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283-2024

Report

Accept 2023 State of Small Business Report

Accepted

In 2023, Portland Metro Chamber contracted with consulting firm EConorthwest to better understand the barriers to starting and maintaining a business in the city of Portland. To do so, EConorthwest solicited the perspectives and experiences of small business owners, local economic development agencies, and local government to create an accurate and whole picture of the realities that small business owners face.

For the purposes of this 2023 State of Small Business Report, small businesses were defined as those with between one and 50 employees. The report includes a quantitative assessment of small businesses, an analysis of the City of Portland's permitting process, and a comparison of small business resources in Portland to its peer cities.

Among the report findings:

- 35.1% - percent of all workers employed by small businesses in Multnomah County, 28% in Portland metro.
- 94% - percent of all establishments in Multnomah County are small businesses.
- 41% - percent of small businesses owned by women in Portland metro, 5% higher than national average.
- 16% - percent of minority-owned small businesses in Portland metro, 6% below national average.
- \$64,885 – average annual wage of workers employed by small businesses in Multnomah County.
- Portland has the largest share of employees who work for small businesses among peer cities. At 28%, it exceeds the national average and significantly surpasses metros like Salt Lake City or Indianapolis. This reflects Portland's vibrant small business ecosystem and relative lack of large anchor employers.
- Portland fares relatively well in supporting women entrepreneurs - its share is 5% above the national average and second only to Seattle among peers.

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Prosper Portland;](#)
[Development Services](#)

Contact

Justin Douglas

Governance, Learning and
Outcomes Manager

✉ douglasj@prosperportland.us

Requested Agenda Type

Time Certain

Date and Time Information

Requested Council Date

April 10, 2024

Requested Start Time

10:05 am

Time Requested

30 minutes

- Only 16% of Portland's small businesses are minority-owned, below the national rate and trailing metros like Seattle and Austin.
- Small businesses employ over 35% of Multnomah County's workforce - that's one in three workers. And their share is growing. Small business employment jumped the most in 15 years, from 32.7% to 35.1% in 2022. Small businesses also pay nearly one-third of all wages countywide.
- Professional services, healthcare, and restaurants are the top industries for small businesses in Multnomah County. Professional services led with 4,716 establishments in 2022, followed by 3,490 in healthcare. Notably, though fewer in number of businesses, accommodation and food service employed the most workers at 23,399.
- Microbusinesses dominate professional services and healthcare, composing roughly 75% of establishments. Meanwhile restaurants had the highest share of small businesses with 6-50 employees.
- Minority-owned small businesses are slightly more concentrated in firms with 1 to 9 employees. There may be barriers for small firms to grow at certain points in their development, including funding needs and operational challenges.
- In Portland MSA, women-owned businesses account for 41% of all firms. Women own a higher share of microbusinesses relative to larger businesses.

Documents and Exhibits

 [2023 State of Small Business Report](https://www.portland.gov/sites/default/files/council-documents/2024/exhibit-a_state-of-small-business-report_0.pdf)

1.63 MB

(https://www.portland.gov/sites/default/files/council-documents/2024/exhibit-a_state-of-small-business-report_0.pdf)

Impact Statement

Purpose of Proposed Legislation and Background Information

At the April 10, 2024, Portland City Council meeting, staff from Portland Metro Chamber, ECONorthwest, Comcast, and Prosper Portland will share the 2023 State of Small Business Report findings and potential implications for the City of Portland.

Financial and Budgetary Impacts

There are no financial or budgetary impacts as this is an informational update and does not require any action.

Community Impacts and Community Involvement

The consulting team interviewed business owners to better understand how they navigate the City of Portland's permitting process.

100% Renewable Goal

Does not apply

Budget Office Financial Impact Analysis

No fiscal impact.

Agenda Items

283 Time Certain in [April 10-11, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/4/10)
(<https://www.portland.gov/council/agenda/2024/4/10>)

Accepted

Motion to accept the report: Moved by Mapps and seconded by Ryan. (Y-5)

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Yea

2023 State of Small Business

August 2023

Prepared for:
Portland Metro Chamber

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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Acknowledgements

ECONorthwest prepared this report for Portland Metro Chamber (PMC) to better understand the barriers to starting and maintaining a business. ECONorthwest would like to thank PMC for sharing their knowledge of this space and helping ECONorthwest connect with the Portland small business community. The perspectives and experiences of the small business owners, local economic development agencies, and local government were crucial in creating an accurate and whole picture of the realities that small business owners face when starting and maintaining their business in Portland.

Portland Metro Chamber

- Andrew Hoan
- Katie Mongue
- Tina Sillers

Consulting Team (ECONorthwest)

- | | |
|------------------|-------------------|
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| ▪ Kryn Sausedo | ▪ Natalie Walker |
| ▪ Ryan Knapp | |

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** NOTE: In this report, the Portland region refers to the Metropolitan Statistical Area (MSA) of Portland-Vancouver-Hillsboro, OR-WA, except where otherwise noted. Metrics also compare the Portland region to other metropolitan “peer” regions. These comparator regions were selected and based on a number of indices found in the U.S. Census Data. Data and analysis provided by ECONorthwest.*

Introduction

Portland's small businesses are committed to fostering authenticity, sustainability, and community engagement, creating the distinct cultural environment in Portland and beyond. Local small businesses reflect the city's creativity and uniqueness and create a one-of-a-kind entrepreneurial spirit. Portland's small business owners dream big, take risks, and make our city a uniquely creative and inspiring place. In recent years, Portland has experienced a surge in small business activity, with thousands of new enterprises taking root across the city. Small business ownership is also becoming more reflective of Portland's diverse demographics, though barriers persist in achieving true parity.

As Portland continues to grow, small businesses are becoming more vital to the economy and cultural capital of the city. Ensuring that all local entrepreneurs have equal access to resources that support launching and maintaining a successful business means supporting economic growth and the cultivation of community identity.

In this report, small businesses are defined based on the number of employees and revenue brought in.¹ We define small businesses as firms with 1 to 50 employees, similar to other economic development agencies across the region.

Small businesses account for 94 percent of all business establishments in Multnomah County and 35 percent of all employment.

Report at a Glance

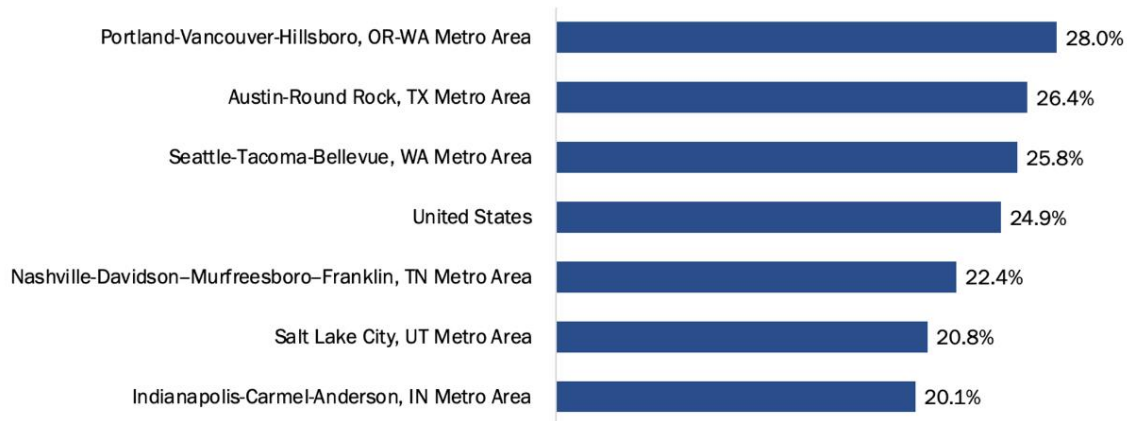
- **35.1%** - percent of all workers employed by small businesses in Multnomah County, 28% in Portland metro.
- **94%** - percent of all establishments in Multnomah County are small businesses.
- **41%** - percent of small businesses owned by women in Portland metro, 5% higher than national average.
- **16%** - percent of minority-owned small businesses in Portland metro, 6% below national average.
- **\$64,885** – average annual wage of workers employed by small businesses in Multnomah County.

¹ U.S. Census Bureau. (2021) What is a small business? Accessed at: <https://www.census.gov/library/stories/2021/01/what-is-a-small-business.html>

What the data shows

When we look at the full metro area Portland is performing well compared to its peer cities.

Figure 1. Small Business Share of Employment

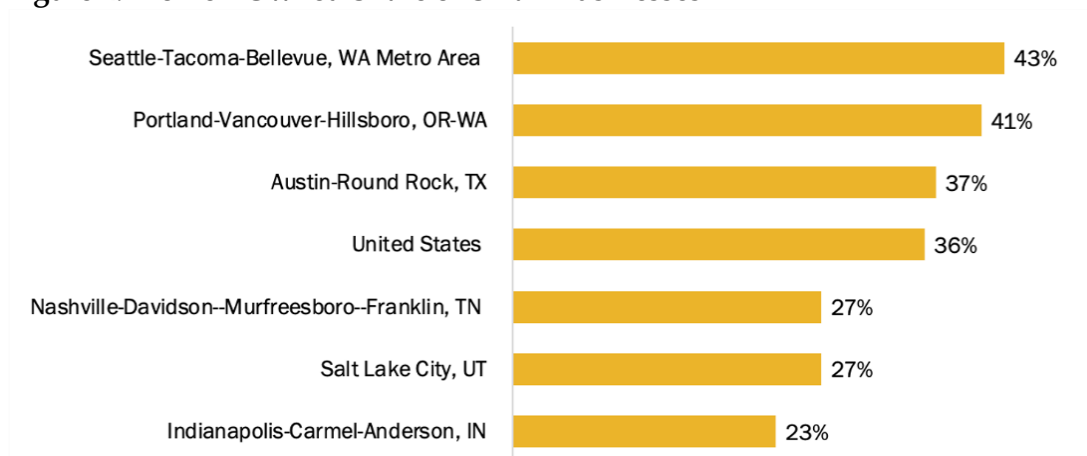


Source: U.S. Census Bureau, American Community Survey, 2021

Infogram: <https://infogram.com/1pp9qq23jq66r0trwnz9lz37jlizq2ng507?live>

Portland has the largest share of employees who work for small businesses among peer cities. At 28%, it exceeds the national average and significantly surpasses metros like Salt Lake City or Indianapolis. This reflects Portland's vibrant small business ecosystem and relative lack of large anchor employers.

Figure 2. Women-Owned Share of Small Businesses

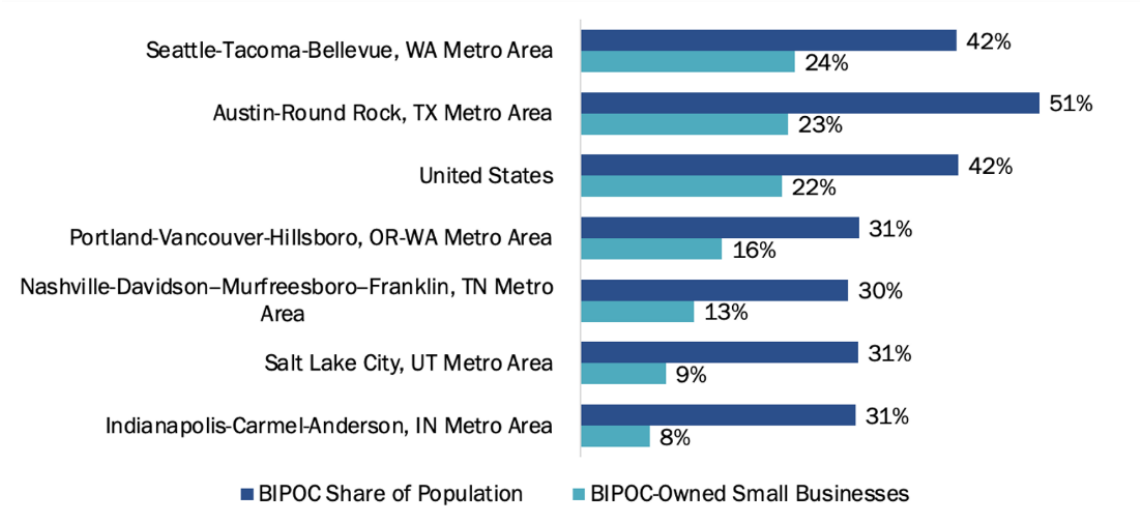


Source: U.S. Census Bureau, American Community Survey, 2021

Infogram: <https://infogram.com/1pkg1712negkj5h9z1z1mm3q6xa3wnyw616?live>

Portland fares relatively well in supporting women entrepreneurs - its share is 5% above the national average and second only to Seattle among peers. But there is still room for improvement as this is still under the proportion of women in the metro region.

Figure 3. Minority-Owned Share of Small Businesses



Source: U.S. Census Bureau, American Community Survey, 2021

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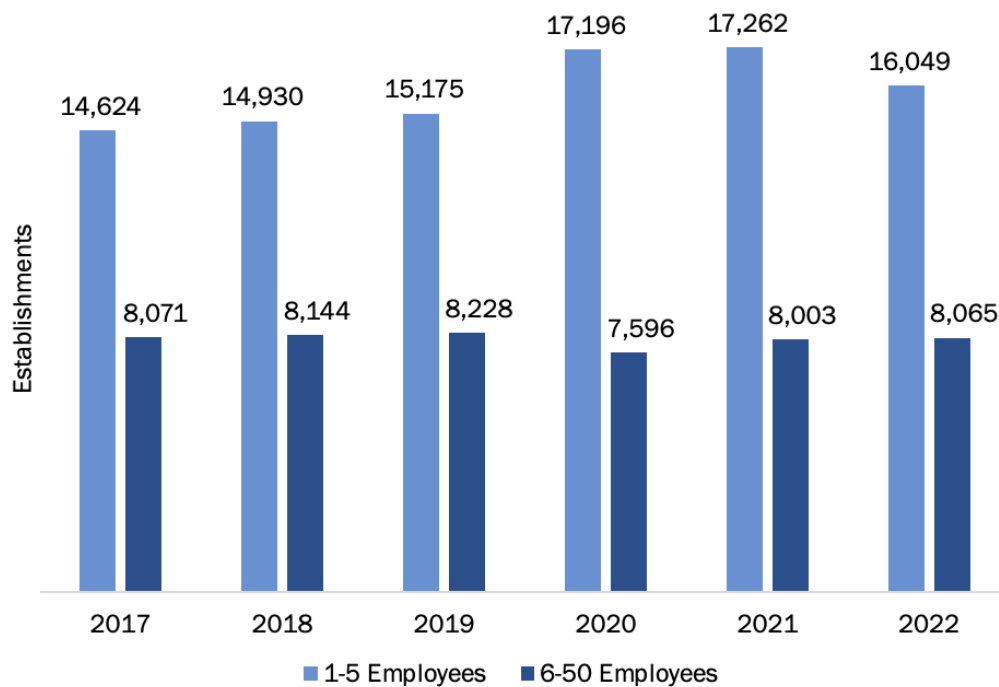
Only 16% of Portland's small businesses are minority-owned, below the national rate and trailing metros like Seattle and Austin. The gap to total population is small compared to peers but indicates room to improve.

Small Business Growth in Multnomah County

From 2017-2022, small business establishments in Multnomah County grew by 2,330, reaching over 25,500 total establishments. Microbusinesses (1-5 employees) powered this growth, increasing 10% and employing 6.8% more people. Small businesses have proven resilient and essential to Portland's economy.

The average annual wage for small business employees was \$64,885 in 2022.

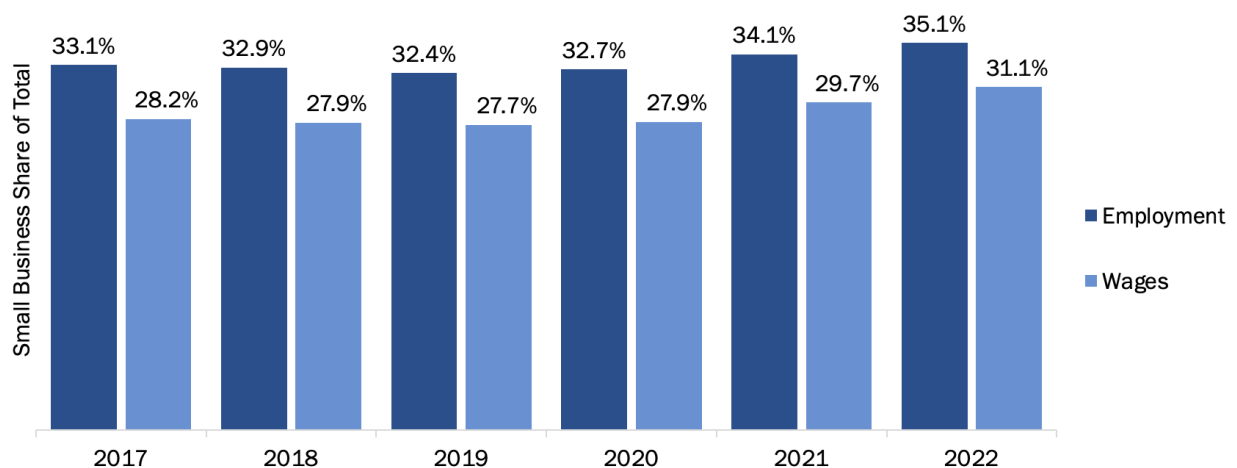
Figure 4. Small Business Establishments by Business Size, Multnomah County



Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

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Figure 5. Small Business Share of Total Jobs and Wages, Multnomah County



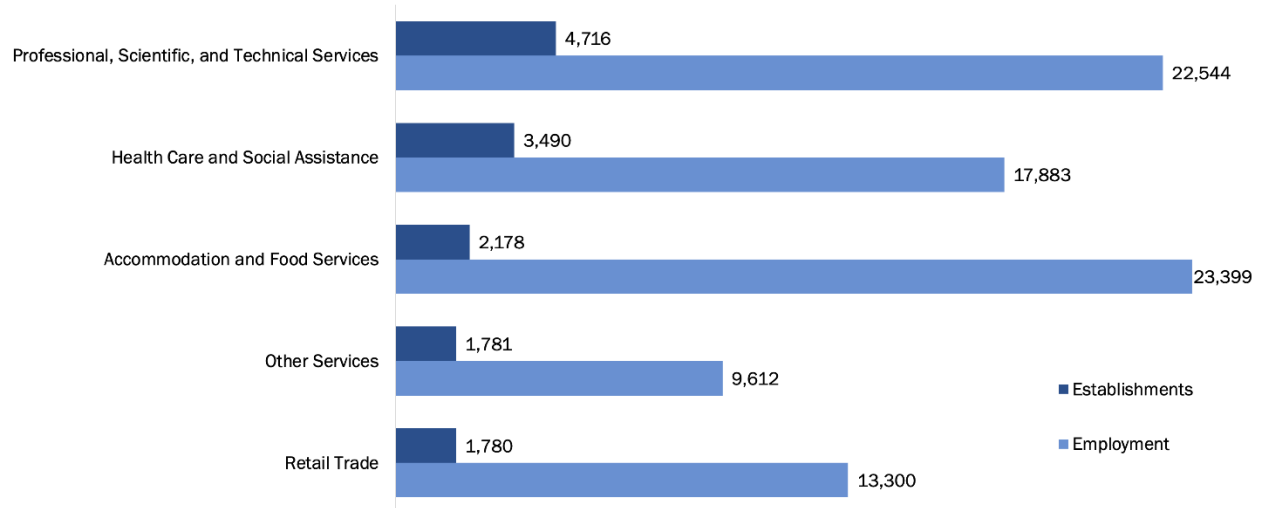
Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

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Small businesses employ over 35% of Multnomah County's workforce - that's one in three workers. And their share is growing. Small business employment jumped the most in 15 years,

from 32.7% to 35.1% in 2022. Small businesses also pay nearly one-third of all wages countywide.

Figure 6. Small Business Establishments by Industry, Multnomah County



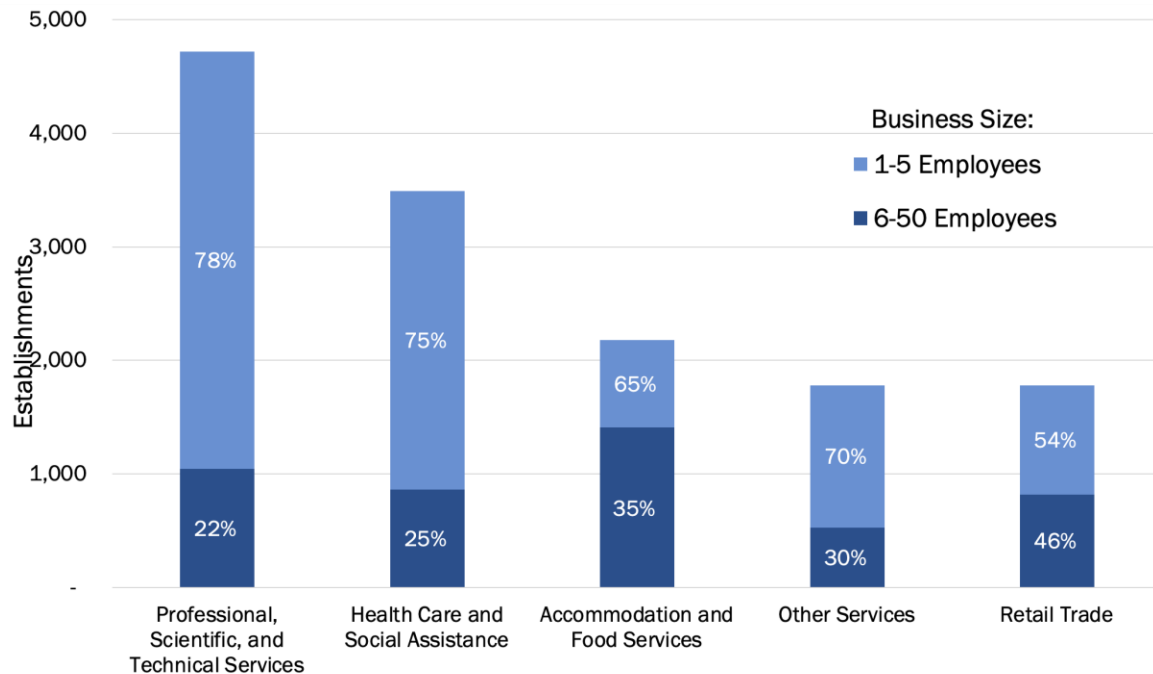
Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

Infogram: <https://infogram.com/1pl9e6n1rw1qx1iq77mg00p010uzwr5nqve?live>

Professional services, healthcare, and restaurants are the top industries for small businesses in Multnomah County. Professional services led with 4,716 establishments in 2022, followed by

3,490 in healthcare. Notably, though fewer in number of businesses, accommodation and food service employed the most workers at 23,399.

Figure 7. Small Business Establishments by Industry and Business Size

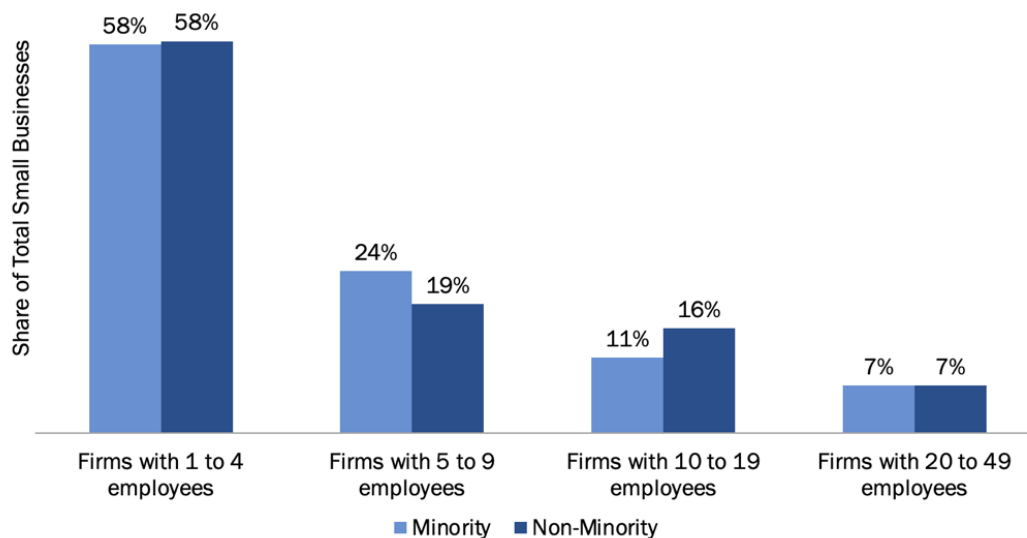


Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

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Microbusinesses dominate professional services and healthcare, composing roughly 75% of establishments. Meanwhile restaurants had the highest share of small businesses with 6-50 employees.

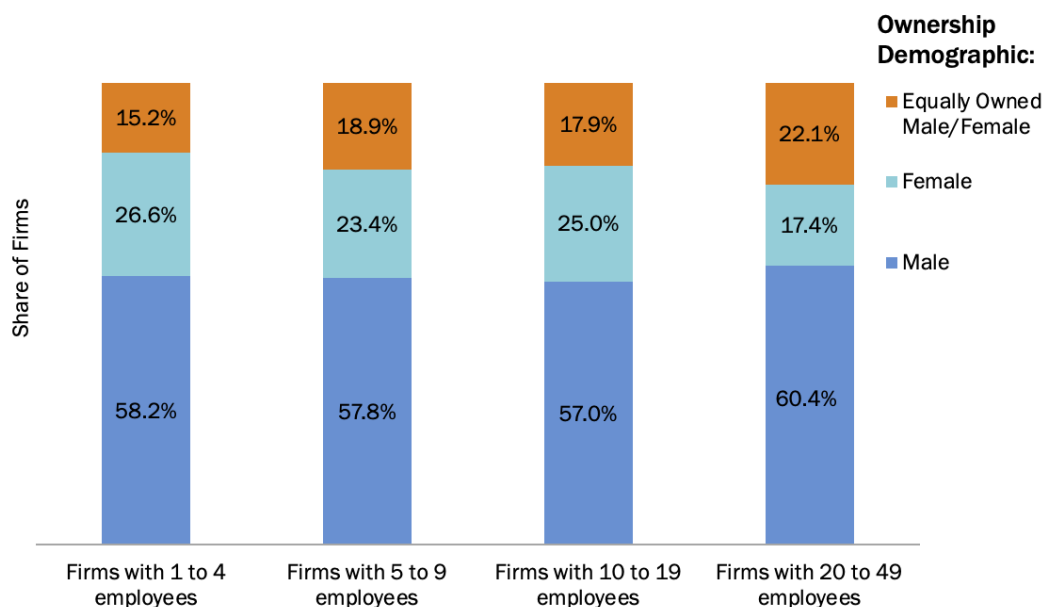
Figure 8. Minority-Owned Share of Small Businesses 2by Business Size



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Minority-owned small businesses are slightly more concentrated in firms with 1 to 9 employees. There may be barriers for small firms to grow at certain points in their development, including funding needs and operational challenges.

Figure 9. Share of Women-Owned Firms, Portland MSA

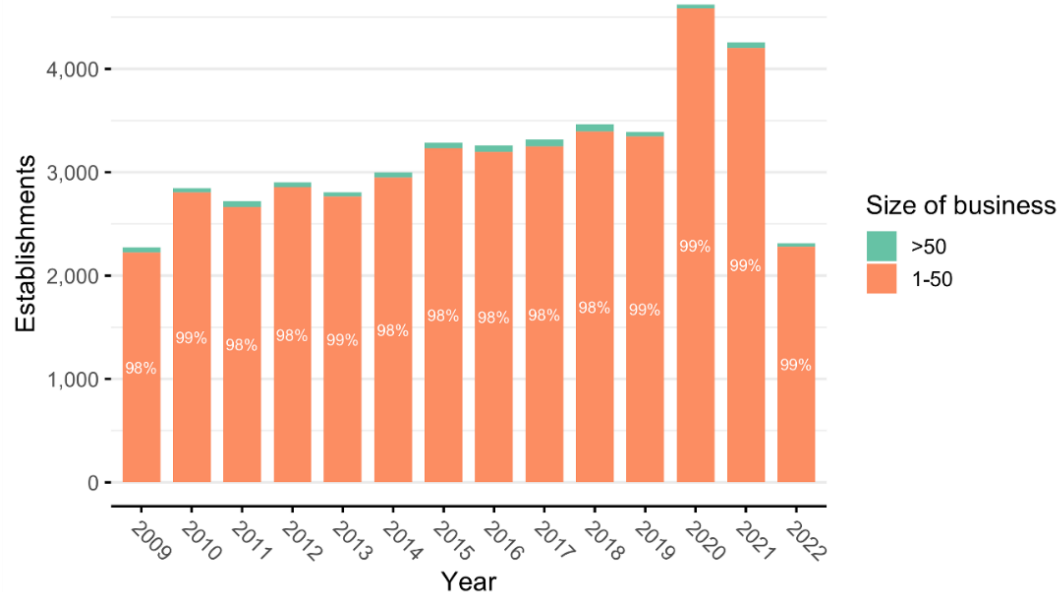


Source: U.S. Census Bureau, Annual Business Survey, Portland MSA, 2020

Infogram: <https://infogram.com/1p065djprwg33mcek93q6w5vzdhg1djrgw?live>

In Portland MSA, women-owned businesses account for 41% of all firms. Women own a higher share of microbusinesses relative to larger businesses.

Figure 10. Multnomah County Establishments by Employment Record

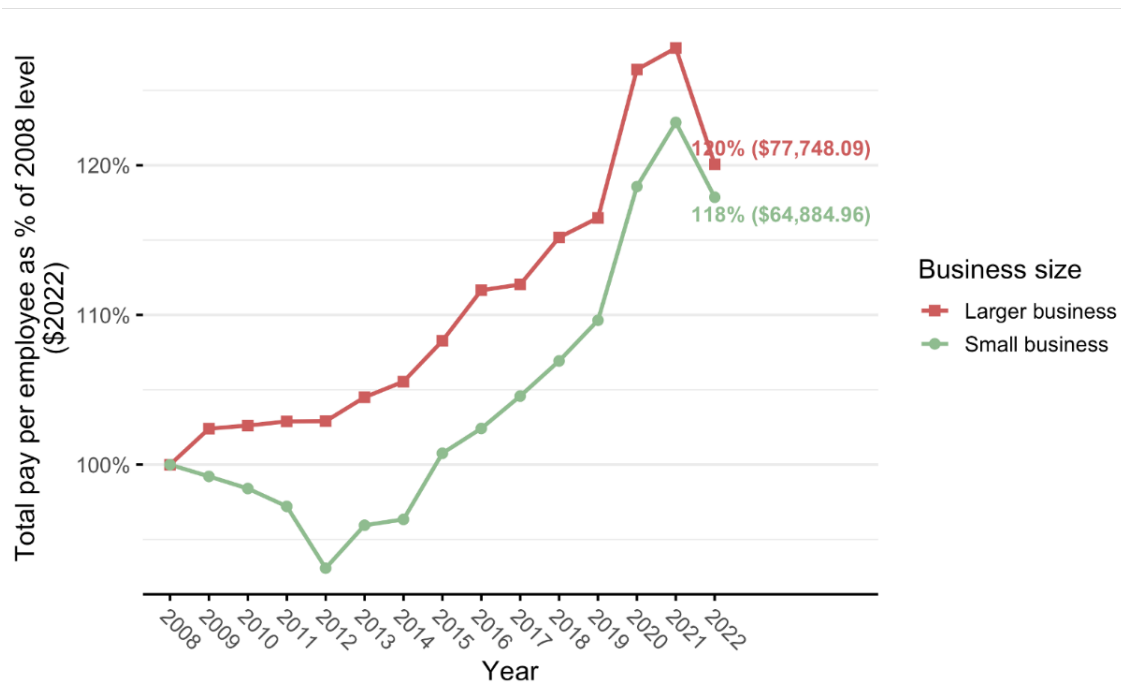


Note: A full year of data was not available for 2022, bar represents only a partial year.

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Across the United States there was a spike in business formation during the pandemic that has continued into 2022. In Multnomah County small business establishment growth peaked in 2021 at 40% above 2008 establishment levels. Small businesses showed agility, growing rapidly in 2020 while large firms contracted. This resilience demonstrates the importance of nurturing our small business ecosystem. As more women and entrepreneurs of color start businesses, it's critical to support microbusinesses where they are concentrated. Doing so will strengthen Portland's economic comeback.

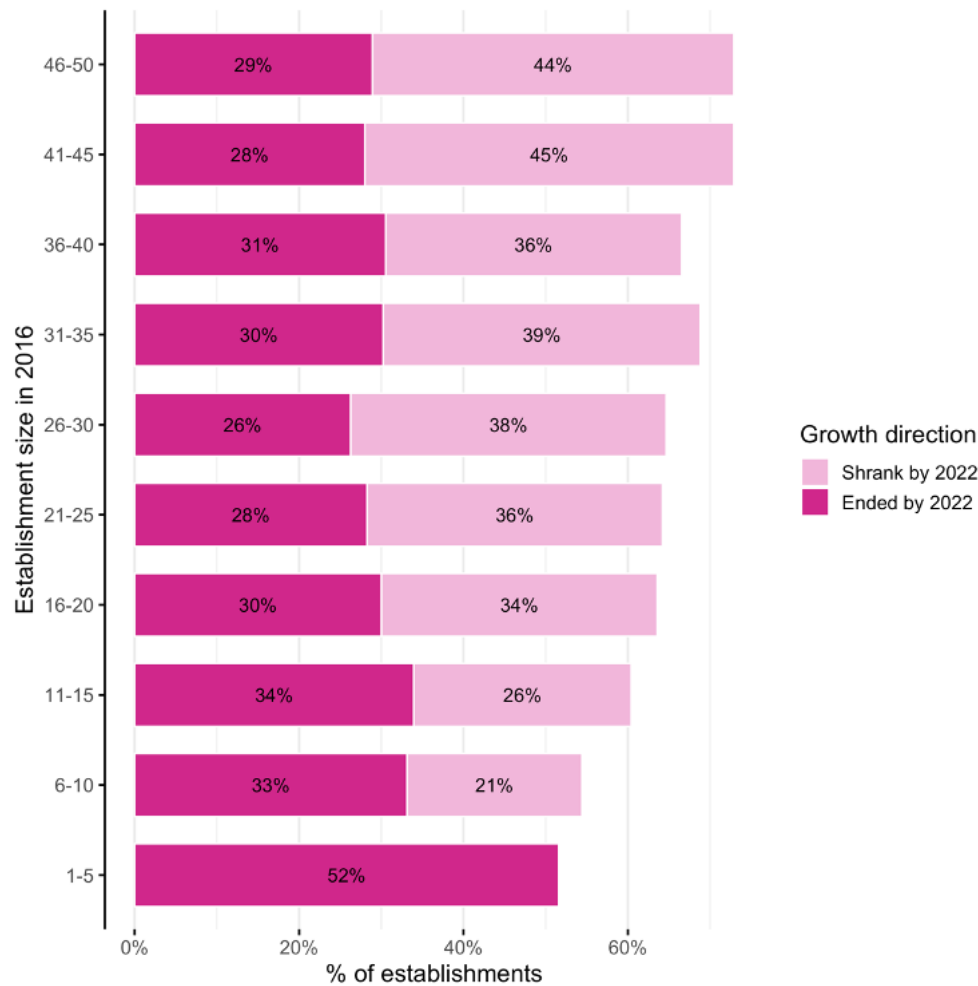
Figure 11. Indexed Change of Multnomah County Establishments by Business Size and Average Wage



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Looking at wages, the gap between those who work for large businesses and small businesses has shrunk in recent years. The gap is now only \$12,864, with the average for larger businesses being \$77,748 and those for small business being \$64,884.

Figure 12. Survival Rate of Small Businesses 2016-2022

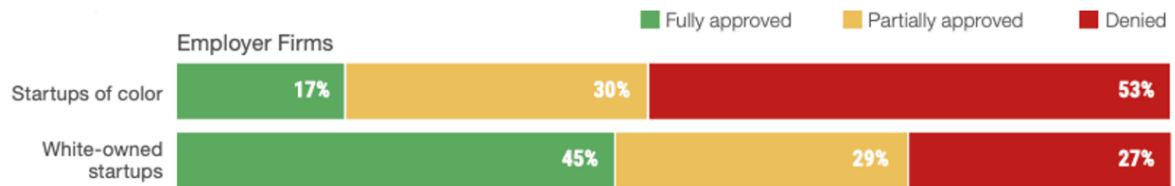


Source: Oregon Employment Department, Quarterly Census of Employment and Wages, 2022

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Though small business employment has grown since 2016, 52% of microbusinesses (1-5 employees) have closed in that time. It remains hard to sustain a small business. The net job gain is driven by an estimated 10,375 microenterprises opening in the past six years, compared to 7,586 closures. With support to improve access to credit and streamline processes, more new small businesses could survive and grow. Targeted assistance could strengthen Portland's small business community.

Figure 13. Outcomes of Loan, Line of Credit and Cash Advance Applications



Source: 2022 Small Business Credit Survey

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A key challenge for minority-owned businesses is securing financing, which constrains entrepreneurs' abilities to start and grow due to historical disparities in wealth and capital access.

Supporting Portland's Small Business Ecosystem

The public sector worked tirelessly during the pandemic's peak to support small businesses, supplying direct relief and easing restrictions like outdoor seating requirements. As the crisis recedes, it's worth continuing to explore opportunities to improve the relationship.

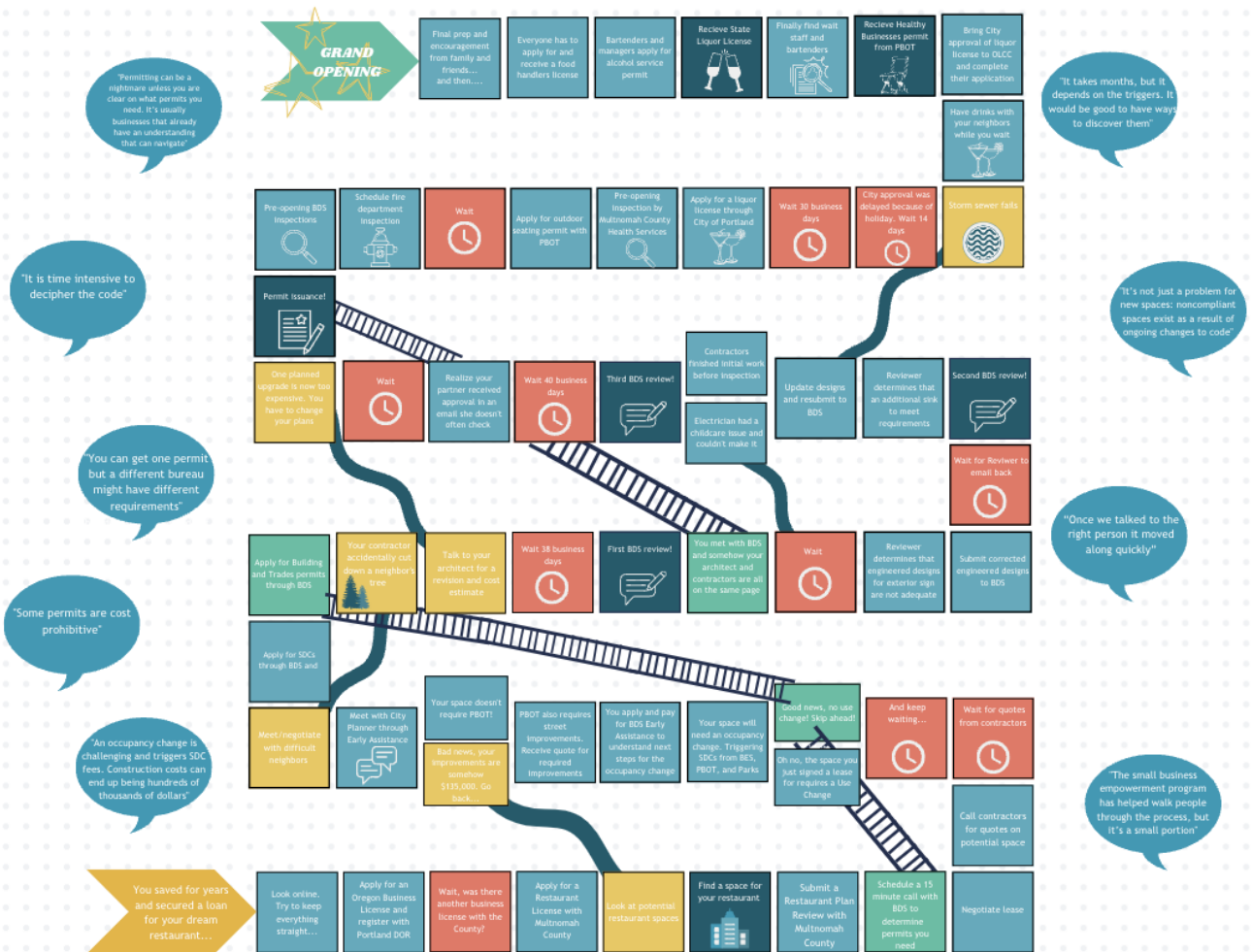
Navigating the Permitting Process

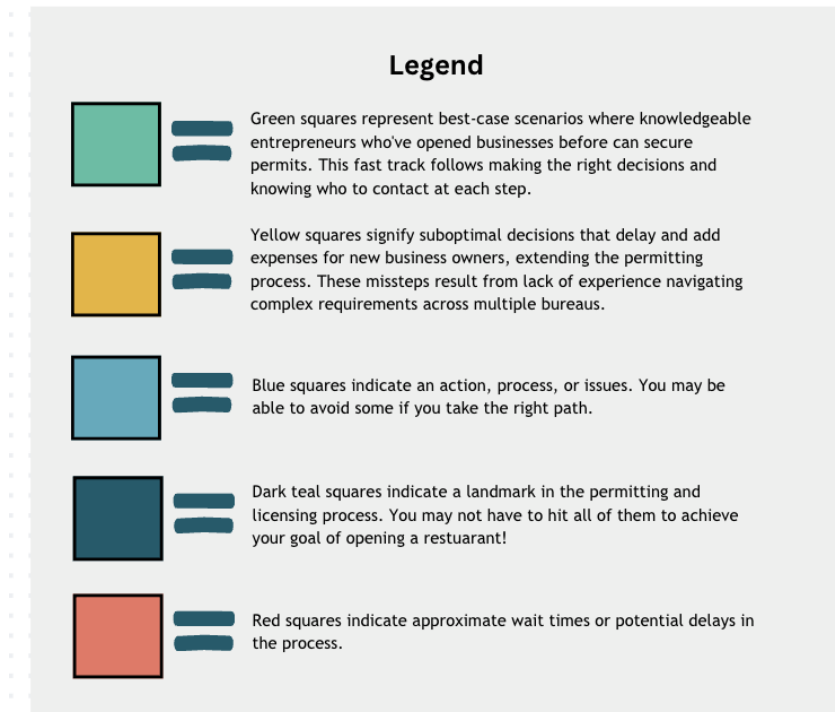
Permitting poses a common obstacle for Portland's microenterprises. Based on conversations with owners and other stakeholders, a Chutes and Ladders style game was developed to demonstrate the potential complexity. The board aims to capture the variance they described in permitting. Some with prior experience navigated it smoothly. Others without a background in the process faced costly hurdles and delays across multiple agencies. Quotes highlight their range of experiences. For demonstration purposes, we used a new Portland restaurant as the sample business. While regulation can provide vital protections, it also can create a level of bureaucracy that can overwhelm newcomers.

Assumptions

- Full service restaurant that seats 50 guests located in Portland
- 1,000 square feet floor plan
- Alteration/remodel construction cost of \$100,000
- Five new plumbing fixtures (sinks, etc.) and three electrical system changes
- Outdoor seating for 30 linear feet of sidewalk
- Restaurant sign is 10 square feet

Version 2: Complex





Quotes on permitting process from conversations with those who have dealt with it:

"Permitting can be a nightmare unless you are clear on what permits you need. It's usually businesses that already have an understanding that can navigate the system."

"It is time intensive to decipher the code for the City of Portland."

"You can get one permit approved but a different bureau might have different requirements."

"Some permits are cost prohibitive."

"An occupancy change is challenging and triggers SDC fees. Construction costs can end up being hundreds of thousands of dollars."

"It takes months, but it depends on the triggers. It would be good to have ways to discover them."

"It's not just a problem for new spaces: non-compliant spaces exist as a result of ongoing changes to code."

"Once we talked to the right person, it moved along quickly."

"The small business empowerment program has helped walk people through the process, but it's a small portion of the system."

Sample Permitting Costs

Permit or License Category	Space Does Not Require Use Change	Space Requires Use Change
Business and Restaurant Licensing	\$1,805	\$1,805
Liquor License	\$900	\$900
Building Permit Intake Fees	\$2,065	\$2,065
System Development Charges	\$21,220	\$41,590
Trades Permits and Other Fees	\$5,480	\$5,920
Total	\$31,129	\$51,939

Source: Portland Development Services, Online Fee Estimator. ECONorthwest Analysis of PBOT and BDS Permitting Costs

Technical Assistance

The ecosystem of support for small businesses is constantly evolving. Over time, organizations carve out niche roles based on business types, geography, or expertise. More populous and complex cities often provide personalized guidance to navigate their systems. We sampled services offered directly in comparable cities. As a city becomes larger, the local regulatory environment often becomes more complex, creating a need for a designated Small Business Office to help business owners navigate the many aspects of launching a business, including the permitting and licensing process.

Boston and Indianapolis have established designated Small Business Offices while Nashville and Salt Lake City do not, despite these cities having a similar population size to Portland. Portland has many of the same resources for small businesses as Boston and Indianapolis, but these resources are not centralized in the same way. For example, a new business owner can schedule a free 15-minute appointment with the Bureau of Development Services to determine which permits they will need for their space, but this help is not specialized for small business owners who may be able to avoid some permitting fees if certain steps are taken — an expensive permit can be the breaking point for a brand new business with a limited amount of capital. However, in a place like Boston, that small business owner would schedule that same 15-minute appointment through the small business office, or in Indianapolis, a business owner would apply for permits and licenses through the business office.

Figure 14. Small Business Resources by City

	Salt Lake City, UT	Nashville, TN	Portland, OR	Indianapolis, IN	New York City, NY	Boston, MA	Chicago, IL	Minneapolis, MN
Designated Small Business Office				✓ ₂	✓ ₃	✓ ₄	✓ ₅	
One-on-one assistance	✓		✓	✓	✓	✓	✓	
Online resource guide		✓			✓			✓
Permitting guide			✓	✓	✓	✓		✓
Business advising for minority / women- / people with disabilities owned	✓	✓	✓	✓	✓	✓	✓	
Business and training / technical assistance	✓		✓	✓	✓	✓	✓	✓
Business grants	✓	✓	✓	✓		✓	✓	✓
Networking and advocacy			✓	✓	✓	✓		
Employer tools / health insurance					✓		✓	✓

Infogram: <https://infogram.com/1pddmxkxjjw1mlam7jnxp3qwzyukngxm19l?live>

² City of Indianapolis Department of Business and Neighborhood Services. Offers centralized permitting and licensing. <https://www.indy.gov/agency/departments-of-business-and-neighborhood-services>

³ New York City Small Business Services. Offers no-cost one-on-one help with plan examination and coordination across City agencies with permitting and licensing. <https://www.nyc.gov/site/sbs/about/doing-business-with-sbs.page>

⁴ City of Boston Department of Small Business Development. Offers no-cost one-on-one help with permitting and licensing. <https://www.boston.gov/departments/small-business-development>

⁵ City of Chicago Small Business Center. Offers centralized permitting and licensing. <https://www.chicago.gov/city/en/sites/chicago-business-licensing/home.html>

Why this matters

Small businesses are the backbone of Portland – they generate jobs, nourish neighborhoods, and fuel our unique local character. As the numbers of microenterprises swell, it is important that we foster conditions for them to thrive. While resilience abounds in our small business community, hurdles remain. Thoughtful steps like streamlining permitting or providing technical guidance to first-time entrepreneurs should be explored to help support this vital segment of our economy. With the right support, Portland’s risk-taking small business owners will continue dreaming big and making our city a vibrant, creative place to do business.