

**Exploring Factors That Influence Business Retention and Expansion Efforts
Summary Report: Focus Groups of Business Leaders**

Prepared for:
The Retention and Expansion Task Force
Boise Valley Economic Partnership

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Executive Summary

In an effort to explore factors affecting Valley business retention and expansion efforts, six focus groups were conducted with local business leaders during August and September 2007. A total of 47 business owners or executives participated.

During the focus group sessions, the opening question asked participants to identify two factors *positively* affecting their local business retention and expansion plans and two factors *negatively* affecting their local business retention and expansion plans. The following factors were cited as *positively* affecting business retention and expansion:

1. Excellent quality of life: Approximately half of participants cited the excellent quality of life (or a related idea, such as "lifestyle") available to local residents as a factor that positively impacts their business retention and expansion.
2. Growth and opportunity: Approximately one-third of participants described population and economic growth as something that feeds demand for their business.
3. Strong local economy: Several participants described the local economy as strong and relatively stable.
4. Honesty, integrity and strong work ethic among employees: Several participants described employees as hard-working, loyal, honest and demonstrating a strong work ethic.
5. Access to decisionmakers: A few participants noted as a positive factor that they have access to Valley decisionmakers, including business and government leaders.
6. Strong and improving Valley reputation: A few participants cited as a positive factor the perception that the reputation of the Valley is strong and improving with national coverage in the media.
7. Favorable environment for particular industries: A few participants described the Valley business environment as particularly favorable for the specific industries in which they are employed; participants sometimes referred to specific elements within the environment such as tax policies, licensing or competition.
8. The positive effect of recent slowing growth: Because of a recent local economic slowdown, a few participants noted that hiring employees is now easier, and in some cases, occupancy costs have gone down.
9. Favorable business environment overall: A few participants spoke favorably of the Valley business environment as a whole.
10. Costs that compare favorably to other markets: Referring to the cost of living or the cost of doing business, a few participants said that costs compare favorably to markets such as California or Salt Lake City.
11. Independent, entrepreneurial spirit: A few participants described Idahoans and Valley residents as possessing an entrepreneurial spirit, a cowboy attitude, an independent streak, and/or a can-do attitude.
12. A vibrant and dynamic downtown: A few participants described downtown Boise as an energetic, dynamic, vibrant place to work.

The following factors were cited as *negatively* affecting business retention and expansion:

1. Challenges in recruiting employees: Nearly one-half of participants cited challenges recruiting employees as a factor that negatively impacts their business retention and expansion efforts.

2. Problems with Valley infrastructure: Approximately one-third of participants described the Valley infrastructure, particularly the transportation infrastructure, as a factor that negatively impacts their business retention and expansion efforts.
3. Uncertainty about future of the local economy: Citing slowdowns in residential real estate construction and sales, layoffs at local employers and/or uncertainty about the status of major local employers, many participants described concerns about the future of the local economy.
4. Lack of clear vision/plan for growth: Several participants described the Valley as lacking a clear, coherent vision or plan for growth; local government entities were described as competitive and the Valley was described as lacking a clear identity.
5. Challenges finding or dealing with clients/customers: Several providers of specialized or professional services cited as negative factors challenges in accessing or dealing with clients; contributing to this problem is the small number of large companies that serve as local clients, the large distances to other major metropolitan areas where clients might be located, and a stigma associated with being a service provider from Boise.
6. Limited access to education: In the view of several participants, Valley residents do not have adequate access to education, including trade and professional programs.
7. A state legislature unresponsive to urban needs: Several participants described the state legislature as resistant to change and unresponsive to the needs of urban areas within the state.
8. Inflationary costs: As a factor negatively impacting business retention and expansion efforts, several participants cited increases in the costs of land, construction, gasoline, labor, raw materials, etc.
9. Shallow presence in some business sectors: As a factor negatively affecting business retention and expansion, several participants cited an idea related to a lack of critical mass needed for businesses to thrive; for example, participants noted that some business sectors had only 2 or 3 local companies in them.
10. Unfavorable impressions about the Valley and state reputation: A few participants cited concerns about the reputation of the Valley and the state in the minds of outsiders.
11. Perceived high taxes: While opinions regarding taxes varied among participants, several cited specific concerns about how taxes on Valley businesses and residents compare to those in other states.
12. Sensitivity in pricing: A few participants described price sensitivity among customers; participants noted that prevailing wages have increased little and remain low compared with other markets.
13. Negative effects of rapid growth: While most participants described population growth as either inevitable or positive, a few cited some aspect of rapid growth as a factor negatively affecting their business retention and expansion efforts; for example, one participant said that his business owns property that may be taken under eminent domain action.
14. Limited availability of social services: A few participants expressed concern about what they perceived as a lag in social services: they also said that there is a drug abuse problem in the Valley that leadership has been reluctant to acknowledge and address.

During further discussion (after the responses to the opening question had been given), participants generally expanded on issues that had already been raised. Additional topics brought up during this later discussion included concerns about: air quality, water management, and zoning/land use regulations.

Most of the participants who shared future plans said that their companies would likely be employing more people in the Valley 12 months from now than they do today. Those who indicated they might employ fewer people and those who were uncertain usually cited concerns about the real estate market and/or the status of major local employers.

In discussing the future, most participants expressed a desire for continued growth but also expressed a need for better planning for growth. Many said growth was inevitable.

Participants expressed a sense that the Valley is going through a transition from being a small town/community to emerging as a major metropolitan area. They expressed mostly optimism but also uncertainty about how we would weather the transition.

Focus group responses are not definitive and may not generalize to larger populations. Responses in a focus group are heavily influenced by context and group process.

Approximately one-third of participants were employed in real estate, construction or related industries. While those industries are important to the Valley economy, they may not represent the best potential for future growth.

Introduction

The Boise Valley Economic Partnership (BVEP) is the regional economic development organization for the Boise Valley, which includes Boise, Meridian, Nampa, Caldwell, Eagle, Star, Garden City, and Emmett, Idaho. BVEP was created as an independently funded division of the Boise Metro Chamber of Commerce and as a partnership between communities, institutions, chambers and businesses. Its goals are to promote the Valley nationally and globally, to attract good jobs and capital investment, and to keep established businesses from moving away from the Valley.

The Retention and Expansion Task Force was formed to help define BVEP's role in retaining and growing local businesses. Task Force members currently include: Mayor Tammy DeWeerd (chair), Linda Alden, Ron Bitner, Heidi Bogart, Ross Borden, Jean Claude Bruneau, Jason Crawforth, Don Dietrich, Robin Dodson, Paul Hiller, Matt Howarth, Bessie Katsilometes, Katey Levihn, Terry Little, Jack Myers, Dale Newberry, Jennifer Pirtle, Matt Stoll, and Nancy Vannorsdel. The Retention and Expansion Task Force launched a project to help them better understand factors affecting local businesses' retention and expansion efforts. Boise State University is a partner in BVEP and agreed to participate in the project.

The first phase of the project is reported here. For this phase, six focus sessions were conducted with Boise Valley business executives and owners serving as participants. This phase is considered exploratory. The second phase of the project will be a survey of business executives and owners. The information collected from the focus groups will aid interpretation of survey results.

Project Objectives

The project objective is to explore factors affecting Valley businesses' retention and expansion efforts.

Procedures for Focus Groups

Six focus sessions were conducted on the following dates/times and in conference rooms at following locations:

<u>Session#</u>	<u>Dates/Times</u>	<u>Locations</u>
1	August 3, 2007 8-10a	Boise Metro Chamber of Commerce
2	August 8, 2007 3-5p	Boise Metro Chamber of Commerce
3	August 16, 2007 8-10a	Boise Metro Chamber of Commerce
4	August 23, 2007 8-10a	United Heritage Building, Meridian
5	August 29, 2007 1-3p	United Heritage Building, Meridian
6	September 5, 2007 11a-1p	Boise Metro Chamber of Commerce

BVEP employees recruited participants for the focus sessions. Forty-seven Valley business owners and executives participated on a voluntary basis, with no remuneration or incentives. Participants are listed in the Appendix.

All focus sessions were moderated by Trina Segó, Professor of Marketing at Boise State University. Rebecca Winston, executive assistant at BVEP, was an observer during sessions 1, 2, 3 and 6. Paul Hiller, Executive Director of BVEP, was an observer during session 1, and Nancy Vannorsdel, President and CEO of Boise Metro Chamber was an observer during session 2. Beth Simerly, intern at the Boise Metro Chamber, observed during sessions 3 and 4. At the beginning of each focus session, participants were told the purpose of the meeting. Participants were instructed that sessions were being audiorecorded and that the moderator would be the only person with access to the recording. Participants were also instructed that their comments might appear in the report, but that comments would not be attributed by name. Participants were further instructed that they need not answer any question that they felt uncomfortable answering for any reason, that there are no right or wrong answers, and that we were looking for both positive and negative comments.

After introductions, the opening question asked participants to identify two positive factors and two negative factors about the Boise Valley business environment that they might share if they were engaged in a conversation with an industry peer from another part of the country. After discussing the answers to this question, participants were asked follow-up questions related to the following topical areas:

- Resources needed to do business: access to supplies, customers, raw materials; transportation; business support services;
- Costs of doing business: occupancy costs; regulatory compliance; state and local taxes;
- Workforce quality: desirable skill sets; challenges recruiting and retaining employees; education;
- Future for individual companies: plans to expand or decrease employment in the next 12 months; future events that might cause businesses to change their economic forecast.

Other than the opening question (i.e., requesting two positive and two negative factors), questions were not always asked in the same order, and questions were modified, skipped or expanded depending on the interests of the participants and depending on time constraints. Very often, participants brought up related topics which were unanticipated; those were often discussed further.

At the conclusion of each session, participants were thanked for their input. They were also told that if they would like any follow-up communication from the Retention and Expansion Task Force to let the moderator know after the session. At the end of the session, a few participants asked for contact information for the Task Force; those that made this inquiry were directed to Rebecca Winston or were given Ms. Winston's contact information.

Summary of Comments Generated

The opening question asked participants to identify two factors that positively affected and two factors that negatively affected their business retention and expansion efforts. Participants were asked to imagine a conversation taking place on an airplane where they

found themselves seated next to a peer who worked in a different part of the country, and to imagine what factors in the Boise Valley environment they might discuss with the peer.

The most common factors that participants identified are listed below. Factors are grouped together under common themes if they represent an overlap in ideas. Only factors that were expressed more than once throughout all of the focus groups are discussed in this report.

That a few more negative factors than positive factors are discussed here is not an indication that participants made more negative comments than positive ones. Rather, participants expressed more consensus on the positive factors (particularly the first factor), while there was more diversity in negative factors identified.

Factors Cited as Positively Affecting One's Business Retention and Expansion Efforts

The following are factors that participants identified as positively affecting their business retention and expansion efforts in response to the opening question during the focus group sessions¹:

1. *Excellent quality of life* was the factor contributing to business retention and expansion cited most frequently by participants. Approximately half of participants indicated quality of life (or a related idea such as "lifestyle") as a positive factor. The Valley was repeatedly described as a great place to live, to run a business, and to raise a family. While many participants identified quality of life as a factor, some simply listed it with little or no explanation, as participants seemed to clearly agree on this point. One participant summarized: "It's a great place to live. I think just about everybody put that down."

When participants did elaborate on this factor, they said that they appreciate access to outdoor recreation, natural beauty, a thriving arts scene, high-quality athletic programs, a low crime rate, pleasant weather, the park system, a family orientation, and friendly people. Some said that the Valley lifestyle offers a good balance between work life and personal or family life. Some participants said that their businesses had considered quality of life as a priority when choosing to relocate to the Valley. Many said that quality of life was a factor that positively affects employee recruiting and retention. For example, one participant said: "I think the biggest draw for business...businesses are working in places where their employees are going to want to locate and be happy....The lifestyle, the outdoors, the quality of life, all of that, and I've lived in a lot of [places]."

2. *Growth and opportunity* was an idea expressed by approximately one-third of participants. In the view of many participants, economic and population growth provides opportunities for business growth. One participant commented, "Growth is opportunistic...It just brings more clients."

¹ Factors are listed in order of frequency; however, focus session results should not be regarded as quantifiable. One cannot have confidence that the popularity of a focus group response would generalize to a larger population. Responses in focus groups are affected by context and group influence.

For some participants, the Valley's growing economy compares favorably to more mature or declining markets in other parts of the country. In the words of one participant: "The Valley is continuing to grow and we're not saddled with a lot of the problems that a lot of communities back east have.... We have an opportunity to create something instead of fixing something that's gone wrong."

Some participants described the Valley market as an "undiscovered jewel" or a "diamond in the rough." For example, one participant said: "I thought I came here 12 years ago to take over a diamond-in-the-rough [company]. What I didn't realize was... what a diamond-in-the-rough this whole Valley is. And I think even after that 12 years, we're just now stepping up to the threshold. We haven't seen anything yet."

3. *The strong local economy* was cited by several participants as a factor positively affecting business retention and expansion efforts. Participants viewed the local economy as strong and relatively stable. They commented that the local economy seems to be buffered somewhat from national trends. For example, one participant said that the Valley economy does not move through "as many dips and peaks" as the regional economies in other areas do.

Another participant commented: "I think Boise has recently, in the last 20 years, been somewhat immune to economic downturns that you read about and hear about in the rest of the nation.... It doesn't seem like we've had to worry about the bad times."

4. *Honesty, integrity and a strong work ethic among employees* was cited by several participants as a factor positively affecting business retention and expansion efforts. Participants described employees as hard-working, loyal to the employer, honest, and demonstrating a strong work ethic and a high level of integrity. For example, one participant said that the employees at his company's Valley location behaved more professionally than did employees at his company's other locations. He described Valley employees as honest and hardworking, having family values and integrity.

Some participants extended this comment to the community in general, suggesting that Valley businesspeople and citizens are exceptionally honest, friendly, and genuine. Citing "honesty" as a positive factor affecting his company's retention and expansion efforts, one participant said "most people I deal with, I have had very little negative experience [with people here]. A handshake or someone's word still means something in this Valley where unfortunately, it doesn't in a lot of different parts of this country."

5. *Access to decisionmakers* was cited by a few participants as a factor positively affecting business retention and expansion efforts. These decisionmakers include business and government leaders. When serving other businesses, participants said they frequently dealt directly with business owners. For example, one participant noted:

We are driven by local businesses in this Valley. What I like about this is I've worked in the Seattle market, it's nationals that drive that—large employers, very large regional businesses. Here in this market..., we own our own businesses here, so we control our own destiny. We don't have a lot of national firms that are dictating how things are done. So I love doing

business with someone who is the decisionmaker. When I call on a business, I'm talking to the owner, and we make decisions and we get things done, and it's a wonderful way to do business....

Another participant noted that "the size of the city or the area is really conducive to getting to know your congressman, state legislators, all of the movers and shakers...[It is] a lot easier here than in other places to get to know them."

However, at least one participant offered a different perspective, saying that he had better access to decisionmakers when doing business outside the Valley than within it. About providing professional services to businesses, the participant said "We find it is much easier to engage businesses at much higher and more strategic levels outside the Valley than inside the Valley, and to get much higher fees also....We get a lot more respect outside of the Valley than we get inside the Valley."

6. *Strong and improving Valley reputation* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Participants said that the reputation of the Valley is strong and improving with national coverage in the media. For example, one participant said:

I think we have had an amazing couple of years in terms of publicity in the national scene as far as getting named in the top ten of mountain bike places, named in the top ten for, you know, lifestyle, any kind of lifestyle choice....I think we've had really, really good press for several years now.

Participants said that the Valley's growing reputation makes it easier to recruit from outside of the Valley. One participant described a recent executive search:

We're still able when we can't find that person locally in the market, the reputation of the Valley... We can still recruit that higher-end person that's willing to relocate in. [describes a national search for a recent executive position....] We got the most quality individual that I have ever seen, out of California, and it just wasn't that tough of a sale for him to relocate his family here and he's loving it....The reputation of the Valley and the quality of life is a really strong draw.

7. *Favorable environment for particular industries* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Those participants described the Valley business environment as particularly favorable for the specific industries in which they were employed. They sometimes referred to specific elements within the environment, such as tax policies favorable to their industry, low licensing fees, or a lack of competition, as contributing to this advantage. However, because of the small numbers of focus session participants employed in each industry, specific industries cannot be identified here for fear of compromising the confidentiality of individual responses.

8. *The positive effects of recent slowing growth* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Because of the recent local

economic slowdown (largely attributed to a slowdown in residential real estate construction and sales), a few participants noted that hiring employees is now easier, and in some cases, business occupancy costs have gone down. These were welcome changes for at least a few participants. For example, one participant noted: "There is the opportunity to expand...because occupancy costs, land, buildings are actually going down in price. That wasn't true two years ago. You could not build. You couldn't find a builder. You couldn't get concrete."

Participants also see the current slowdown as an opportunity to "catch up with the growth." For example, a participant said "In some ways, this slowdown in the housing market might be good for a while, let us catch up with our growth in terms of infrastructure."

9. *Favorable business environment overall* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Participants spoke favorably of the Valley business environment as a whole. As examples, these participants mentioned networking opportunities or agencies that assist businesses such as the local Chambers, Kickstand and the TECenter.

10. *Costs that compare favorably to other markets* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Participants discussed either the cost of living or the costs associated with doing business. For example, despite recent increases in land costs, a few participants noted that land costs are still lower in the Valley than in many larger markets.

11. *Independent, entrepreneurial culture* was cited by a few participants as a factor positively affecting business retention and expansion efforts. A few participants described the local culture in general terms. Idahoans and Valley residents were described as having an entrepreneurial spirit, a cowboy attitude, an independent streak, and/or a can-do attitude. This factor generated several comments in the follow-up discussion. For example, one participant said:

There's a real independent, kind of cowboy attitude out here that I think is positive in many respects....People are independent, they have an entrepreneurial approach to the world, which makes things happen rather than sitting and...being satisfied with the status quo. I think the attitude is 'let's get something done.'

12. *A vibrant and dynamic downtown* was cited by a few participants as a factor positively affecting business retention and expansion efforts. Participants described downtown Boise as an energetic, vibrant and dynamic place to work.

Factors Cited as Negatively Affecting One's Business Retention and Expansion Efforts

The following are factors that participants identified as negatively affecting their business retention and expansion efforts:

1. *Challenges in recruiting employees* was cited by nearly one-half of participants as a factor negatively affecting business retention and expansion efforts. Some participants related stories of job announcement ads that went unanswered, or positions that went unfilled for months. Low unemployment and national employment trends were cited as contributing to this problem. One participant summarized: "Reflecting the national demographic, in the low end of employment and on the high end, there are more positions than there are people....We're in a period where the labor market is tight on both ends."

Among the positions that participants cited as difficult-to-fill were: accountants, actuaries, architects, attorneys, carpenters, credit representatives, dock workers, drivers, electricians, engineers, fabricators, factory workers, IT/technical support staff, line workers, machine operators, mechanics, medical imaging specialists, nurses, oncologists, packaging technicians, pharmacists, pressmen, programmers, psychiatrists, radiologists, receptionists, sales representatives, structural engineers, surveyors, upper managers, and website developers.

Regarding entry-level and unskilled positions, participants said that their companies routinely pay more than minimum wage (in some cases, substantially more), but still have difficulty filling positions. They said that they have trouble finding applicants who meet minimal employment qualifications such as having a driver's license, being fluent in English, passing a criminal background check, and/or passing a drug test. One participant describes a recent experience at his company:

Very few people in the area have the skills that we need in our workforce. So we try to train, and all we ask is that they have a good work ethic and a willing attitude....But unemployment is a major issue. One point nine percent is unheard of! And we've had ongoing job requests...ads in the paper. In the past month, we've had an opening, and this is a very basic job. We've had one application and he had to bring an interpreter. And that's it. Nobody is applying for the job.

Regarding professional positions, participants said that salary levels are higher in larger markets, making local positions less attractive to relatively mobile professionals. One participant said that in his profession, local salaries for recent graduates are one-third of what they might be elsewhere. While recruits learn to appreciate the lower cost-of-living and higher quality-of-life once they live here, many do not recognize it during their job search. A participant explained this point:

We've put ads in the paper and got zero response trying to hire people....With salaries being a little bit lower here, it's hard to bring people in from out of the area. Once they're here and they understand the cost of living is lower, the quality of life is higher, it's easy to keep them. Getting them to come here is difficult.

For some participants, the shortage of professionals appeared to be most acute at the junior and at the very senior levels. Participants explained that younger professionals (including interns and recent graduates) are attracted to larger markets for both the experience and the higher salaries. A participant explained:

We depend on good solid interns, that are focused, and that with some mentoring, can start producing some good work. What I find is that the good ones...are leaving to go to Seattle, to go to Portland. They think they will have more opportunities...We have a real tough time filling positions in that 1-3 year experience range...We lack that little piece of the labor market....

Another participant in the same session agreed: "I find that in my profession too."

In some industries, recruiting employees often means raiding one's competitors—a practice that participants felt is unhealthy. A participant explained:

With the expansion that we have had in this market, there are a lot of [competitors] in town, and it's put a lot of pressure on, you see a lot of job-hopping around. I'm a dinosaur in my profession. I've been twenty years with [the same company], and I've got guys that I started with who are on their third or fourth [employer].

On the other hand, several participants shared stories of recent successful recruits from outside of the area, and some said that they have little problem recruiting from elsewhere. In the words of one participant: "It's not hard to recruit from outside the area. We have had absolutely no problem. As a matter of fact, we have resumes coming in from all over the place from people who want to come here...educated folks...very very qualified people from outside the area...."

2. *Problems with Valley infrastructure* was cited by approximately one-third of participants as a factor negatively affecting business retention and expansion efforts. While problems with schools were also mentioned, most of the discussion about infrastructure focused on transportation. The volume of traffic on major roadways was described as an imposing problem that warrants immediate attention. One participant described the transportation system as a "ticking time bomb."

Participants noted that heavy traffic creates problems with employees getting to work, with travel to job sites or to meet clients, and with deliveries. One participant described the problem:

We have a lot of people that are living in Nampa, Middleton and Star, and commuting in because of the cost of housing.... That's when transportation becomes an issue—trying to get those folks into work--because the fact remains, the further you go out, the cheaper the real estate is....It took me two and a half hours last night to get to Fruitland [on business]....if we had a light rail, I could have buzzed by there in no time.

Participants described transportation gridlock and auto emissions as factors threatening quality of life. A participant described this threat: "Transportation is a huge issue in this Valley. The infrastructure...if you've driven around during rush hour, you know what's

going on. That to me, as far as quality of life, that is going to be one of the biggest hurdles to overcome because we have so much gridlock."

While most of the comments about traffic were general, some participants mentioned traffic problems on specific roads as examples. Roads mentioned included: Curtis Rd., Eagle Rd., Fairview Ave., Interstate 84, Linder Rd., Meridian Rd., State St., and Ten Mile Rd. Participants also mentioned traffic problems on the "Meridian corridor." A few participants expressed interest in the potential future construction of a Southern bypass to I-84.

Several participants complained about a weak system of mass transportation. A few participants noted that potential recruits from other cities expect a light rail system to be available. Some said that a track is already in place that could support a light rail system. Others emphasized that a quality mass transportation system would also require improvements in bus service so that light rail users would have additional options for mobility. One participant said "If you integrated a rail and bus system, you'd have more ridership on the rails, you'd have more ridership on the buses."

Mass transportation was seen as a central factor in the Valley's overall health. In the words of one participant:

The best cities in the world, some smaller than Boise, some bigger. They all have wonderful systems of mass transportation....Portland has had a little revival that wouldn't have happened...that downtown was empty a couple of years ago, and now it's a whole different deal for one reason--the transportation improvement.

At least one participant noted that encouraging employers to locate in outer communities might help alleviate the transportation problem. If employers were located closer to the more affordable housing available in the outer areas, then employees would not have to commute as far to work.

On the other hand, a few participants said that average commute times for Valley residents are shorter than average commute times in many larger markets. Some also described challenges with the transportation infrastructure as an inevitable result of rapid population growth. For example, one participant said, "People talk about the problems that we have here, traffic and this and that, but they're so minimal compared to other places."

When it came up in follow-up discussion, the Boise airport was usually described favorably. Participants said that the airport is conveniently located and that lines are generally shorter than they are at other airports. One participant noted: "For us, transportation is real critical. The airport service, the airline service that we have here is really great. And the cost of travel for us is really pretty reasonable." However, at least two participants said that they found parking at the airport to be problematic.

3. *Uncertainty about the future of the local economy* was cited by many participants as a factor negatively affecting business retention and expansion efforts. Slowdowns in

residential real estate construction and sales, layoffs at local employers, and uncertainty about the status of major local employers were cited as reasons for concern. Some participants argued that real estate and construction are major sectors in the local economy, and that slowdowns in those sectors would eventually affect the rest of the local economy.

A few participants expressed concerns that quality jobs are leaving the Valley and that the jobs being created might be lower paying. One participant said that the Valley is an "island" with few natural resources and few large manufacturers. According to one participant, "I don't know if we have any major employers with major growth plans." He added, "Our 'anchor tenants' are having troubles."

While concerns about the future of the local economy were expressed by many participants, some participants disagreed, suggesting, for example, that recent layoffs were part of an inevitable boom-bust cycle from which the local economy would certainly recover.

4. *Lack of clear vision/plan for growth* was cited by several participants as a factor negatively affecting business retention and expansion efforts. In addition, this factor generated many comments in follow-up discussion. Local government entities were perceived as competitive. The Valley was described as lacking a clear identity. A participant described the problem: "We're experiencing something that this Valley has never experienced before. And that's a Las Vegas-like or Phoenix-like growth explosion. There's not a lot of experience in this Valley to handle that because we haven't been through it before."

Regarding a perceived lack of coordination among government entities, a participant said:

The problem extends from Boise all the way up to the state level. For example, we have disagreements at the neighborhood level about, say, infill development, to the county level with all of the things happening with ACHD and all of the different mayors, to the Treasure Valley with Canyon County not buying into what the Treasure Valley needs, all the way up to the state level.

Participants regarded the lack of planning or coordination as a problem that extends broadly across multiple sectors of the government. One participant commented:

Historically in the community...they created all of these little independent entities, the sewer district, the water district, ACHD. When I moved here, I just didn't get it, because everyone is fighting against each other. They all have their little turfs. And when I go in to get a project approved, first, I have to go to ACHD and they've got their own way of doing things...and then I've got to go to another agency and they say no, we don't agree with that agency, and I see that as being self-destructive. I've never had to experience that anywhere else in the country. And that also floats up to the university level. You've got universities that are jumping into each others' turf like it's something to conquer....It comes from a need to have

planning, a good central planning agency that has the ability to pull it all together....I hate to see such a nice place self-destruct.

While several participants described vision problems are being widespread, at least two participants expressed particular concerns about Eagle. One expressed concerns about the ability of Eagle government leadership to effectively manage or oversee M3 developments. Another participant noted:

I try to do business in the Eagle market and have to deal with the planning and zoning issues over there. It is extremely difficult. It is very expensive for a business owner who wants to open a business and construct a building over there. It is so much more expensive because of the position that the city of Eagle has taken on some things.

Participants felt that population growth is inevitable and that Valley leaders are not aggressive enough in planning for growth. One participant argued "I hear a lot of attempts at collaboration...but we can talk about democracy for so long and get everyone's buy-in but sooner or later, there have to be decisions made....somebody has to drive, or some entity has to drive to a conclusion; otherwise, we'll just collaborate and collaborate and collaborate."

A few participants complained that the recent recommendations of the Urban Land Institute have been ignored.

5. *Challenges finding or dealing with clients/customers* was cited as a negative factor by several providers of specialized or professional services. The problem appears to be two-fold—one aspect related to physical access or proximity, and the other related to the attitudes of local businesspeople.

An element contributing to the access problem is the limited number of large companies located here. For companies that serve other businesses, this limits the number of clients that they can serve. For example, one participant said:

You might only have one or two companies in a particular industry....Unlike some of the people that work my same type of job in other cities, they can go out and they can sell [products/services] to ten different companies that do exactly the same thing. I may only have one or two. The quality of the companies are high, but I would say that the volume of the companies aren't here.

A few participants said that meeting with customers outside of the Valley sometimes involved travel over great distances. One provider of professional services said "Just living in the West, we have great distances between our clients. A lot of road travel, air travel." The distance to customers was a problem for manufacturers as well. A participant commented "We ship all over the country. Ground [shipping time] to California is two days. That's not bad, but to the East coast, it's five days....In today's society, that's a killer."

Regarding a perceived attitude problem, some professional services providers said that local business owners were sometimes resistant to change in ways that negatively affect their businesses. In the words of one participant:

In part because of the independent spirit, a lot of [business] owners who have been very successful building companies until they reach a point where they're really frustrated because the company ceases to make them happy for a variety of reasons. They often have a hard time realizing that what has to change is them....In relationship to other clients that I work with in other parts of the country, this is something that is unique to Idaho. This pull-yourself-up-by-the-bootstraps attitude works fine until a certain point when it becomes a ceiling which keeps us from moving on.

According to some participants, providing professional services locally creates an image disadvantage both with local clients and with outside ones. One participant explained:

Because of the perception that [professionals] in Boise may not be that sophisticated, we are very much in a push-down of...what we can charge for our services....When I worked in [another city], clients would willingly pay twice as much money as they pay here for the exact same service.

6. *Limited access to education* was cited by several participants as a factor negatively affecting business retention and expansion efforts. In addition, this factor generated many comments in follow-up discussion. Specific concerns about education that participants expressed were limited local availability of trade (e.g., welding, mechanics) and professional (e.g., architecture, structural engineering) programs, the lack of a local community college at the present time, and the lack of state funding for pre-kindergarten programs. Some participants said that they would like to see some existing technical or professional (e.g., nursing) programs expanded or duplicated. Some participants said that the education system directly affects their businesses (in the preparation of potential employees), while some also suggested that great cities are built with great education systems.

When it came up in follow-up discussion, many participants expressed optimism about the emerging local community college. Participants said that they hoped the community college would eventually serve both as a provider of technical training to prepare young people for trade employment, and as a feeder system for local universities to provide greater access to university education. In expressing his interest in the community college, one participant explained: "[Another negative factor is] access to education to train this workforce. I am excited about the community college...but right now, and I am a Boise State grad and I love that school and it trained me well, but not everyone has that access to that education." Another participant said: "I'm hopeful that with the advent of the community college, we can have the training for various skills [that will benefit my business]."

Even though participants are optimistic about the emerging community college in the Valley, they hoped for more. One participant said that in other areas of the country,

community colleges are "littered all around." Another participant said "I think BSU is growing and I think it's great that we've got the community college coming...but I think this city needs to continue on a path of getting more students coming out with the right skills...."

Regarding pre-kindergarten programs in public schools, one participant explained the connection to his company: "Early education affects my business. We have a lot of single moms. And that's the workforce 20 years from now. This is a bigger issue than K-12...[because we] start with the wrong ingredients...Early childhood education is a good investment in economic development."

When asked about the perceived quality of K-12 public schools, several participants said that they found area public schools to be high quality. One participant explained:

The public school system here is so tremendous. For a lot of people, that takes out a pretty significant cost of living by having such a good educational system right up until the point where now what do you do? There's no technical school afterward. There's no local community college. There's BSU or University of Idaho, leaving town. It's really good right through 12th grade. That's something that people [from outside the Valley] are not used to—a really, really good public school system.

7. *A state legislature unresponsive to urban needs* was cited by several participants as a factor negatively affecting business retention and expansion efforts. This factor generated a great deal of discussion, most of which was fairly general. The legislature was described as resistant to change and unresponsive to the needs of the urban areas within the state. The local-option tax was cited as an example of an issue where the Valley's interests were at odds with the legislature. For example, one participant described the problem:

The second negative is the issues around a legislative body that is moving from an agriculturally-based economy to a different type of economy, dealing with rural issues as opposed to urban issues, an aging legislature. That combined with growth, traffic, air quality, all of the things that we're going to deal with here in the Valley that legislative people aren't accustomed to dealing with, particularly from other parts of the state.

8. *Inflationary costs* was cited by several participants as a factor negatively affecting business retention and expansion efforts. Specifically, participants said that they struggled with increases in the costs of land, construction, labor, gasoline, health insurance, impact fees, taxes, and in some cases, raw materials.

Increasing occupancy costs was a concern expressed by several participants from a variety of industries. Some participants said that occupancy costs, particularly for industrial space and retail space, rival that of larger markets. The costs of owning land and new construction were viewed by some as prohibitive in today's market.

These cost increases appear to have hit small and locally-owned businesses particularly hard. One participant described the dilemma for locally-owned businesses this way:

There has been a lot of cost, and I'll use the word 'inflation' over the last three, four years, and that relates to the cost of land and buildings, which has been driven more by outsiders than by local people. If people made a lot of money in another market, they can come in here and pay those prices. But for people who have been operating here for years, and not making huge profits, and seeing that type of inflation, the ability to expand a business, build a branch, build another restaurant, has escaped making sense....

Another small business owner expressed frustration with increasing fees:

Another negative for those of us who have been here for a long time is the cost of building. What we have to go through to. We hooked up some property to the city sewer, city water, but we have to go through impact fees and so on and so forth to the city, to the different entities. For a very small company, that's a huge chunk. It is just astronomical to us. So a lot of these fees that we have to pay, impact fees, sewers, and this and that, it's just really tremendous. And there doesn't seem to be a lot of guidance on how to take your business to the next step with what you have available already.

9. *A shallow presence in some business sectors* was cited by several participants as a factor negatively affecting business retention and expansion efforts. Those participants described the Valley as lacking a critical mass needed for businesses to thrive. This factor generated many comments in follow-up discussion. One participant described a "[lack of] business services diversity. There is a lot of support functions that you have to go outside the city to get." The same participant said that he frequently uses the services of companies in Seattle and San Francisco, describing them as "small businesses but they're more competitive."

Participants noted that some business sectors had only 2-3 "players" in them. For example, one participant said:

There's one of everything, or two of everything. There's not a lot of anything. If I need a...service, I get two bids and that's it. That's all I got...and they're almost exactly the same thing--I don't know why I asked....There isn't that sense of feistiness and trying to improve and do this better, and not just cheaper. You get two bids and they're going to offer similar service for a similar price...

Some participants felt that this lack of critical mass could negatively affect recruiting of companies and of employees. A participant explained:

I think it's especially true on the technology side, that there isn't the depth. We like to talk about technology here, but you get beyond [two local

companies], and the other folks are really struggling. And they struggle because there isn't the synergy and variety that is there in other markets....A major concern is that if we go out and recruit a major technology company to come here, one of the things that they have to look out for their employees is that 'okay if I pick up everything and move to Boise and things don't work out with Technowhiz Inc., where else can I go?' And the answer is that there aren't many opportunities.

One participant noted that the Valley has relatively few companies owned by first-generation immigrants, who tend to be very entrepreneurial in other markets. The participant questioned why first-generation Americans in the Valley are hesitant to start their own businesses as they often do elsewhere. The participant commented:

We don't have what I call the newcomer entry-level American who wants to come here and establish a new way of life for their family.... Newcomers are not creating businesses....I think there's no shortage of immigrants here now, [but they're not creating businesses].

Several participants said that they would like to see more competition for the services that they use, and at least one said that the availability of professional services has not kept up with growth. IT support was the service that the most participants mentioned having difficulty finding, but a variety of other services were mentioned. One participant described the difficulties faced by his company in finding IT support:

We just recently decided to change IT services because of a quality issue and [we] went out and were interviewing and asking for proposals and whatnot. And it was surprising really how little was out there. We feel pretty comfortable with what we ended up with, but it wasn't by virtue of the fact that we had four or five choices. Really, for our needs, it was only one source.

On the other hand, several participants said that they have access locally to everything that they need to run their businesses. A few said that get good value and high quality in the services that they use. While one participant said "Most everything has to be shipped in and out. There's very little production here," another participant said "I think for the most part, it's a pretty self-contained environment here. You can just about get access to anything from a service perspective, from a supply perspective, raw materials, whatever. I don't see that as a big issue."

10. *Unfavorable impressions about the Valley and state reputation* was cited by a few participants as a factor negatively affecting business retention and expansion efforts. Those participants were concerned about the reputation of the Valley and the state in the minds of outsiders. For example, one participant said that northern Idaho is associated with white supremacy, while another participant noted that people in other parts of the country confuse Idaho and Iowa. According to one participant:

When I moved here, there was this perception among all of my friends that I was going to this white supremacist enclave. And I've had some friends

that moved here recently and they had that perception too. We were all talking about how that's not existent, and how it's more homogenous than what I had anticipated.

Another participant said that in his image-oriented profession, Boise is perceived as a "backwards" place, and for that reason, moving here represented a professional risk. According to this participant:

The good news is you get here. The bad news is you may not be able to leave....Frankly, in my industry...the really good [professionals]...end up in the New Yorks, the Washingtons, the San Franciscos and the like. So image-wise, if you make an election to go to Boise...you may never get out of Boise.

A few participants suggested that the lack of ethnic/cultural diversity in the local population makes the Valley less attractive to some professionals.

11. *Perceived high taxes* was cited by a few participants as a factor negatively affecting business retention and expansion efforts. In addition, this factor generated many comments in follow-up discussion. Some participants said that business taxes are relatively high, and off-setting incentives are not available. A few participants suggested that property taxes have increased dramatically due to increasing property values, and that policymakers should consider more controls on property tax increases. However, some participants said that business taxes were "fair," "money well spent," and/or comparable to those in other regions.

A few participants seemed to be highly aware of how various Idaho tax rates compared to neighboring states and to national averages. Generally, participants who commented very specifically on tax rates suggested that tax rates overall are somewhat higher in Idaho, but not dramatically so. One respondent suggested "It isn't that we are one of the lowest tax states around, that's for sure. We are probably a fair tax state." He added, "The concept that everything's cheaper in Idaho, including taxes, is not true. Our taxes are not particularly low."

Another participant suggested that taxes could become more problematic if the cost of living increases. He said: "If you look beyond just the neighboring states, 8 percent corporate tax rate is high, 6 percent sales tax is high. It's not an advantage to doing business like that. ...If the [low] cost of living changes at all, the taxes will start to look like serious amounts of money."

Some participants expressed particular concern with certain taxes such as personal property taxes paid by businesses. A few participants said that personal property taxes are hard to track, and that they create an unfair burden for certain kinds of businesses. One participant explained: "One of the taxes that I think needs to be looked at is the personal property tax because there's no regulation on it. If a company doesn't report it, there's nothing done about it, which makes it unfair to others that do account for it."

A few participants expressed concern that the sales of professional services might be taxed in the future. Those involved in service industries would see that as a disincentive for their businesses.

Tax policies that differ dramatically from neighboring states were seen as creating problems for recruiting employees from those neighboring states. For example, Washington was cited as a state that does not tax personal income. According to one participant: "So if you're trying to recruit somebody from the state of Washington into Idaho, that's an immediate question, a six percent, eight percent hit...It's a high number that somebody's going to have taken out of their paycheck that they wouldn't have in some other states..."

As an offset to taxes, some participants complained about a lack of incentives for businesses. For example, one participant said: "For an outsider, there are very limited incentives for businesses here, in terms of subsidies, grants, that type of thing...Idaho was the last state to have industrial revenue bonds, for example." On the other hand, a few participants said that incentives might be counter-productive. For example, a participant noted that "We don't want to be a bottom feeder...If you're giving somebody incentives to come, that hurts existing businesses...Studies show that people who get the incentives aren't going to stay for the long term."

A few said that they would be willing to pay more taxes (e.g., an additional tax on gasoline) to support infrastructure development. For example, a participant said "I would like to see an additional tax on gasoline to help pay for infrastructure. How else would we get it done?"

12. *Sensitivity to pricing* among customers was cited by a few participants as a factor negatively affecting business retention and expansion efforts. These participants noted that prevailing wages have increased little and remain low compared to other markets; since costs have increased but customers are not able to pay more, it is harder for businesses to expand and earn a profit. For example, one participant said: "With respect to profitability, there is not a lot of flexibility in pricing in this community. People still want [a product] to cost what it cost ten years ago because they're still making wages that they made ten years ago."

13. *The negative effects of rapid growth* was cited as a negative factor by a few participants. While most participants described population growth as either inevitable or positive, a few cited some aspect of rapid growth as a factor negatively affecting their business retention and expansion efforts. For example, one participant said "The growth is way too fast, and it's burdening the infrastructure and lowering the quality of life."

Population growth is related to several of the issues that are discussed elsewhere in this report (e.g., growth's effect on the infrastructure). In addition to those, participants sometimes cited other specific issues that are consequences of growth. At least one participant said that business expansion is inhibited by a "not-in-my-backyard" mentality that may be a partial reaction to rapid growth. Another said that his business owns property that may be taken under eminent domain action; he perceived the situation as being negative for his business.

Participants said that rapid growth also challenged their ability to plan for and manage their businesses. One participant explained:

We...try to look forward, like everybody does, and what we've decided is that...we must not only grow with the growth of the Valley, but we need to grow incrementally as well—above that. We have [X] people right now. We have discussed the fact that within 10 years, we not only have to be at [2X], but we actually have to be at [3X]. How am I ever going to find [2X] talented [professionals] at all of the levels that I need to find them to satisfy the needs of my clients? I am clueless.

14. *Limited availability of social services* was cited by a few participants as a factor negatively affecting business retention and expansion efforts. In the words of one participant:

We lag a good bit behind in social services of the sort that support the overall population of a community, and not just those who have managed to do well. And I really do feel that it is on most fronts that we are lacking in that area--whether it be the poor, the uninsured, whatever the case may be. And where's it's pretty easy, I think, to not pay attention to that, ultimately it is a very negative thing for the community.

A few participants also said that there is a drug abuse problem in the Valley that leadership has been reluctant to acknowledge and address. Several participants said that they have problems with job applicants failing drug tests. One participant said "A very big concern is the drug issue. A lot of people are sticking their head in the sand that it doesn't exist and we have a serious issue in this Valley." A few participants suggested that there should be a detox center in the Valley.

Follow-up Discussion

During further discussion (after responses to the opening question had been shared), participants generally expanded on issues already raised. Additional topics that participants raised during this later discussion included concerns about: air quality, water management, and zoning/land use regulations.

While air quality and water supply were rarely cited in response to the opening questions, these two issues generated many comments in follow-up discussion. Participants expressed concern about air and water in the future. One participant said:

I think we're going to see some other impact on growth as a result of air quality. These fires, this smoke has really saved us this summer, because otherwise, we'd be dealing with, what we have, we're like the ninth day over the allowable limit, and we have three days to go, and then because of the smoke, they kind of gave us a waiver for summer. But that is just around the corner. That can have a huge impact.

The discussion about zoning and land use primarily focused on the challenges of locating manufacturing facilities. Participants shared stories of manufacturers who had secured land for industrial use only to experience adverse reactions from neighboring residents after building plans were in advanced stages. Participants suggested that there is a shortage of land available for industrial use.

The Future

Compared to today, most participants who shared their future plans anticipated that their companies would be employing more people in the Valley 12 months from now. Those who anticipated employing fewer people, and those who expressed uncertainty usually cited concerns about the local real estate market or the status of major local employers. Very few said that they might be outsourcing jobs, particularly telephone-based work, to other locations.

In discussing the future, some participants expressed a desire for continued growth, but with better planning to manage the growth. One participant said: "The overarching issue for the area is growth. If you don't grow, your economic base suffers. If we don't do the right things here...growth will slow or stop, and if that happens, we're all in the soup." Another participant in the same session added: "The fear right now is that if we keep growing without a plan, we will lose our quality of life."

Participants generally described growth as inevitable, and therefore planning for growth is necessary. In the words of one participant: "There are people in this Valley that are putting blinders on and saying 'we don't want any more growth. We want it to stop or we're just going to ignore it.' You can't ignore it. People are coming and they're coming for the same reasons that we all came for..."

There was also a sense among participants that the Valley is going through a critical transition. While in the past the Valley was a group of small communities, it is rapidly becoming a major metropolitan area. Participants expressed mostly optimism but also uncertainty about how the Valley would weather the transition. One participant commented, "We're in municipal adolescence... We're a big little town and we're going to have zits..."

Limitations

Focus group results should be regarded as exploratory rather than definitive or quantifiable. The popularity of certain responses within focus groups may not generalize to a larger population. Focus group discussions are affected by context and by group influence.

Approximately one-third of focus group participants were employed in real estate, construction or related industries. Clearly, these industries are important to the Valley's economy and, to some extent, those involved in real estate are gatekeepers to knowledge about other industries. Since the local economic environment affects different industries

in different ways, responses summarized here may not reflect the sentiments of people employed in other industries that BVEP wishes to target.

The moderator for the focus group is affiliated with Boise State University. This may have influenced participant's willingness to comment candidly about the local education system.

Summary

When discussing factors in the Valley business environment that affect their business retention and expansion efforts, most focus group participants were generally optimistic. They overwhelmingly expressed positive opinions about the quality of life available to local residents and about economic growth that the Valley has experienced over the last several years. When asked about factors in the local business environment that might negatively affect business retention and expansion, participants expressed uncertainty about the future. They said that they have difficulty recruiting employees. Among other things, they expressed concerns about the transportation infrastructure, the future of the local economy (including the status of major local employers), and planning for growth.

These and other potential contributors to business retention and expansion will be further explored in Phase 2 of the project, which will involve an online survey of local business leaders.

Appendix
List of Focus Group Participants

<u>Name</u>	<u>Company</u>
Adler, Brett	Software Outfitters
Armstrong, Doug	KTVB News Group
Bernard, Pam	St. Luke's Meridian
Bigham, Redgie	KB Builders Group
Bogert, Heidi	Sperry Van Ness
Bruneau, Jean Claude	Sorrento Lactalis
Carpenter, Rick	Idaho Business Review
Case, Russell	Hawley Troxell Ennis and Hawley
Chetwood, Larry	Meridian Ford
Christensen, Terry	Benchmark Construction
Christiano, Jennifer	Peregrine Services LLC
Cooper, Jamie	ES/Drake
Davis, Andrew	BRS Architects
Davis, Kari	Ahlquist Development
Dietrich, Tom	CTA Architects
Dishion, KaLinn	Group One
Forsberg, John	Kahootz Steak and Ale
Fullinwider, James	All American Insurance
Gowland, Kimbal	Meuleman Mollerup LLP
Hambalek, Martin	Software Outfitters
Hickman, Joe	KeyBank of Idaho
Hoogland, Pim	Pim's Inc.
Iloff, George	Colliers International
Johnson, Dennis	United Heritage
Johnson, Pat	St. Luke's Meridian
Jones, Lori	Investment Resources
Kealey, Joy	Chicago Connection
Koomler, Larry	Payne Financial Group
Kleaver, Elwood	Primary Health
Landers, Marie	Bank of the Cascades
Loveless, Kevin	Global Travel
Mann, Kelly	LandAmerica
McConnell, Lynn	Price Associates
McCracken, Dennis	First American Title Co.
McVay, Greg	Freedom Storage Centers
Myers, Jack	Blue Cross of Idaho
Newberry, Dale	Micro100
Parrish, Mi-Ai	Idaho Statesman
Poe, Bruce	Modus Architecture
Price, Ron	Price Associates
Sabino, Bob	Arthur Berry and Co.
Schultz, Carol	Treasure Valley Engineers
Stevens, Dan	Home Federal Bancorp
Thurston, Gene	Hubble Homes
Toney, Richard	Bank of the Cascades
Wewers, Bryan	Idaho Power
White, Jim	White-Leasure Development Co.