



Economic Revitalization Team

Biennial Report to the
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Executive Summary

Since the global economy is defined by few boundaries, the ability to coordinate economic development across state agency and jurisdictional lines is essential to keeping Oregon competitive both now and in the future.

The Economic Revitalization Team (ERT) was created by the 72nd Oregon Legislative Assembly because of the growing recognition that economic development in the 21st century requires a kind of cross-agency coordination not inherently part of the existing compartmentalized, organizational structure of state government in Oregon.

The ERT, a six-member coordination team within the Governor's Office headed by the Governor's Intergovernmental Relations Director, uses a system-wide, customer service -oriented and results-based approach to economic and community development that includes the following eight state agencies:

- Oregon Economic & Community Development Department (OECDD)
- Oregon Department of Transportation (ODOT)
- Department of Land Conservation and Development (DLCD)
- Department of Environmental Quality (DEQ)
- Department of State Lands (DSL)
- Oregon Department of Agriculture (ODA)
- Oregon Housing & Community Services (OHCS)
- Department of Consumer and Business Services (DCBS)

During the 2005-2007 biennium, the coordination mechanism provided by the ERT coordinators and nine multi-agency regional teams has improved Oregon's readiness for economic development and ensured that many local communities are better-positioned to take advantage of the improving economy.

The ERT has facilitated state agency coordination on more than 100 projects important to the economic vitality of Oregon communities including readying 47 industrial sites for "project ready" certification statewide. All or part of 19 certified sites have been developed or are in the process of being developed. The development of these sites has brought millions of dollars of private investment to the state and contributed to the creation and retention of more than 2,500 jobs. When you add in the sites in the certification queue that were developed before certification could be completed, the job figure jumps to almost 3,500. Most of these jobs meet or exceed the county average wage.

Given the recent economic recovery, the ERT coordinators and regional teams have become increasingly engaged in business recruitment activities such as Amy's Kitchen to White City, Pepsi/Gatorade to Albany and Genentech to Hillsboro. The ERT supports OECDD and local government recruitment efforts by expediting regulatory permitting processes, by coordinating state resources for maximum efficiency and by providing needed technical assistance from a multi-agency perspective.

The ERT coordinators and the state agency field staff serving on regional teams live in the regions they serve. This localized placement of state staff and the hands-on assistance they provide to

communities contributed to the high ratings the ERT received in the *2006 ERT Customer Satisfaction Survey*; 90% of survey respondents perceived the services provided by the ERT as “good or excellent”. The ERT received the highest rating in the area of knowledge and expertise, which goes a long way toward building trust relationships between state and local government.

Although the ERT approach has increased coordination on economic and community development, moving that coordination to the next level of integrating permitting processes remains a challenge as regulatory authority is often spread across a number of state agencies. Within state government’s existing statutory and organizational framework, the ERT and its partner agencies have made great strides toward understanding each other’s roles and identifying opportunities to improve efficiencies through coordination. The following examples highlight the results of such interagency coordination.

- OECD’s Industrial Site Certification application process has been simplified with the help of all agencies involved.
- DLCD has worked with the ERT and OECD to ensure that communities engaged in economic development planning activities are equipped with current market data, trends and other information relevant to their future opportunities.
- DSL, OECD, DLCD, DEQ, ODA, and the ERT are working with a number of local partners to explore options for increasing the state’s ability to effectively address the issue of wetlands on industrial lands.

Pending other direction from Governor Kulongoski and the Legislature, the ERT will continue to assist local communities with implementing high-priority economic development projects and with institutionalizing a coordinated response to economic development within state government. To ensure continued success, legislative approval of the following actions is requested:

- Recapitalize OECD’s Special Public Works Fund (SB 5508) and DEQ’s Clean Water Revolving Fund (HB 5005/5022) since adequate infrastructure enables local communities to effectively compete for business opportunities.
- Increase staffing at both DEQ and OECD for brownfield cleanup to increase the state’s capacity to redevelop former industrial sites and bring them back on the tax rolls.
- Approve proposed changes to OECD’s statute (SB 350) to allow the agency to hold and sell wetlands mitigation bank credits to provide mitigation alternatives for business expansions and recruitments.
- Approve HB 2251 to allow DSL to test a pilot coordinated water-related permit process which will provide a first step toward the creation of a coordinated regulatory permit system for the state.
- Approve SB 186 to encourage cities and counties to identify additional industrial lands and conserve these lands for industrial development.

Even though the ERT was established during a time of economic recession and budgetary crisis, its efforts are needed even more in an improving economy.

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Introduction

The existing compartmentalized organizational structure of government, an invention of the early 20th century, is ill equipped to meet the many interconnected issues facing Oregon in the 21st century.

In Oregon, legislative action over time has created many, rather than fewer, separate state agencies within the executive branch. This division into numerous individual units of authority, each with their own statutory direction and commission creates artificial separations between agencies and makes it difficult to develop an integrated and system-wide approach to policy and program development for broad policy objectives.

Given today's global marketplace where everything is connected to everything else and where the pace of change accelerates with each year, the traditional organization of government is particularly challenging for economic development, a broad policy objective that spans state agency boundaries.

The Economic Revitalization Team (ERT) was established by the 72nd Oregon Legislative Assembly because of the growing recognition that successful economic development requires the kind of cross-agency coordination of state services and resources inherently not part of the existing organizational structure of government in Oregon.

What is the ERT and What Does It Do?

House Bill 2011 approved in 2003, asked Governor Kulongoski to establish the ERT in the Governor's Office with the following charge:

To help local governments and businesses increase economic opportunity and help state agencies

improve government accountability by focusing on customer service, partnership and results.

The ERT, a six-member coordination team within the Governor's Office headed by the Governor's Intergovernmental Relations Director, uses a system-wide, customer service-oriented and results-based approach to economic and community development. Executive Order 03-02 and HB 2011 directed the ERT to play a leadership role in the development and implementation of Governor Kulongoski's 'shovel ready' initiative. The centerpiece of this initiative is Oregon's Industrial Site Certification Program.

Five of the members of the ERT have regional assignments and live in the regions they serve.¹ In their role as Governor's Office ombudsman to local governments and businesses, the ERT coordinators facilitate state agency coordination on industrial sites seeking "project ready" certification and on high priority local projects that positively impact the state's economy. A sixth coordinator works with state agencies in Salem to ensure that coordination on economic development is integrated into the way state agencies do business.

To achieve its gubernatorial and legislative directive, the ERT heads up a larger coordination effort within state government. A group of eight state agencies² are the core of this larger effort to ensure state coordination on economic development across agency boundaries. An important element in this larger state agency coordination effort on economic development is a network of nine multi-agency regional teams. Comprised of field staff from the eight agencies, this statewide network of multi-agency teams and the five ERT regional coordinators work with local partners on high priority projects to:

- Clarify issues and facilitate resolution
- Coordinate and leverage state technical and financial assistance
- Expedite state permitting processes

¹ The ERT regional coordinators are located in Milton-Freewater, Madras, Central Point, Beaverton and Salem.

²The following state agencies are part of the larger ERT effort within state government: Oregon Economic and Community Development Department (OECDD), Oregon Department of Transportation (ODOT), the Department of Land Conservation and Development (DLCDD), the Department of Environmental Quality (DEQ), the Department of State Lands (DSL), the Oregon Department of Agriculture (ODA), Oregon Housing and Community Services (OHCS) and the Department of Consumer and Business Services (DCBS).

- Increase local access to state resources

This work across state agency boundaries at the local level provides the ERT coordinators the opportunity to observe where state agency policies, programs and processes can be better aligned or improved for more coordinated service delivery on economic development. Potential improvements to better connect state agency policies, programs and processes on economic development are brought to the attention of the state agency directors either individually or collectively for follow up action.

ERT Focus for the 2005-07 Biennium

With Oregon's Industrial Site Certification program firmly established within OECD during the previous biennium, ongoing implementation of the program to build and maintain an ongoing statewide inventory of certified industrial sites remained a priority for the ERT during the current biennium.

In response to an improving economy and the diverse and unique needs of local communities, ERT regional coordinators also facilitated state agency coordination on more than one hundred large and small projects important to the economic vitality of local communities. These high priority projects included a number of business expansions and recruitments as well as efforts to address longer term industrial land supply issues for more than 30 local communities statewide.

The 2005-07 ERT work plan (appendix A) outlines in general terms where the ERT has focused its efforts during the past two years. How the ERT has implemented the various components of the work plan and the results this work has produced are described in more detail in this report.

Purpose and Organization of this Report

The purpose of this report is to provide information to state legislators on the activities undertaken by the ERT during the 2005-07 biennium to increase coordination on economic and community development both within state government and between state and local government.

Information on ERT activities is organized under the following three interrelated topic areas:

- Maintaining a Supply of Industrial Lands
- Partnering with Local Governments and Businesses
- Institutionalizing a Coordinated Response to Economic Development

Activities for each of the above topic areas are summarized. Examples that illustrate both the benefits and the challenges of implementing a coordinated approach to economic and community development are incorporated into the report where appropriate.

The report concludes with a proposed focus for the ERT for the upcoming 2007-09 biennium. This section includes emerging issues and legislative action needed to support this ongoing effort to keep Oregon competitive in the global marketplace.

Maintaining a Supply of Industrial Lands

Industrial site certification is a leading national trend in economic development because it gives prospective businesses the confidence that a site will meet their development needs. At the time of the certification program's inception through Executive Order 03-02 (February 2003), the program was only the third in the nation. Since then a number of other states have established certification programs.

Governor Kulongoski recognized the value of the state's industrial site certification program at the announcement of PepsiCo's new manufacturing facility in Albany in October 2006 by stating,

"Business moves fast – and to stay competitive, state government must move at the speed of business. Our certification program is delivering results for Oregon and a healthy business climate for our state."

Over the past two years, Oregon's Industrial Site Certification program has delivered results and positioned the state to take advantage of the improving economy. The growing inventory of certified sites has allowed the Governor to market the state both nationally and internationally and announce with full confidence that "Oregon is open for business."

Update on Oregon's Industrial Site Certification Program

In an October 2005 letter to the ERT's Mid-Valley Regional Coordinator, Lowe's Director of Engineering & Construction states

"I can honestly say having constructed numerous similar facilities across the United States over the last four years, the level of assistance and cooperation provided by the state and city far exceeds anything experienced to date."

As the above testimony illustrates, multi-agency coordination and state/local cooperation is critical to the ongoing success of the certification program as any one site may require any or all of the following to meet certification standards:

"Business moves fast – and to stay competitive, state government must move at the speed of business."

- Governor Kulongoski

- road improvements
- upgrades to sewer/water systems
- land use actions
- wetlands mitigation
- clean up of environmental contamination

When considering that each of the above mentioned activities fall under the authority of separate state agencies, the limitations of state government’s existing organizational structure are revealed and the need for coordination becomes apparent.

To date, the ERT has been actively involved in the “project ready”³ certification of 47 sites, totaling more than 3,000 acres. Roughly 900 acres, all or part of as many as 19 certified sites, have been or are currently under development (List of Oregon’s Certified Industrial sites is attached as Appendix B).

As the list of certified sites indicates, the development on these sites has brought millions of dollars in private investment to Oregon. The estimated number of jobs retained or created to date from the development of these sites is currently at about 2,500. When added to the sites in the certification queue that were developed before certification could be completed, the job figure jumps to almost 3,500. Most of these jobs meet or exceed the county average wage.

Since the old adage “time is money” is even more true in today’s economy, a statewide inventory of “project ready” certified industrial sites gives Oregon a competitive advantage in the regional and global marketplace. Industrial sites that have all the barriers to development identified or removed from a multi-agency or system-wide perspective, were attractive to major employers such as Lowe’s and Genentech that decided to locate on certified sites in Lebanon and Hillsboro respectively. In addition, certified sites also provided existing Oregon companies such as the Umpqua Dairy a place to expand and build a new warehouse facility in Central Point.

...a statewide inventory of “project ready” certified industrial sites gives Oregon a competitive advantage in the regional and global marketplace.

Update on “Opportunity Sites” with Statewide Significance for Job Creation

HB 2011 directed the ERT along with OECDD with readying for certification or development 25 “opportunity sites” selected by the Industrial Lands Advisory Committee (ILAC) in December 2003 as sites with “statewide significance for job creation.”

³ Project ready site certification means that construction can begin on a site within 180 days (six months) or less after being chosen for development.

Given the importance of these 25 sites to the state's economy, the ERT adopted as one of its key performance measures

“Percent of the 25 ‘opportunity sites’ identified by the Industrial Lands Advisory Committee and referenced in HB 2011 (2003) certified as project ready or developed.”

The ERT is on track to meet its performance measure target of 80% certified or developed by 2006. To date, twenty “opportunity sites” have been certified. Two of the sites are being developed before certification could be completed (List of Opportunity Sites is attached as Appendix C).

The ILAC, comprised of individuals who are knowledgeable about the need for and requirements of, industrial and traded sector development within the state selected sites which in retrospect, were highly marketable. When compared to the full list of certified sites statewide, the “opportunity sites” have garnered the bulk of development to date (opportunity sites are shaded in the list of certified sites attached as Appendix B).

The 130-acre Opus site in Woodburn is one of two remaining “opportunity sites” not yet certified or developed. Although this site is atypical when compared to the other “opportunity sites” in that the property was outside the Urban Growth Boundary (UGB), it does illustrate how state and local collaboration is essential to keeping the state competitive by increasing the availability of large industrial sites in prime locations particularly along the I-5 corridor.

With ERT support, DLCD worked with the city to include the Opus site in the planning for a UGB expansion that included 546 acres of residential land, 409 acres of industrial land and 24 acres of commercial land. The city and the agency worked together to ensure that the newly zoned industrial lands would remain in large parcels and would not be rezoned for future commercial use. The UGB expansion will be reviewed for approval by the Land Conservation and Development Commission (LCDC) in January 2007.

Woodburn has also entered into an intergovernmental agreement with ODOT with respect to trip caps and other management tools that will be in effect until the Woodburn I-5 interchange can be improved. The agreement also outlines state and local financial responsibilities for the interchange improvements.

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“opportunity sites”
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Evaluating Oregon's Industrial Brownfield Redevelopment Strategy

Recognizing that clean up and reuse of former or existing industrial sites is an important part of the industrial land supply equation, the ERT directors approved *Oregon's Industrial Brownfield Redevelopment Strategy* in April 2004. The strategy recognizes that the cleanup and reuse of industrial brownfields⁴ has a number of benefits for the state and local communities including efficient use of public infrastructure investment, bringing underutilized or vacant properties back to taxable use, reduced risks to public health as well as conservation of dwindling resource lands.

Four of the industrial sites certified as “project ready” qualify as brownfields. One of these is the 21-acre Boeing site in Gresham which was certified in July 2005 after Boeing entered into a cleanup agreement with DEQ and developed a cleanup plan that could be completed within 180 days. The Boeing site was bought by a developer in late 2006. The site's certified status and DEQ's commitment to pass the environmental clean up agreements it made with Boeing on to the new owner, made the site attractive to the buyer.

An August 2006 memo to the state agency directors (Appendix D) evaluating the implementation of the industrial brownfield strategy provides information on existing tools and resources at both OECD and DEQ for brownfields clean up along with a number of factors that contributed to the strategy's limited success.

Inadequate funding and staffing for brownfields assessment and cleanup at both the OECD and the Department of Environmental Quality (DEQ) due to last biennium's state budget shortfall was a major challenge for the implementation of the strategy. A lack of understanding by local jurisdictions and property owners about legal liabilities was another factor as was the difficulty of providing upfront answers about clean up costs and the availability of funding/financing because every brownfield is unique and funding sources are often specific to certain kinds of contamination or clean up actions.

The memo includes proposed legislative concepts and policy option packages for the 2007 legislative session to increase the state's capacity for industrial brownfield clean up and stimulate redevelopment such as tax incentives to make brownfields redevelopment more attractive to developers as well as an insurance

⁴ An industrial brownfield is a previously used industrial site with concerns over actual or perceived contamination.

pool program to help limit the risk of third party liability and litigation costs.

Assisting Communities with Resolving Industrial Land Supply Issues

The Governor's Industrial Lands Task Force in their October 2003 report entitled, *Positioning Oregon for Prosperity* concluded that

“there is a critical shortage of large, ready to develop industrial sites in key areas of the state for immediate and long term needs.”

To ensure an adequate, long-term supply of land for a variety of business development opportunities, the state agency directors approved implementation strategies in November 2004 for three of the recommendations contained in the Task Force Report. The implementation strategies direct the ERT coordinators and the regional teams to assist “ready and willing” local jurisdictions in key locations with resolving industrial land supply issues.

Local communities have industrial land supply issues for a variety of reasons including a depleted inventory of industrially zoned land, the existing industrially zoned lands have significant barriers to development (i.e. land is not served by infrastructure or is severely constrained by environmental or ownership issues) or they are not in the most suitable locations given current market needs.

With the assistance of OECD's Business Development Officers (BDOs) and the other members of the regional teams, the ERT compiled a statewide list of more than 30 “Key communities with Industrial Lands Supply issues” (Appendix E). Short descriptions of how industrial land supply issues manifest in each community and the kinds of assistance and resources that state agencies have provided to help address these issues are included in the list of key communities.

Since good land use planning is foundational to resolving many industrial land supply issues, DLCDC focused a good portion of its available technical assistance and coastal program grants for 2005-07 toward helping communities with a wide range of economic development planning needs as described in Land Use Planning Goal 9. While assistance with land use planning may often be a necessary first step toward resolving industrial land supply issues, multi-agency engagement and coordination are key to success.

A good example of how the ERT's multi-agency approach benefited a local community with industrial land supply issues is Junction City.

In 2005, OECDD's BDO for the Willamette Valley informed the ERT coordinator and the regional team about Country Coach's interest in expanding its recreational vehicle manufacturing business onto an adjacent 80-acre parcel. Country Coach is one of Junction City's largest employers. The property the company was interested in for their expansion was inside the city limits but outside the UGB of Junction City. An industrial lands review revealed that none of the city's existing industrial zoned land including the Oaklea "opportunity site" was ready for development. In fact, much of the city's existing industrially zoned land is included in a thin strip of property between two rail lines, making access problematic.

The UGB expansion was approved in less than a year because of the coordination assistance the DLCDD, OECDD and ODOT members of the regional team provided to the city. The relatively short time it took to gain approval for Junction City's UGB expansion is in marked contrast to the two year plus timeframe for most UGB expansions.

Early involvement in the city's UGB expansion by the ODOT team member contributed significantly to the shortened time line for approval. Because the ODOT team member was involved in the expansion from the onset, he was able to negotiate an agreement with the company and the city about how best to mitigate the traffic impact of the potential expansion on Hwy 99 as part of the UGB process. Prior to the formation of the ERT, ODOT's concerns about traffic increases might not have been raised until later in the process, which would have delayed approval until ODOT's concerns were met, or worst case, resulted in a denial or an appeal of the land use action. Early involvement, coordinated state agency actions, and close cooperation between the state agencies, the city and the company prevented this outcome from occurring.

Even though the UGB expansion was approved in early 2006, the city's industrial land supply is still significantly constrained. To address this longer term land supply issue, the regional team is working with the city on completing an Economic Opportunity Analysis (EOA)⁵. Given Junction City's location in the southern end of the Willamette Valley, it is likely that many flat parcels of land appropriate for industrial development will have significant wetland constraints. The Department of State Lands (DSL) member of the regional team will work with the city on how best to avoid or mitigate wetlands on any land being considered for industrial zoning. The

⁵ An EOA is the primary planning tool for expanding UGBs for industrial and employment lands. It allows a community to verify and adjust local inventories of industrial lands, develop master plans for industrial lands and update transportation system plans as well as local codes and ordinances.

outcome of these planning efforts and state agency assistance will provide the city with good input as to how to update its zoning in the future.

Although communities throughout the state each face their own unique issues in relation to industrial land supply, this brief description of Junction City's issues is indicative of the value the ERT approach has for both individual local communities and the state as a whole.

Assisting with Business Expansions and Recruitments

With Oregon's economy back on track, the ERT coordinators and regional teams have been called upon to coordinate state agency resources and actions on complex business expansions and recruitments including:

- Amy's Kitchen to White City
- Genentech to Hillsboro
- PepsiCo to Albany

The expansion of Amy's Kitchen, the nation's leading manufacturer of natural frozen food products, to White City provides a good example of how ERT coordination plays a vital role in successful business recruitments. The ERT coordinator facilitated state agency involvement which included:

- At the request of the ERT coordinator, DSL worked with White City to survey potential wetlands on the site selected by the company. This up front work was instrumental in identifying the site as a feasible candidate for the expansion.
- OECDD's Business Development Officers assisted the company with site selection options, business financing, infrastructure planning, and workforce training.
- DEQ provided assurances to Amy's Kitchen about the ownership and development of the site through a Prospective Purchaser Agreement. This ensured safe development of the property, which is located partially on, and adjacent to, a small former landfill site. In addition, DEQ worked with the company to efficiently manage waste material and debris at a cost savings estimated between \$970,000 and \$1,540,000.
- Oregon's Department of Transportation (ODOT) is supporting the project with an Immediate Opportunity Fund (IOF) grant application to pay for a left turn lane into the Amy's Kitchen site. ODOT is also facilitating an Industrial Rail Spur Fund grant to help pay for construction of a rail spur to the property to reduce truck usage and strengthen the overall rail system in Southern Oregon.

Amy's Kitchen is investing over \$17 million in a new White City facility which will create as many as 300 new jobs.

Amy's Kitchen is investing over \$17 million in a new White City facility which will create as many as 300 new jobs. The successful recruitments of Genentech to a certified site in Hillsboro and PepsiCo to Albany are bringing more than \$500 million in private investment and over 700 new jobs to the state.

As the state's economy continues to grow, state agency coordination on key business expansions and recruitments will only increase.

Partnering with Local Government

In addition to a focus on results, the ERT recognizes the importance of customer service and that working in partnership across state agency and jurisdictional boundaries is essential to success in today's economy.

The following comment from the 2006 ERT biennial customer satisfaction survey illustrates how the ERT is forging new bonds between state and local government:

“The best thing about the ERT is that they provide relationship-building opportunities between state and local government which you cannot capture on a quantitative scale. It's nice to see a face from state government on a local scale. ERT has made the local/state relations less adversarial.”

ERT coordinators and in most instances state agency field staff serving on regional teams, live in the region they serve. This localized placement of state staff and the hands-on assistance they are able to provide is a critical element in the success of the ERT approach (Contact information for ERT coordinators and regional teams is available at: <http://www.ert.oregon.gov/Gov/ERT/offices.shtml>).

While the previous section described in both general terms and with specific examples how the ERT approach produces results by providing coordinated assistance to local government and businesses on increasing the supply of industrial lands, this section describes some of the actions the ERT and the ERT agencies have undertaken during the current biennium to respond to local needs and to strengthen the partnership between local and state government. Also included is a discussion of efforts to measure the effectiveness of the ERT from the perspective of its customers, our local partners.

Facilitating State Agency Coordination on High Priority Local Projects and Issues

In their role as Governor's Office ombudsmen to local government and businesses, the ERT regional coordinators are often called in when a project runs into problems or when an issue surfaces that requires a multi-agency approach to resolve.

“The best thing about the ERT is that they provide relationship-building opportunities between state and local government which you cannot capture on a quantitative scale.”

**- Comment from
2006 ERT Customer
Satisfaction Survey**

Since fixes for problems or issues are rarely simple, the ERT coordinators work with local jurisdictions and state agencies to clarify and define the problem or issue, identify who needs to participate in developing a coordinated and system-wide solution and ensure coordinated state agency follow up.

The ERT coordinators maintain an inventory of all the projects and issues they work on statewide. This inventory is organized by county and includes a short project description, regular status updates and in some instances, suggestions for policy/process improvements

The following examples illustrate the range of local projects and issues the ERT coordinators and regional teams are called upon to facilitate. Some are important for local economies, while others have statewide impact.

- **Rebuilding of the Murphy Mill** – In July 2005, a fire at the Murphy Plywood Mill left a number of employees out of work. The ERT offered to assist with rebuilding within days of the fire. According to John Murphy, owner of the company, the collaborative state/local assistance facilitated by the ERT and the support from the Governor’s Office was critical in his decision to build a new \$52 million laminated veneer lumber facility on the same site rather than relocating.

ERT agency assistance for the new manufacturing plant included expedited permitting for wetlands and air emissions as well as \$100,000 from the Strategic Reserve Fund. In addition, Sutherlin, Oakland and Douglas County approved a 15-year local property tax exemption as part of the Rural Enterprise Program while the Coos, Curry, Douglas Regional Investment Board provided close to \$100,000 for worker training. Construction of the new plant began in the fall of 2006. When completed, it will employ about 100 people at higher wages than the original plywood plant.

- **Flooding in Clatsop County** – The Governor declared a state of emergency during the winter of 2005-06 when high water along the Columbia River breached the dikes between Astoria and Wauna. Pasture and farmland was inundated and the rail line was washed out.

The diking districts were formed during the 1940s and the dikes were constructed over the next 10 to 15 years. In the intervening years maintenance of the dikes was often neglected. At this time, it is unclear as to who has jurisdictional responsibility and authority for maintaining the

The ERT and the support from the Governor’s Office was critical in my decision to build a new \$52 million facility on the same site rather than relocating.

- John Murphy

dikes. To address this long standing issue, the ERT coordinator and Senator Betsy Johnson organized and convened a diking summit in October 2006. The summit brought citizens, stakeholders and state agencies together to define the problem and outline a path toward resolution.

- **Loss of in-state rendering plants** - The state's last two rendering plants closed their doors in 2006. Since then Oregon's ranchers, farmers, meat processors, grocers, restaurants and hunters are finding it more difficult and expensive to safely dispose of dead animals and butcher wastes. The increased costs of transporting animal mortalities to landfills, where they take up valuable landfill space or to out-of-state rendering plants are having a negative impact on the state's economy.

Given the difficulties of siting a new rendering plant, because no one wants one in their backyard, Judge Cooper from Crook County approached the ERT regional coordinator for Central Oregon in September 2006 for help with building a new rendering plant outside Prineville on DSL owned land out by the airport. The ERT coordinator brought together representatives from DSL, DEQ and the Oregon Department of Agriculture (ODA) to ensure coordinated state agency assistance on a project that can have a positive economic impact on many businesses throughout the state.

- **Mitigating the Impact of Confined Animal Feeding Operations** – Local officials contacted the ERT coordinator for Central Oregon when heavy rains in January 2006 allowed contaminated runoff from the 30 acre, 2,500 cattle feedlot located at the south end of Madras to flow through a residential neighborhood.

As feedlot and dairy operations, known in the industry as “confined animal feeding operations” (CAFOs) grow ever larger, local opposition to them is increasing because of the actual and perceived impact on water and air quality as well as community livability.

The primary responsibility for siting, permitting and monitoring CAFOs is the responsibility of ODA. Given the large scale and industrial nature of these agricultural operations, local officials in both central and eastern Oregon, where a number of large CAFOs are being proposed, are working with the ERT coordinators to find ways to address CAFO siting issues since under Oregon law, a CAFO is an

outright allowable use in land zoned for Exclusive Farm Use (EFU).

One idea being explored by a work group in Umatilla/Morrow Counties is to establish siting criteria for a CAFO and to identify appropriate sites that meet the criteria and are located away from urban land uses.

- **Planning the Development of Hwy 11** - Currently the three mile stretch of Hwy 11, between Milton-Freewater and the Washington state line, is experiencing increased development pressure due, in large part, to the growth of the wine industry in the Walla Walla Valley. Since this stretch of highway is outside Milton-Freewater's UGB, existing residential and commercial development are serviced by individual wells and septic systems. Without municipal sewer/water infrastructure, development potential is limited and the risk of ground water contamination is increased. In addition, when commercial and industrial sites are located outside of a UGB, building size limitations also restrict development opportunities. These factors contribute to the underdevelopment of many of the existing businesses. Highway safety is also a growing issue due to the high traffic volume and the numerous private driveways that directly enter and exit the highway.

The ERT coordinator for Eastern Oregon is playing a lead role in the multi-jurisdictional effort to better understand the problem and develop a plan for the future growth of the Hwy 11 corridor, one of the gateway's into the state.

As these examples show, coordinated state assistance is critical in ensuring that the projects are implemented and issues are addressed from a system-wide and results-based perspective to ensure a minimum of unintended consequences.

Reaching Out to Rebuild State and Local Relationships

To increase exposure to the ERT the coordinators and regional teams conduct outreach visits to local communities on a regular basis. Often a local community will host a team's monthly meeting. These visits provide local government not only with direct contact to state agency staff, both individually and collectively, they also provide state agencies with the opportunity to better understand some of the challenges confronting local communities and to develop strategies for addressing these challenges from a multi-agency as well as a state/local perspective.

The ERT coordinator is playing a lead role in the effort to develop a plan for the future growth of the Hwy 11 corridor, one of the gateway's into the state.

In addition to ERT coordinator and regional team outreach the eight state agency directors, who are the core of the ERT's multi-agency coordination effort, visited with local city and county officials in each of the five ERT coordinator regions during 2006.

April 4	Dallas, Independence & Monmouth
May 1/2	Jackson & Josephine Counties with visits to Medford, White City, Central Point & Grants Pass
June 6/7	Jefferson & Deschutes Counties with visits to Sisters, Bend, Madras & Redmond
August 1/2	Morrow & Umatilla Counties with visits to Boardman, Port of Morrow, Hermiston, Pendleton & Milton-Freewater
Oct 2/3	Lincoln & Tillamook Counties with visits to Newport, Lincoln City, Hebo & Tillamook
Nov 21	City of Salem

Visits to the field provided local government the opportunity to familiarize state agency directors with local issues and showcase high priority projects.

These visits helped strengthen the partnership between state and local government by providing local officials the opportunity to familiarize state agency directors with local issues and showcase high priority projects. In some cases, these visits also provided local government the opportunity to point out instances or situations where state agency service delivery could be improved.

Results of 2006 ERT Customer Satisfaction Survey

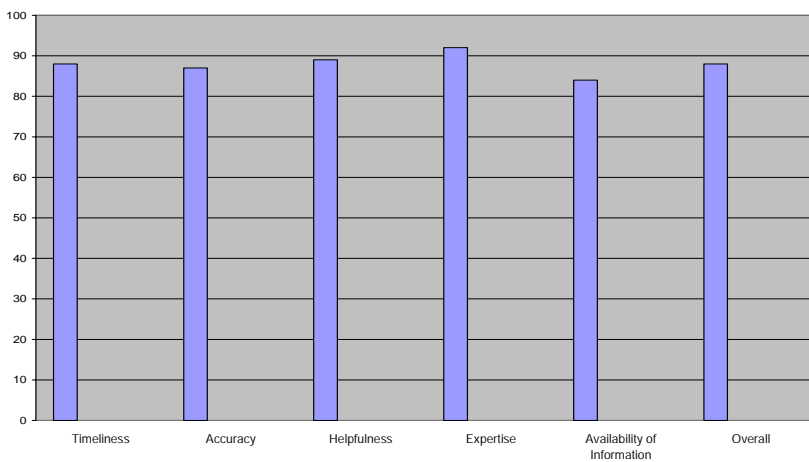
To gain feedback on how our local government partners perceive ERT assistance, the ERT, along with a number of small agencies, participated in a customer satisfaction survey process administered by the Oregon Progress Board during the spring of 2006. Survey question format and response scale for the ERT are consistent with the *Recommended Statewide Customer Service Performance Measures Guidance* as developed by the Department of Administrative Services (DAS)⁶.

The ERT regional coordinators provided contact information for 196 “customers” they had worked with on local projects during the last two years. More than half (53%) of ERT customers contacted participated in the survey. Roughly 47% of those who participated in the ERT survey were affiliated with cities, while 35% were affiliated with

⁶ Copies of the 2006 ERT Customer Satisfaction Survey can be obtained by contacting the ERT office at 503-378-5690

counties. The remaining survey respondents were affiliated with other organizations or businesses.

Responses for 2006 ERT Customer Satisfaction Survey



As the above chart indicates, overall response to the ERT customer satisfaction survey found that nine out of ten (90%) ERT customers perceived the service provided by the ERT as “good to excellent.”

The ERT received the highest rating (92%) in the area of knowledge and expertise which goes a long way toward building trust relationships. The ERT received the lowest rating (84%) for availability of information. Since the coordinated assistance the ERT coordinators and regional teams provide to local governments and businesses rely on information provided by state agencies, the ERT is looking for opportunities to improve the availability of information on programs and processes agencies provide.

The ERT received the highest rating (92%) in the area of knowledge and expertise which goes a long way toward building trust relationships.

Measuring the Quality of State Agency Assistance

To evaluate the service individual state agencies provide through the ERT process, the 73rd Oregon Legislature directed DLCDC, DEQ and DSL to develop an ERT related performance measure. To ensure consistency and comparability, the directors of the three state agencies asked the ERT to provide coordination on the development of the new ERT related agency measure.

To determine how best to measure individual agency performance, DAS facilitated a logic mapping exercise of the ERT process in early 2006. The logic mapping exercise identified that the most productive measurement for each of the agencies was a “quality of service” measure (ERT Logic Map is attached as Appendix F).

When the outcome of the logic mapping exercise as well as details of a proposed ERT related measure for the agencies was reviewed with appropriate Legislative Fiscal Office (LFO) analysts in late February

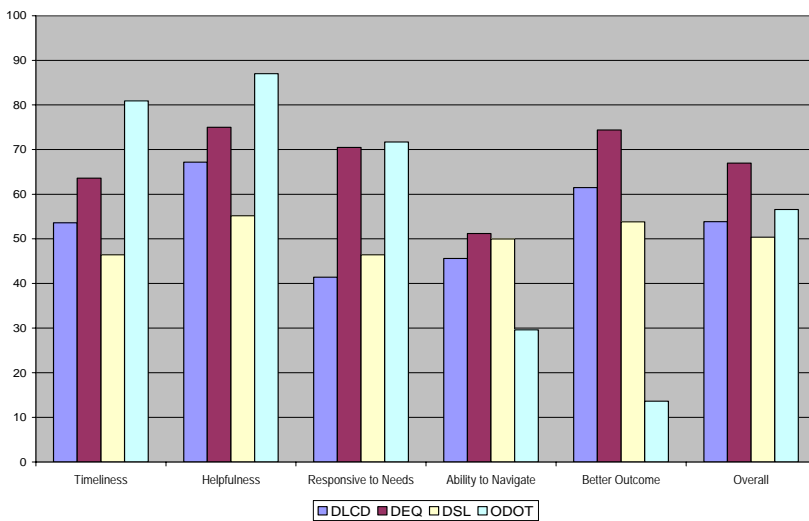
2006, the LFO analyst for ODOT asked that they be included in the ERT related measure for the agencies.

A set of questions were included in the ERT’s biennial customer satisfaction survey⁷ for each of the four agencies to provide data for the new ERT related agency measures. To determine agency involvement, ERT survey participants were asked if:

The local project the ERT worked on with your community involved (land use, environmental issues, wetland or waters of the state, or highway access, construction) issues.

Responses to this question indicate that more than 70% of ERT projects statewide involved land use. Over 50 % of ERT projects involved highway access/construction and environmental issues while 30% impacted wetlands or waters of the state. Many of the survey respondents indicated that they worked with two or more of the state agencies as part of the ERT project.

Survey Responses for Individual ERT Agencies



⁷The following questions were included in the 2006 ERT Customer Satisfaction Survey for DLCD, DEQ, DSL and ODOT (**scale**: excellent, good, fair, poor):

1. Did the local project the ERT worked on with your community involve (land use, environmental, wetlands, highway access/construction issues)? If yes, then...
2. How would you rate the (agency) on timeliness
3. How would you rate the (agency) on helpfulness of response?
4. How would you rate the (agency) on the delivery of solutions that are responsive to your needs?
5. How would you rate the (agency’s) ability to help you navigate their unique programs and processes?
6. How would you rate the project outcome as a result of (agency’s) involvement in the ERT?

Responses to agency questions were reported by individual agencies as the following performance measure:

“Percent of local participants who rank (agency) involvement in ERT process as good or excellent.”

When comparing survey responses for the ERT process (chart on page 25) with those for individual state agencies (chart on page 26) participants rated individual agencies significantly lower than the ERT as a whole. One way to account for this difference is that ERT coordinators are often called on when projects run into problems using traditional means. In some instances, one or more of the ERT agencies may have been responsible, at least in the eyes of local participants, for creating the problem that now needs to be fixed.

It should be noted that all four agencies received low ratings for their ability to help local government navigate their programs and processes. This response suggests that many local governments may be unfamiliar with state agency programs and processes. In addition, the complexity and the lack of clear and easy to understand information on many state programs and processes may also be contributing factors to this response.

Developing a Shared State/Local Agenda for Economic and Community Development

In addition to forging strong state/local relationships at the local community level, the Governor’s Office and the ERT have taken a leadership role with the Community Development Forum.

Active since 1998, the Forum is a coalition of state and local partners that includes the League of Oregon Cities (LOC), the Association of Oregon Counties (AOC), the Oregon Public Ports Association, the Special Districts Association of Oregon and the directors of the eight ERT agencies (2006 Forum membership is attached as Appendix G).

Over the years, the primary purpose of the Forum has been to develop a shared legislative agenda on economic and community development that helps local communities maintain and increase their economic vitality. In support of Governor Kulongoski’s and the Legislature’s efforts to pull Oregon out of economic recession, the Forum’s priorities for the previous legislative session were selected because they:

- Remove barriers to economic development
- Improve the state’s business climate
- Create economic opportunity

The benefits of a shared local/state legislative agenda on economic and community development are obvious when you consider that more than 80% of the Forum's 2005-07 priorities (Appendix H) won approval from the Legislature. The Forum's 2007-09 legislative priorities are still being finalized.

Meeting the Growing Demand for ERT Assistance

ERT outreach efforts and a mounting tally of successful projects are resulting in more local governments requesting assistance. This growing demand for assistance is consistent with both the high ratings and the many positive comments received in the 2006 ERT customer satisfaction survey.

While comments from our local government partners such as "Excellent program, need to expand it" and "It should be a model for every state" are great to hear, they may also presage the challenge the five ERT coordinators and nine regional teams will face as requests for coordinated state agency assistance increase.

***"Excellent program...
it should be a model
for every state"***

**-Comments from 2006 ERT
Customer Satisfaction
Survey**

Institutionalizing a Coordinated Response to Economic Development

In recent years, the inability of the existing organizational structure of government to effectively address the many interconnected issues of the 21st century has made news headlines nationally. Threats to national security and uncoordinated response to natural disasters are but two examples where the limitations of the existing organizational structures of government have been exposed.

Although the ERT approach has increased coordination on economic and community development, moving that coordination to the next level of integrated permitting processes has not yet been fully realized. Even though regulatory agencies play an increasingly important role in the development process, creating seamless permitting processes as well as coordinated policy and program development is challenging as regulatory authority in Oregon is spread across a number of state agencies.

While institutionalizing a coordinated response to economic development remains a goal, the ERT and its partner agencies have made great strides toward understanding each other's roles and identifying opportunities to improve efficiencies through coordination.

This section of the report describes some of the issues the ERT coordinators and state agency staff encountered when assisting local governments and businesses with project implementation and issue resolution. Actions taken to address these are included in each description.

Streamlining the Industrial Site Certification Process

Oregon's industrial site certification program was created by Executive Order in February 2003 in response to the economic recession of early 2000.

In a recent letter to the ERT agency directors thanking them for their agencies' participation in the certification program, Governor Kulongoski, emphasized the importance of

The ERT and its partner agencies have made great strides toward understanding each other's roles and identifying opportunities to improve efficiencies through coordination

“maintaining an attitude of economic readiness even as the economy improves.”

Continuing the industrial site certification program will remain one of the Governor’s key priorities during his second term in office.

Issue: The industrial site certification application process has been criticized for being overly ambitious in its scope in that it tried to provide more information than was actually needed for a siting decision. In addition, a number of questions in the application were misleading or ambiguous and the documentation it requested was difficult to obtain or not standardized.

Actions Taken: OECD is taking the following actions to improve the certification application process:

- The application has been simplified. Questions have been changed and required documentation standardized with the help of all agencies involved.
- Sites will now be certified for the industrial uses permitted under the jurisdiction’s zoning code rather than having to meet arbitrary minimum criteria.
- Existing infrastructure serving the site will be documented instead of used as eliminating minimum criteria for industry profiles.
- Applicants will be advised to include information on workforce, emergency services, tax incentives and price for marketing reasons but certification will not be delayed if this information is not provided.
- The need for an archeological survey is now based on State Historic Preservation Office (SHPO) recommendation. Tribes will be consulted about the presence of known traditional cultural properties on a site to ensure that cultural resources are not impacted by development.

Comments: Since the certification program’s inception, OECD and its state and local partners have been engaged in continually looking for ways to make the application process as easy as possible without sacrificing credibility.

Sites are certified as “project ready” for two years. With certification due to expire for a number of sites certified during the first round, OECD is developing a recertification process so that sites can maintain their certification status if interested.

Many of the sites certified to date are publicly owned or municipally sponsored. To ensure a continuous “pipeline” of certified sites, the program will need to attract more privately owned sites. Toward that

“We need to maintain an attitude of economic readiness even as the economy improves.”

- Governor Kulongoski

end, OECDD is proposing legislation to make it possible to loan funds to private landowners to complete the studies and remediation necessary for certification status.

An outreach program as well as marketing materials for the certification program needs to be developed. Site certification also needs to be better integrated into the state's existing recruitment efforts.

Revising the Immediate Opportunity Fund (IOF)

The Immediate Opportunity Fund (IOF) has been a valuable tool for attracting business and jobs to Oregon since its creation in 1987. The purpose of the IOF is to provide grant funding for street or road improvements to influence the location, relocation or retention of a business in Oregon and to revitalize business or industrial centers.

Issue: The IOF Program guidelines did not include funding for road-related improvements necessary for the certification of industrial sites. Eligibility criteria needed to be revised so they focus more on economic development. The program also did not provide for renegotiation of terms should business conditions change.

Actions Taken: The ERT, OECDD, and ODOT staff worked together to revise and update the IOF guidelines. The Oregon Transportation Commission (OTC) adopted the revised Guidelines in October 2006 which included the following the changes:

- Added a Type C funding category for the preparation of industrial sites seeking “project ready” certification. Type C projects are eligible for up to \$500,000 per project.
- Replaced eligibility criteria based on the Quality Development Objectives (EO 00-23) with criteria focused on the Governor's Oregon Principles dealing with economic development.⁸
- Allowed for re-negotiation of the required number of jobs with the local government sponsor when business conditions for the firm(s) cited in the IOF agreement have changed significantly. Renegotiation must be approved by the ODOT Director and referred to the OTC for approval.

IOF summary and guidelines are now posted on OECDD's web site highlighting financial incentives for business:

<http://www.oregon.gov/ECDD/IOF.shtml>

⁸Oregon Principle: Oregon has a positive business climate and invests in economic development in order to create and retain sustainable business and family-wage jobs.

Oregon Principle: Oregon has a healthy balance between growth, infrastructure and environmental protection.

Comments: The rapid approval process and newly added flexibility should enhance the use of the IOF as an important tool for recruiting and retaining businesses to the state. Additional Type A projects for road improvement to retain or recruit a business and Type B projects for the revitalization of business and industrial centers from rural communities are under development and being coordinated with ERT, ODOT, OECD, and the local government involved with the project.

Helping Local Communities Implement the Transportation Planning Rule (TPR)

The Transportation Planning Rule (TPR) requires local governments to assess whether proposed plan and zone changes will have unanticipated effects on the transportation system, particularly state highways. When a plan or zone change would have a “significant effect,” local governments must take steps to make sure that planned land uses are in balance with the planned transportation system, usually by planning for additional road improvements to support the new land uses.

Issue: Much of the state’s highway and road system is nearing traffic capacity. This situation makes it more likely that a rezone or proposed new development will generate traffic that will exceed the capacity of existing or planned transportation facilities. If a road is at capacity, then mitigation or improvements will need to be made to accommodate new development. The mitigation or improvements could be as simple as adding new traffic signals or turn lanes or more complex and costly such as building a new road or rebuilding an intersection or interchange. In combination, the escalating cost of transportation improvements and the limited amount of state and local funding available are often the biggest obstacle to overcome when readying an industrial site for certification or development.

In addition, assessing the impacts of a plan or zone change can be challenging, especially for smaller rural communities as a transportation impact study or analysis (TIA) is often needed to assess whether proposed land uses will exceed the capacity of the planned street system. For smaller communities, the cost of a TIA can be significant and can make it difficult to compete for development proposals.

Agency Actions: DLCD and ODOT have taken the following actions during the interim on the TPR:

The cost of transportation improvements and the limited amount of state/local funding available is often the biggest obstacle to overcome when readying an industrial site for certification or development.

- In March 2005 the Land Conservation and Development Commission (LCDC) amended OAR 660-012-0060 in response to concerns over implications of the *Jaqua*⁹ decision.
- In April 2006, ODOT finalized *Guidelines for Implementing Section 0060* for use by ODOT staff and local government to better understand the implications of implementing the amended rule.
- In December 2006, ODOT with help from DLCD and OECDD staff conducted training on the TPR for the ERT coordinators and key staff from OECDD and DLCD. Additional trainings are being considered during 2007 for each of the five ERT regions. These regional trainings on the TPR would include state agency staff serving on regional teams as well as key local officials and staff.

Comments: Addressing the impact of new development on traffic congestion and the state's transportation system is important for attracting economic development and protecting community livability.

To ensure that needed improvements to the transportation system are made, the connection between transportation and economic development funding needs to be strengthened. Increasing local government understanding of both the TPR and the impact of declining state and federal funding for transportation projects is essential. If state and federal funds for transportation continue to decline in terms of buying power, the ability to coordinate and leverage state and local as well as other public and private funds for transportation improvements on specific projects will be critical.

Connecting Land Use and Economic Development

Statewide Planning Goal 9 on economic development reads as follows:

To provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon's citizens.

The purpose of Goal 9 and its administrative rule is to ensure Oregon cities have an adequate land supply for economic development and employment growth.

Issue: Many cities have experienced difficulty when conducting Goal 9 (Economic Development) planning. The Goal 9 rules lacked

⁹Jaqua v. City of Springfield, 193 Or App 573, 91 P3d 817 (2004)

definitions of some important terms and lacked clarity or guidance regarding the desired outcomes for planning for employment land.

In addition, many cities either lacked technical expertise in economic development planning or did not know how to access state and local economic development planning resources.

Actions Taken: DLCD assigned staff for Goal 9 implementation in early 2004 which generated the following actions:

- LCDC approved amendments to administrative rules that implement Goal 9 in December 2005. The amendments updated definitions, clarified and streamlined existing requirements as well as provide guidance for planning for a short-term supply of land and enabling multi-jurisdiction coordination.
- DLCD’s Economic Development Planning Team issued “Tips for Conducting an Economic Opportunities Analysis¹⁰ (EOA)” in April 2006 to help cities comply with the new Goal 9 rules including information on how to effectively format an EOA as well as a model scope of work to aid cities with the consultant hiring process.
- DLCD’s Economic Development Planning Team worked with OECD and the ERT during 2006 to determine how best to incorporate state and local economic development professional expertise into the economic development planning process so that information about a community’s economic development potential is incorporated into the land use planning process.

Even though compliance with the new rule is not required until January 2007, cities have been encouraged to use the new EOA process. Early analyses of the EOAs submitted to DLCD under the new rule have shown measurable improvement over EOAs submitted in previous years.

Comments: The focus of these efforts has been to encourage communities to formulate useful plans rather than simply go through the motions to comply with state rules. Many cities have taken advantage of the new EOA guidance. In addition, technical assistance provided by DLCD staff and the ERT coordinators on resolving industrial land supply issues has resulted in identifying and resolving issues earlier in the planning process. DLCD should continue to make Goal 9 planning a grant funding priority. The ERT

Amendments to Goal 9 clarified and streamlined existing requirements and enabled multi-jurisdiction coordination.

¹⁰ An EOA is a technical analysis that compares projected demand for land for industrial and other employment uses to the existing supply of such land. This process helps communities determine and implement their local economic development objectives and policies through their comprehensive plan.

coordinators and OECDD staff would benefit from training on the new Goal 9 rule and its implementation at the local level.

Streamlining the Urban Growth Boundary (UGBs) Expansion Process

Under Oregon's Land Use Laws, an expansion of a UGB is allowed only when the city determines there is a need for more land, long term, based upon estimates of a 20-year need for housing and employment.

Issue: Many urban areas in Oregon are growing and will need to expand their Urban Growth Boundary (UGB) in the near future. UGB expansions are frequently necessary to increase the supply of industrial sites. The ERT often hears complaints from local communities about the UGB expansion process, especially about the amount of time it typically takes to amend a UGB.

Actions Taken: DLCD responded to these concerns by updating Statewide Planning Goal 14, which lays out the process for UGB expansion. New administrative rules to streamline and help interpret Goal 14 and the UGB amendment process (OAR 660, division 24) were adopted by LCDC in October 2006. Although the adopted rules will not take effect until April 2007, local governments may choose to apply the new rules immediately.

The value for economic development of the Goal 14 amendments and the adoption of new rules are as follows:

- Coordinated requirements of Goal 14 with economic development planning under Goal 9 regarding forecasts for 20-year employment land need. The amended requirements increase flexibility in using job-growth estimates and increase attention to short-term employment land needs.
- Provided a number of "safe harbors" to streamline population forecasts, housing need and employments need forecasts, land inventory, and related issues.
- Clarified that a Goal 2 exceptions process is not applicable to UGB amendments.
- Clarified that certain goals and rules need not be applied to UGB amendments
- Allowed postponement of detailed transportation plans in certain "urbanizable" areas.

Comments: Recognizing that more changes may be needed, LCDC has asked a work group that includes representation from cities, counties and a wide variety of citizens and interested organizations,

to advise DLCD on the content of additional rules to streamline the UGB process.

DLCD is also proposing taking a number of other actions including:

- Improve guidance, training and alternative methodologies for local governments to determine and respond to changing needs for industrial and other employment land.
- Provide additional technical assistance to local governments regarding zoning code revisions in order to reduce appeals and other delays.
- Increase flexibility in low-growth areas where UGB's constrain economic development opportunities because they include an oversupply of land that is not suitable for current employment needs.
- Improve the agency's response time for reviewing proposed local plan amendments and periodic review submittals.

Managing Wetland Constraints on Industrial Lands

When the local land use maps were drawn up in the 1970's, many communities simply used current industrial land, lower-quality agricultural land or low-lying "bottom lands" to meet their industrial land requirement.

Issue: Through implementation of the industrial site certification program, the ERT has learned that many of the large, undeveloped industrial sites in the Willamette Valley and along the I-5 corridor are substantially constrained by wetlands. Several sites on the Oregon coast seeking certification are also constrained by wetlands. The following sample of mid-Valley industrial sites currently in the certification queue illustrates the problem:

Proposed site	Total acreage	Wetland area	% Wetland
So. Albany	295	166	56%
Dallas: Godsey Rd	52	8	15%
Dallas: Holman Rd	64	8	13%
Corvallis Airport	195	66	34%
Lebanon: Burkhart	47	28	60%
Lebanon: Rodeo	120	73	61%
Lebanon Airport	129	TBD	50+%
Junction City	85	~20	24%
Oaklea			
Millersburg	258	74	29%

Since the presence of wetlands was not considered when the land was initially zoned, local communities are not only surprised by the presence of wetlands on their undeveloped industrial land, but also by the complexity and cost of required mitigation. Depending on the form, wetland mitigation costs can range from about \$25,000 to more

....many of the large, undeveloped industrial sites in the Willamette Valley and along the I-5 corridor are substantially constrained by wetlands.

than \$60,000 per acre. Given the extent of wetlands and the cost of wetlands mitigation, a good portion of the existing industrial zoned lands in the mid-Valley, for example, may not be able to successfully compete in the marketplace.

Actions Taken: The ERT and agency liaisons from DSL, OECDD, DLCDD, DEQ, and ODA have formed the wetlands work group which has taken the following actions to address the wetlands issue:

- A white paper entitled, *An Integrated Response to Managing Wetland Constraints on Industrial Lands*, (Appendix I) was presented to the ERT agency directors during June 2006. The paper outlines the issue of wetlands on industrial lands. It also describes existing agency tools and a number of options for increasing the state's capacity to address this issue.
- The wetlands working group prepared a work plan (Appendix J) with the following five goals:
 1. Incorporate wetlands evaluations into state agency programs and processes that plan, fund/finance, and permit industrial development and infrastructure.
 2. Improve the quality of the information currently available at the local level of wetland constraints.
 3. Increase awareness of wetlands at the local government level
 4. Create a stable and diverse supply of high quality mitigation bank credits, including but not limited to wetlands, TMDLS, riparian and habitat credits.
 5. Reduce Wetland – Land Use Conflicts
- OECDD included changes in their proposed statute to allow the agency to hold and sell wetlands mitigation bank credits for industrial lands and the possible development of a credit resale program.
- Invited the Willamette Partnership - a coalition of business, conservation, agricultural and municipal service leaders founded in 2004 – to participate in the wetlands work group to explore opportunities for including wetlands mitigation credits in the Ecosystem Marketplace¹¹ being developed by the Partnership.
- Members of the work group conducted outreach to existing private wetlands bankers in December 2006 to make them aware of the demand for wetland mitigation credits for industrial land and to stimulate credit availability and supply.
- OECDD, DSL and DLCDD are working with the Cascades West Council of Government (CWCOG) on a regional

¹¹ The Ecosystem Market Place is an effort to develop incentive-based tools and a multi-function mitigation banking concept to meet regulatory requirements and achieve ecosystem health. The Partnership received an \$800,000 grant from EPA to develop a marketplace for temperature credits for wastewater discharge in the Willamette Basin.

wetlands mitigation assessment for 12 mid-valley industrial sites in seven communities. The assessment, which is scheduled to be completed mid-March 2007, will provide information on the cost impact of wetlands mitigation on site marketability.

Comments: By these efforts, the ERT expects to create an opportunity for local communities to build a better, more developable inventory of industrial lands, and where wetland avoidance is not possible, ensure that there is a stable supply of high quality and cost-effective wetland mitigation credits available.

Coordinating Water-Related Permit Processes

The Advisory Committee on Regulatory Permitting, in their December 2004 Report to Governor Kulongoski and the directors of the ERT agencies, identified Oregon's permit process for development projects that affect the state's water resources, as an issue that negatively affects business expansion and recruitment.

Issue: In Oregon, development activities that affect the state's water resources often require several state agencies to issue approvals before a project can get started. Local governments and the US Army Corps of Engineers also require permits for some of the same activities. The unintended consequence of an uncoordinated permit process is conflicting requirements which can result in delays and cost increases for project applicants.

Actions Taken: The Office of Regulatory Streamlining, with the help of a consultant, organized the *Water-Related Permit Process Improvement Team* (WRPPIIT) in early 2005 to examine and evaluate existing statutes, rules, and processes for streamlining opportunities to the existing agency processes with the goal of developing a seamless permitting process from the perspective of the applicant.

Through an interagency Memorandum of Understanding, a bill and budget packages (HB 2251) pending before the 2007 Legislature, the agencies involved in this permitting have agreed to a pilot project which:

- Allows qualifying applicants who opt into the pilot to obtain a meaningful pre-application conference. These conferences are intended to provide comprehensive information to project applicants about regulatory issues likely to be raised in assessing their projects, so that the applicant can begin working at the earliest possible point on design or other issues to facilitate compliance.

- Puts the onus on the DSL to coordinate pre-application conferences, so that applicants are not left on their own to persuade agencies to participate.
- Requires agencies to resolve competing or conflicting issues or conditions prior to issuing a permit, rather than making the applicant responsible for resolving these issues. This will help avoid re-work for applicants and agencies in evaluating changes to projects that could have been dealt with earlier in the process.
- Consolidates some permits and processes so that duplication can be eliminated and some tasks can be done contemporaneously rather than sequentially.

Comments: A new water-related permits user guide has been developed and posted to DSL's web site at:

http://www.oregonstatelands.us/DSL/PERMITS/swrp_userguide12_06.shtml

This guide is a collaborative effort between DSL, DEQ, DLCD, Oregon Department of Fish and Wildlife (ODFW), Oregon Water Resources Department (OWRD), the Department of Geology and Mineral Industries (DOGAMI) and Oregon Parks and Recreation Department (OPRD). The guide provides a good overview of the broad range of state water-related permits, reviews, certifications, etc., that may be required for different in-water projects in Oregon.

Transportation Growth Management (TGM) Program

TGM is a joint program between ODOT and DLCD that is designed to integrate transportation and land use planning at the local level. The TGM program is supported by state and federal funds and provides grants to cities and counties for transportation and land use planning projects, for assistance with updating zoning ordinances, for "Quick Response" assistance with transportation project design and for outreach workshops on transportation/land use planning and community visioning (more info is available at: <http://www.oregon.gov/LCD/TGM/index.shtml>).

Issue: The TGM program enjoys general support from local government because it provides funds that can be used for a variety of transportation and land use related planning projects. However, some communities have voiced concerns about of the program's requirement for detailed statements of work and its sometimes lengthy negotiation process for contracts. Since the program operates on a two-year grant cycle, the longer it takes to negotiate a contract the less time remains to complete the project.

Actions taken: The ERT coordinators met with the TGM management staff from both ODOT and DLCD during September

2005 to gain a better understanding of the program and to discuss the issues raised by some communities.

Both agencies are aware of and share the frustration expressed by local governments with the time and detail associated with TGM projects. The negotiations are slow for a number of reasons. Sometimes it takes time to reach a common understanding of the project, given differing local, DLCD and ODOT perspectives. Sometimes the negotiations are slow because local governments may be short of staff to work on the project. However, much of the complicated process is due to the use of federal transportation funds and the combination of state and federal contracting requirements.

ODOT and DLCD have taken the following steps to simplify and streamline the process within the limits of state and federal requirements:

- A pre-qualified pool of consultants has been identified to simplify selection of contractors for planning projects.
- TGM staff has received some delegated authority for contract approval from ODOT to speed contract review and approvals.
- TGM's grant application process will start sooner for the 2007-09 biennium, so that projects can start earlier than in previous years.
- Some projects, that are predicted to take longer, will be able to span the biennium.
- To speed the writing of contract statements of work, TGM is creating templates for certain frequently awarded types of projects (such as transportation system plans) to serve as a common starting point that then can be tailored to the individual needs of grantees.

Community Development Block Grant Program (CDBG)

Both OECDD and OHCS administer portions of the federal Community Development Block Grant (CDBG) Program for “non-entitlement” cities and counties. Non-entitlement refers to rural or non-metropolitan cities and counties as urban cities and counties receive CDBG funds directly from the US Department of Housing and Urban Development.

CDBG provides grant funding for a broad range of community needs ranging from public water and wastewater system improvements, to brownfield redevelopment, to downtown revitalization, to community service facilities such as senior centers.

Issue: Because CDBG provides grant rather than loan funding for a wide variety of community activities, the program is often attractive

to smaller and rural communities with limited local sources of funding. Small, rural communities are most often understaffed which makes it challenging to manage the complications of federal criteria and reporting requirements of a CDBG grant.

Actions Taken: OECDD and Oregon Housing and Community Services (OHCS) are increasing the level of hands on technical assistance provided to communities through trainings and one-on-one meetings. In addition, OECDD is in the process of updating its grant management handbook.

Comments: The 2005 program audit evidenced significant improvement over previous years. Federal auditors had few concerns with program administration.

In 2007, OECDD intends to offer an applicant workshop. Staff also plans to increase the number of field visits for challenging projects. Training is also planned for a consulting engineering firm that works on a number of projects in the eastern part of the state.

Focus for the ERT in 2007-09

During the interim, the ERT has demonstrated the value of multi-agency, state/local coordination for the state's economy. ERT coordination has increased the responsiveness of state agencies to engage in economic development and positioned many local communities to take advantage of the opportunities provided by the recent economic recovery. Given existing statutory and organizational limitations, the ERT and its partner agencies have made great strides toward understanding each other's roles and identifying opportunities to improve efficiencies through coordination.

Pending other direction from the Governor and the Legislature, the ERT coordinators and regional teams will continue to assist local communities and businesses with implementing high priority economic development projects and with institutionalizing a coordinated response to economic development within state government.

The concluding section of the report identifies emerging issues as well as needed legislative action to ensure that a coordinated approach to economic development continues to thrive in Oregon.

Emerging Issues for Industrial Lands and Economic Development

With as many as 19 of Oregon's certified industrial sites already under development, maintaining an inventory or continuous "pipeline" of ready-to-develop industrial sites is an ongoing effort.

Most of the 47 sites certified to date did not require significant land use actions, investment in public infrastructure or the resolution of significant environmental issues to qualify for certification. As we near the end of the "low hanging fruit," readying sites for certification or development is becoming increasingly expensive and time consuming for property owners, local jurisdictions and state agencies.

The ERT has identified the following issues confronting the state in its efforts to ensure a continuous supply of ready to development industrial lands for both the near and long term:

With as many as 19 of Oregon's certified industrial sites already under development, maintaining an inventory or continuous "pipeline" of ready-to-develop industrial sites is an ongoing effort.

Transportation – A functioning transportation system is critical to the health of the state’s economy. As the state’s population and traffic increases and as state and local highway and road systems approach capacity in many parts of the state, options for easy or relatively inexpensive fixes are becoming exhausted. Transportation improvements are often the most costly barrier to remove when certifying a site or when locating a business expansion or recruitment.

Around the state, individual local communities are concerned about the cost of transportation improvements and the limited state funding available to pay for needed improvements.

While funding coordination at the local project level is often essential, more coordination of transportation and economic development investments at the state level is also needed. A good example of how state transportation investments support economic development is the \$100 million in ConnectOregon,¹² projects approved by the Oregon Transportation Commission (OTC) in July 2006. As many as 17 of Oregon’s certified industrial sites benefited, either directly or indirectly from ConnectOregon projects (list of ConnectOregon projects and certified sites attached as Appendix K).

Recognizing the need to strengthen the connection between the state’s investments in transportation and funding for economic development, a new transportation infrastructure position was created within OECDD during 2006. This position has focused on revising the Immediate Opportunity Fund (IOF) Guidelines, developing IOF grant requests, analyzing Connect Oregon projects, resolving transportation issues dealing with economic development projects, addressing transportation planning needs for economic development, and providing cross agency training.

Land Use – Many local communities around the state have industrial land supply issues. As noted earlier, this is due to any number of reasons including:

- initial land use plans did not provide sufficient industrial land

¹² The Legislature approved \$100 million in lottery bonds for ConnectOregon (SB 71) in 2005 for air, rail, marine and transit infrastructure improvements to ensure that Oregon transportation system is strong, diverse, and efficient. It focused on improving the connections between the highway system and other modes of transportation to facilitate the flow of commerce and stimulate economic development.

As many as 17 of Oregon’s certified industrial sites benefited, either directly or indirectly from ConnectOregon projects.

- development has depleted inventories of industrially zoned land and the community has not replenished the supply
- industrial land has been rezoned or converted to other uses, such as residential or retail
- existing industrially zoned lands have significant barriers to development
- existing industrially zoned lands are not in the most suitable locations given current market needs

As the supply of existing industrially zoned lands diminish, land use processes such as annexations, UGB expansions, comprehensive plan amendments, or zoning code amendments are needed. These processes often require expensive technical analyses and can be time- and staff-intensive for both local government and state agencies. The ERT has played a major role in assisting local governments with land supply issues and in coordinating state assistance. Coordinated state assistance to successfully complete land use actions for economic development will become increasingly important.

Wetlands - Since the presence of wetlands was not considered when land was initially zoned, local communities are not only surprised by the presence of wetlands on their undeveloped industrial land, but also by the complexity and cost of required mitigation. Depending on the form, wetland mitigation costs can range from about \$25,000 to more than \$60,000 per acre. Given the extent of wetlands and the cost of wetlands mitigation, a good portion of the existing industrial zoned lands in the mid-Valley, for example, may not be able to successfully compete in the marketplace.

Brownfields - Large industrial sites are scarce particularly in the Portland Metro area where much of the existing industrially zoned land is constrained by environmental contamination issues which are often costly to clean up.

Clean up and redevelopment of former industrial sites is an issue not confined to the Portland Metro area as many communities around the state have old mill sites or other former industrial sites, often in prime locations and served by infrastructure, that would benefit from clean up and redevelopment.

Given the dwindling inventory of industrially zoned lands and the rising costs of developing vacant, non-urbanized lands at the edge of the UGB, clean up and redevelopment of former industrial sites are both an issue and an opportunity.

Affordable Housing – Affordable workforce housing is a growing concern in many parts of the state as housing prices continue to rise and housing options for working Oregonians diminish. The lack of affordable workforce housing is negatively impacting the ability of a number of local communities in central, southern and coastal Oregon to keep and attract employers and the workforce they rely on including professionals such as teachers and nurses who provide essential services.

At the urging of the ERT and its local partners, Oregon Housing and Community Services (OHCS) is taking actions to better define the issue of workforce housing and to develop tools and strategies that communities can use for both affordable homeownership and rental housing. The agency is also exploring policy ideas such as inclusionary zoning, property tax exemptions and tax incentives for employers that provide down payment assistance.

Workforce – While land supply and the cost of readying industrial sites for certification and development is a growing concern, the availability of an educated and skilled workforce is increasingly important for the state’s competitiveness. During the last two years, companies in southern and central Oregon have found it particularly difficult to recruit qualified workers to fill both new jobs and those becoming available through the retirement of the baby boom generation.

Legislative Action for 2007-09

Experience on readying more than 50 industrial sites for certification and development has forged new working relationships among state agency staff and built partnerships between state and local government. While the ERT is in many ways more of a software interface that makes the existing statutory and organizational framework of state agencies more efficient and effective than a structural fix that uses new hardware, some first steps toward institutionalizing a coordinated response to economic development within state government have been taken.

To ensure the ongoing effectiveness of the ERT legislative approval of the following actions is requested:

- Recapitalize OECD’s Special Public Works Fund (SB 5508) and DEQ’s Clean Water Revolving Fund (HB 5005/5022) since adequate infrastructure enables local communities to effectively compete for business opportunities.

ERT is more a software interface that makes the existing statutory framework of state agencies more efficient and effective than a structural fix that uses new hardware.

- Increase staffing at both DEQ and OECDD for brownfield cleanup to increase the state's capacity to redevelop former industrial sites and bring them back on the tax rolls.
- Approve proposed changes to OECDD's statute (SB 350) to allow the agency to hold and sell wetlands mitigation bank credits to provide mitigation alternatives for business expansions and recruitments.
- Approve HB 2251 to allow DSL to test a pilot coordinated water-related permit process which will provide a first step toward the creation of a coordinated regulatory permit system for the state.
- Approve SB 186 to encourage cities and counties to identify additional industrial lands and conserve these lands for industrial development.

The ERT was established during a time of economic recession and budgetary crisis. Its efforts to provide coordinated assistance to local governments and businesses and to institutionalize a coordinated response to economic development within state government may be even more important in an improving economy focused on innovation.



Economic Revitalization Team

Biennial Report to the
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Appendices