects. The five dimensions of community capacity include: (1) physical capital, which includes a community's physical infrastructure (e.g., sewer systems, business parks, capital assets such as equipment, housing stock, and schools); (2) financial capital, which includes money, credit, and other financial resources available for local use; (3) human capital, which includes the skills, education, experiences, and general abilities and capabilities of residents; (4) cultural capital, which includes the myths, beliefs, norms, and lifeways that serve to organize groups and facilitate survival; and (5) social capital, which includes the willingness of residents to work together toward community goals (and not just self-interested goals) (Kusel 2001). Where relevant, some case studies discuss the effects of projects on natural capital, the forest and watersheds and associated biophysical elements.

Evaluation involved consultation with program and agency implementers along with real and intended project beneficiaries, and all of this information was examined in the context of the social, economic, and historical realities of residents of Northwest communities. Because of its claim to improve worker and community well-being, Initiative evaluation also involved those outside of the Initiative institutions and associated agencies, including, but not limited to, business owners, community officials, residents, and workers.

FIGURE 3.1. NEAI ASSESSMENT STUDY COMMUNITIES



A. Worker Effects

Introduction

One of the NEAI's chief objectives was to lessen the economic hardships that the region's economic restructuring incurred on laid-off timber workers and their families. The Clinton Administration emphasized the importance of providing assistance to these workers, directly through retraining assistance and indirectly through economic development efforts in communities and through assistance to business and industry. Because community-based approaches focused primarily on long-term economic diversification strategies, most had a minimal effect on dislocated workers in the short term. Thus, retraining programs provided through the U.S. Department of Labor's Job Training Partnership Act served as the primary means of directly assisting displaced timber workers. In addition to simply providing retraining assistance, however, the Administration, touting the idea that economic development and environmental protection could be linked, initiated a new program called "Jobs-in-the-Woods." The goal of Jobs-in-the-Woods was to help offset job losses in the timber industry by creating new jobs in ecosystem restoration.

Job Training Partnership Act

The Department of Labor's Job Training Partnership Act served as the primary mechanism for assisting dislocated timber workers. The Job Training Partnership Act (JTPA) took effect in 1983 to provide "job-training services for economically disadvantaged adults and youth, dislocated workers, and others facing significant employment barriers (www.doleta.gov)." Available services included early intervention programs, retraining assistance, job search assistance, support services, and relocation assistance. The Department of Labor (DOL) awarded JTPA funds (known as "formula funds") to states based on population, unemployment, and number of expected layoffs within a designated region or Service Delivery Area. State and local governments, working in collaboration with the private sector, developed, managed, and administered job training programs (www.doleta.gov).

At the end of 1990, the Department of Labor provided supplemental grants to assist displaced tim-

ber worker in the three NEAI states. These funds came from the Secretary of Labor's National Reserve Account under Title III of JTPA (Tuchmann 1996). As part of the Northwest Economic Adjustment Initiative's effort to assist displaced timber workers and their families, the Department of Labor allocated additional JTPA Title III Secretary's Reserve Funds (also known as "Timber Grants" in Oregon and Washington) to regional and local service providers in the three NEAI states. Local/regional service providers could apply to the Department of Labor for Secretary's Reserve Funds to help dislocated workers with employment and training assistance. Specifically, these "Timber Grants" allowed service providers to hire additional staff and counselors, expand their support services, and assist a greater number of clients.

Prior to the Initiative, service providers could apply for individual Secretary's Reserve Fund grants to assist workers laid off from specific mill closures. Under NEAI, the Department of Labor allocated a baseline of \$12 million in Secretary Reserve Funds per year to the three states. By allocating funds specifically to the NEAI states, more funds were available to service providers since they did not have to compete nationally for grants. Woods product workers who lost their jobs in mass layoffs or plant closures, as well as other displaced timber workers were eligible for benefits. In 1998, the Department of Labor expanded its eligibility criteria to include secondary and tertiary workers (i.e., those living in timber-affected communities who lost their jobs or businesses as a result of general economic decline).

In addition to the Secretary's Reserve Funds, a greater proportion of general formula funds (which were based on population and unemployment rates) went to the Northwest because of the relatively high unemployment rates experienced in the mid and late 1990s. Although not part of the NEAI set-aside funds, other programs, such as the federal Trade Adjustment Act (TAA) and funding under the North American Free Trade Agreement (NAFTA), also provided aid to displaced workers. Workers certified under these programs could receive up to 104 weeks of approved training, reemployment services, income

support (including payments for up to 52 weeks after unemployment benefits are exhausted), a job search allowance covering expenses incurred in seeking employment outside of a normal commuting area, and reimbursement for relocation. In addition to these federal assistance program, the State of Washington, beginning in 1991 as part of the Governor's Timber Team, authorized a Timber Training Benefits program, which extended unemployment insurance benefits to dislocated natural resource workers.

Program Outcomes

According to Tuchmann et al. (1996), Secretary's Reserve Funds allocated to the NEAI states in 1994, 1995, and 1996 were \$8,400,000, \$19,200,000, and \$12,970,000, respectively. These values vary from data obtained from the states¹ (See Table 3.2). For example, state data obtained directly for 1996 show that \$14,555,776 was allocated to Washington and Oregon alone compared to the \$12,970,000 reported by Tuchmann et al. The process by which each state applied

for funds varied slightly. For example, Oregon would submit a single statewide application to Department of Labor for Secretary's Reserve Funds based on projected layoffs and mill closures within each of the participating service delivery areas. The Oregon Economic Development Department, which housed the state JTPA office at the time, hired a professional grant writer to submit the application. Once the state received a grant, it distributed the funds to local service providers. In contrast, in Washington, each Private Industry Council (PIC) (the regional entity that oversaw and directed worker retraining programs) would apply independently to DOL for funds. Some of the more aggressive PICs received large amounts of funding. For example, the Pacific Mountain Consortium secured over \$12 million between 1994 and 1996, and in 1996 alone, received two grants totaling \$8.6 million, out of approximately \$9 million awarded to the state (WA-CERT 1996). Others PICs, however, did not apply at all. California only applied for Secretary's Reserve Funds in two of the six years.

Table 3.2. DOL/JTPA Secretary's Reserve Fund Allocations to Oregon and Washington between 1994 and 2000.

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Oregon	\$2,082,783	\$5,606,843	\$5,944,698	\$6,270,971	\$4,971,946	N/A*	N/A*
Washington	\$1,800,000	\$8,193,000	\$8,722,078	\$9,244,258	\$3,800,000	\$9,100,000	\$3,500,000

*Data not available.

Despite the Department of Labor's investment of JTPA funds, however, many interviewees felt that compared to the number of jobs lost, only a small percentage of displaced workers benefited from the program. According to the State of Washington, between 1991 and 1996, 10,483 dislocated workers from resource-affected counties participated in formal training programs. This value is substantially higher than data available for Oregon. Table 3.2 provides summary statistics for the Oregon Consortium and Oregon Workforce Alliance, two Oregon JTPA service providers that covered the majority of the state. These data show that between 1993 and 2001, 4,914 displaced workers were served. Determining the percentage this figure represents of

the total number of displaced workers, however, is problematic. One of the primary difficulties is determining the actual number of people displaced. Estimates ranged from 11,000 (Tuchmann et al. 1996) to 150,000 (Niemi et al. 2000) for the three states. Although the Worker Adjustment and Training Notification Act (WARN) requires employers with over 100 employees to report the number of workers affected by plant closures/mass layoffs,² even these statistics are often highly inaccurate. For example, between 1994 and 2000 the number of timber industry layoffs reported under WARN to the State of Oregon was 5,400. The number of "workers affected" (i.e., those expected to be laid off), however, was 9,505. The discrepancy between actual and expected

1. No data were available for California.

2. If 50 or more workers are affected.

layoffs can be partly attributed to changes in circumstances whereby fewer layoffs actually occurred, but is mostly due to the state's inability to confirm the number of layoffs from employers. Also, because of the many loopholes and ambiguities in the WARN Act, many layoffs go undocumented. Even if accurate statistics were available for mass layoff and plant closures, it is equally, if not more, problematic to determine the number of layoffs occurring among smaller, independent operators, not to mention secondary and tertiary

businesses (e.g., businesses closely tied to the timber industry, such as mechanics, gas stations, restaurants, grocery stores, etc.). Thus, although regional and local service providers and administering entities kept close track of how many people they served, they could not determine the actual percentage of all displaced workers served. A few service providers, however, did offer their own estimates. Most of these estimates were well-below 50 percent—ranging from less than one percent to 30 percent.

Table 3.3: NEAI Timber Grant Summary for the Oregon Consortium & Oregon Workforce Alliance.
(Source: The Oregon Consortium 2002)

GRANT	REGIONS	DATES	AMOUNT	# SERVED	# PLANNED	"EE" RATE & EARNINGS
Timber 6	1,4,6,7,9,10, 11,12,13,14	10/93-6/96	\$1,075,892	322	316	73%/\$8.27/hr
Timber 9	1,4,6,7,9,10, 11,12,13,14	7/94-6/96	\$2,554,360	608	594	73%/\$9.04/hr
Timber 10	1,4,6,7,9,10, 11,12,13,14	6/95-6/97	\$4,361,643	961	827	71%/\$9.97/hr
Timber 11	1,4,6,7,9,10, 11,12,13,14	6/96-6/98	\$4,519,149	1,020	1,020	72%/\$10.42/hr
Timber 12	1,6,7,9,10, 11,12,13,14	6/97-6/99	\$3,697,539	840	993	84%/\$10.64/hr
Timber 13	1,6,7,9,10, 11,12,13,14	7/98-6/00	\$2,528,674	632	573	90%/\$12.18/hr
Timber 14	1,6,7,9,10, 11,12,13,14	7/99-12/01	\$2,448,832	531	421	N/A
Totals			\$21,186,089	4,914	4,744	N/A

Program Barriers

Several factors explain the low participation rate in worker retraining and job placement services. Some of these are linked directly to the NEAI "Timber Grant" approach, while others are barriers to retraining in general.

NEAI Came too Late

One critical factor was simply that NEAI came too late. Table 3.4 provides a list of case

study communities that experienced mass layoffs or mill closures. In nine out of the 31 case studies, or almost a third of the cases, timber industry dislocations occurred prior to 1985. In 8 communities, layoffs occurred between 1986 and 1993. Thus, by the time NEAI was initiated, just over half of the case study communities had displaced timber workers, many of whom had either left the community in search of employment, retired, or found other jobs.

Table 3.4 Timber mill closures and/or company mass layoffs that occurred in case study communities.*

Prior to 1980	1980 to 1985	1986 to 1993	1994 to 2000
Bridgeville	Hoopa	Astoria	Darrington
Garibaldi	Myrtle Creek	Cascade Locks	Happy Camp
McCloud	Shelton	Forks	Hayfork
Port Orford	Weed	Hoquiam	Klamath Falls
Upper Lake		Mapleton	Omak
		Oakridge	Packwood
		Stevenson	
		Sweet Home	

*Communities excluded from this list include those without a large mill and/or large timber industry employer, those that have not experienced mass layoffs or mill closures, and/or those for which information was not available.

Personal Barriers

Many displaced timber workers expressed reticence about receiving government assistance. Much of the logging and woods working culture revolved around independence and self-sufficiency. Cultural norms thus precluded many workers from seeking government assistance.

Many workers were also reluctant or fearful of returning to school. It was common to begin working in the industry at a young age, often dropping out of high school to earn a salary that was “more than what the teacher was making.” Consequently, a large number of dislocated timber workers had limited reading, writing, and math skills. Many had to go through basic skills training and/or complete their General Education requirement prior to entering a job training program.

The need to complete basic skills requirements prior to initiating occupational skills training not only added a level of additional stress and intimidation for workers, but also posed a logistical and financial problem. Basic skills training considerably prolonged the time needed for retraining. The longer training period in turn conflicted with unemployment benefit eligibility rules. Many workers, thus, were unable to complete longer-duration training programs because their unemployment benefits had expired.

Limitations on Unemployment Insurance

Indeed, the ability to receive and extend unemployment benefits proved critical to the success of

worker retraining programs. Early in the Initiative, Oregon and Washington each extended Unemployment Insurance benefits for up to 104 weeks. In Oregon, as time passed and the state’s economy improved, these extensions were cut. Workers eligible for the Trade Adjustment Act (TAA)/North American Free Trade Agreement (NAFTA) programs could extend their unemployment benefits for up to two years. However, Secretary’s Reserves grants did not provide this guarantee. Thus, for many, retraining programs were simply not accessible or financially viable because of the limited unemployment insurance coverage and/or existing debt obligations.

In addition, many workers, following a layoff, underwent a period of denial and/or grieving, creating a lag time between when a job ended and when they sought assistance. Also, because community colleges served as the primary centers for occupational skills retraining and generally operated under a quarter or semester system, depending on when a layoff occurred, workers often had to wait a term or more to begin classes. These delays in receiving services meant that workers had less time for retraining while covered under their unemployment insurance.

Limitations on Timber Grants

In addition to restrictions on unemployment insurance, the Secretary’s Reserve Funds also posed their own limitations. The level of assistance a person could receive was often dependent on when in the granting cycle he/she started the program. Because

each grant ran for a two-year period, those that entered the program at the start of a grant could take advantage of more funds than those who entered late, because by the end of the granting cycle the majority of funds had been allocated. Transferring an individual to a subsequent grant also presented problems due to the uncertainty of the subsequent grant amount and timing of an award. In addition, the Department of Labor viewed a carryover as a “negative termination” on the first grant, meaning a failure to complete the program, thus lowering performance standard ratings and often penalizing the service provider.

One interviewee felt that the Secretary’s Reserve Funds would have been more successful if the program had been modeled after the TAA and NAFTA programs. As appropriated funds (versus supplemental grants), the TAA and NAFTA programs functioned independently of the Private Industry Council, and had no timing restrictions—an individual could use the money when he/she needed it. One person contrasted the two programs,

A big problem was that the [timber] grants were first come, first serve. As the pot dwindled, there wasn’t as much training money available... This is in contrast to TAA/NAFTA... the money is out there and you can draw it down as you need it. It wasn’t an annual amount based on need. The timber grants were two-year grants that had to be spent within two years. TAA/NAFTA were kind of a program. Those that were eligible got the money. It was kind of like Unemployment Insurance. You can get it if you are eligible and need it.

Some interviewees referred to TAA and NAFTA as “Cadillac” programs, and the Timber Grants as the “Broken Chevy.”

Geographic Isolation

The physical isolation of many timber-dependent communities created another barrier to retraining. In several of the case study communi-

ties, retraining centers were often over an hour’s drive away. Many people expressed reluctance to move or commute such long distances for retraining.

Trickling-in of Displaced Workers

The particular structure of the timber industry was another factor in determining the numbers of workers served. In the case of large mill closures, for example, the Worker Adjustment and Training Notification Act (WARN) required that mills notify service providers and employees of impending closures. Service providers could then send a “Rapid Response” Team to visit the mills prior to the closure and inform employees about available services and assistance. According to many service providers, the Rapid Response program was highly effective in reaching workers.

If job losses were dispersed and not associated with a large mill closure, however, workers often did not fare as well. For example, the town of Forks, Washington had a large number of small, family-run timber operations. Consequently, job losses occurred in small increments rather than in one large layoff event. The ability to predict a small mill or company closure was more difficult, making both recruitment of workers and estimation of needed funds more difficult. Since the Department of Labor determined funding based on anticipated layoffs, it was much easier to estimate job losses and approve a grant for a large mill closure than to acquire funds for assisting workers who gradually trickled in as a result of a series of much smaller-scale lay-offs.

Perception that Mills would Reopen

The timber industry has always been characterized by boom and bust cycles. It was common for mills to close for a period and then reopen. This created a perception among many that a mill closure would be temporary, and thus kept many dislocated workers from utilizing their retraining benefits. Others would begin a retraining program, but quit if a mill reopened or another timber industry-related job became available. The 1995 Salvage Rider (attached to the 1995 Recissions Act PL 104-19), which permitted the Forest Service and the Bureau of Land Management to increase salvage timber sales between

July 1995 and December 1996, also fueled false hopes that the downturn in timber jobs was temporary.

Difficulty Finding Work with Comparable Pay

The desire to return to one's former job (regardless of how tenuous it may be) is not surprising given that even when individuals successfully completed retraining programs, very few entry level positions provided wages and benefits comparable to what workers had earned in the woods or mills, even in an industry in which wages had been flat. Essentially, training and education did not necessarily guarantee a comparable wage to what workers had earned before. Many workers at age 40 or 50 were forced to start at the bottom rung of a new career ladder. Furthermore, once retrained, finding a job locally was often a challenge, and many were forced to relocate or commute long distances for work. Many older workers became discouraged and retired rather than retrain for new careers that paid less than their previous positions.

Agency Entrenchment

Although the Department of Labor (DOL) participated in and played an important role in the NEAI, the agency was relatively inflexible when it came to "busting barriers." Regional DOL representatives, who participated on the R-CERT, pushed for reforms and changes. However, according to interviewees, their superiors in Washington D.C. "refused to do anything differently." One source described working with DOL as "pushing a rope." For example, most participating agencies (e.g., USDA Rural Development, Economic Development Administration, Forest Service – Rural Community Assistance Program) shifted grant authorization to regional or state offices, while DOL continued to require that grants be approved in Washington D.C. This not only delayed the funding of grants, but also slowed local efforts to streamline service delivery. This "business-as-usual" attitude among DOL's top administrators precluded any novel approaches to assisting displaced timber workers. The agency, as one

interviewee put it, "came up with the usual bureaucratic excuses for not doing anything courageous."

Program Benefits

One of the JTPA's most significant contributions to the Initiative was the expansion of its eligibility criteria to include secondary and tertiary workers. Although accomplishing this change in DOL's program took several years of lobbying on the part of state and regional entities, once implemented, it greatly increased the population of displaced workers who could receive assistance and support services.

Additional factors contributing to program success included early intervention programs, such as "Rapid Response," in which a team of job service specialists would go to a workplace prior to a shutdown to inform workers of their benefits. In addition to providing information to workers, this proactive approach also allowed service providers to assess and effectively handle workers' special needs. Although successful with larger businesses, such programs were less effective for smaller businesses or in situations where layoffs occurred incrementally.

In general, efforts that helped to streamline services and make assistance more available and accessible increased enrollment and retention in JTPA services. For example, in some remote communities, new classes were begun at satellite community colleges that allowed workers to remain close to home for their retraining. The Timber Grants allowed service providers to hire additional staff to make counseling and processing of clients more individualized and personal, as well as serve more clients. Many service providers also hired peer advisors who could directly relate to workers and who helped create a comfortable, non-threatening environment for workers. Some JTPA service providers also combined their offices with other social service agencies to create "one stop," integrated service centers for clients.³

Apart from providing traditional job placement assistance and worker retraining services, some JTPA service providers also collaborated with other participating NEAI agencies (e.g., Forest Service, Rural

3. This "one-stop shopping" approach was eventually mandated by the Department of Labor under the Workforce Investment Act, which replaced JTPA in 2000.

Development, etc.) on projects and programs. For example, many service providers were involved early on in the Jobs-in-the-Woods (JITW) training programs. Their involvement ranged from participating in program development, screening and selecting trainees, and covering training-related expenses, such as travel, equipment, and tools. After the first few years, however, most JTPA service providers stopped participating in the JITW training programs because of the uncertainty of job opportunities following training. One local staff person commented, “The program was very expensive. We couldn’t figure out how people were going to make a living when all was said and done... You need to match the training with a job you intend to do in the end... We need to train people in jobs with long-term potential.” A more lengthy discussion of JITW is provided in the following section.

Another example of how DOL funds were used in innovative ways is in Snohomish County (see the Darrington case study), where the Snohomish County Private Industry Council operated a micro-enterprise assistance center to help dislocated workers transition to rural entrepreneurs. The center, which was called Down Home Washington, provided entrepreneurial training and technical assistance, access to capital through microlending programs, and access to markets, through its Down Home Washington Marketing Association. The Department of Labor provided a separate grant of \$93,000 toward this program, complemented with funding from the Forest Service and Rural Development.

Other individual grants provided by the Department of Labor included funding for the Forestry Training Center in Forks, Washington. Developed to provide training in cut-to-length computerized harvesting equipment for small diameter tree harvesting and thinning, the Forestry Training Center received a \$950,821 grant from DOL to cover the costs of tuition for up to 88 displaced timber workers. These funds served 59 trainees, of which 39 were placed in

jobs following completion of the program. Like JITW, the originally high number of jobs anticipated following training never materialized, and DOL funds were not renewed. One JTPA staff person commented, “We generally weren’t trying to specialize. This was the first and only training [provided through DOL] for a narrow range of jobs.”

Jobs-in-the-Woods

The second major mechanism developed to assist dislocated timber workers under NEAI was through a new program called Jobs-in-the-Woods. Whereas the JTPA programs focused on assisting displaced timber workers to acquire skills needed to shift into careers outside the forestry sector, the JITW program aimed to create a workforce with the skills suited for forest-related work in the fields of ecosystem restoration and management. Modeled after the Jobs-for-the-Environment program⁴ initiated by the state of Washington in 1993, Jobs-in-the-Woods represented the only formal attempt to link the biophysical component of the Forest Plan to the socioeconomic component of NEAI. In 1994, four federal agencies (U.S. Forest Service, Bureau of Land Management (BLM), U.S. Fish and Wildlife Service (FWS), and Bureau of Indian Affairs (BIA)) began to redirect funds for Jobs-in-the-Woods (JITW). The Forest Service and BLM conducted activities on federal forests, BIA provided funds for tribes in the region, and the FWS worked on projects on state and private land.

Program Goals

The goal of the JITW program was to restore watershed health and create economic opportunities for displaced workers. Specifically, JITW sought to “improve the social and economic conditions of timber dependent communities by creating longer-duration, multi-skilled, family wage jobs with an emphasis on providing training and employment for displaced workers (Ochs 1995).” Additional goals included promoting a watershed-based approach to restora-

4. Washington’s Jobs-for-the-Environment (JFE) program was created through a house bill passed by the Washington State legislature in 1993, and served as the template for the federal JITW program. The program recruited dislocated natural resource workers (originally forest workers, but expanded to include fisheries workers), providing them with restoration training and certification. Funding was provided through state legislative appropriations and disbursed through competitive JFE grants, the Competitive Watershed Restoration Partnership Program grants, allotments to DNR regional offices for work on trust lands, and Washington State Department of Ecology’s Conservation Corps.

tion across ownerships and improving and creating partnerships with local communities (Ochs 1995). In effect, Jobs-in-the-Woods attempted to redefine the relationship that land management agencies had with forest-dependent communities and workers. As one interviewee pointed out,

It was a new model for how the feds did work on the ground. It began to force the Forest Service to adopt a socioeconomic ethic. They had always focused on a land ethic—managers were accountable for land management on the ground. Their performance review was about acres of trees. The Forest Service never had a socioeconomic ethic. They were willing to take responsibility for what happened on the land, but had never taken responsibility for who did the work and what kinds of jobs were created.

The primary means of achieving such an industry was through federal contracts to conduct restoration on public and private lands. Historically, the Forest Service and Bureau of Land Management contracted a variety of services (including tree planting and forest thinning) to private companies. Generally agencies awarded contracts to the lowest bidder for short time periods on a seasonal basis. The focus of Jobs-in-the-Woods was to create a locally-based, high-skilled workforce that could implement “ecosystem management” as it was discussed in the Forest Plan. The following excerpt highlights this objective:

The work that needs to be done in the woods is not a set of separate, unrelated tasks that can be prescribed by professionals and carried out by unskilled workers. Rather, ecosystem management is a complex and adaptive process requiring skilled workers who understand the ecosystem objectives and can analyze and solve problems in the field—workers who

are more akin to ‘applied ecologists’ than tree planters (LERC 1998:7).

Combined with the Administration’s stated political commitment to serve workers and families, the large amount of press given to Jobs-in-the-Woods raised expectations among community members and workers about the number and types of jobs that would be created. Program planners, however, soon realized that funds were simply not available to provide the number of restoration jobs needed to offset job losses in the timber industry. Funding limitations forced planners to shift their focus to developing quality jobs rather than a large quantity of jobs. The emphasis on quality meant creating jobs that paid a family wage and provided year-round employment, something that, in theory, could be achieved by pooling multiple jobs (e.g., thinning, surveying, planting) into a single contract. Workers would be required to have multiple skills, which would justify paying a higher wage. For land management agencies, this meant redefining the criteria used to award contracts from “lowest bid” to “best value” (i.e., quality of work).

In addition to providing funds for new Jobs-in-the-Woods contracts, about 10 percent of program funds went toward ecosystem restoration training programs, coordinated among community-based organizations, educational institutions, land management agencies, social service agencies, state and local governments, and labor unions. Upon completing the training, many hoped workers would enter the restoration industry as private contractors. The training component served as the primary means for JITW programs to assist displaced timber workers to transition into the ecosystem restoration industry.

Program Outcomes

Contracting

Exact figures on the amount of money expended through JITW over the course of the Initiative are difficult to track. As discussed above, Forest Service and BLM Jobs-in-The-Woods contracts between 1994 and 1995 were tracked and included in the SCERT databases, though the completeness of the data is questionable. After 1995, however, record keeping

was less consistent and obtaining exact values for the funds allocated to these programs was difficult. Nevertheless, based on available data, it is clear that over the six-year period of NEAI, tens of millions of dollars funded JITW projects. In 1994 alone, the four agencies redirected \$27 million to JITW, while in 1995, the budget for JITW had increased to \$32.69 million. Significantly less money was allocated in subsequent years. Most of these funds went directly to restoration projects, such as culvert removal; road decommissioning; revegetation; stream bank stabilization; and vegetation, wildlife, and fish monitoring and surveying. In short, JITW projects contributed toward the implementation of the biophysical component of Northwest Forest Plan.

Jobs-in-the-Woods, however, had a minimal effect on workers. A few national forests experimented with new “best value” contracting procedures, but in general, very little changed. Most of the high-paying contracts were for heavy equipment work (such as culvert removal and road decommissioning), which required very little in the way of manual labor, thus creating very few jobs. Although some displaced timber workers offset their job losses through JITW contracts, for the most part ecosystem restoration work was scarce. Because much of the service contract work that had been done in the past was associated with timber harvesting (such as tree planting) and had been paid for by timber sales receipts, the curtailment of logging on federal lands meant that there was even less work available (and fewer funds to pay for that kind of work) than in previous years.

Interviewees identified agency entrenchment as a primary barrier to achieving “best value” contracting. As one informant noted, “The biggest barrier to this kind of program is our agency’s inability to really get this as a standard way of doing business—agency commitment to bring these kinds of contracts.... We are still putting out contracts that have 27 acres of thinning that have to be done in 12 days.” Some informants attributed this entrenchment to a fear among agency employees of change and the consequences of implementing such a change. As one informant stated: “People were worried about the backlash from implementing new rules for contracting. It was the fear thing. The contracting officers

were not interested in doing things differently. There were some exceptions, but even those guys were cautious.”

Much of the fear can be attributed to the dramatic changes being asked of contracting officers. One sensitive point was shifting from a low-bid mentality to “high quality” as the criterion for awarding projects. Lowest-bid contracting had been the standard within the federal land management agencies for many years. As part of government reinvention, best value contracting allowed new criteria to be considered by government agencies for awarding contracts. Rather than focusing on how much the contractor would charge, agency staff were increasingly asked to focus on who would do the work—taking into consideration the contractor’s skills, abilities, wages, past contract performance, and training. Another significant change was creating mid-level technical jobs within a contract. In the past, for example, the Forest Service divided contract work into labor and professional services.

Trying to keep the work “local” was also problematic because the definition of “local” was fairly subjective. For example, one interviewee stated that “the concept of local is different depending on where you are...A Willamette Valley contractor will travel a long way. So the sense of local changes...‘Local’ could be the whole mid-to-southern Willamette Valley commuting-shed.” Agency staff noticed, however, that lengthening the duration of a contract permitted more locals to acquire contracts since non-local contractors “didn’t want to motel a crew for a year.”

These new criteria for contracting demanded that a contracting officer be innovative, creative, and especially careful in how they developed a contract. Interviewees discussed ethical issues around tailoring contracts for a particular contractor. One interviewee stated,

You have to be real careful how you put [contracts] together. You really have to know who your contracting community is. When [you] stick a contract together [you] have to look at what’s out there.... [The contracting officer] can tell you as soon as

[he/she] puts the contract together who the contractor would be if [he/she] put it together a certain way. So [you] have to be very careful. [One contracting officer] just recently had to work a contract where it didn't just benefit any one or two individuals so that everybody has a chance to play the game. So you have to be aware and work within your authorities. There's a whole ethical part of contracting.

Apart from contracting, an additional institutional barrier was simply the agencies' focus on meeting the demands of the Northwest Forest Plan. The focus on national forest management and biophysical issues dominated the discourse within the agencies, overshadowing calls for rural development assistance and the adoption of a "socioeconomic ethic." Without the buy-in and mandate from top agency officials, efforts at innovative community-based forestry and "best-value" contracting was limited to a few progressive districts and national forests.

Ecosystem Retraining Programs

The second component of JITW was training. The NEAI, however, had no formal mechanism for institutionalizing JITW training across the three states. Instead, such training programs emerged primarily from community-based efforts. Many began as pilot or demonstration projects, and some were later adopted by community or regionally based organizations.⁵ Oregon's JITW training was the most organized due to facilitation and coordination efforts of the Ecosystem Workforce Project (EWP), a program of the Labor Education Research Center at the University of Oregon. The EWP played a key role in creating local partnerships among community-based organizations, educational institutions, land management agencies, state and local governments, labor unions, and JTPA service providers. It also worked at the policy level to promote an ecosystem management industry.

Training generally involved a combination of classroom instruction and hands on fieldwork/on-the-job training. Most trainees early on were displaced timber workers, although the criteria for eligibility was expanded over time to include other displaced workers. Trainees received a salary for the duration of their training period. Because the federal agencies faced legal restrictions on selective hiring of displaced workers, other entities (including non-profits, conservation districts, local governments, state agencies) took on the role of employer.

Only a very small percentage of displaced timber workers participated in JITW. For example, between 1994 and 1998, only 150 individuals completed JITW training programs in Oregon. Participation in the training programs might have been higher had there been an abundance of jobs for graduates. The majority of graduates, however, could not find long-term work in the industry. Many of the JTPA service providers who had been involved in initial pilot training programs dropped out after the first few years because of the uncertain viability of restoration work as a long-term occupation. The expectation that a new ecosystem restoration industry would be created, which would employ a highly skilled workforce qualified to take on the task of ecosystem management, did not materialize. Instead, graduates were forced to compete with established contractors for traditional service contracts, most of which were for jobs requiring little advanced knowledge of ecosystems.

Furthermore, established contractors often employed a young labor force that could endure the harsh conditions that the work demanded. Contractors also increasingly employed mobile and Hispanic workers who were also often paid less than the JITW crews, which enabled the contractor to submit lower bids. Some of workers were paid illegally low wages. The JITW trainees who went on to work in contracting ranged in age between their late 30s through 60s, and had a difficult time competing against younger crews on labor-intensive jobs. One interviewee explains,

5. The most noteworthy organizations that provided JITW training programs include the Columbia-Pacific Resource Conservation and Development Council, based in Aberdeen, Washington; the Rogue Institute for Ecology and Economy, based in Ashland, Oregon; and the Watershed Training Center in Hayfork, California.

It was difficult to compete with other companies that weren't ecosystem workforce crews. Our company was solely displaced workers—people in their late 30s and 40s... Most of the contracting opportunities, however, were more physical work—little brainpower. The competition was companies that relied on people in their 20s and on foreign labor. Wages were low. There was no way for us to compete. When a project came along that required more savvy and know-how then we could be competitive. But there weren't that many contracts like that available. Most contracts were heavily bent toward production and physical work—such as thinning. There was a lot of chain-saw work, which younger guys could do much faster than older ones. The problem was that there were not enough contracts to support an industry... Contracts were also lumped in the summer. It was hard to get year-round work... Too many companies and not enough work. It was still too seasonal.

One person felt that the program could have been more successful had the agencies restricted contracts to JITW crews: "They [FS, BLM] were working on a low-bid mentality. Even if they gave us preference with a five percent differential, the costs for us were really 30 to 40 percent higher. Unless the work was highly technical... you couldn't make it fly."

Downsizing within the Forest Service may also have contributed to the limited success of JITW. Beginning in the early 1990s, the Forest Service went through a series of major staff layoffs, closing offices and consolidating districts. The agency was thus in the midst of its own budget crisis, while being asked to create new jobs for contractors. The proposed family-wage jobs were often higher than what long-term agency employees earned. Agency employees had once done much of the technical work (i.e., monitoring and

surveying) that was now being contracted out through JITW. One staff member commented, "It looked like what we were doing was privatizing out the work that had been done by the Forest Service in the past. What we should've realized was that people working for the Forest Service and going through the downsizing saw what we were doing as a threat to their jobs."

An additional barrier included the lack of training on how to contract with state or federal agencies. Few of the participants gained hands-on experience with contracting since most were employed as hourly workers. Although some training programs included a contracting component, understanding the intricacies of contracting with state and federal agencies continued to be a formidable task for those new to running their own business.

Graduates of the JITW training programs also often lacked the necessary capital to purchase equipment, as well as cover expenses associated with bonding, insurance, and licensing. Because many JITW contracts (as well as other federal contracts) involved the use of heavy equipment, the lack of working capital limited the types of contracts a person could bid on. The Economic Development Council of Tillamook County (EDCTC) in Oregon began a unique Ecosystem Revolving Loan Fund to directly address this barrier. The EDCTC designed the short-term loan program to provide working capital, help businesses expand to include ecosystem work, or to assist with large equipment purchases. Many recipients used the loan program to gain access to working capital, which they utilized to pay their staff while awaiting reimbursement from their state or federal ecosystem contracts.

New Contracting Models

Several informants suggested a new approach to creating contracts. One example was "outcome-based contracting," in which the agency would write a contract that specified the desired outcome but let the contractor determine how it would be done. Traditionally for small thinning projects, for example, the Forest Service would have one of its foresters mark the specific trees that would be cut. With the outcome-based model, the contractor would have the expertise to know which trees to cut. This model

would promote adaptive management because any necessary changes could be made on site, rather than having to have the forester come out and reassess the situation. One person cited an example: “We had a specific project in a stream and hired people with a lot of training. They were able to make changes to the project on-site, which greatly improved the project and reduced the costs. It was a shining example of how a different approach to contracting could work.”

Another proposed idea was to shift to long-term service contracts, in which the agency would award a contract and give task orders with the contract, and the contractor would create a work plan, estimate a budget, and be expected to complete the work within a certain time period. With a long-term contract, the contractor would have the freedom to decide how to time the work to provide year-round employment and prevent overlapping deadlines. One interviewee commented on the benefits of long-term contracts:

I like to think that our contracts are in a way a stewardship because what I've found is that when people go in and... are rated on their work performance rather than low bid, they are going to take more time and more commitment. Local people are going to put more into those contracts knowing that they are going to come back to this piece of land and do something else in the future. In a way it is stewardship, what they've taken on...so they are proud of it. They take their neighbors...show them what they are doing. Talk about it. I think it really improves the quality of contractors that we have.

Tribal Jobs-in-the-Woods

The Jobs-in-the-Woods program administered by the Bureau of Indian Affairs warrants a separate discussion because of the unique situation faced by tribes. As mentioned earlier, the Bureau of Indian Affairs provided JITW monies to northwest tribes for restoration activities on tribal lands or adjoining lands. The outcome of these programs for workers

was somewhat different than for other JITW projects. Despite limited funding and the creation of a handful of jobs, many of the jobs were sustainable because tribes could hire workers directly as employees. Unlike the Forest Service, BLM, and FWS, who could not directly hire workers, the tribes had no such restrictions. Tribes often supplemented JITW funds with other funds to keep tribal members on staff. For example, JITW funds enabled the Hoopa Tribal Forestry Division to hire someone half-time from 1995-1997 to set up, and collect and analyze data from the monitoring program. More recently, the Tribe was able to hire a full-time hydrologist to design and implement a scientifically credible monitoring program in five watersheds on the reservation.

In addition, JITW participants developed skills that could be transferable to other areas, such as public works. For example, the Skokomish tribe began doing their own heavy equipment work instead of contracting it out. “It allowed us to build capability in-house,” states one staff person. “We gained the ability to do public works—storm water management, emergency response, evacuation, road maintenance... When we had a broken water line, we could fix it.” The program thus contributed to the development of internal capacity and expertise within tribal resource management agencies.

A critical dimension of the tribal JITW program was that projects were generally carried out on a tribe's own land. Decisions over the kinds of restoration projects to conduct were thus made by the tribe, rather than prescribed by an outside entity. Restoration efforts often began with substantial time devoted to thought and discussion, and often combined indigenous and scientific knowledge. For example, in the case of the Skokomish Tribe, one tribal employee describes the process as follows: “We received input from the tribal council, talked to fishermen, looked at the eddies, talked to elders about what the creek used to be like, what used to be there.” Using the tradition of oral history, staff obtained knowledge and information from talking with elders as well as its own crew, who were all tribal members. Workers thus felt a great deal of ownership and pride in their work.

Restoration thus not only provided jobs for tribal members, but helped to restore cultural identity and practices. “There is a cultural element to restoration... We’re not just fixing culverts...It’s culturally relevant,” notes one interviewee. In many cases, restoration efforts brought back native species commonly used for subsistence, traditional ceremonies, and crafts. For example, the Warm Springs tribe restored traditional root gathering areas, along with deer and elk populations. The Skokomish re-established sweet grass, which is used in basketry-making. Reductions in sediment load on the Hoopa Reservation improved habitat for salmon. Jobs-in-the-Woods crew members were able to work outdoors and seasonally, which was consistent with a culture closely tied to the land.

Conclusion: Worker Effects

Although one of the top objectives of the NEAI was to assist displaced timber workers, most sources felt that only a very small proportion of workers were actually served. The barriers listed below precluded more effective outreach and service delivery:

- The timing of the Initiative (for many, layoffs had occurred several years prior to the NEAI);
- Personal barriers faced by displaced timber workers (e.g., need for basic skills training);
- Limitations on unemployment insurance;
- Limitations on Secretary Reserve Fund grants;
- Geographic isolation of many affected communities;
- The “trickling in” of workers associated with small, independent timber operations;
- Difficulties timber workers experienced in finding work of comparable pay; and
- Inflexibilities in the Department of Labor,

which hindered the adoption of innovative programs.

Expectations regarding the quality and number of jobs created through Jobs-in-the-Woods also went unmet. Although JITW created some sort term jobs, very few workers (particularly those that had gone through JITW training programs) successfully secured long-term employment. JITW contracts commonly focused on heavy equipment work that utilized few workers. Federal land management agencies had a difficult time shifting from a low bid mentality to “best value” contracting. Agency commitment to JITW waned as the agencies themselves downsized, and energy focused on meeting the biophysical requirements of the Forest Plan. Displaced timber workers who underwent training in ecosystem restoration faced a number of obstacles when trying to become independent contractors, including competition from a pre-existing workforce that was often underpaid, lack of knowledge about federal contracting, lack of capital and business “know-how,” and simply the lack of long-duration, “bundled” contracts that required knowledge in ecosystem management.

Tribal JITW met with relatively greater success because of the direct linkages between program, employer, and land manager. That is, tribes were not only the recipients of JITW funds, but were also the grant and program manager, trainer, employer, and owner and manager of the resource. The skills developed among JITW trainees not only benefited the individual, but benefited the tribe as a whole by increasing capacity within the tribal government. The restoration of culturally relevant uses of natural resources helped to create critical safety nets for un- or underemployed tribal members and their dependents as well as activities that served as important vehicles for transmitting lifeways and practices central to tribal cultural identity.

B. Industrial Recruitment/ Expansion/Retention

One of the NEAI’s primary mechanisms used to promote large-scale industrial recruitment, expansion, and/or retention was through industrial

facility development. Of the 31 case studies analyzed in this assessment, 19 had projects that involved direct investments in physical infrastructure for in-



Students working on Ames Creek, Sweet Home, Oregon

dustrial facilities.⁶ These investments amounted to \$41,331,684 or 20 percent of all funds that went to 34 communities in the 31 case studies. Table 3.5 summarizes the industrial facilities projects in the 19 case studies.

Success among these projects (if defined as the ability to attract, expand, or retain businesses to create/retain jobs) is mixed and varies by the criteria used to measure success. Moreover, the short time horizon between the completion of most NEAI-funded industrial development projects and this assessment is insufficiently long for determining success of these projects. Our conclusions about the efficacy of industrial development project investments thus reflect only success in the short term. It is possible that some of the projects that have had limited success in the short run may prove quite successful in the long run.

Of the 19 communities that had industrial development projects, 13 communities had projects that resulted in some job creation or retention (projects in the remaining six communities were either still in the construction phase or had not secured a tenant). The jobs that were created, however, were for the most part much fewer than originally anticipated. Only in four communities (Colville, Garibaldi, Warm Springs, and Weed) did project outcomes meet expectations. Nine communities showed partial “success” in that some short

term jobs were created, but either the numbers never reached anticipated values or jobs were subsequently lost as a result of the failure, contraction, or loss of a business.

Several examples can be used to illustrate the partial success achieved by most of the industrial development projects assessed in this study:

- (1) In Astoria/Warrenton, development of the North Coast Business Park resulted in the siting of a juvenile prison that created 80 family-wage jobs. The prison, however, created an environment that was not attractive to other businesses.
- (2) In Sweet Home, construction of a flexible manufacturing building in 1996 allowed a local company to expand its business as well as retain existing jobs. Although the expansion was projected to create 15 jobs and save 20, at one point the company had as many as 96 employees. In 1999, however, the company moved out of the community, and the building has since remained vacant.
- (3) In Shelton, the creation of a plastics processing facility created a dozen jobs for a few years. However, the facility closed when the market for plastics crashed.

6. Case study communities include Astoria, Cascade Locks, Cave Junction, Colville, Darrington, Forks, Garibaldi, Hoquiam, Klamath Falls, Myrtle Creek, Oakridge, Omak, Packwood, Roseburg, Shelton, North Bonneville/Stevenson, Sweet Home, Warm Springs, and Weed.

Table 3.5: Industrial development projects in case study communities.

Case Study	City/Applicant	Project	Amount Received
Astoria	City of Astoria	North and South Tongue Point	\$1,202,690
Astoria	City of Warrenton	North Coast Business Park	\$1,183,600
Cascade Locks	City of Cascade Locks	Sewer Treatment Plant	\$5,191,840
Cascade Locks	Port of Cascade Locks	Industrial Park	\$447,597
Cave Junction	Illinois Valley CRT	Airport Industrial Park	\$500,000
Colville	City of Colville	Colville Industrial Park	\$515,000
Darrington	Town of Darrington	Airport Parking/Information Center	\$160,000
Forks	City of Forks	Forks Industrial Park	\$529,820
Garibaldi	Port of Tillamook Bay	Industrial Park	\$840,000
Hoquiam	Grays Harbor County	Industrial Waterline	\$8,132,000
Hoquiam	Hoquiam	Fifth Street Extension	\$99,000
Hoquiam	Port of Grays Harbor	Industrial Park Manufacturing Space	\$2,025,000
Klamath Falls	Klamath County	Laminates/Fasttrack Publicly Owned Manufacturing Building	\$1,539,000
Klamath Falls	REACH, Inc.	Juniper Shavings Mill & Secondary Products Manufacturing Facility	\$140,000
Myrtle Creek	City of Myrtle Creek	South Umpqua Valley Secondary Wood Products Shared Facility	\$477,000
Oakridge	City of Oakridge	Industrial Park	\$3,339,000
Oakridge	City of Oakridge	Water System Capital Improvement - OECDD (approved/ not received)	\$3,200,000
Omak	City of Omak	Airport Industrial Park	\$10,708
Omak	City of Omak	Omak Wood Products Timber Mill	\$5,064,000
Packwood	Destination Packwood	Packwood Mill	\$15,000
Roseburg	City of Roseburg	Diamond Lake Corridor Water/Sewer Transmission Lines	\$1,204,977
Shelton	Exceptional Foresters, Inc.	Plastics Processing Facility	\$100,000
Shelton	Port of Shelton	Hardwood Mill Infrastructure	\$322,300
Skamania	City of North Bonneville	Fort Cascades Business Park/Evergreen Building	\$720,052
Skamania	Port of Skamania	Stevenson Industrial Building	\$236,500
Skamania	Port of Skamania	Wind River Complex	\$469,600
Sweet Home	Sweet Home	Flexible Manufacturing Building	\$495,000
Warm Springs	Warm Springs Reservation	Composite Products at Mill Site	\$1,200,000
Weed	City of Weed	South Weed Industrial Park	\$1,972,000
		TOTAL	\$41,331,684

In some cases, industrial parks simply remained vacant or with very few tenants. Examples below illustrate this situation:

- (1) In Hoquiam, improvements to and expansion of the 5th Street Extension (an existing industrial park) created future development options for existing businesses, and brought in a storage facility. However, the project did not create the 450 jobs initially anticipated. Apart from the storage facility, no new jobs have thus far been created.
- (2) In Packwood, despite active recruitment before the facility's completion in 2000, the 8,000 square foot building remains unoccupied. The building is located outside the area designated for growth by the Growth Management Board. Potential clients are reluctant to move into the facility given the uncertainty about whether the Growth Management Board will allow them to expand to meet future needs.
- (3) In Oakridge, although a few small companies have moved into the Industrial Park, and pre-existing business have remained, no large companies have yet to lease the facility. The announcements of grant awards and industrial park plans fostered unrealistic expectations among residents about the time needed to get a thriving industrial park operating. When their expectations

were not met, residents became disappointed and frustrated with the lack of progress. The tension between the community's expectations for quick success and the reality of industrial development time horizons has produced ongoing community conflicts, increased frustrations, and created an environment of hostility and apathy among community members.

Evaluating the success of industrial development projects is difficult in part because results typically take several years to materialize. For example, in Klamath Falls, International Paper promised to create 70 jobs upon completion of an industrial facility. However, the company only created 13 jobs, and then went out of business after five years. A company called Thermo-Pressed Laminates subsequently moved into the facility, creating 22 jobs. Although an improvement over the 13 jobs International Paper created, the number is still far below the original estimate in the project proposal. It is possible, however, that as time progresses, more jobs will be made available at the site.

From the standpoint of enhancing social and human capital skills within the community, however, the industrial site project was much more clearly a success. For example, the relationships created within and outside the community as part of the develop-



Oakridge Industrial Park, Oakridge, Oregon

ment of the industrial facility played an important role in the community's ability to develop Team Klamath, an ongoing coalition of development organizations in the area. Team Klamath played a key role in creating and implementing the Klamath County Commercial Development Plan, which enabled Klamath Falls to attract six major retail stores to the area.

Factors Contributing to Success and Failure

A number of factors can be used to explain the why some industrial development projects were more successful than others. Some of these factors were related to external forces that were often beyond the control of a community (i.e., shifts in regional, national, and global economies), while many were factors internal to the community.

Proximity to Markets and Major Transportation Routes

In general, communities that were located along major transportation corridors (the most potent example being Interstate 5) and/or located near markets were often (but not necessarily) more successful at attracting businesses than communities located in more remote locations. It's important to point out that success was not guaranteed, however, if a community was located close to transportation corridors. For example, the industrial facility created in Cascade Locks remains vacant despite the community's close proximity to Highway 84 and the Portland Metropolitan Area. Conversely, some communities were able to offset the disadvantages of being located away from major transportation routes through the development of telecommunication infrastructure. For example, Colville obtained a grant from the Rural Community Assistance Program to develop a Rural Information Technology Center. Once established, the Center acquired funding for enhancing and expanding fiber optic lines in Northeastern Washington. The development of a telecommunications infrastructure has made it possible for rural residents to telecommute. The system also expanded opportunities for unemployed people to locate jobs, and has provided local businesses with access to internet markets.

Access to Human Capital

The skills, education, experiences, and general abilities and capabilities of city staff (i.e., human capital) played a large role in determining the success of industrial development projects. For example, the town of Weed had strong leadership and well-developed organizational resources at the onset of NEAI, which facilitated the success of South Weed's industrial park. In contrast, Oakridge's city administration, with limited large-scale industrial activity and construction experience, was challenged to meet all the demands posed by the Industrial Park. As a result, a city council member said that they "wasted a number of years not knowing how to do things." In addition to simply having an experienced staff, it was also important that staff were actually available (i.e., had funds allocated to support his/her position) to manage or market the project. It was also important that staff be consistent over time. High turnover of staff sometimes stifled projects. Colville's experience underlines the key role that community colleges can play in providing opportunities for enhancing human capital within communities. Colville's Rural Information Technology Center, for example, has been instrumental in creating a local workforce with the information technology skills needed by many businesses.

A "Bird-in-Hand"

Securing a company's commitment to move into an industrial park prior to or concurrent with actual infrastructure development was also important. Most of the communities that showed success or partial success with their industrial developments either had an anchor tenant secured prior to project completion or were working with an existing business in the community that was interested in expanding. Working with existing businesses was often the most successful because the companies had already established roots in the community, and were often committed to local job maintenance and creation. Companies with some connection to a community (e.g., through social and familial ties, geographic proximity, economic interdependence) were more likely to locate in the community than companies that had no connection with the area. For example, the City of Colville was able to convince Home-O-Nize (HON) Industries to

centralize its two manufacturing plants in Colville, in part because the founder of Aladdin Steel (which had been recently purchased by HON) wanted to ensure that the company remained local and continued to have a positive impact on the community. The Skamania County case provides another example of the power of local ties. In North Bonneville, a business owner who was originally from the community was interested in relocating his business to area and leased a space at the new industrial park.

Although having a bird-in-hand business ready to occupy a space was important, it did not guarantee project success. For example, International Paper, a bird-in-hand in Klamath Falls, promised to create 70 jobs upon completion of an industrial facility, only to end up creating 13 jobs and going out of business after 5 years. Also, federal funding that required a bird-in-hand occasionally posed problems. For example, in Forks, a few local businesses expressed interest in leasing the incubator space, but were unwilling to make formal commitments to lease the site due to uncertainties about the site's availability date. Without a formal commitment to lease the site, agencies were reluctant to fund the venture, which they viewed as speculative.

Multiple Leaders

Project success was often facilitated by the presence of many leaders (i.e., individuals who could take on responsibility for some aspect of a project) versus one or a few charismatic individuals. Although single leaders are sometimes highly successful at promoting or developing a project, if the individual leaves or becomes burned out, the project is highly vulnerable to failure. Oakridge is an example where one dominant leader propelled a project forward but later left the community, resulting in a leadership vacuum and stifling the project. In contrast, in areas such as Klamath Falls, Forks, and Skamania County (North Bonneville/Stevenson) different people assumed leadership positions at different times and for different purposes, reducing the burden on a single individual and also promoting more collaborative development processes. Indeed the importance of creating collaborative relationships (both internally among project partners and externally among funding entities and

consultants) proved critical to project success. Because of the magnitude and complexity of industrial development projects (which often require an understanding of environmental assessment, remediation, zoning, infrastructure development, business recruitment and marketing, property valuation, and service and equipment costs), the ability to share knowledge and work with others is essential.

Ongoing Communication with Community Members

Several case studies highlight the importance of agencies and local governments initiating open communication with citizens at the onset of a project and maintaining such communication throughout the project. In Hoquiam, for example, if the community had been more involved in the planning of the Fifth Street Extension project, a tax levy might have passed, allowing for the full development of the industrial park rather than the scaled-down version that was ultimately developed. In Stevenson, the community institutionalized processes for ensuring wide-spread and ongoing community input into economic development planning, project design, and, consequently, engendered broad community support for virtually all aspects of project implementation.

Multi-dimensional Approach

Approaching an industrial development project through multiple strategies (i.e., fostering the development of human and social capital in addition to working to secure financial and physical capital investments) was also a key factor to project success. For example, in Shelton, in addition to trying to secure funds for infrastructure improvements, the Mason County EDC worked at the policy level on issues surrounding business development, retention, and recruitment. The EDC also facilitated collaboration among several key entities in the area (i.e., the city, port, state patrol, public utilities district, county) to encourage regional planning and the pooling of funds and development efforts. In Stevenson, community leaders focused not only on the development of physical infrastructure, but also on building social and human capital (i.e., the ability of local entities to work together, develop connections with a diverse set



The Discovery Building in North Bonneville

of funding agencies, and effectively market and network the industrial facilities to attract businesses). Conversely, in Oakridge, the emphasis placed on the development of an industrial park and the reliance on a narrow leadership base to accomplish economic development, proved ineffective and eventually resulted in the loss of human capital and the breakdown of social capital in the community.

Maintaining An Appropriate Temporal Perspective

The case studies underline the long-term and cyclical nature of industrial development projects. In many of the communities, NEAI-funded industrial facilities and associated projects were too new to determine whether they are successful. Some of the facilities, such as those in Cascade Locks and the Illinois Valley, were nearing completion but the site managers had not yet identified tenants. In others, such as the Discovery Building in North Bonneville, major tenants had already moved in but it was too early to know whether the projected number of jobs would materialize. In some communities, such as Klamath Falls, where industrial sites were completed relatively quickly after the NEAI began, several tenants have moved in but as yet the job projections have not been realized. However, it is too early to know how such sites will perform over the long term.

Colville's Industrial Park, which attracted tenants who created several hundred new jobs in the community, took seven years to achieve the anticipated benefits. A clear lesson that emerges from our analysis of the industrial development projects funded through the NEAI is the importance of monitoring over the long-term to see how well these projects achieve both their stated job creation goals, as well as the extent to which such projects affect other economic development efforts in the community.

Interdependence Between Soft and Hard Infrastructure

The case studies indicate that the viable soft infrastructure and successful industrial development are interdependent. For example, in many communities, funding that supported soft infrastructure development enhanced the ability of those communities to acquire and leverage funds needed to carry out major physical facilities types of projects. In addition, communities with strong soft infrastructure were able to surmount the challenges associated with developing and implementing complex industrial facilities projects more quickly. At the same time, as the Skamania County case indicates, industrial development projects can also be structured in ways that facilitate and support soft infrastructure development.

C. Small Business Loan Programs

Background Information

A key challenge associated with economic development strategies for retaining local business is the inability of many businesses, especially small-scale firms, to obtain bank loans for starting and expanding their operations. By the mid-1990s when the NEAI went into effect, small business and micro-business loan programs had thus become an increasingly common tool for economic development. Many of the funds lent to small and micro-businesses through the NEAI were disbursed through revolving loan fund programs.

Revolving loan funds (RLF) differ from other loan programs in that the funder gives or lends money to an intermediary lending organization. The intermediary lender then lends the money to businesses or individuals. Intermediaries are typically nonprofit or public agencies. The intermediary lender puts the money from repaid loans and interest back into the loan fund, which is then used to lend out to other businesses or individuals. Thus assuming the payback rate and interest rates are sufficiently high to cover costs, the loan fund is self-perpetuating once the initial investment has been made. Typically revolving loan fund monies are lent to local businesses who can't obtain private financing. Interest rates and terms vary substantially. In many cases, Revolving loan funds are tied to the job creation and/or job retention potential of the business receiving the loan.

*Federally Financed or Administered Revolving Loan Funds*⁷

Federal agencies, including the Economic Development Administration, USDA-Rural Development, the Small Business Administration, and the Department of Housing and Urban Development, are major providers of funds for revolving loan fund programs in the Pacific Northwest. An overview of how NEAI

supported federal revolving loan funds affected Assessment communities is provided below.

*Department of Housing and Urban Development*⁸

In California, HUD channeled revolving loan funds through the CDBG Economic Development Enterprise Funds. These funds capitalized revolving loan funds that lent working capital or provided infrastructure assistance to private businesses whose activities resulted in jobs for people with low incomes. We did not identify any examples of HUD-supported revolving loan funds in the communities included in the Assessment.

Small Business Administration Microloan Program

Under its microloan program, the Small Business Administration (SBA) lends funds to nonprofit community based intermediaries, which then provide loans ranging from \$100 up to a maximum of \$35,000 to start-up, newly established or growing businesses. SBA requires that intermediaries provide technical assistance and business training to microborrowers. The maximum loan term is six years, and interest rates vary according to the intermediary's costs. Intermediary lending institutions for SBA's Microloan program in Oregon include Southern Oregon Women's Access to Credit and Cascades West Financial Services. For Western Washington, SBA's designated intermediaries are Down Home Washington and Washington CASH. The two SBA Microloan intermediaries of relevance for the NEAI Assessment in California are the Arcata Economic Development Corporation and Sierra Economic Development.

USDA-Rural Development/Rural Business-Cooperative Service (USDA-RD/RBS) Intermediary Relending Program (IRP)

The USDA-RD's Intermediary Relending Program finances business facilities and community

7. In addition to the programs discussed below, the NEAI also provided support to the Oregon Native American Business and Entrepreneurial Network, including funds for loans to both tribal and non-tribal rural businesses, and the Cascadia Revolving Fund, a private non-profit provider of small business loans. Due to the Assessment's community focus, we addressed these two programs only insofar as we encountered the presence of these programs in case study communities.

8. HUD funded various loan programs with NEAI funds, but most were not included in the NEAI database furnished to the Assessment team and thus were difficult to track down.

development projects in rural areas or cities with populations of less than 25,000. Loans are made by RBS to intermediaries, who establish revolving loan funds. Intermediaries may be private nonprofits, public agencies, Indian groups, or cooperatives that have a record of successfully assisting rural business and industry and can provide assurance of repayment. Recipients may be private or public organizations or individuals. Both intermediaries and recipients must be unable to obtain the proposed loan elsewhere.

Loans from intermediaries to recipients must be for the establishment of new businesses, the expansion of existing businesses, creation of employment opportunities, saving of existing jobs, or community development projects. Loans to intermediaries are scheduled for repayment over a period of up to 30 years with a one percent interest rate. The intermediary sets loan terms. The intermediary then repays the RBS loan through its collections from loans. If collections are not sufficient, the intermediary is responsible for repaying RBS out of its own funds. Loans may finance no more than 75% of the total cost and generally do not exceed \$150,000.

According to interviewees, USDA-RD/RBS lends money to 15-17 intermediaries in California and to 13 intermediaries in Oregon. In addition, two out-of-state intermediaries, one based in Idaho and one in Washington, also service Oregon counties.

Economic Development Administration (EDA)

The Economic Development Administration's (EDA) revolving loan fund program dates from the 1980s. Under its Economic Adjustment Program, the EDA provides revolving loan fund grants to intermediaries, who then lend out the funds to local businesses. The objective of the Revolving Loan Fund grant program is to support job-creation by local businesses with the ultimate goal of economic diversification. Since EDA Revolving Loan Fund monies come in the form of grants rather than loans, intermediaries who acquire them are able to target higher risk lenders than would be possible using USDA-RD/RBS-IRP or SBA-Microloan Program funds. In addition, EDA Revolving Loan Fund grants target distressed urban and rural areas, and thus are more flexible than USDA-RD/RBS Intermediary Relending Program monies. The EDA's

Revolving Loan Fund grants are administered by the Economic Development Districts.

State Financed or Administered Revolving Loan Funds

Oregon: State agencies, such as the Oregon Economic and Community Development Department (OECDD) also administer Revolving Loan Funds. However, in many cases, the funds provided through the state are obtained through federal agencies. The Oregon Business Development Fund, which is administered by the OECDD, provides funding for manufacturing, processing and tourism-related businesses. Oregon also has a Port Revolving Fund (PRF) that provides long-term loans to port districts at less than market rates. PRF monies are earmarked for projects such as industrial parks, airports, commercial development, water-oriented facilities located within the boundaries of port districts.

Washington: The Washington state constitution does not allow the state government to directly capitalize state administered revolving loan funds. As a result, state agencies coordinate with federal lending agencies to develop large statewide revolving loan funds. Most of the revolving loan funds in Washington operate primarily with distressed or rural communities or individuals. A recent survey by Washington State Lenders Network of 41 revolving loan funds operating in Washington revealed a default rate of 5% or less, well within the risk margin needed for the programs to continue. Most of the funds have existed for less than five years, and understaffing and inadequate support services for portfolio management, training, and data collection are common difficulties.

The Washington State Office of Trade and Economic Development also administers a Forest Products Revolving Loan Fund that supports businesses involved in value-added production of forest products. The program provides matching funds to qualified small and medium-sized firms in the state of Washington. The size of loans ranges from \$50,000 to \$750,000.

California: The California Trade and Commerce Agency used Old Growth Diversification Funds (OGDF) to establish a revolving loan fund. The funds are targeted to areas affected by the economic decline in the timber industry, and provide low-cost capital

to businesses that create or retain jobs in those areas. Businesses that are associated with value-added wood products and other types of resource related manufacturing are given preference under the fund's selection criteria. The OGDF Revolving Loan Fund was capitalized using funds from the Forest Service, and as loans are repaid the funds are lent out to other borrowers. Both start-up and established businesses in the following counties are eligible for these funds: Del Norte, Glenn, Humboldt, Lake, Mendocino, Shasta, Siskiyou, Tehama, and Trinity. Loan amounts vary from \$5,000 to \$15,000. Intermediaries for the OGDF Revolving Loan Fund include Arcata Economic Development Corporation, Superior California Economic Development District, and Tri-County Economic Development Corporation.

Assessment Communities with Revolving Loan Programs

Of the 31 case studies conducted in this assessment, 18 had revolving loan programs, totaling \$38,324,970 (Table 1). Because most of these loan programs were administered at the county or regional level, it is important to note that the total dollars received did not go exclusively to the case study community, but to the region as a whole. Some communities, therefore, had overlapping loan programs. For example, Cave Junction and Eagle Point were both served by the Southern Oregon Regional Economic Development, Inc., and Alsea and Sweet Home were both served by the Oregon Cascades West Council of Governments.

Program Outcomes

Determining which programs were successful is somewhat problematic due to a lack of information for some communities. Obtaining information on Small Business Administration loans was particularly difficult because the agency had dropped out of the CERT process early on and loans were difficult to track. Also, many lending agencies, concerned with confidentiality issues, were leery of providing detailed information on the success of their programs. Despite the limitations of the data, some programs were clearly more successful than others. Although all of the lending programs were successful in pro-

viding loans, some benefited communities more than others either in the number of loans granted, the default rate, and/or the number of jobs created. We also extend our definition of success to include the programs' ability to enhance other aspects of community well-being, such as the building of human capital—that is, increasing the skills, knowledge, and abilities of local entrepreneurs.

Based on our analysis of the 18 case studies that administered revolving loan programs, two can be characterized as extremely successful: Cave Junction and Hoopa. These programs were successful in terms of the number of loans granted, a low default rate, and the ability to serve a population that had been traditionally under-served. The following briefly describes the success of these programs:

- In Cave Junction, the establishment of the Illinois Valley Community Response Team (IVCRT) Micro Loan Program in 1999 proved extremely popular, with the program receiving over 40 loan applications during the first round of lending and granting 15 loans. The types of businesses applying for funds varied widely, ranging from jewelry makers to animal breeders to cleaning services to a small-scale agricultural operation. The program, targeted at very small businesses, was developed as a means to “address a gap in access to financing for poor, local entrepreneurs who – because of their impoverished status – often do not have a sufficient credit history to qualify for loans from conventional sources (JCEC 1999:3).” The idea for the loan program originated with an IVCRT member who felt that the organization needed to focus more resources into helping people do what they normally do to earn money, rather than spending it all on planning and developing projects designed to bring in new businesses, such as on an industrial park.
- In Hoopa, the Tribal Loan Department granted approximately 30 loans to individuals who either were starting or expanding a business. The repayment rate to date has been close to 100 percent. Because of the unwillingness of

Table 3.6: Case study communities that received NEAI funds for loan programs⁹

Case Study	Lending Institution(s)	Total Received	Number of Projects
Cave Junction/ Illinois Valley*	Southern Oregon Regional Economic Development, Inc., Southern Oregon Women's Access to Credit, Illinois Valley Community Response Team	\$9,449,405	17
Myrtle Creek*	Coos, Curry, Douglas Business Development Corporation	\$5,725,205	3
Roseburg*	Coos, Curry, Douglas Business Development Corporation	\$5,725,205	3
Sweet Home*	Oregon Cascades West Council of Governments, Linn County Business Development Center	\$5,128,410	8
Eagle Point/ White City*	Southern Oregon Regional Economic Development, Inc.	\$3,615,000	3
Alsea*	Oregon Cascades West Council of Governments	\$3,000,000	2
Omak	Okanogan County Investment Association	\$2,906,564	8
Packwood	East Lewis County Economic Development Council (The Lending Network)	\$2,660,000	2
Colville	Tri-County Economic Development District	\$1,700,000	1
Darrington	Snohomish County Private Industry Council (DownHome Washington)	\$1,570,000	4
Upper Lake	Lake County	\$1,500,000	1
Weed	Great Northern Corporation, Women's Economic Growth, Superior California Economic Development District, Jefferson Economic Development Institute	\$1,500,000	1
Garibaldi	Columbia Pacific Economic Development District, Economic Development Council of Tillamook County	\$1,168,000	4
Cascade Locks*	Mid-Columbia Economic Development District	\$1,000,000	1
Skamania *	Mid-Columbia Economic Development District	\$1,000,000	1
Oakridge	Lane Council of Governments, City of Oakridge	\$508,000	1
Hoopa	Hoopa Tribal Government	\$105,000	1
Hayfork	Superior California Economic Development District	\$7,000	1

*Case studies with overlapping programs (Cave Junction/Eagle Point, Myrtle Creek/Roseburg, Sweet Home, Alsea, Cascade Locks/Skamania).

many financial institutions to give loans to American Indians, as well as the lack of credit history among many Hoopa tribal members, this loan program enabled self-employed entrepreneurs to pursue their business interests in ways that they would otherwise not have been able to. For example, forest contractor loan recipients received small loans that enabled them

to purchase the bonds needed to bid on forest contract work, or to purchase equipment and supplies. Self-employed artisans were also able to purchase needed equipment and supplies. Some of the larger loans were used to for purposes such as the purchase of a dump truck for a self-employed contractor, remodeling a downtown restaurant that had been damaged

9. Information on the number of businesses served in Upper Lake was not available.

by fire, and helping establish a new downtown coffee house. These latter two establishments are both owned and managed by Hoopa women entrepreneurs. Additionally, many of the artisans who were able to purchase supplies and equipment using this loan fund were also women.

What is particularly noteworthy about these two programs is that both were able to serve a large number of individuals with a very limited initial investment. For example, in Cave Junction, the IVCRT received a \$40,000 rural enterprise grant from USDA Rural Development (along with a \$40,000 match from a social service block grant) to start its revolving loan program. In Hoopa, the Tribal Loan Department received a \$105,000 grant from USDA Rural Development for its revolving loan fund. Because the loans were targeted toward micro-businesses (usually composed of one to two person operations), the upper limit on loans was relatively small (\$10,000 for IVCRT, and \$2,000 for Hoopa) thus reducing the costs of initial capitalization.

Apart from the successes of these two programs, other programs can be characterized as successful in that they were able to serve a number of businesses from the local community and help to generate jobs. These communities include Astoria, Oakridge, Omak, Roseburg, Stevenson, Sweet Home, White City, and Weed. For example, in Sweet Home, seven businesses received Intermediary Relending Program loans through the Oregon Cascades West Council of Governments, creating approximately 50 jobs in the community. In Omak, the Okanogan County Investment Association provided loans to four businesses, which together employ 32 people. Investments in Roseburg by the Coos, Curry, Douglas Business Development Corporation helped to create or save approximately 20 permanent jobs. Southern Oregon Regional Economic Development, Inc. provided loans to four businesses in White City, saving 30 jobs and creating 28.

In the remaining communities (Alsea, Cascade Locks, Darrington, Garibaldi, Hayfork, Myrtle Creek, Packwood),¹⁰ only one or no businesses re-

ceived loans in the case study community, although loans may have been distributed regionally. For example, no businesses in Cascade Locks received loans through the Mid-Columbia Economic Development District's Intermediary Relending Program, although several from Stevenson had. Similarly, only one business in Alsea received an IRP loan through Oregon Cascades West Council of Governments, while several businesses in Sweet Home received loans.

The lending program in Garibaldi, although perhaps not as successful as others in terms of the number of loans granted in the community, is nonetheless noteworthy because of its focus on dislocated timber workers. The following provides a description of the program:

In an effort to address barriers to job creation in the field of ecosystem restoration, in 1996, the Economic Development Council of Tillamook County initiated a revolving loan program especially targeted to emerging businesses involved in ecosystem restoration. This short term loan program was designed to provide working capital for contractors, help businesses expand to include ecosystem work, and assist with large equipment purchases. The EDC targeted recent graduates of the North Coast Ecosystem Workforce Initiative, a Jobs-in-the-Woods training and demonstration project initiated in 1995. Many recipients used the loan program to gain access to working capital, which they utilized as pay roll for their staff while awaiting reimbursement from their state or federal ecosystem contracts. As of August 2001, the fund had given 13 loans to seven recipients totaling \$36,081. Since the monies have been revolved, the EDCTC now has broader flexibility about how to use them. Early in 2002, the agency decided to allocate one-third of the loan funds to ecosystem projects while making the rest available for other economic development activities, such as facade improvement or general business

10. See Jobs-in-the-Woods section of this report under Worker Effects for more details on barriers.

expansion, retention or creation. Although other barriers to Jobs-in-the-Woods have precluded many trainees from entering the field of private contracting,¹¹ the loan program has kept some businesses alive. While the EDC's final report denotes 87 jobs created or saved during the loan program's history, it is important to note that these reflect duplicated counts, meaning that a job could have been counted more than one time. Two graduates from the North Coast Ecosystem Workforce Initiative used the loan fund, and others who secured loans employed three graduates.

Despite the focus on assisting dislocated timber workers, this program had a minimal effect in the case study community. No loans were granted in Garibaldi, and contractors from other communities that had secured loans were unable to maintain their business independent of these funds (i.e., each new contract required a reapplication for loan monies to cover payroll).

Factors Contributing to Program Success and Failure

Based on the outcomes of the various lending programs illustrated in the case study communities, several factors can be identified that contributed to the program's success or failure.

A Multi-Tiered Approach

In terms of successes, a multi-tiered approach to lending that offers a variety of loan options proved effective for several communities. For example, in the Cave Junction/Illinois Valley case study, apart from conventional lending institutions (e.g., banks), loans were available from three different sources: Southern Oregon Regional Economic Development, Inc. (SORED I), which focused on providing capital to existing businesses or assisting people who had previous business experience in getting a new business started; Southern Oregon Women's Access to Credit (SOWAC), which provided training and sources of credit for women with low incomes who wished to support themselves by expanding or establishing very

small-scale businesses as an alternative to working for others; and Illinois Valley Community Response Team (IVCRT), which targeted very small businesses unable to meet that requirements for SORED I and SOWAC loans. In Sweet Home, loans were available from the Oregon Cascades West Council of Governments, as well as from the Linn County Business Development Center, allowing businesses to obtain different type of loans from each program based on their specific needs.

Partnerships

In addition to having multiple sources of loan programs available, what was equally, if not more important was the ability of these different loan programs and other support services to work together and form partnerships. Referring again to the Cave Junction/Illinois Valley case study, over the course of NEAI, the relationship between SOWAC and SORED I changed from being very distant to becoming increasingly interdependent. SORED I utilizes SOWAC's training capabilities to support its program, and SOWAC makes use of SORED I's lending and small business development expertise in its programs. The IVCRT worked closely with a variety of partners in setting up and implementing its micro loan program. For example, a local bank provided pro bono accounting assistance and SOWAC, SORED I and the SBDC provided business advice and technical assistance to businesses that received the loans. In addition, the Josephine County economic development planner and a SOWAC loan officer served as technical advisors on the volunteer loan board. By partnering and sharing resources, all programs were able to provide more services to a wider range of clients.

The town of Weed offers another example of the importance of partnerships. In Siskiyou County, although approximately 10 organizations provide business services, opportunities for collaboration are under-utilized, with some groups suspicious of others. Working relationships have been improving with time, however, and collaboration is beginning to occur. The director of one of these organizations is working particularly hard to open avenues for collaboration and initiated a forum for representatives

11. See Jobs-in-the-Woods section of this report under Worker Effects for more details on barriers.

from business service providers to meet and share information. Several economic developers commented that this forum introduced them to programs offered by other groups. Three groups that do have a close working relationship are JEDI, the SBDC, and the College of the Siskiyous. JEDI and SBDC have a Memorandum of Understanding (MOU) and jointly fund some staff positions as well as publicize and refer clients to each other's programs. The College of the Siskiyous provides all business training to JEDI's clients. The Small Business Institute, funded through NEAI, laid the groundwork for this partnership when SCEDD contracted with WEG for the satellite office in Weed. Also, SCEDD contracted with SCEDC to hire the community development coordinator at the beginning of NEAI with the capacity-building programs. Now SCEDC is also beginning to collaborate more with JEDI and SCEDD to coordinate and publicize programs. The partnerships that formed between organizations reflected a spirit of cooperation and collaboration that facilitated success in securing funding for and implementing projects

Combining Loans with Technical Assistance

Another factor contributing to program success was the ability to combine loans with technical/business development assistance. Most successful loan programs were closely connected with business development assistance/training. For example, in the Cave Junction/Illinois Valley case study, SOWAC, recognizing that many of its clients lacked the experience and the skills needed to establish a successful small business without assistance, developed an intensive 26-week training program in business planning as part of its loan screening process. This training program included a self-evaluation module, assistance in business plan development, marketing, and bookkeeping and other skills needed to operate a business. The training program served several purposes: It filtered out people who had underestimated the time, energy, and motivation that it takes to get a business going, it provided potential applicants with a basic business plan and at least a minimal level of skills needed to implement it, and it allowed SOWAC staff to get a good sense of their

clients' character and the likelihood that they would repay the loan. Once the initial training was completed, loan recipients worked with SOWAC staff and other service providers to develop a management plan for continued training and technical assistance throughout the life of the loan. Although no business in the Illinois Valley received loans through SOWAC's revolving loan fund, the business self-evaluation, entrepreneurial development, and technical assistance programs held annually in Cave Junction have helped to establish 14 new businesses (including a cafe, a speaker's bureau, a stained glass workshop, and a child care facility), and expanded two existing businesses, creating a total of 38 new jobs in the Valley.

In Sweet Home, Rural Development Initiatives used a Business Enterprise Grant from USDA-RD to work with the City of Sweet Home to organize a business retention and expansion program, and helped many businesses obtain loans. The Linn County Business Development Center provided business assistance to new and existing businesses in Linn County, including business planning and counseling, loan packaging, and financial assistance through the Linn County Investment Fund.

In Hoopa, the tribal Office of Research and Development administers a Business Service Center that provides a variety of support services for individuals wishing to start or expand private businesses on the reservation. For prospective entrepreneurs services include aptitude tests to help determine the likelihood that an individual will succeed at being an entrepreneur and to identify areas of probable strength and weakness with respect to business management. For current entrepreneurs, the Service Center offers a variety of services through workshops and personal training. These workshops and trainings help entrepreneurs identify and arrange credit and loans, and provide opportunities for individuals to increase their skills in different aspects of business management such as bookkeeping and accounts, sales, inventory management, marketing, and the like. Approximately 20-25 prospective entrepreneurs go through the Business Service Center annually. Of this number, the Center staff is able to encourage four to six individuals to actually become entrepreneurs while the remainder

subsequently realize that they are more suited for other forms of work or employment.

Awareness/Respect for Rural Business Realities and Cultural Norms

One important factor that contributed to the success of lending programs in communities such as Cave Junction and Hoopa was an awareness and respect for the realities faced by rural businesses as well as cultural norms. In Cave Junction, the success of the IVCRT micro loan program was that it recognized a gap in services available to very small businesses in the Illinois Valley that were unable to meet the requirements of larger lending institutions. Not only did the creation of the revolving loan fund try to address this need through micro loans, but its loan policies and procedures were “home-grown” in that they were developed by community volunteers, mostly from local businesses. In addition, in response to feedback from prospective borrowers, the local loan board members now also serve as mentors to applicants, assisting those whose applications were unsuccessful to refine their ideas further and providing advice to those who obtained loans.

In Hoopa, the micro loan program was similarly attuned to the business realities and cultural norms of tribal entrepreneurs. By offering very small loans (\$2,000 or less), loan recipients could meet their business needs while maintaining a manageable level of debt, as well as establishing a line of credit. Repay-

ment rates were close to 100 percent due in part to cultural norms that stress the importance of honor—loan recipients had an incentive to repay their loans in order to maintain their honor and standing within the community. A second explanation for the high repayment rate was the Tribal Council’s provision that enabled them to deduct from a tribal member’s annual dividend any debt obligation to the Tribe. Although this right has not been exercised in this loan program, the possibility of using it no doubt provides incentive for loan recipients to repay their loans.

In communities where few to no loans were granted, having loan programs that were better-tailored to a community’s needs and cultural norms may have increased the success rate. For example, in the Darrington case study, the Snohomish County Private Industry Council representative stated that the major barriers to serving Darrington were the town’s location and a local culture that was “risk averse.” Had the loan program been “locally grown” and/or more sensitive to a risk-averse culture (for example, by providing smaller loans that could be more readily paid back), participation among local entrepreneurs may have been higher. Similarly in Alsea, a representative from the Oregon Cascades West Council of Government cited the “lack of financial capital or collateral,” as well as the lack of business skills, capital management skills, and savvy in timber affected communities as major obstacles to obtaining loans.

D. NEAI Investments in Soft Infrastructure

We identified three categories of NEAI investment aimed explicitly at enhancing soft infrastructure, that is, the social, cultural, and human capital within communities. Soft infrastructure projects included 1) leadership development projects, which sought to strengthen community members' skills necessary for establishing, enhancing, and maintaining intra-community and extra-community networks; 2) community-based planning or visioning projects; and 3) regional development efforts that contributed directly to community-level social, cultural, and human capital building. The percentage of NEAI dollars that went toward projects that explicitly focused on developing soft infrastructure in the study communities was extremely small, totaling only \$8.8 million or about 4 percent of the total investment in the case study communities. The \$8.8 million funded 102 projects in 25 communities (see Table 3.7).¹² The 102 projects represent 17 percent of the NEAI projects in this study. Six communities—Astoria, Colville, Darrington, Forks, Happy Camp, Omak, and Myrtle Creek—implemented no projects designed explicitly to enhance social, cultural, or human capital. Nine communities had only one soft infrastructure building project, eight had between two to four projects, and only seven had more than five.

The distribution of the projects was highly skewed, with 71 (roughly 70 percent) of the soft infrastructure building projects implemented in just seven communities (North Bonneville and Stevenson, Hayfork, Sweet Home, Alsea, Roseburg, Garibaldi, and Eagle Point). The communities of North Bonneville and Stevenson, which together form the core of Skamania County's community action team, explicitly incorporated soft infrastructure building aspects into 23 of the NEAI projects implemented in Skamania County. Although less systematic in their approach, Sweet Home and Hayfork also incorporated soft infrastructure building aspects into many of their NEAI-funded projects (10 and 12 projects, respectively).

The types of soft infrastructure building projects implemented in the communities varied markedly from state to state (See Figure 3.2). Washington communities, for example, tended to focus almost exclusively on community-based planning or visioning kinds of projects. In Oregon, NEAI investments in soft infrastructure building focused almost equally on community-based planning projects and regional projects aimed at enhancing community-level social/human capital, with relatively few leadership development projects. In contrast, California shows an almost even distribution across the three categories of leadership development, community-based planning, and regional support for community-level soft infrastructure building.

The number of soft infrastructure building projects funded through NEAI also varied over time. The greatest number of projects was funded in 1994, when 28 projects with an explicit soft infrastructure building emphasis were initiated in the case study communities. After a substantial drop in 1996 and 1997, the number of such projects increased markedly in 1998, when 23 projects were funded. In 1999 and subsequent years, the number of soft infrastructure projects funded through the NEAI declined sharply.

As indicated in Figure 3.4, federal agencies and especially the Forest Service provided an initial round of community-based planning support to get the communities "kick-started" into the NEAI process during 1994. Funding for these kinds of projects dropped off in the next two years, as communities completed the planning process, and as technical assistance helped lower-capacity communities develop proposals and compete with others. This is likely the reason for the rise in soft infrastructure building projects in 1998, as efforts were devoted to assist communities that previously had not done community action plans and to provide an infusion of funds to assist communities in implementing plans funded under the first round.

12. For the purposes of the community analysis, Skamania County constitutes 2 separate communities (i.e. North Bonneville and Stevenson).

Table 3.7: Distribution of soft infrastructure building projects among case study communities.

City	Leadership Development	Community Based Planning or Visioning	Regional Support for Community-Level Soft Infrastructure Building	All Soft Infrastructure Building Projects
Alsea	0	3	5	8
Astoria	0	0	0	0
Bridgeville	0	1	0	1
Cascade Locks	0	2	0	2
Cave Junction	1	0	3	4
Colville	0	0	0	0
Darrington	0	0	0	0
Eagle Point	0	2	3	5
Forks	0	0	0	0
Garibaldi	0	3	5	5
Happy Camp	0	0	0	0
Hayfork	8	8	9	12
Hoopa	1	3	0	3
Hoquiam	0	1	0	1
Klamath Falls	0	1	0	1
Mapleton	0	1	1	2
McCloud	0	1	0	1
Myrtle Creek	0	0	0	0
Neah Bay	0	2	0	2
Oakridge	0	0	1	1
Omak	0	0	0	0
Packwood	0	1	0	1
Port Orford	1	1	0	1
Roseburg	0	4	5	8
Shelton	0	4	0	4
Skokomish	0	1	0	1
S. Skamania County	1	22	0	23
Sweet Home	2	9	5	10
Upper Lake	0	0	3	3
Warm Springs	0	1	0	1
Weed	2	0	1	3
Totals	16	71	41	103

Figure 3.3: Soft Infrastructure Building Projects by State

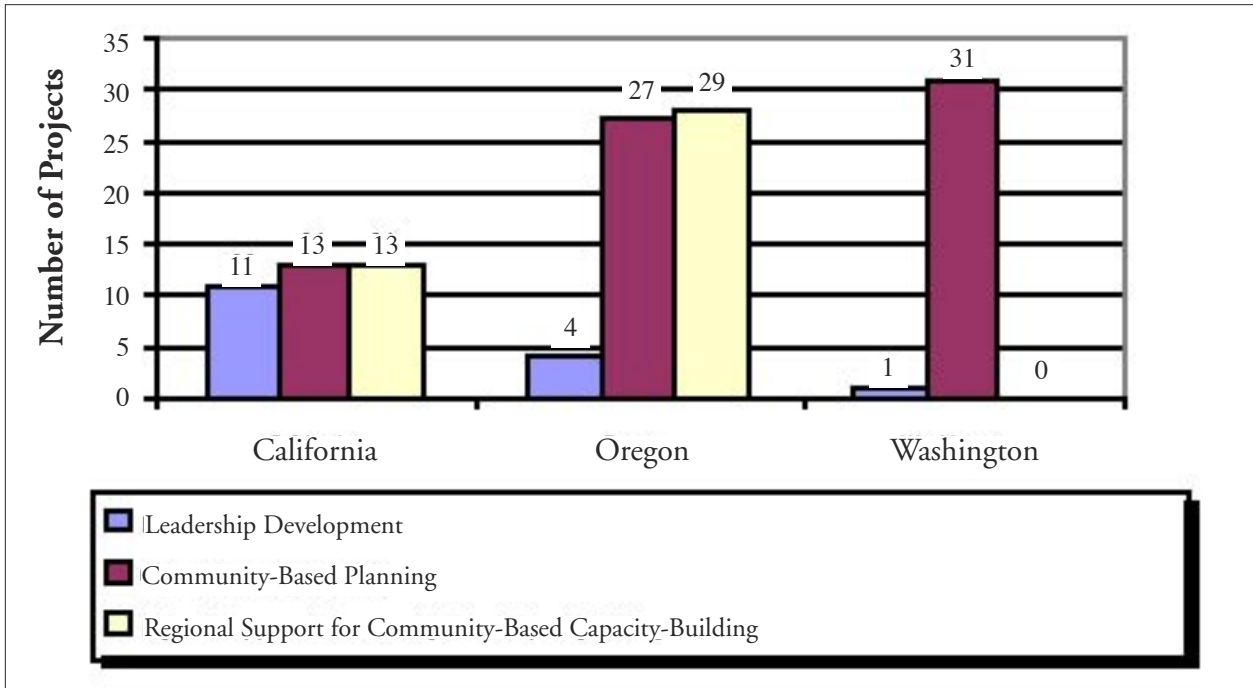


Figure 3.4: Social Capacity-Building Projects (1994-2001)

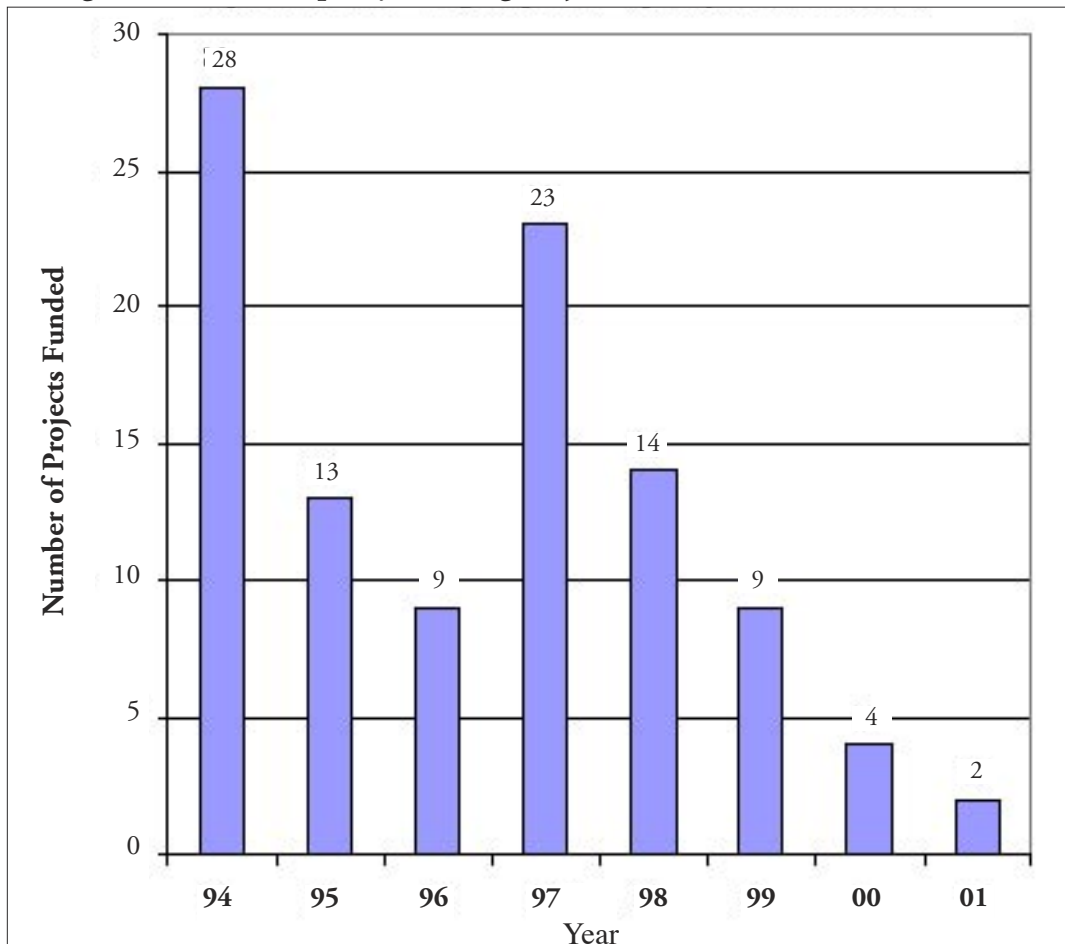
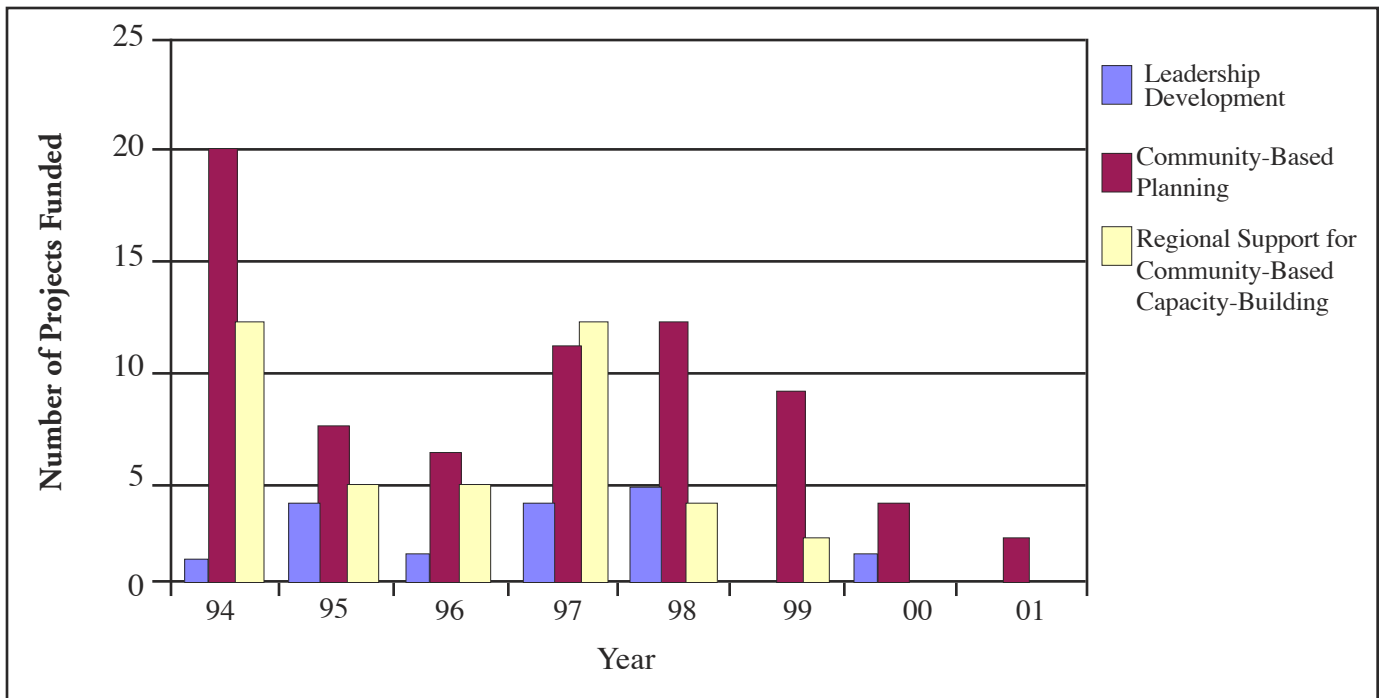


Figure 3.5: Project Categories Funded (1994-2001)

Leadership Development

Leadership development projects focused on assisting communities in developing the human capital skills needed to enhance and/or expand the community's social and/or cultural capital. Leadership development projects included projects that explicitly integrated leadership training into economic development (Hoopa and Weed) and community development projects (Hoopa, Sweet Home, Hayfork, and Port Orford), as well as projects in which leadership development constituted a stand-alone project objective (Cave Junction, S. Skamania, Sweet Home, and Hayfork).

The NEAI funded 16 projects with an explicit leadership development focus in the communities included in this assessment. A total of \$692,010, or 0.3 percent of the NEAI funding in the case study communities, went toward leadership development. Eight communities (three in Oregon—Cave Junction, Port Orford, and Sweet Home; two in Washington—North Bonneville-Stevenson; and three in California—Hayfork, Hoopa, and Weed) implemented such projects. However, half of the 16 projects took place in Hayfork, California, where

\$384,206 in Rural Community Assistance Program funds was secured to enhance the community's capacity to interface more effectively with external social, economic, and political entities.

NEAI funding levels for leadership development projects ranged from \$7,500 for a portion of Weed's Tourism Strategy to \$128,250 for one phase of Hayfork's "Linkages" program to increase community capacity. The median funding level was \$26,665 and 14 of the 16 projects, or 87.5 percent, received less than \$100,000 in NEAI funds. The Forest Service's Rural Community Assistance Program provided the funding for all but two of the leadership development projects. In terms of funding amounts, the Forest Service contributed \$627,900 or 91 percent of the NEAI funding that went toward leadership development projects in the case study communities. The USDA-RD contributed \$29,110 (four percent) and the EDA provided \$35,000 (five percent).

Collaborative Planning/Community Visioning

Collaborative planning and community visioning projects brought community members together

for the purpose of developing a more unified and more broadly accepted vision of how the community should invest its resources. They typically emphasized the creation and/or strengthening of a combination of human, social, and cultural capital. The collaborative planning and community visioning category encompassed the following kinds of projects:

- a) Community action plans;
- b) Community-based plans for a specific development sector, such as tourism;
- c) Capacity building and technical assistance to local and regional development organizations for the purposes of supporting community-based planning;
- d) Development and implementation of information gathering, tracking and exchange projects with broad community input; and
- e) Implementation of a variety of “traditional” development projects using continuous and broad-based community input.

Community-based planning and/or visioning kinds of projects constituted the most prevalent form of soft infrastructure development. Seventy-one projects of this type were funded through the NEAI in the case study communities. As noted above, the projects ranged from the development of community action plans, to funding for coordinating staff, to funding for developing and exchanging information within and between communities.

Nineteen communities invested NEAI funds in community-based planning or visioning kinds of projects. A total of \$6,377,878 went toward such projects, if one includes the Makah Tribe’s marina, which received \$1.7 million dollars in NEAI funds. If one sets aside the marina, the total drops to \$4,640,178. Funding for projects ranged from a low of \$5,000 for a community action plan in Eagle Point to a high of \$293,500 (not including the Makah marina). The median investment for community-based planning projects was \$37,000, and 80 percent of the projects received less than \$100,000 in NEAI funding.

As with the leadership development projects, most of the community-based planning projects took place in a relatively small number of communities. For example, Hayfork developed eight such projects, Southern Skamania (North Bonneville and Skamania) had 22, and Sweet Home had nine. Thus these three communities alone accounted for 39 (55 percent) of all the community-based planning projects. Funding for community based planning projects in these three communities totaled \$2,488,513, or 53 percent of such funding for all case study communities (excluding the Makah marina).

The majority of the community based planning projects received funding from the U.S. Forest Service (52 projects, or 74 percent of the total number of such projects). The Economic Development Administration funded 15, or 21 percent of community based planning projects. The remaining projects received funding through various other federal and state sources. In terms of expenditures devoted to community based planning,¹³ Forest Service Rural Community Assistance funding accounted for \$2.9 million (63 percent of community based planning funding) and EDA for \$1.2 million (26 percent of community based planning funding). Other federal and state sources funded the remaining projects.

Regional Social/Human Capital Building

The leadership and community planning projects discussed in the preceding sections consisted of projects developed at the community level for the purpose of enhancing the community’s social, cultural, and human capital. NEAI funds also supported 41 projects at broader regional levels that also sought to develop social, cultural, and human capital in specific communities. Projects in this category included capacity building, planning grants, and staff support in the form of RARE volunteers or paid coordinators for community-level economic development entities. These regional projects typically provided funding that allowed regional coordinating entities, such as the Council of Governments in Oregon communities and Economic Development Districts in Oregon, Washington, and

13. Investments in the Makah Marina were not included in this calculation, due the difficulty of determining how much various agencies contributed to marina-related projects.

California, to provide staff and other resources to specific communities.

Regional projects that explicitly sought to support community-level social and cultural capital comprised 40 percent (41 projects) of the 103 NEAI-funded social/cultural capacity building projects. A total of \$3.58 million dollars (1.8 percent of the NEAI dollars spent in the case study communities) was allocated to these kinds of projects.¹⁴ Eleven communities benefited from these types of projects, including eight in Oregon and three in California. None of the Washington communities included in this study benefited from similar types of regional efforts in that state.

As with the leadership development and community-based planning projects, regionally supported community-level social/cultural/human capacity building projects tended to occur in clusters, rather than being evenly distributed across the case study communities. For example, nine of the 41 projects (22 percent) took place in Hayfork. Alsea, Garibaldi, Sweet Home, and Roseburg each had five such projects.

Funding levels ranged from \$15,000 to \$349,000, with a median funding level of \$70,000. Thirty-nine projects, or 95 percent of the projects, received less than \$100,000 in NEAI funding. The Forest Service Rural Community Assistance Program provided NEAI funding for 17 projects, EDA provided funding for 23 projects, and USDA-RD contributed funding to one project. In terms of dollar amounts, the Forest Service provided \$1.2 million (34 percent of the funding for such projects), EDA contributed \$2.28 million (64 percent of the funding for such projects), and USDA-RD gave \$99,000 (two percent) toward regional projects aimed at enhancing social and human capital in communities.

Key Patterns in NEAI Soft Infrastructure Investments

Major patterns emerging from the above description of NEAI investments in soft infrastructure are described below (see also Figure 3.8):

- At four percent of the total amount of NEAI funds distributed in the case study communities, investments aimed explicitly at enhancing soft infrastructure at the community level constituted an almost negligible percentage of the NEAI funds reaching the case study communities. Soft infrastructure investments also tended to be small on a per-project basis, with the majority of investments being well under \$100,000. Yet despite the low monetary value of these investments, the case study narratives strongly indicated that communities with strong soft infrastructure and/or communities who invested heavily in enhancing their soft infrastructure were much more effective at leveraging funds and overcoming the challenges to successful project development and implementation than communities with weak soft infrastructure.
- Investments in soft infrastructures tended to cluster in a small number of communities. Three communities (Hayfork, Sweet Home, and Skamania County), for example, received by far the majority of the funds dedicated toward soft infrastructure development. Skamania County, where soft infrastructure development was tightly integrated with all community development projects, provides an example of how effective substantial and ongoing support for soft infrastructure development can be in the process of community economic diversification. In Sweet Home, the concentration of soft infrastructure development played an important role in the community's ability to overcome major challenges, such as the initial lack of internal social cohesion. Similarly, Hayfork was able to partially overcome the effects of political and economic isolation through substantial ongoing investments in linking community members to outside community development institutions.

14. This figure does not include NEAI funds contributed through the Economic Development Administration to the Lane County Council of Governments, some of which supported technical assistance and capacity building for Oakridge. EDA provided \$95,000 annually to the Lane County Council of Governments from 1994 to 1998, and \$3,000 annually from 1999-2000. It is difficult to determine how much of the \$481,000 went toward supporting capacity building specifically in Oakridge.

- Investments in soft infrastructure exhibited a cyclical pattern, with a peak in the number of soft infrastructure projects funded at the outset of the NEAI, followed by a second, smaller peak in midstream. The second peak represents agency recognition that soft infrastructure development is not a one-time fix, and that social capacity building requires long-term, ongoing investment on the part of communities and outside development institutions.
- An overwhelming portion of funding for soft infrastructure development came from just two federal agencies, the Forest Service and the Economic Development Administration.

The two agencies targeted different aspects of soft infrastructure development. The Forest Service supplied the bulk of the funding for leadership development and community-based planning. Although the EDA supported community based planning in some communities, it targeted its support primarily toward regional planning projects aimed at enhancing social and human capital in specific communities. The two agencies also differed considerably in their approach to funding, with the Forest Service providing funding for projects and the EDA contributing support for long-term staffing of economic development districts and similar organizations.

Figure 3.8: Patterns of Soft Infrastructure Funding

	Leadership Development	Community Planning/ Visioning	Regional Planning with Community Focus
Total Funding	\$692,010	\$6,377,878	\$3,580,000
Number of Projects	16	71	41
Number of Case Study Communities	8	19	11
Median Level of NEAI Funding	\$26,665	\$37,000**	\$70,000
Percent of Projects with less than \$100,000 of NEAI Funding	87.5%	80%**	95%
Percent of Funding from FSRCAP	91%	63%**	34%
Percent of Funding from EDA	5%	26%**	64%
Percent of Funding from USDA-RD	4%	1%**	2%

* \$4,640,178 without the Makah marina-related projects (\$1.7 million)

- Calculation does not include the Makah marina-related projects

Factors Contributing to Success of Soft Infrastructure Projects

The following factors were associated with successful soft infrastructure development projects: 1) Presence of a broad leadership base, 2) broad-based participation in community planning and project implementation, 3) strong internal social cohesion, 4) emphasis on a blend of hard and soft infrastructure development, 5) broad internal support for economic diversification, and 6) follow-through on planning.

Presence of a Broad Leadership Base

The presence of a broad leadership base in a community was strongly associated with successful soft infrastructure building projects. The McCloud case, for example, illustrates the weakness of plans that depend too much on a narrow segment of the community for implementation. As noted in the following quote, the community action plan process helped break down internal divisions. This in turn enabled the Chamber of Commerce to acquire money through NEAI for projects. However, as one informant in McCloud noted, the leadership base was too small and ephemeral to support these projects in the long-term:

The Community Action Plan process, facilitated by outside professionals, served as an initial step toward breaking down these barriers, and spawned more activity for the Chamber of Commerce. The resulting projects, however, did not empower nor strengthen skills of the local people. According to one person involved in the Chamber of Commerce activities, “The projects that were completed gave people hope and the incentive that they could do it themselves.” Without leadership, however, community energy and enthusiasm were as ephemeral as the technical assistance that NEAI offered. “The Chamber projects helped at the time,” explained a resident, “but [the project aide] is gone and the computer is sitting in an empty building.”

Communities such as Eagle Point, which have broad-based leadership networks characterized by strong internal and external ties, provide a sharp con-

trast as exemplified in the following analysis by an informant in Eagle Point:

The pre-existing multiple, overlapping, and interlocking collaborative networks throughout Jackson and Josephine Counties enabled people to take advantage of NEAI funding in constructive ways and with far-reaching effects. SOREDI was not only able to provide revolving loan funding and technical assistance throughout the region, but partnered with numerous other agencies and municipalities to support other projects. Rogue Community College collaborated with the Rogue Institute of Ecology and Economy, the Forest Service, the Bureau of Land Management, Southern Oregon Women’s Access to Credit, SOREDI, and four watershed councils to develop the Rogue Valley Ecosystem Workforce Training Partnership. A Jackson County Commissioner developed a team that included the President of Rogue Community College, the Director of the Veterans Administration Domiciliary, the President of Southern Oregon University, representatives of industry and business, and others to develop the Upper Rogue Education Consortium, which became the RCC Workforce Training Center in White City. These collaborative efforts, facilitated by NEAI funding, benefited and continue to benefit people and communities in both counties.

Skamania County carried leadership base development one step further than most communities by deliberately structuring projects in a way that required and encouraged broad-based participation in planning, design, and implementation. Because of the county’s strong emphasis on collaborative projects and the sharing of leadership roles, over time even understaffed and underfunded organizations have been able to take on strong leadership roles within that community.

Broad-based Participation in Community Planning and Project Implementation

Communities with community-based planning efforts that consistently yielded strong and on-go-

ing positive outcomes included Eagle Point, Klamath Falls, and Skamania County. One characteristic common to all three communities is the strong emphasis they placed on making sure that a broad range of community members took part in development planning efforts. In addition, the three communities also emphasized projects that required close collaboration and in which a variety of groups within and outside the communities shared leadership roles. Despite the complexities of inter-organizational planning and implementation, most of the collaborative projects in these communities resulted in favorable outcomes. In communities, such as Port Orford and Packwood, where community-based planning processes left out or sidelined important segments of the community, only the most non-controversial and simpler projects yielded the anticipated outcomes.

Strong Internal Social Cohesion

Communities with the most successful soft infrastructure building processes exhibited strong internal social cohesion. Some of the soft infrastructure building processes sought to find common ground among divided community members. For example, Hayfork invested in several social capital building projects that sought to establish linkages between previously divided or separated groups within the community. The results were mixed. A project to place sidewalks in the town's center resulted in heated discussion and the cessation of the project midway through. However, the opposing groups within the community did reach real consensus on the need to invest in developing a local trail system, a project that has received strong support from most of the community.

In Port Orford, an outsider-facilitated community-based planning process intensified internal divisions and brought the community's economic development efforts to a virtual standstill for several years. Community members noted that the planning framework provided by the facilitators was inflexible and inappropriate to their community's circumstances. They also felt that the facilitators had allowed insufficient time for community members to identify real areas of common ground. As a result, when the city sought to implement the business development part of the plan, anti-growth proponents brought the question

to a vote and vetoed it. This veto started in motion a series of political maneuvers between the two factions, resulting in the failure of a highway beautification project and a community activities center project. Eventually, the city formally abolished the community response team. One important lesson of cases like that of Port Orford is that community-based planning, if done poorly or inadequately funded, can decrease social capital by exacerbating pre-existing divisions within communities.

Blend of Hard and Soft Infrastructure Development

Community-based plans that adopted multi-dimensional approaches to development tended to yield more successful results than plans narrowly focused on one aspect of community life, such as economics. As noted above, tribal communities were able to overcome some of the negative aspects of their physical and economic isolation by focusing on projects or sets of projects that fulfilled a variety of community needs. Likewise, Skamania County's integrated development approach, which encompassed projects ranging from tourism infrastructure development, to local recreation facilities development, to elderly housing needs, to water and sewer system improvements, has proved extremely successful and continues to enjoy broad-based support within that community. Bridgeville, which focused the majority of its NEAI investments into a herb cooperative that failed, and Oakridge, which focused the majority of the NEAI funds it acquired into an industrial park that has not lived up to its expectations, serve as examples of the dangers of taking a one-dimensional approach to development.

Broad internal support for economic diversification

A key factor that distinguishes successful and less successful soft infrastructure building processes aimed at diversifying community economies is the degree to which broad-based support exists within the community for investing in economic diversification. For example, the passage of the Columbia River Gorge National Scenic Area Act provided a wake-up call in the mid-1980s to the heavily timber-dependent Skamania County communities to begin working to diversify their economy. Although the process of diversification

has been slow, the county has made remarkable inroads toward creating a broader based economy, that highlights, but doesn't focus solely upon tourism and recreation industries. Although several of the communities still rely heavily on timber harvesting and wood products processing, the antagonism that surfaced between timber workers and other community sub-groups in other communities, such as the Illinois Valley, Hayfork, and Port Orford, did not emerge in Skamania County. In some communities, such as Bridgeville, the situation is more complicated in that no clear economic alternatives exist. Without a clear and reasonably achievable vision for future economic development, it is difficult to generate broad-based support for change in such communities.

Follow-through on planning

A final characteristic common to successful soft infrastructure building projects was the presence of a high rate of visible and concrete benefits for com-

munity members. For example, Skamania County's community-based planning process has resulted in park improvements to two recreational sites widely used by local community members, as well as industrial site and downtown improvements that have benefited existing businesses. Likewise, Sweet Home's Ames Creek Revitalization Project, which provided quick results in its first phase, brought the somewhat divided community together and provided the possibility for the community to embark on the more ambitious and potentially more contentious phases of the restoration project. In contrast, in communities such as Mapleton, where concrete outcomes for the community's Master Plan have been slow to materialize, support for economic development efforts has declined. Likewise, community members in the Illinois Valley critique the local Community Response Team for putting too much money into planning and not enough into carrying out projects.



Stream structure created in Deadwood Creek in Mapleton, Oregon

E. Factors Contributing to the Success of Suites of NEAI Investments

Figure 3.6 (see below) compares the key factors distinguishing communities with strong success in revitalizing or transforming their economies to those experiencing limited success. Communities that function as political and economic hubs, and that are characterized by internal social cohesion (not to be confused with homogeneity), broad-based participation in community planning, strong support for efforts to diversify their economies out of timber and wood products processing, and the presence of

strong formal leadership structures tended to experience success with NEAI-funded projects. In contrast, economically and politically remote communities, particularly those with strong internal divisions, fragmented or discontinuous leadership, weak support from community members for diversifying the community's economy, lack of formal local governance structures, and in which participation in planning was limited and/or top-down had much more limited success with NEAI-funded projects.

Figure 3.9: Key factors associated with NEAI successes

Factors Contributing to NEAI Successes	Factors Limiting NEAI Successes
<ul style="list-style-type: none"> • Internal social cohesion • Broad-based participation in planning and project implementation • Strong internal support for diversification • Community is a political and economic hub • Presence of formal leadership structures • Continuity in leadership • Broad-based leadership • Strong ties to key external institutions • Close to or along major transportation corridors • Multiple dimensions to project interventions • Follow-through from plans to implementation • History of working together within formal governance structures • Relatively stable population and/or retention of leadership elements 	<ul style="list-style-type: none"> • Internal division within communities • Limited participation from community members in planning and project implementation • Weak support for diversification • Remote from political and economic centers • Lack of formal leadership structures • Narrow leadership base • Weak ties to key external institutions • Distant from transportation corridors • Project interventions narrowly targeted to one dimension of community life • Lack of follow-through on plans • Absence of visible signs of community collaboration • Lack of previous experience working together within formal governance structures • Out-migration of large numbers of community residents, especially leadership elements

Social, cultural, and some forms of human capital (i.e., leadership and networking skills) building projects, including community-based planning projects, played important roles in helping communities overcome several of the limiting factors noted above. Soft infrastructure projects enabled communities to:

- Identify points of common ground among differing factions, thereby contributing to the development of internally more cohesive communities;
- Create community support for economic diversification by identifying and implementing locally accepted and appropriate development investments;
- Provide opportunities for bringing together community members and staff from key external institutions in forums conducive to dialogue, allowing more remote communities to overcome some of the drawbacks of their geographical location;
- Provide opportunities for people to participate in deciding how to allocate economic development investments in their communities, thus expanding local support for projects.

Some factors likely to inhibit the success of economic development investments, such as geographic proximity to transportation corridors and political and economic centers, lay outside the ability of soft infrastructure building projects to address in the short-term. However, a number of communities developed community action plans that identified strong support for investments in up-to-date telecommunications systems as one mechanism for addressing the shortcomings of their community's geographical location.

Tribal communities present a special case from the other communities in that while most of the tribal communities included in this case study are located in physically remote locations (e.g., Warm Springs, Hoopa, Neah Bay), they all have had formal self-governance structures recognized by the federal government for many decades. Thus unlike remote unincorporated communities, such as Bridgeville, Upper Lake, and

Packwood, most of the tribal communities were able to tap directly and fairly quickly into the NEAI funding process. The Skokomish Tribe constituted an exception to the tribal pattern, most likely due to the strong internal divisions within the tribe and the channeling of most of the tribe's resources during the past seventy-five years toward a lawsuit requesting the return of tribal water rights. Of the tribal communities included in this case study, three (Warm Springs, Makah, and Hoopa) achieved moderate to strong successes through the NEAI, despite their physical remoteness from economic centers and major transportation corridors. Our analysis indicates that these successes can be attributed in large part to the tribes' strong ties with the federal agencies involved in NEAI, a direct link into the CERT process,¹⁵ the presence of relatively unified and experienced governments, relatively minor internal conflicts with respect to NEAI projects, and strong support within the communities for economic diversification.

In addition, tribal projects tended to be multi-dimensional even when narrowly focused, thus generating broad-based support within the communities. A prime example is the Makah's marina project, which utilized the vast majority of the NEAI funds channeled into Neah Bay. The marina supports commercial and subsistence activities, both of which are critical to the community's well being. In addition to providing the community with revenues from renting out boat slips, the marina also serves as a community-gathering place where social ties can develop and strengthen. Similarly, the Warm Springs funded a variety of projects that touched on many aspects of tribal community life, including support for the wood products industry, stream and watershed improvements, support for the non-timber forest products industry (i.e. an essential oils research and development project), support for recreation and tourism on the reservation, cultural heritage enhancement, and small business education. Likewise the Hoopa invested their NEAI funds toward projects addressing a variety of tribal community life dimensions: watershed restoration, nursery development, support for small businesses, oral history materials development, and support for the local wood processing industry.

15. Note: The Warm Springs could have participated directly in the CERT process in Oregon but chose to participate through the Central Oregon Intergovernmental Council which represented communities in Deschutes, Jefferson, and Crook Counties.

Chapter III: A View From Communities: Initiative Projects and Outcomes