

Business Oregon Commission Meeting

December 11, 2020



WELCOME

KANTH GOPALPUR

Today's Agenda

10:00	Welcome, Introductions, Approve Minutes <i>ACTION: Approve September 18 minutes</i>	Chair Gopalpur
10:15	Director's Report <ul style="list-style-type: none">- KPM update and Annual Report Data- Governor's Recommended Budget Review- Affirmative Action Plan	Chris Cummings <i>Nathan Buehler</i> <i>Leah Horner</i> <i>Bryant Campbell</i>
11:00	Emergency Response <ul style="list-style-type: none">- COVID-19 Response Recap- Wildfire Response Recap	Chris Cummings
12:00	Infrastructure Leadership Roundtable Oregon Infrastructure Summit Update	Daniel Holbrook Josh Bruce
12:15	Economist Report	Michael Meyers
12:45	Public Comment and Adjourn	

Oregon Business Development Commission Draft

September 18, 2020

Go-To Meeting Video Conference

Attendance

Members Present: Kanth Gopalpur, Commission Chair; Representative Janelle Bynum, District 51, Clackamas; Jessica Gomez, Rogue Valley Microdevices, Inc.; Paula Hayes, Hue Noir; Senator Betsy Johnson, District 16, Scappoose; Raymond Cheung, Geffen Meshier; Keith Leavitt, Port of Portland; and Kelley Minty Morris, Klamath County Board of Commissioners; and Thomas Insko, Eastern Oregon University.

Staff Present:

Chris Cummings, Interim Director; Brenda Bateman, Assistant Director, Operations & Finance; Nick Batz, Government Affairs Manager; Brian Rogers, Executive Director for Arts and Cultural Trust; Nathan Buehler, Communications & Research Manager; Amanda Welker, Global Strategies & Recruitment Manager; Kate Sinner, Innovation and Entrepreneur Manager; Jordana Barkley, Innovation Strategist; Art Fish, Business Incentive Coordinator; Melissa Murphy, Regional Development Officer, and Suzy Miller, Executive Assistant.

Guests:

Mayor Rod Cross, City of Toledo; Wayne Belmont, Lincoln County Counsel; Derrick Noll, Anti-Trust of Oregon; Judy Richter, City of Toledo City Manager; Heather Stevens, City of Corvallis Economic Development; Ashley Henry, Better Built Portland; Jenn Lynch, Portland Seed Fund; CJ Drake, Georgia-Pacific Toledo; Paul Schutyema, Economic Development Alliance Lincoln County; and Melissa Leoni, legislative staff.

Chair Gopalpur called the meeting to order at 10:00 a.m.

Welcome/Introductions

Chair Gopalpur welcomed everyone and introductions made.

Approve Meeting Minutes

Action: Chair Gopalpur called for a motion to approve the July 17, 2020, meeting minutes.

Commissioner Morris moved to approve; Commissioner Hayes seconded the motion.

Vote: Passed; minutes approved.

Director's Report

Chris updated the commission on work staff continues to do regarding the Coronavirus response and reviewed the programs the department is managing as directed by the legislature. Granting deferments and forbearance continue for current businesses and municipal borrowers impacted heavily. The Oregon Growth Board authorized loan forgiveness for some of the CDFI's around the state, and invested \$700k into the Oregon Community Foundation Fund. The Small Business Relief Fund allocated \$7.3M in two rounds to intermediary organizations for distribution to small

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businesses. The department stood up six programs using \$131.5M allocated in CARES Act Funding: Emergency Grants for Small Business (\$22.5M); Technical Assistance Providers, targeting underrepresented businesses (\$3M); Rural Hospitals (\$50M); Broadband Development (\$20M); Statewide Business and Cultural Support (\$25.98M); and \$10M for Masks and Gloves for Small Businesses. Staff is working hard to get the funds out the door quickly, as there is a December 31 deadline to spend the money.

Chris talked briefing about the current wildfires that have devastated many communities. At this time staff is in response mode; focusing primarily on coordinating and understanding the needs of the communities. Eventually the department's role will turn to recovery and rebuilding those communities and businesses. Relief funding for the wildfires has not yet been determined; however, Business Oregon will be part of the Wildfire cabinet and committees that have been set up in determining assistance for those affected communities.

Questions/Comments/Concerns:

Commissioner Leavitt asked what the clawback would be to those recipients who cannot meet the end of year deadline. Chris said the department added contract language for return of the monies, if not spent, per the federal government. Another question raised was whether an extension of the CARES Act is possible into the next year or an extension of the timeframe for spending the funds. The department has yet to hear on either of those possibilities.

Chris spoke about the recovery efforts and the need to move efforts forward as they are key when it comes to jobs and keeping businesses open in order to rebuild. Once a business closes, it is hard to get them back. We need to look at ways to continue to show support, ensure they are healthy, and that the state is meeting any needs they might have. Chris asked the commissioners to provide their thoughts and feedback as recovery efforts move forward on whether the state has missed anything, or other ideas to assist those communities impacted. Commissioner Hayes inquired about data, specifically employment data, in order to learn more about how other sectors are doing. The need to be proactive is extremely important in order to come out of this current crisis. Staff will pull together what current/actual data they have to share in December.

Key Performance Measures:

Nathan reported on the status of the department's Key Performance Measures (KPMs). Key Performance Measures, assigned to each agency, are submitted annually. Business Oregon has 10 KPMs to report on. Staff is working on collecting the remaining data for KPM's 1 (Number of Jobs Created), 2 (Number of Jobs Retained), and 3 (Income Tax Generated by Jobs Created/Retained), in order to submit the report by the end of September to the Legislative Fiscal Office for posting October 1. Nathan will share a final copy with the members once submitted.

Strategic Investment Program: Georgia-Pacific Toledo

Art Fish provided an overview on the Determination of the Strategic Investment Program (SIP) Eligibility for Georgia-Pacific Toledo Containerboard Facility/Mill Modernization and Juno Technology Project (property tax exemption). Georgia-Pacific Toledo applied to Business Oregon in October 2019, for approval to receive the 15-year period of SIP tax treatment on new investments it would make at its Toledo operations located in Lincoln County. Besides modernizing upgrades to sustain longer-term use of the facility, the project will include

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introduction of the cutting-edge Juno Technology to capture and reuse commercial waste from external sources. The Toledo Mill has been in operation since 1958, sits on several 100 acres, and employs 380, about 1900 statewide. Given the project, the workforce is not expected to change in relation to the project. The \$116M project is partially underway; further investments will depend on future evaluations. The Juno Technology commercial unit would cover the initial SIP taxable portion.

CJ Drake, Public Affairs Manager, Mayor Cross and Wayne Belmont, Lincoln City Counsel, addressed the commissioners. After a lengthy public review process that began in April 2019, the Toledo City Council and Board of Commissioners formally endorsed the project. With the commission's support, the SIP will help maintain and enhance the mill's status as Lincoln County's largest manufacturing employer, and largest taxpayer, with more than \$3.3M paid in the current tax year. This year, due to COVID-19, Georgia-Pacific was obligated to temporarily layoff hundreds of hourly employees in response to economic pressures on the market. However, despite the challenges, the company feels they have a viable, long-term future. Construction on the Juno Technology Demonstration Unit continues for operation next year. The project will exceed \$25M upon completion, with the majority of those costs being contracted labor.

Chair Gopalpur called for a motion. Commissioner Insko moved the motion. Commissioner Hayes seconded.

Vote: Passed. Motion approved.

Futures Commission First Meeting Update

Kate Sinner provided a brief update on the recent activities of the Futures Commission and the work completed on the Ten-Year Innovation Plan. The Futures Commission consists of public and private educational philanthropic members. The goal of the plan is to support strong economic growth and support a resilient economy for Oregon, with both short and long-term goals, and a call to action. Kate spoke about the Scope of Work and the involvement of a heavily stakeholder dependent plan, ensuring as many voices as possible at the table. The group has held three of the six focus groups scheduled: Availability of Risk Capital; Availability of Value-added Entrepreneurial Services; and Connectivity of Existing Industry Clusters. The session on Availability of Risk Capital looked at the strengths and weaknesses in terms of risk capital; there was also significant emphasis on diverse populations. The discussion on Value-Added services focused on programs such as the Signature Research Centers, and other regional models for innovation support. Discussions for the third session on Connectivity focused on supply chains within the state, and ensuring within those industry clusters the appropriate level of support. The focus groups will report to the next Futures Commission meeting in September. Kate wrapped up with next steps - focus group discussions, remaining meetings, and a final draft of the 10-Year Plan for review and discussion by the Futures Commission in January.

Global and Recruitment Activities Update

Amanda Welker gave a presentation on Global Trade and Recruitment, highlighting specifics and sharing information on activities around trade and exports, and business development.

Trade and Exports had another record year in 2019 with \$23.6B, 12% of the state's Growth Domestic Product (GDP). Oregon is 13th in the nation for exports as a share of the GDP. Oregon's

location has been a strategic part over the years, with a small population and huge export markets in Asia; it is important to continue to grow businesses and make them globally competitive. Seven of the top 10 markets are in Asia and China, with an increase in imports from Southeast Asia. Top exports include computer microchips, transportation equipment, food and agriculture products, and industrial machinery. Amanda noted that by 2030, research indicates that 66% of the world's middle-class population will be in Asia. The Governor's mission to Korea (November 2019) was very successful; the team is looking at ways to become more engaged due to Korea's numbers compared to Japan; they have some exceptional buying power from the state.

Due to COVID-19, the team has also changed their approach to trade shows and missions, since travel is key in bringing companies together. The team developed a virtual team who are working on ways to promote events on line, build new relationships, and to keep those existing relationships connected with partners. The team is using social media more now that most trade shows are on a virtual level. The team is planning a virtual sustainability mission to Chile, Peru, and Colombia in the coming months.

Promoting and recruiting small businesses to Oregon to bring jobs and CapEx investment has slowed, as well. As a state agency, we do lead generation for over 160 statewide partners, and assist them with their proposal for business attractions and opportunities. Companies are starting to look at recovery, and other opportunities out there. The team will be reaching out to businesses to get an idea of their needs. The department's partnerships remain strong – both on the federal side with the US Department of Commerce and on the export side with the Foreign Direct Investment (FDI). They have a lot of new resources, and developing new services that are free of charge. Looking ahead, the team is preparing for jobs and investments during the recovery time, by defining supply chain opportunities. They are looking at workforce assessment in preparation for future growth, as well as recruitment SWOT analysis by region. On the Outreach and Reporting side – the team has a newly created recruitment dashboard that includes information about what is in the pipeline (leads, jobs, etc.); distribution of the report will occur quarterly. In addition, they are relaunching their quarterly recruitment E newsletter sent to site selectors and consultants.

Questions/Comments/Concerns

Commissioner Hayes asked whether there is a breakdown of the export industries by destination, and if staff are seeing any significant variances between the industries and the top destinations. Amanda indicated that over the last few years she has seen a shift (into Vietnam, Malaysia, India, Southeast Asia) because the wages are getting higher in China, where they used to do a lot of the manufacturing, and the expendable income in south-east Asia's rising. Those markets are where she is seeing the biggest shifts and changes. Amanda shared a link with the commission on how Oregon is stacking up with exports. Amanda feels there is more room for growth and thinks Canada is where the state would have some real opportunities, especially with the passage of the United States Mexico Canada Agreement (USMCA).

Commissioner Gomez commented she did not hear any reference to med-techs (technology developers in the medical arena) when Amanda spoke about the international markets being looked at. Amanda indicated the department did work with Oregon Bioscience in recruiting companies to attend the show in Dubai. Getting some of the companies involved with

Draft Minutes

international activities is challenging, but staff are eager to do so. Commissioner Gomez suggested getting in touch with SEMI, as they may be able to assist.

Public Comment

None

Closing Remarks and Adjourn

Next Meeting: December 11, 2020; 10:00 am (Virtually)

Chair Gopalpur adjourned the meeting at 12:45 p.m.

Approved by:

Kanth Gopalpur, Chair
Oregon Business Development Commission

Date

Chris Cummings, Interim Director
Business Oregon

Date

DIRECTOR'S REPORT

CHRIS CUMMINGS

KEY PERFORMANCE MEASURES

NATHAN BUEHLER

KPMs

#	KPM		2020	2019	2018
1	Number of jobs created	Actual	811	916	1,074
		Target	1,200	1,900	1,900
2	Number of jobs retained	Actual	1,937	3,215	5,374
		Target	5,500	5,600	5,600
3	Income tax generated by jobs created	Actual	\$7,200,000	\$9,700,000	\$18,300,000
		Target	\$19,100,000	\$23,000,000	\$20,300,000
4	New export sales of assisted clients	Actual	\$140,027,407	\$196,161,822	\$95,771,169
		Target	\$47,800,000	\$47,800,000	\$47,800,000

Additional Agency Metrics

We look at additional data that is of interest to us and the agency strategic plan.

In addition to rural and quality jobs, things like:

- Rural jobs: Located in a rural community
- Quality jobs: At or above county average wage
- Accessible jobs: Bachelor degree not required
- Job creation at small and middle-market companies
- Additional jobs created by non-KPM programs such as E-zone, SIP, and RSIS

	2020	2019	2018
<i>Total Jobs Created</i>	811	916	1074
<i>Total Jobs Retained</i>	1937	3215	5374
Rural jobs created	226	488	665
% of total	28%	54%	62%
Rural jobs retained	873	1,206	1,182
% of total	45%	38%	22%
Quality Jobs Created	266	623	473
% of total	33%	68%	44%
Quality Jobs Retained	1,083	1,704	3,816
% of total	56%	53%	71%
Accessible Jobs Created	604	687	838
% of total	75%	75%	78%
Accessible Jobs Retained	1,533	2,540	3,386
% of total	79%	79%	63%

Additional Agency Metrics

Program	Description	FY20 \$ Invested	FY20 Leveraged Funding (all sources)
Oregon Manufacturing Innovation Center (OMIC)	Convenes industry, higher education and government to develop new tools, techniques, and technologies that address manufacturing challenges.	\$2,680,000	\$2,853,564
Signature Research Centers (SRCs)	Three SRCs statewide focus on emerging industries where Oregon demonstrates a potential for competitive advantage.	\$2,649,000	\$163,000,000*
Small Business Innovation Research (SBIR)	Federal program to stimulate technological innovation and help small businesses conduct R&D with commercialization potential. Business Oregon's matching grants help fill gaps not covered by feds.	\$1,075,000	\$8,790,323
Oregon Metals Initiative (OMI)	Consortium of metals companies and industry groups that pursues research to improve the long-term competitiveness of the industry statewide.	\$855,000	\$855,000
Total		\$7,259,000	\$175,498,887

**Follow-on funding received by portfolio companies*

Changes Requested

- **Delete KPM 5:** # and \$ of federal contracts awarded to businesses receiving help from GCAP program (third party).
- **Delete KPM 6:** Number of new industrial sites certified as “project-ready.”
- **Add Detail to KPM 1 and 2:** Report on additional metrics just summarized in official KPMs.
- **Add NEW KPM:** Additional jobs created through property tax abatement programs.
- **Add programs to methodology** of KPMs 8 and 9

GOVERNORS RECOMMENDED BUDGET

LEAH HORNER

Agency Budget Priorities

For Business Oregon, going into this process our own budget priorities were as follows:

1. Innovation
2. Rural economic stability
3. Economic opportunities for underrepresented people
4. Government efficiency

Statewide Budget Priorities

The Governor's overarching priorities in the state's 2021-23 budget focused on:

- Addressing racial disparities
- Advancing economic recovery
- Keeping Oregonians housed and healthy

Policy Option Package Description	Amount Proposed	GRB Amount
Technology Modernization	\$544,500	\$544,500 Lottery and General Funds, 2.0 FTE
Oregon InC Additional Funding	\$9M	-
Rural Opportunities Initiative	\$2M	\$2M Lottery Funds
Percent for Arts Program	\$400,000	-
Brownfields Redevelopment Fund	\$11.1M	\$11.1M Lottery Bonding
Seismic Rehab Grant Program	\$163.4M	\$174.3M G.O. Bonding
Special Public Works Fund (SPWF)	\$55M	\$55M Lottery Bonding
Global Trade Representation Expansion	\$300,000	\$300,000 Lottery Funds
Regional Infrastructure Fund	\$44.1M	\$44.1M Lottery Bonding
Technical Assistance for Underrepresented Businesses	\$1M	\$9M Lottery Funds
2019-2021 Authorized Lottery Bonds	\$116.7M	-
Budget Alignment	(limitation request)	\$129,790 Other Funds

New Operational and/or Program Funding

Description	Funding
Broadband Infrastructure	\$100M G.O. Bonding
Seismic Work Related to Unreinforced Masonry Buildings	\$50M Lottery Bonding
World Athletic Championships (Oregon 2021/2022)	\$10M General Funds
Wildfire Recovery Grants	\$47M Lottery Bonding
Access to Capital (Loan Loss Reserve Program)	\$10M Lottery Funds
Access to Capital (Small Business Loan Program for COBID Certified Businesses)	\$10M Lottery Funds
Film & Video Program (increased tax credits)	\$12M Other Funds

Reduced Funding

Description	Reduction
Strategic Reserve Fund	(\$606,476) Lottery Funds
Industry Competitiveness	(\$490,000) Lottery Funds
Solar Incentives Fund	(\$526,974) General Funds
Oregon Manufacturing & Innovation Center	(\$2.7M) Lottery Funds
Small Business Development Center	(\$1.8M) Lottery Funds
Oregon InC (inflation)	(\$137,371) Lottery Funds
Infrastructure Policy Analyst 4 (Industrial Lands)	(1.0) FTE
Arts Executive Support Specialist 2	(.50) FTE
Arts Policy Analyst 3	(.40) FTE
Infrastructure Program Analyst 3 (Seismic)	(.50) FTE

Legislative Concepts

Agency LC Number	Subject	Alive?
12300-386	Film & Video Office Incentive Program Sunset Extension	?
12300-387	Oregon Business Development Fund (OBDF) Lending Limit Increase	?
12300-388	Entrepreneurial Development Loan Fund (EDLF) Lending Limit Increase Sunset Extension	?

AFFIRMATIVE ACTION PLAN

BRYANT CAMPBELL

EMERGENCY RESPONSE

CHRIS CUMMINGS

COVID-19 Response

Oregon legislature directed Business Oregon to stand up 6 programs using **\$152.1m** in CARES Act funding

- **\$43.1m** – Emergency Grants for Small Businesses
- **\$3m** – Technical Assistance Providers targeting underrepresented businesses
- **\$50m** – Rural Hospitals Impacted by COVID-19
- **\$20m** – Broadband Development (\$1.1m passed through to ODE)
- **\$26m** – Statewide Cultural Support
- **\$10m** – Masks and Gloves for Small Businesses

Small Business Emergency Grants

For businesses with fewer than 25 employees receiving no federal assistance:

- Round 1 - \$2,533,834 (State Funds)
- Round 2 - \$5,000,000 (State Funds)
- Round 3 - \$5,000,000 (CRF Fed Funds)

For businesses with fewer than 25 employees receiving some (or zero) federal assistance:

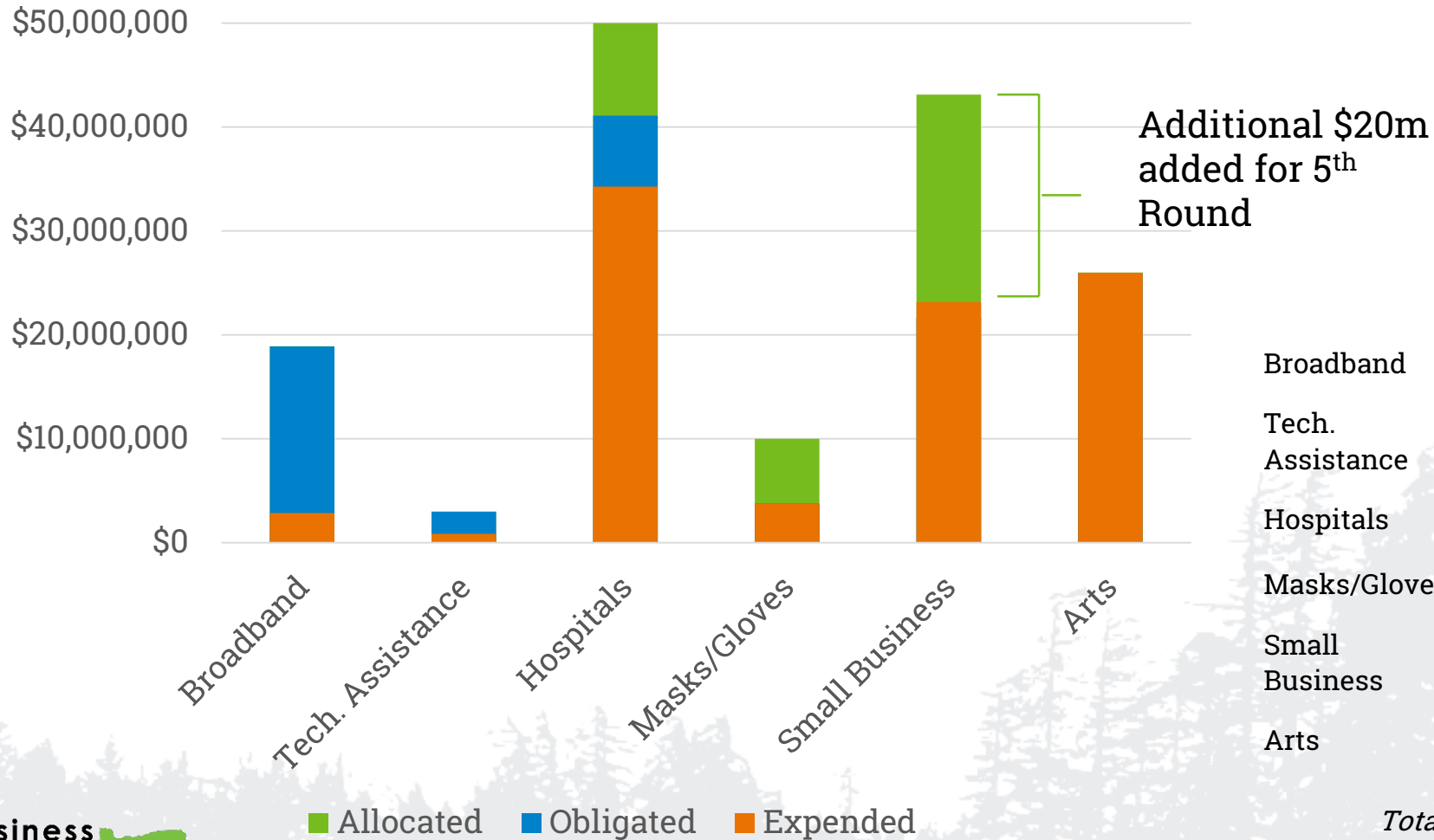
- Round 4 - \$ 16,625,000 awarded (CRF) plus \$4,048,051 (\$2.2M CRF, \$1.8M State) funds redeployed from previous rounds

For businesses with 26-100 employees, and 1-25 receiving >\$100k in federal assistance:

- Round 5 - \$20,000,000 (CRF)

COVID-19 Response Programs

(As of 12/7/2020)

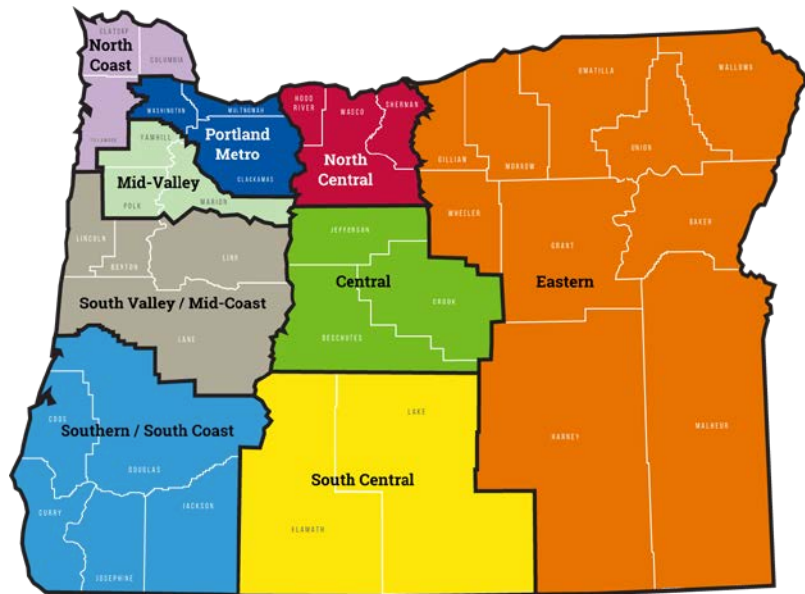


	Allocated	Obligated	Expended
Broadband	\$18,904,321	\$18,879,074	\$2,852,406
Tech. Assistance	\$3,000,000	\$3,000,000	\$855,481
Hospitals	\$50,000,000	\$41,095,182	\$34,260,774
Masks/Gloves	\$10,000,000	\$3,777,293	\$3,777,293
Small Business	\$43,100,000	\$21,625,000	\$23,144,774
Arts	\$25,984,872	\$25,962,408	\$25,962,408
<i>Totals</i>	<i>\$150,989,193</i>	<i>\$114,338,957</i>	<i>\$90,853,136</i>

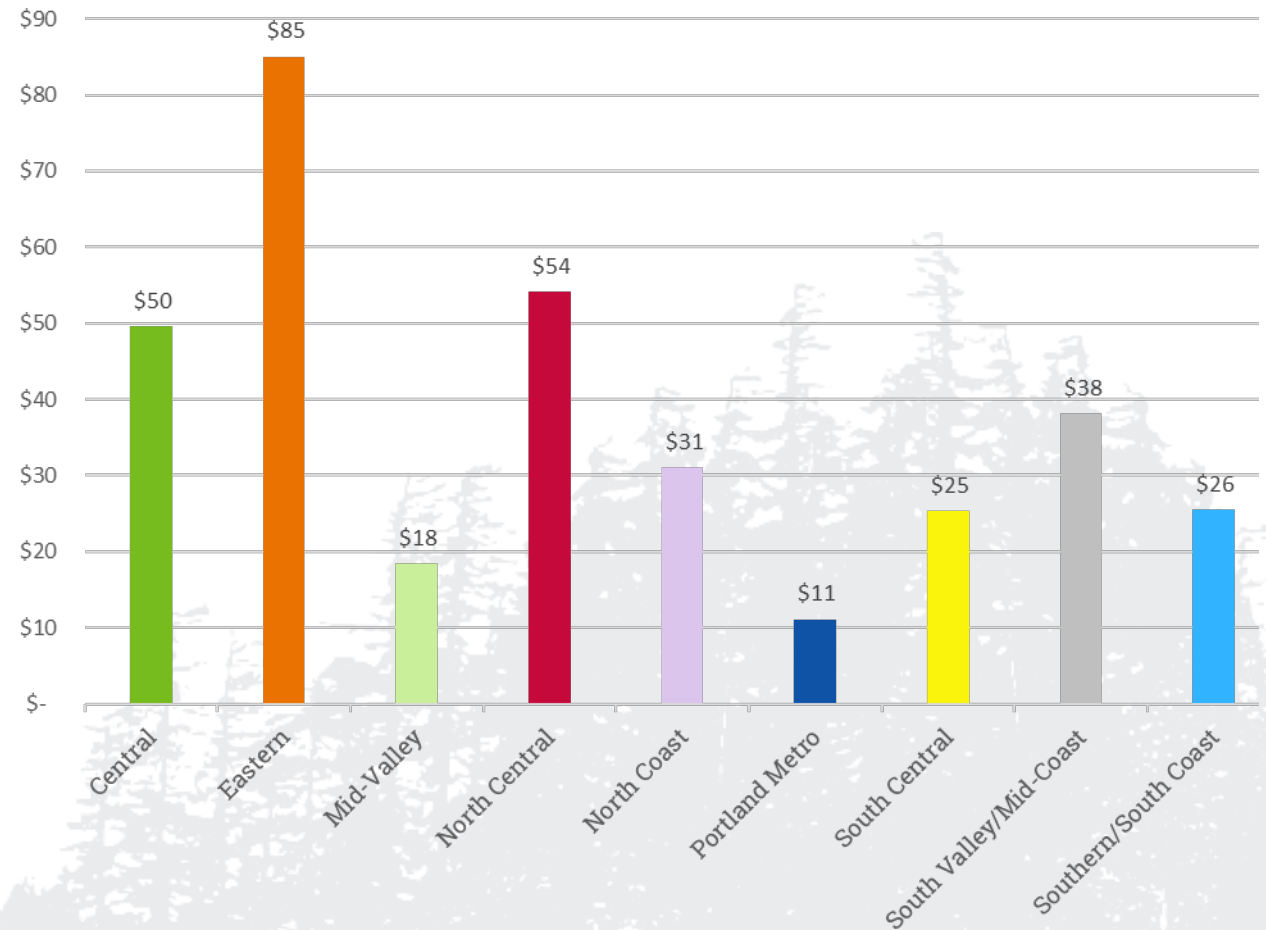
Per Capita Award by Region

Across All 6 CRF programs

Award \$ per Capita by Region



Note: Updated November 2020, will update with new data as it becomes available.



Wildfire Response

- Shared resources on Small Business Navigator website in midst of fires.
- Reaching out to affected communities about using our SPWF program as match for FEMA funds.
- Working with developers, state agencies, and the mass timber industry regarding building modular housing with fallen timber.
- Governor's Recommended Budget includes \$47 million in bonding capacity for Wildfire recovery grants

INFRASTRUCTURE LEADERSHIP ROUNDTABLE

DANIEL HOLBROOK, BUSINESS OREGON

JOSH BRUCE, UNIV OF OREGON



Oregon INFRASTRUCTURE SUMMIT

Resilient Infrastructure – Resilient Economy



October 20-21st
Salem Convention Center

NEBC | northwest
environmental
business
council

business
oregon®



**Oregon Brownfields &
Infrastructure Summit** Economic Stabilization & Recovery



HOME

CONFERENCE▼

AGENDA

AWARDS

REGISTRATION

SPONSORS & EXHIBITORS▼

PRESENTED BY:

business
oregon

NEBC

northwest
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business
council

IN PARTNERSHIP WITH:



State of Oregon
Department of
Environmental Quality

Oregon Brownfields & Infrastructure Summit

The State's Largest and Most Comprehensive Brownfields & Infrastructure event!

October 5-6, 2020

+ Roundtable

Lit Review & Interview Methodology

- Four Themes:

- Deferred Maintenance
- Funding
- Economic Development
- Natural Hazard Resilience

- Literature Review

- Industry reports and articles

- Interviews

- 14 practitioners
- Utilities, cities, special districts, etc.

Problem

- Deteriorating infrastructure
 - hampers economic development efforts
 - restricts private sector investment, and
 - threatens the future wellbeing of our state.

Without significant investment, infrastructure will continue to deteriorate and ultimately affect Oregon's competitiveness.

Solution

- Oregon can leverage historically high global capital reserves and historically low government borrowing costs to:
 - make large-scale investments in resilient infrastructure systems.
 - ensure the efficient and timely delivery of infrastructure to stimulate economic recovery from COVID and the 2020 wildfire season
 - improve Oregon's long-term economic growth prospects.

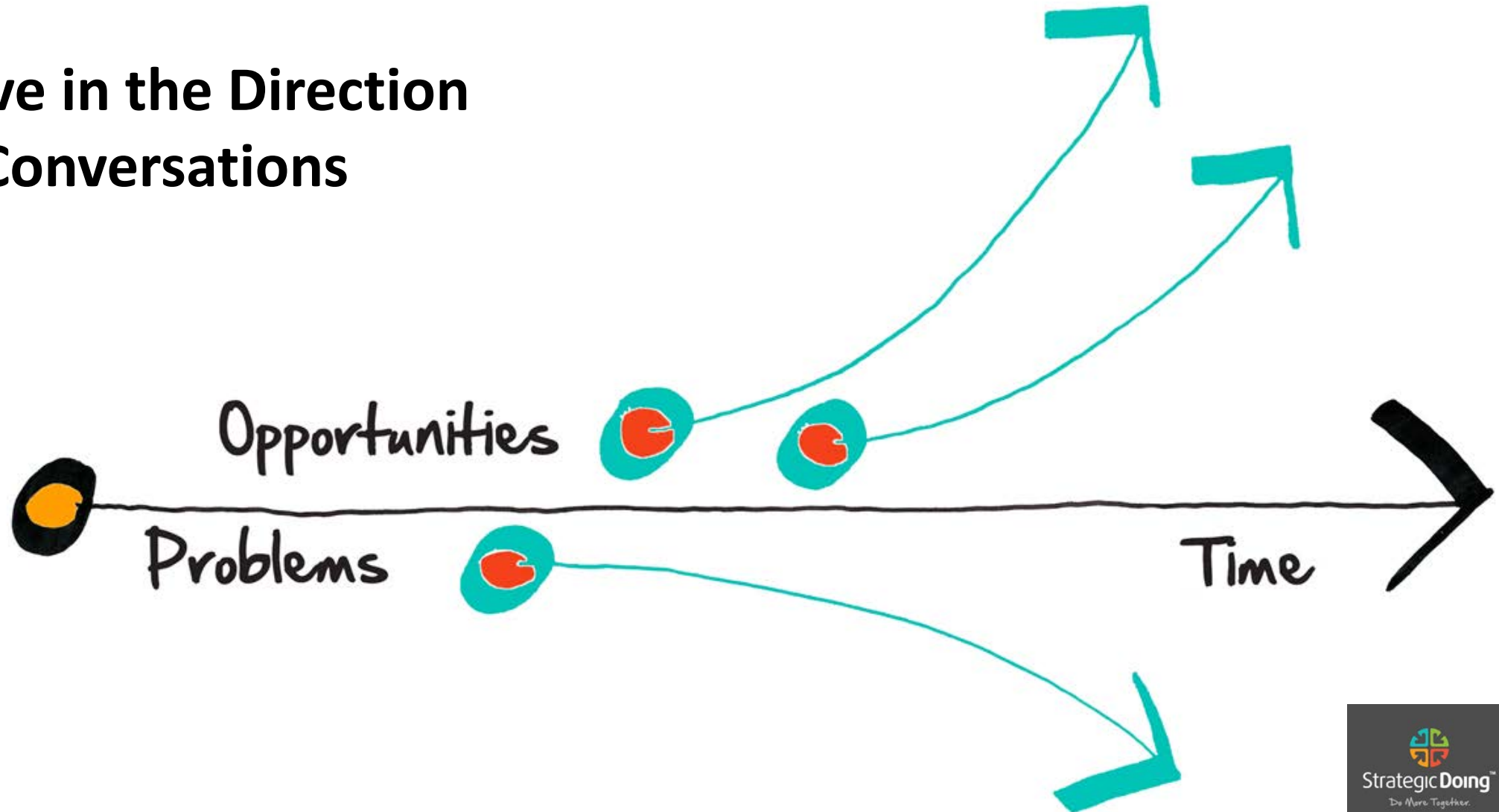
Call to action

How can Oregon:

1. Make large-scale investments in resilient infrastructure systems.
2. Ensure the efficient and timely delivery of infrastructure to stimulate economic recovery from COVID and the 2020 wildfire season.

Change the narrative

We Move in the Direction
of Our Conversations



What could we do?

What should we do?

What will we do?



Investment Themes

- Hunt as a pack
- Collaborate more, especially at regional scale
- Connect planning to implementation
- Improve the delivery process...

Efficiency Themes

- Reduce the number of development applications and permits
- Increase technical capacity
- Shift infrastructure decision making authority from state/federal to local/regional

Outcomes

- Individual commitments to action
- Additional convenings being discussed
- IFA and Business Oregon Commission briefings
- Metrics for 2021 Brownfields and Infrastructure Summit

ECONOMIST REPORT

MICHAEL MEYERS

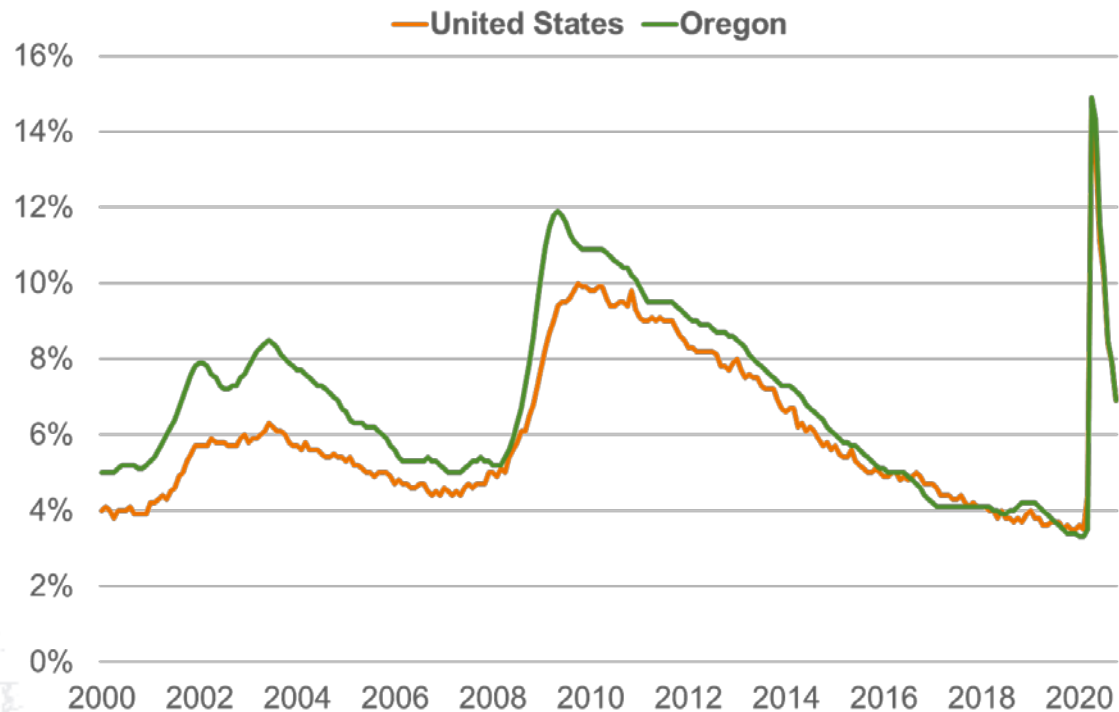
Oregon in the Time of COVID-19

Michael Meyers
Economist



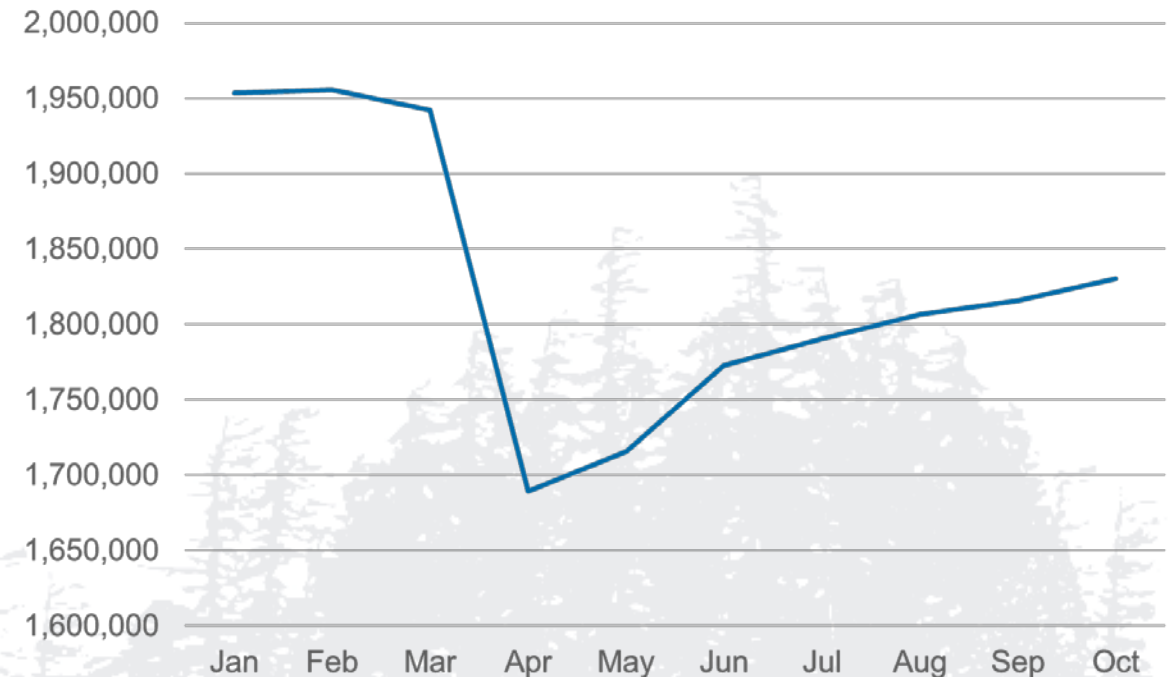
Economic Trends Continue to Improve

Unemployment Rate, Seasonally Adjusted



Source: Oregon Employment Department, Local Area Unemployment Statistics.

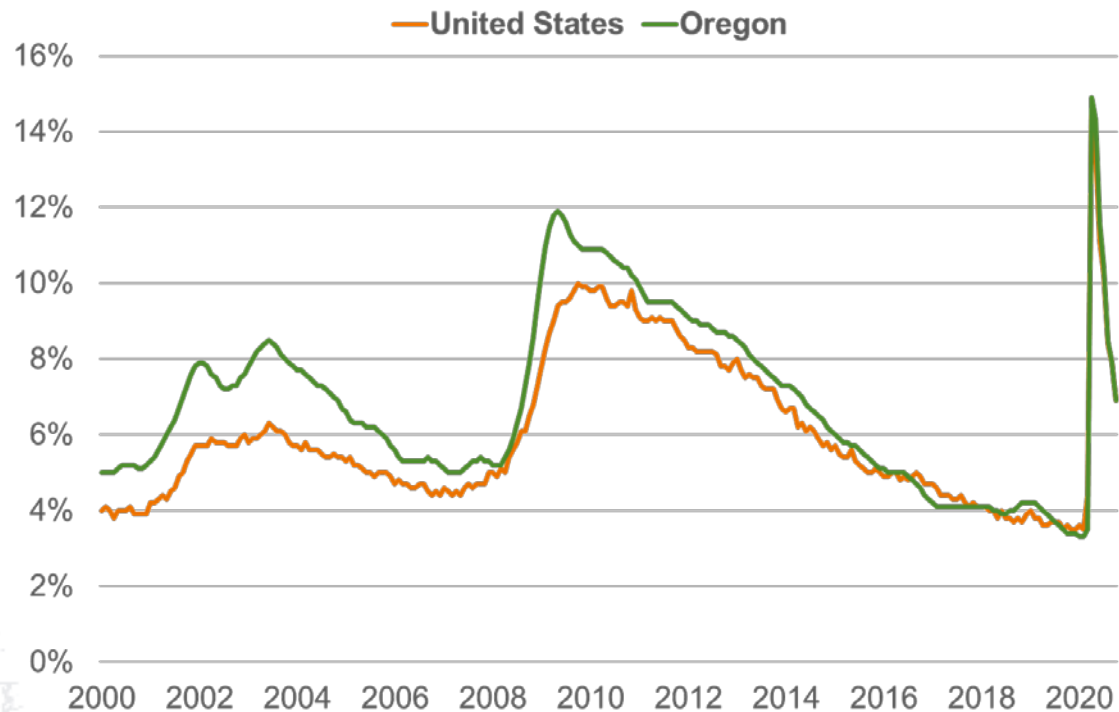
Oregon Total Nonfarm Employment, Seasonally Adjusted



Source: Oregon Employment Department, Current Employment Statistics, Official BLS Series.

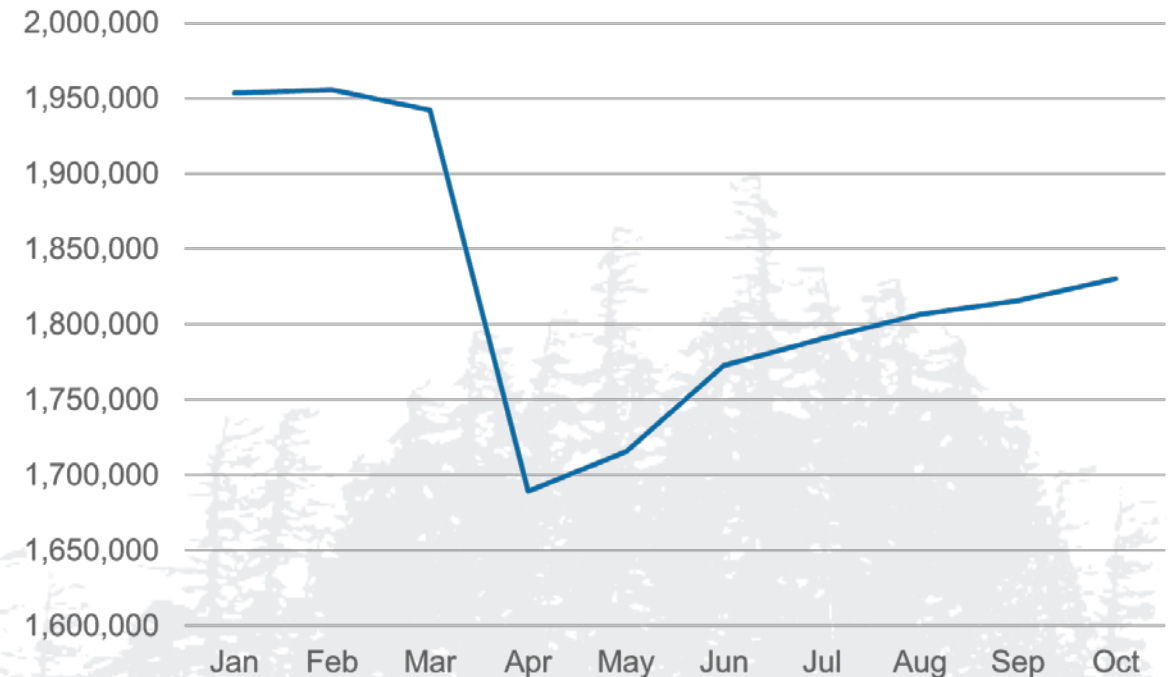
Economic Trends Continue to Improve

Unemployment Rate, Seasonally Adjusted



Source: Oregon Employment Department, Local Area Unemployment Statistics.

Oregon Total Nonfarm Employment, Seasonally Adjusted



Source: Oregon Employment Department, Current Employment Statistics, Official BLS Series.

Long-Term Unemployment Worsening

Oregon Unemployment by Duration

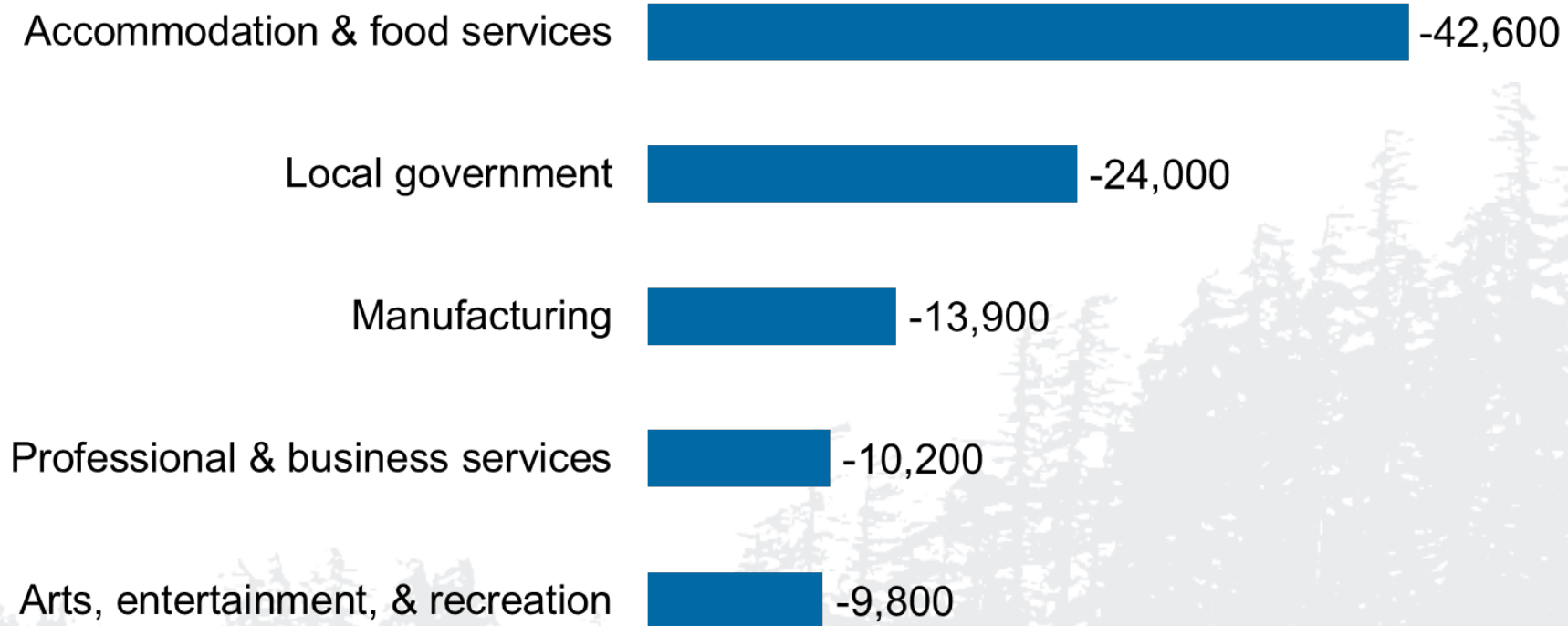


Source: Oregon Employment Department.

- Unemployment rate was 6.9 percent in October, down from high of 14.9 percent in April.
- Improvement in unemployment rate solely from short-term unemployed going back to work or finding new jobs.
- Long-term unemployment rising rapidly.

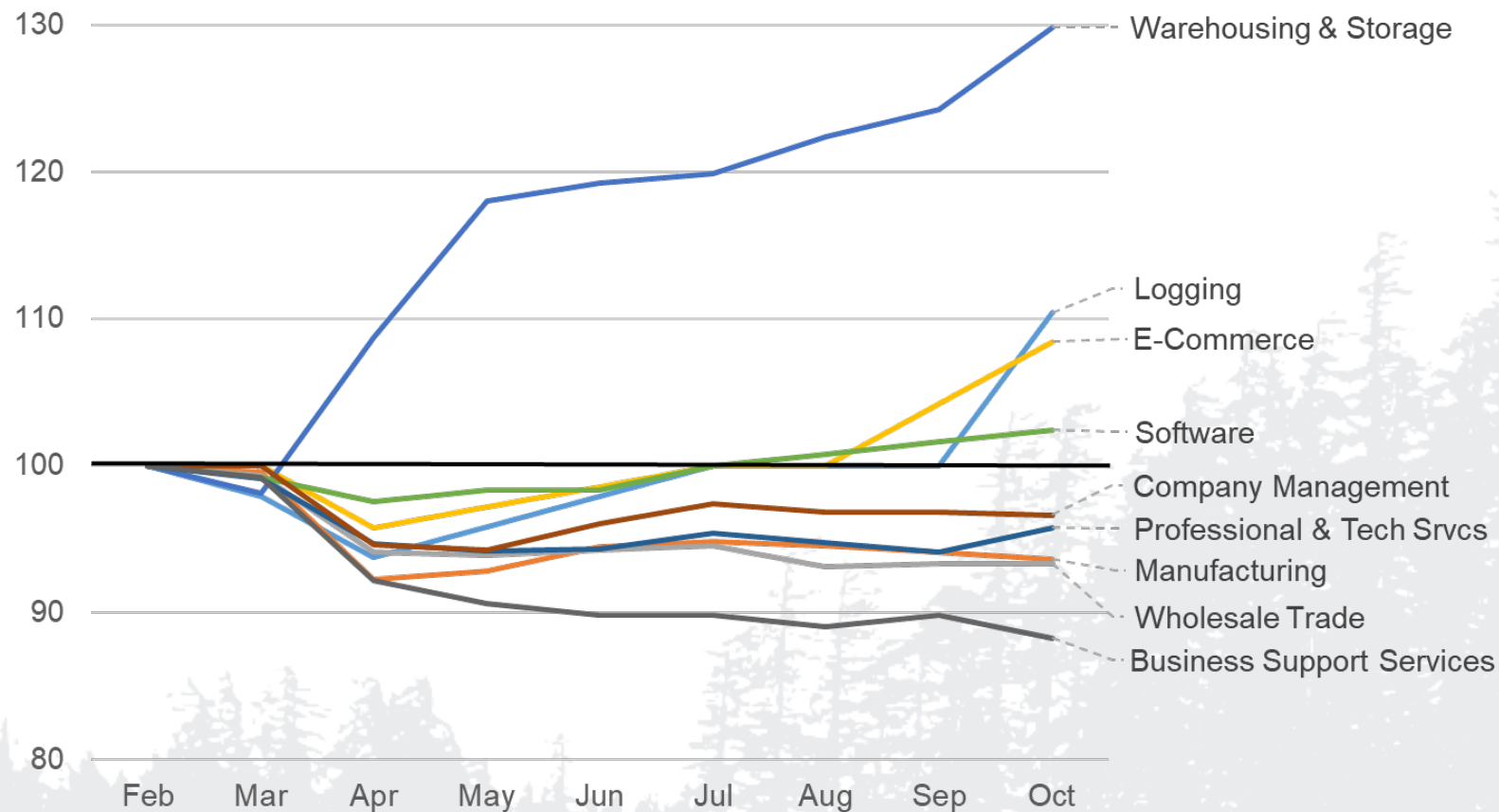
Impacts Not Limited to Service Sector

Oregon Employment Change, Feb-Oct 2020, Seasonally Adjusted



Manufacturing, Other Traded Sector Industries Still Losing Jobs

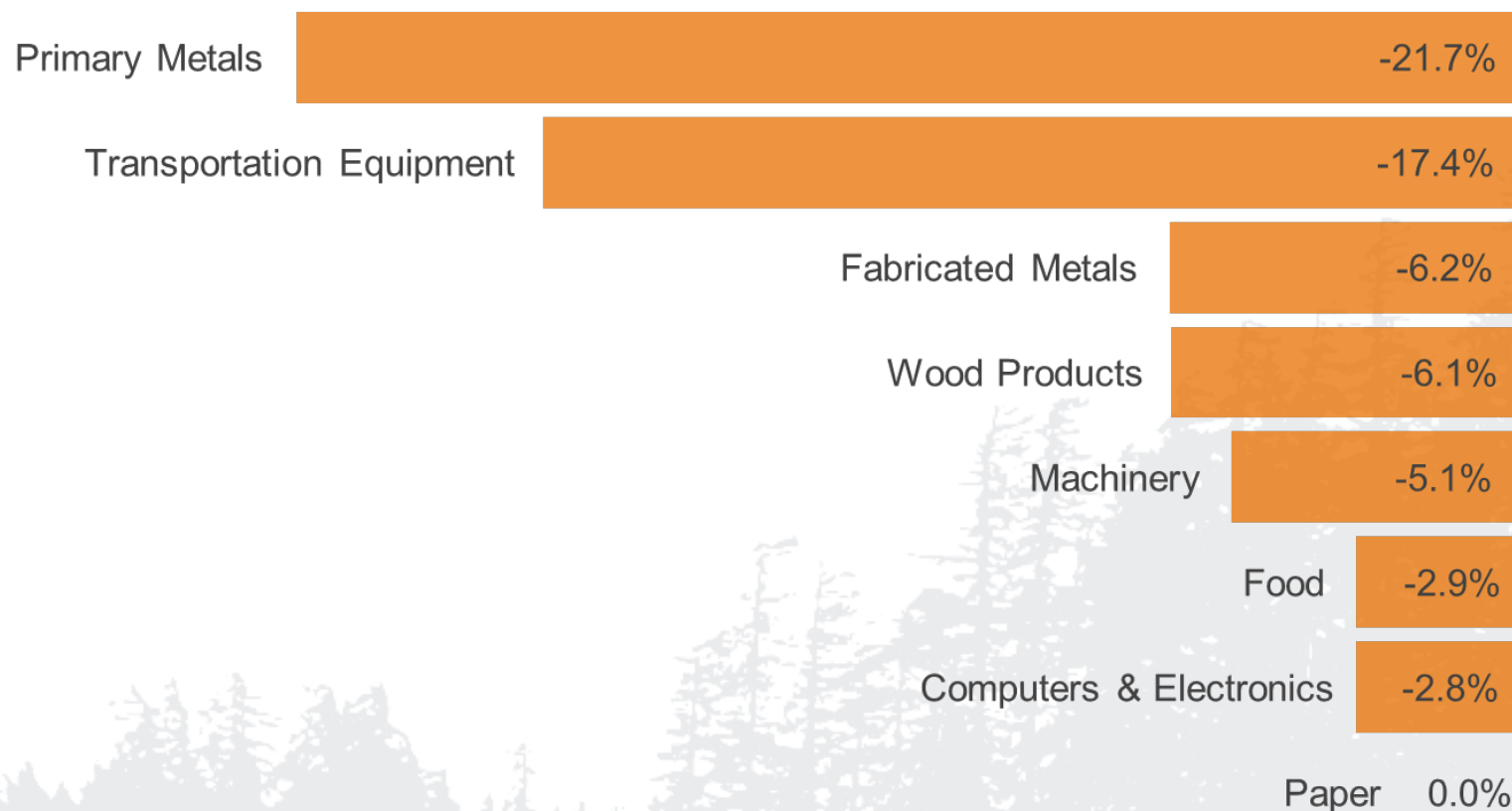
Oregon Employment, Indexed to February 2020



Source: Oregon Employment Department, Current Employment Statistics.

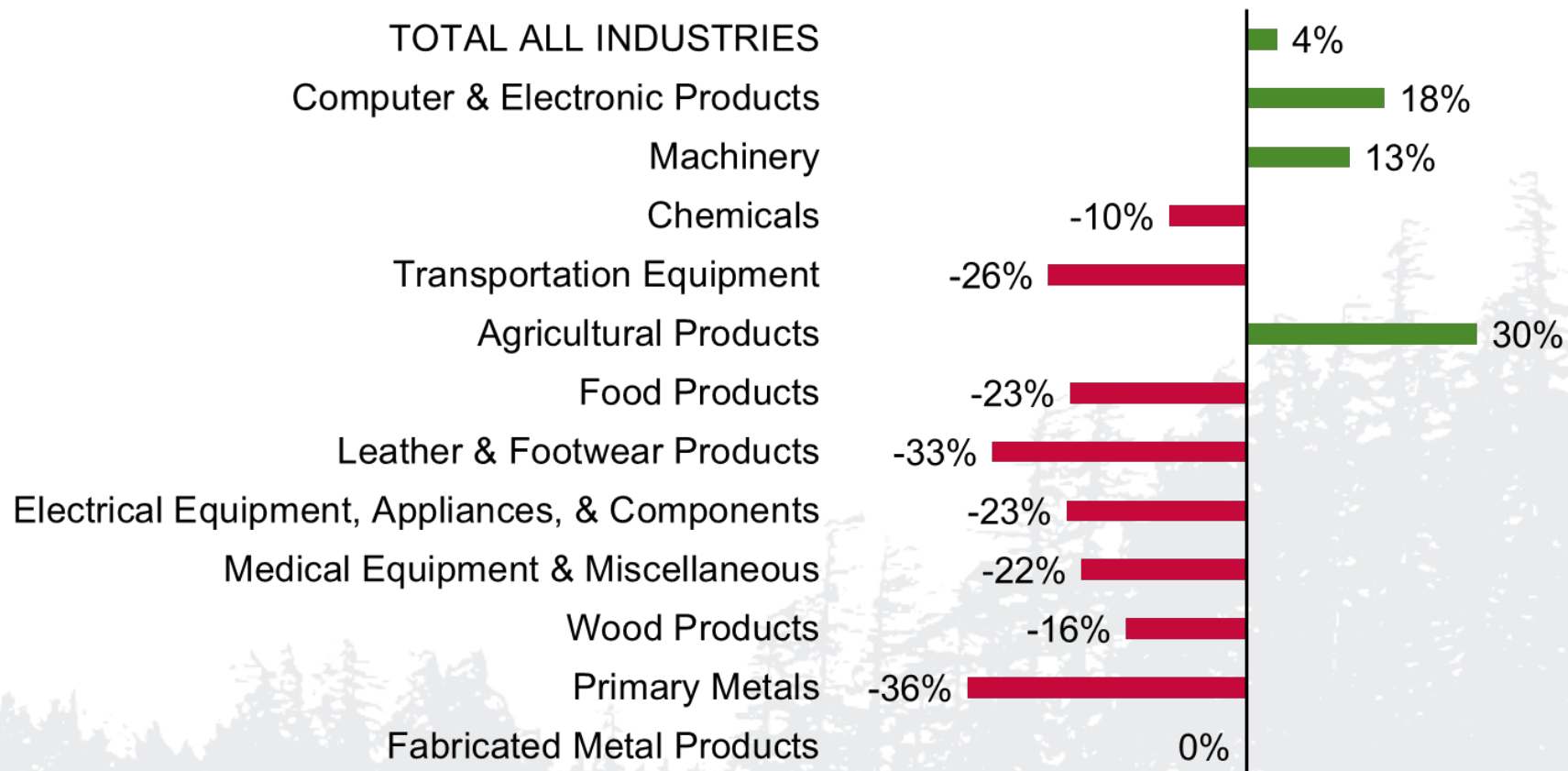
Metals Manufacturing Struggling

Oregon Manufacturing Employment, Percent Change
from Feb 2020



Exports Show Different Impacts

Oregon Exports, Oct 2020 Year-to-Date, Percent Change



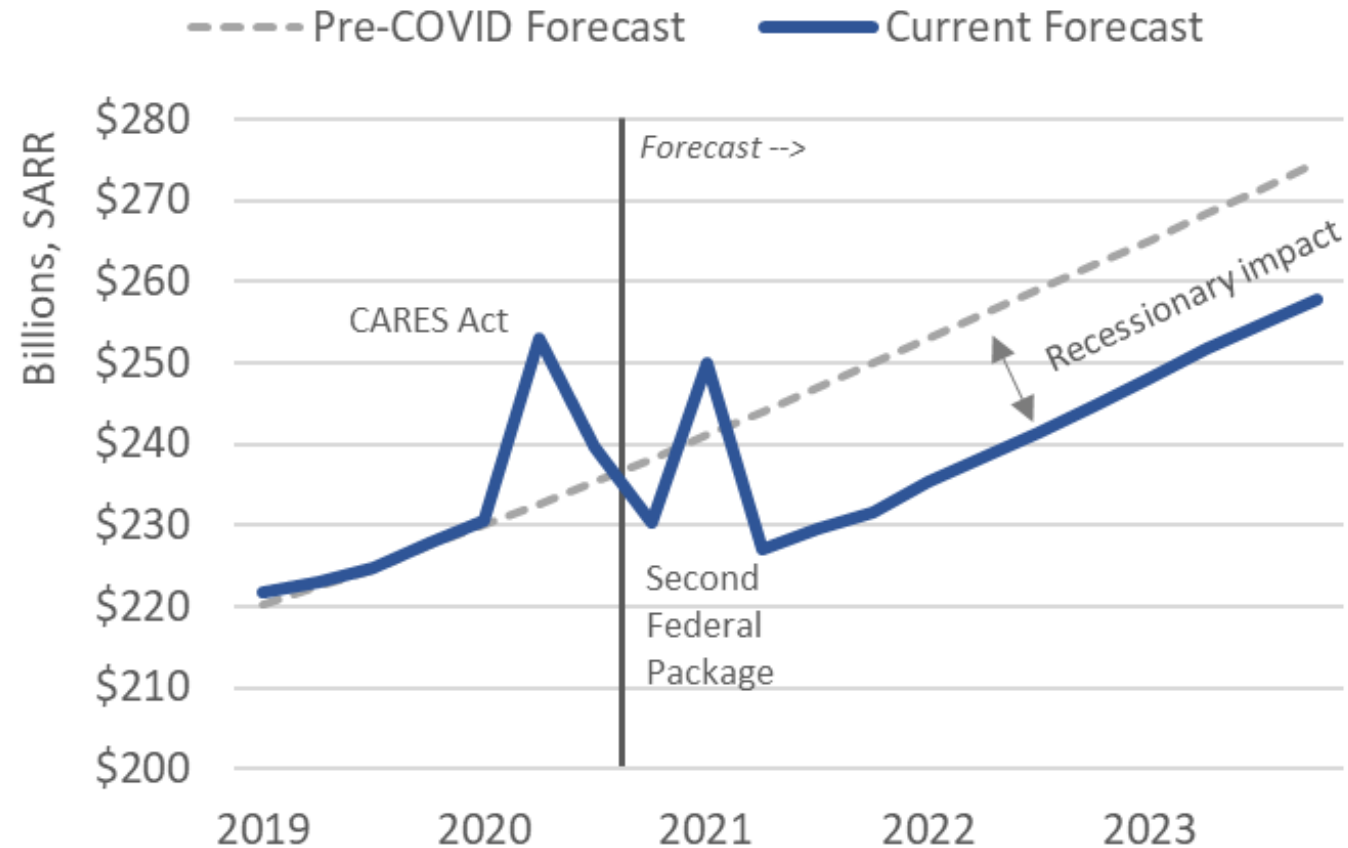
2021 – Happy New Year's!

Expiring assistance:

- Oregon residential eviction moratorium
- Multnomah County residential moratorium
- Oregon commercial eviction moratorium
- U.S. residential eviction moratorium
- U.S. Temporary Mortgage Relief program
- Unemployment insurance extensions, additional payments
- Paycheck Protection Program
- CARES Act

Federal Aid Has to End Sometime, Right?

Oregon Personal Income

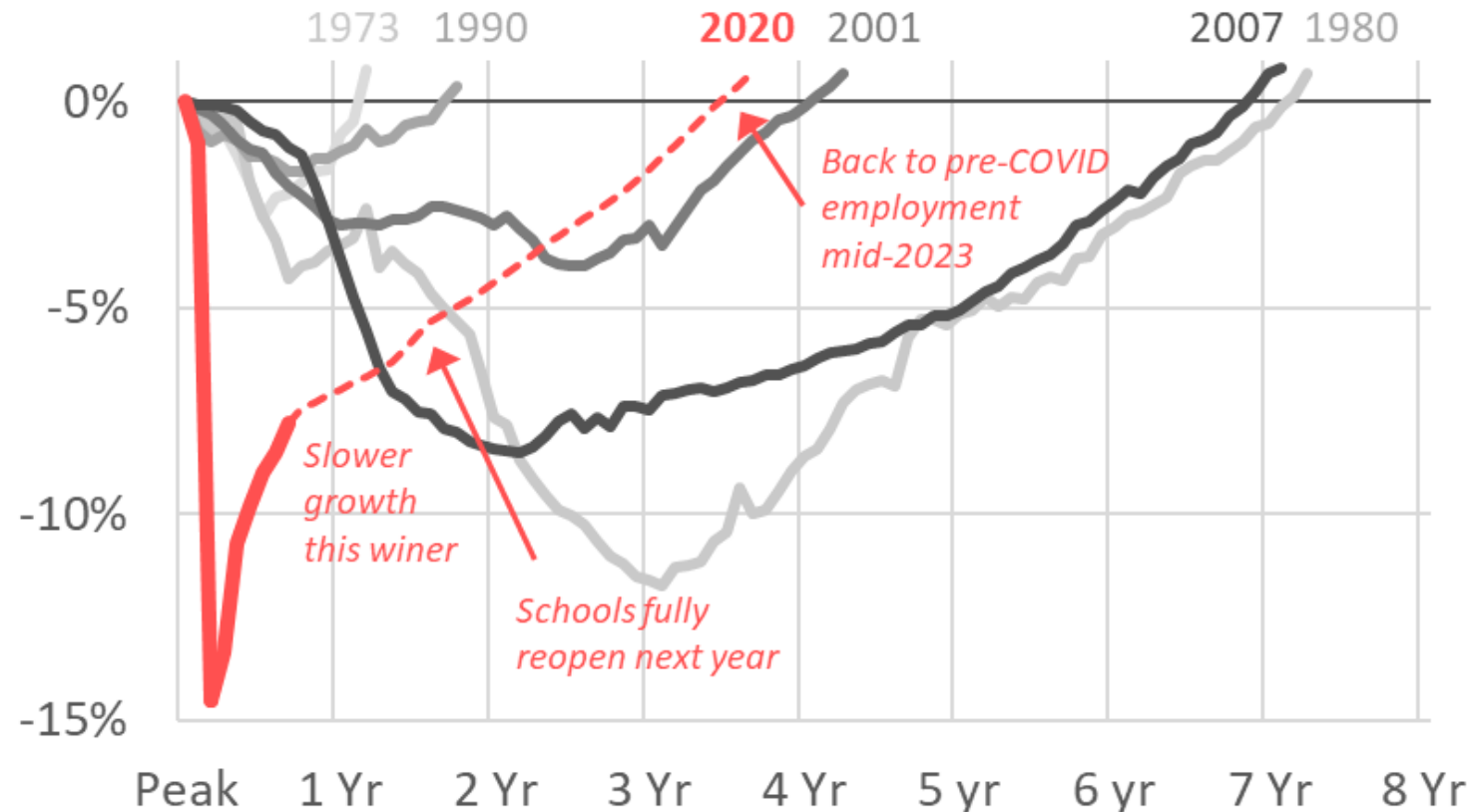


Source: Oregon Office of Economic Analysis.

Forecast Calls for Full Recovery Mid-2023

Oregon Recession Comparison

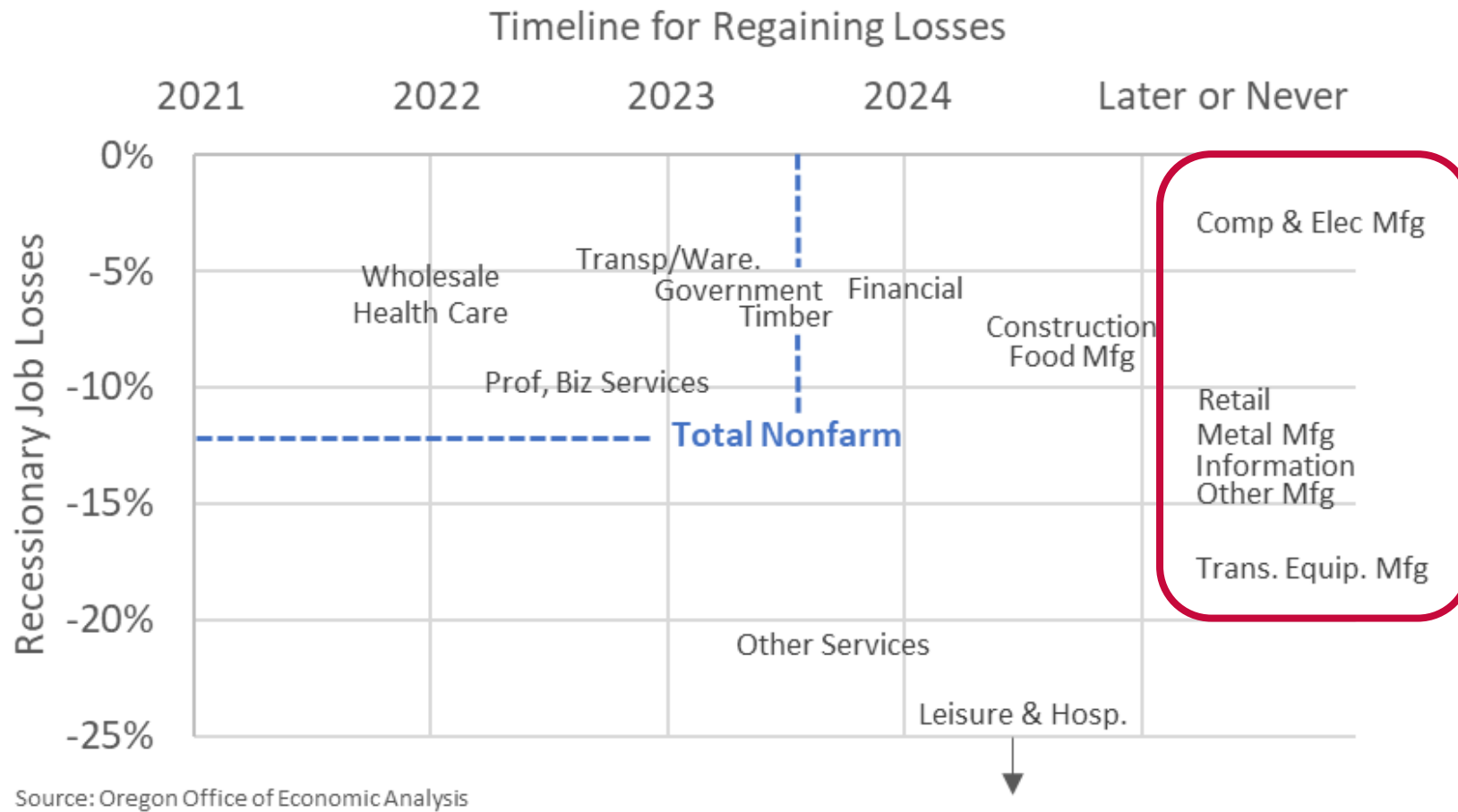
Percent Change from Pre-Recession Peak



Source: Oregon Employment Department, Oregon Office of Economic Analysis

Economic Prosperity Tied to Traded Sector

Oregon's Industrial Recovery





Michael Meyers

Economist

Business Oregon

Michael.Meyers@Oregon.gov

(503) 539-2915

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PUBLIC COMMENT, CLOSING, ADJOURN


KANTH GOPALPUR



MEMORANDUM

10/26/2020

TO: Steve Bender, Legislative Fiscal Office

FROM: Renee Frazier, Chief Financial Officer 

CC: Linnea Wittekind, Department of Administrative Services
Leah Horner, Office of the Governor

SUBJ: Agency Key Performance Measure Modifications

Outlined below are proposed modifications for Business Oregon's annual Key Performance Measures (KPMs). Some suggestions are due to new programs the agency has been allocated by the Oregon legislature, some provide more detail to existing measures, and some are deletions of measures that are no longer representative of core agency work. We also have a proposed measure to add for programs not currently represented by any key performance measure but yet are critical to economic development in Oregon communities.

For context, current agency measures and the programs that feed into them include:

Current Key Performance Measures	Programs Applied to Measure
1. Number of jobs created	<ul style="list-style-type: none"> a. Business Expansion Program b. Capital Access Program c. Credit Enhancement Fund d. Entrepreneurial Development Loan Fund e. Industrial Development Revenue Bonds f. Oregon Business Development Fund g. Oregon Innovation Council <ul style="list-style-type: none"> i. Oregon InC - BEST ii. Oregon InC - Drive Oregon iii. Oregon InC - ONAMI iv. Oregon InC - OTRADI v. Oregon InC - OWET vi. Oregon InC - RAIN vii. Oregon InC - SOAR viii. Oregon InC - Story Board h. Small Business Expansion Loan Fund i. Small Business Programs j. Strategic Reserve Fund
2. Number of jobs retained	a. [same as KPM 1]
3. Personal income tax generated by the Department's investment in jobs	a. [same as KPM 1]
4. New export sales of assisted clients	<ul style="list-style-type: none"> a. STEP Export Grants b. OTPP Export Grants c. Export-Import Bank d. Softwood Export Council

5. A. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance.	a. GCAP
B. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance.	a. GCAP
6. Number of new industrial sites/acres certified "project ready."	a. Industrial Site Certification Program
7. Number of community capital projects assisted for planning (infrastructure, community and organizational).	a. Special Public Works Fund b. Water/Wastewater Fund c. Ports Funds d. Safe Drinking Water Revolving Loan Fund e. Community Development Block Grants
8. Number of community capital construction financing projects that address public health and safety issues.	a. Special Public Works Fund b. Water/Wastewater Fund c. Safe Drinking Water Revolving Loan Fund d. Community Development Block Grants e. Ports Funds f. Tide Gates
9. Number of community capital construction financing projects that assist with future economic and community development.	a. Special Public Works Fund b. Ports Funds c. Broadband d. Tide Gates
10. Customer Survey	a. Survey

The following are Business Oregon's proposed deletions, additions, and modifications.

Proposed Deletions:

1. Delete KPM 5.

This is a pass-through program not run by agency staff. It is a tiny slice of Business Oregon's budget, with funding going to Organization for Economic Initiative's Government Contract Assistance Program. Business Oregon has one staff person that manages this contract in addition to other assigned work. The GCAP program helps businesses win federal contracts. While the metric was probably meant to measure public-private partnerships and return on investment, this doesn't really measure work by Business Oregon, and certainly not a measure of "key performance" of the agency. Business Oregon simply reports numbers submitted by that third party.

2. Delete KPM 6.

While developing industrial property remains a responsibility of the agency, it's not a significant body of our work. More importantly, the industrial site certification program that represents this metric is no longer funded in the agency budget, and the current metric target is only 'one'.

Proposed Additions and Modifications:

1. Add more detail to KPM 1 and 2.

The new version would show: (a) the traditional metric, plus (b) quality jobs, (c) accessible jobs, and (d) rural jobs. This is information that we already track for our own use. These additions would be subsets of the total number, simply adding more detail to the existing metric. For this purpose, "quality" is a job that pays more than the average wage of the county which it resides in, "accessible" is a job that does not require a four-year degree, and "rural" is a job that resides in a rural area as defined by agency statutes.

Note: Complete, accurate fiscal year employment and wage data for all counties and the state is not published until mid-October. If this addition is approved without a filing date extension, average wages for quality jobs analysis will be based on the most recent four quarters, which will be one quarter older than the data used to calculate average wages for projects. This will have a negligible effect, but we mention it nonetheless.

2. **New KPM:** Additional jobs created through property tax abatement programs.

We would include programs that have a requirement to report jobs numbers, including Enterprise Zones and the Strategic Investment Program. These are critical drivers of economic development throughout the state. They have not been included in KPMs one and two because it is not direct agency program funding and did not fit within the established KPM methodology. Nevertheless, property tax abatement programs are administered by the agency and used by regional staff with their local partners in every corner of the state. There are several hundred businesses using these programs, with thousands of jobs impacted.

Methodology Summary:

1. Collect information from individual Enterprise Zone and Strategic Investment Program applications coming from county assessors through close of the fiscal year.
2. Enter information into agency database, including business name, application date, estimated jobs to be created (for establishing KPM targets), among other information provided.
3. Agency staff match any assumed business names with registered business names, and look up Business Identification Numbers and Reporting Unit Number (if applicable), in a list already provided to Business Oregon by Oregon Employment Department.
4. Apply same agency methodology for KPM 1 to report jobs created through Enterprise Zone and SIP, also in line with agency job measurement Policy #112.

3. **Add programs to methodology of KPMs 8 and 9**, and include dollar amount in reporting.

Not all programs are currently being reported in these KPMs. While the methodology allows for programs to be added, we wanted to flag the below proposed additions because of the resulting significant increase in dollars and projects.

In recent years the legislature allocated new funding to Business Oregon through the **Seismic Rehabilitation** program. This program grants funds to school districts and emergency service providers to shore up buildings in preparation for seismic events. These projects have not been reported under any KPMs, but would now be reported in KPM 8. In FY2020, Business Oregon awarded 35 grants totaling \$74.5 million.

The **Brownfields** programs are another significant part of the agency's work. There are two Brownfields funds that award loans and grants to turn contaminated property with barriers to development into new community assets. These projects are not currently reported under any KPMS, but would be reported under KPM 9. In FY2020, Business Oregon awarded 25 Brownfields projects totaling \$5.5 million.

Business Oregon also has (or expects to have) new funding for the new **Broadband** development programs and new **Tide Gates** program. These would also be added into 7, 8 and 9, depending on the nature of each project (planning, health/safety, or economic/community development).

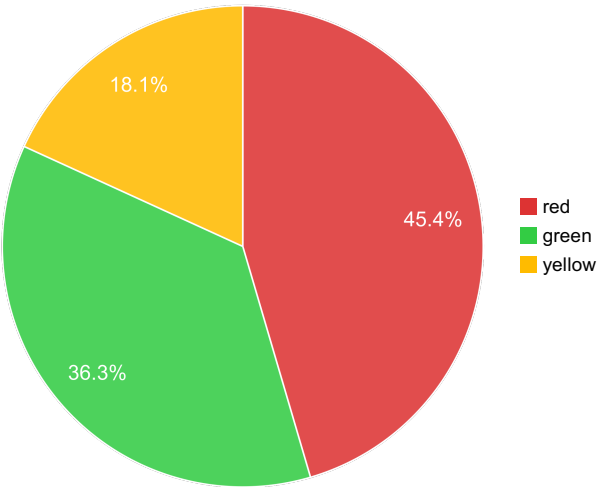
Business Oregon

Annual Performance Progress Report

Reporting Year 2020

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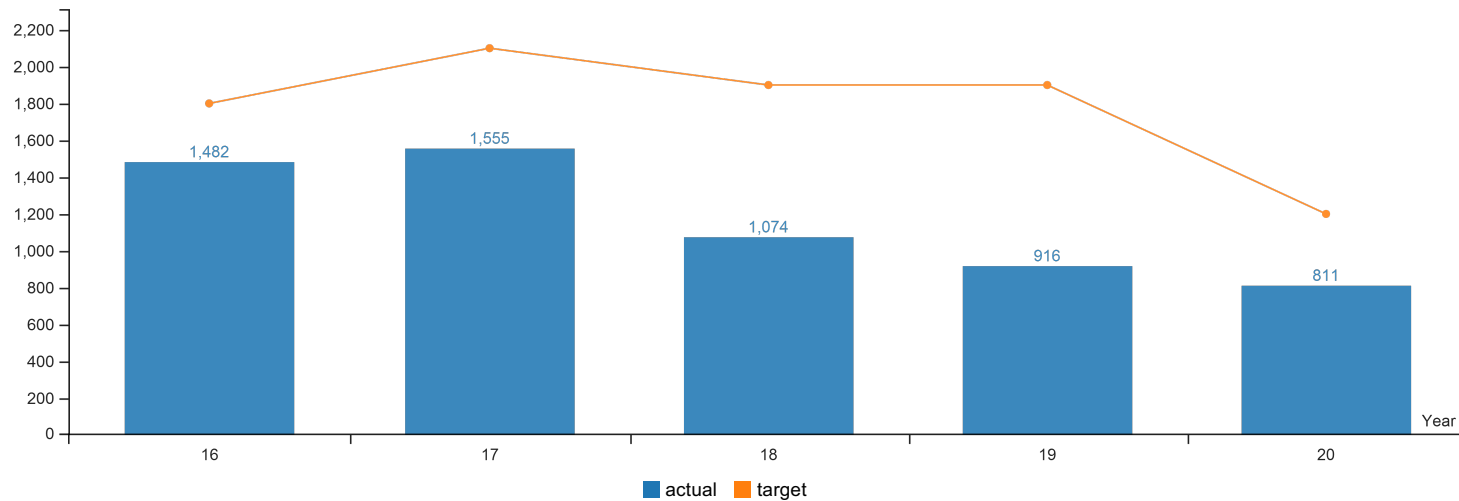
KPM #	Approved Key Performance Measures (KPMs)
1	Number of jobs created -
2	Number of jobs retained -
3	Personal income tax generated by the Department's investment in jobs -
4	New export sales of assisted clients -
5a	Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
5b	Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
6	Number of new industrial sites/acres certified "project ready." -
7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
8	Number of community capital construction financing projects that address public health and safety issues. -
9	Number of community capital construction financing projects that assist with future economic and community development. -
10	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	36.36%	18.18%	45.45%

KPM #1	Number of jobs created -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total jobs created					
Actual	1,482	1,555	1,074	916	811
Target	1,800	2,100	1,900	1,900	1,200

How Are We Doing

Business Oregon funds supported the creation of 811 jobs in Oregon in FY 2020. This was 32 percent short of the FY 2020 target of 1,200 jobs created. The number of jobs created in FY 2020 was 105 less than jobs created in FY 2019, a decrease of 12 percent.

The 811 jobs created primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council (Oregon InC). Current Oregon InC investments and programs included are:

- SBIR/STTR Awards
- Oregon InC supported Organizations and Initiatives:
 - Oregon BEST
 - Drive Oregon
 - ONAMI
 - OTRADI
 - OWET
 - RAIN
 - SOAR
 - Oregon Story Board

Factors Affecting Results

Jobs created has steadily declined since FY 2015, when jobs created was 2,214. Private sector employment in Oregon over this time increased by an annualized rate of just over 2 percent a year, as such, cyclical changes do not explain the decrease in jobs created at the department.

The primary reason for declines in KPM 1 is reduced expenditures on direct job creation projects across all programs, followed by less jobs created per dollar spent from Strategic Reserve Fund projects. In recent years Business Oregon has emphasized the quality, accessibility, and location of the jobs created by projects we fund, as well as using funds to drive longer-term economic outcomes versus short-term direct job creation. Examples of these types of investments include creating long-term assets in rural areas, like funding an entrepreneurial hub in the city of Independence, and a semi-truck training simulator in Tillamook County, both investments from the Strategic Reserve Fund this year.

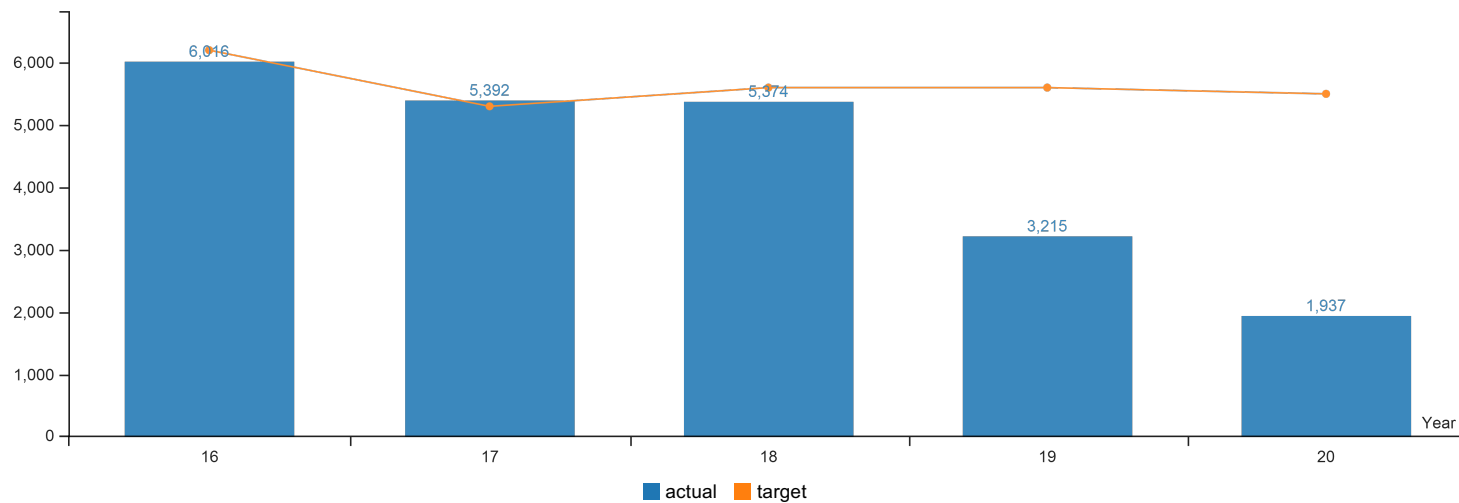
Adding more detail, the agency looks for quality jobs that pay above the regional average wage, those that are accessible without a four-year college degree, and jobs located in rural communities. Often this results in fewer jobs created per project than if we focused only on larger projects in the Portland metro area. Business Oregon does track and report a breakdown of these categories (Quality, Accessible, Rural) separately in its annual report.

The agency does not currently include jobs created from property tax and industrial land development programs we manage with local communities, such as Enterprise Zones and the Strategic Investment Program. However, these programs are critical for business development and job creation and retention throughout the state. The agency does report results of these programs in its annual report.

Job losses from COVID-19 in the second quarter of 2020 had a minimal impact on jobs created in FY 2020 due to fewer job losses in traded sector industries (a focus of Business Oregon) early in the pandemic. It did however impact resources and staff time on job-creating projects, as staff were focused on community and business resiliency in the face of COVID for four months during this time frame.

KPM #2	Number of jobs retained -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total Jobs Retained					
Actual	6,016	5,392	5,374	3,215	1,937
Target	6,200	5,300	5,600	5,600	5,500

How Are We Doing

Business Oregon funds supported the retention of 1,937 jobs in Oregon in FY 2020. This was 65 percent less than the FY 2020 target of 5,500 jobs retained. The number of jobs retained in FY 2020 was 1,278 less than jobs retained in FY 2019, a decrease of 40 percent.

The 1,937 jobs retained primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council (Oregon InC). Current Oregon InC investments and programs included are:

- SBIR/STTR Awards
- Oregon InC supported Organizations and Initiatives:
 - Oregon BEST
 - Drive Oregon
 - ONAMI
 - OTRADI
 - OWET
 - RAIN
 - SOAR
 - Oregon Story Board

Factors Affecting Results

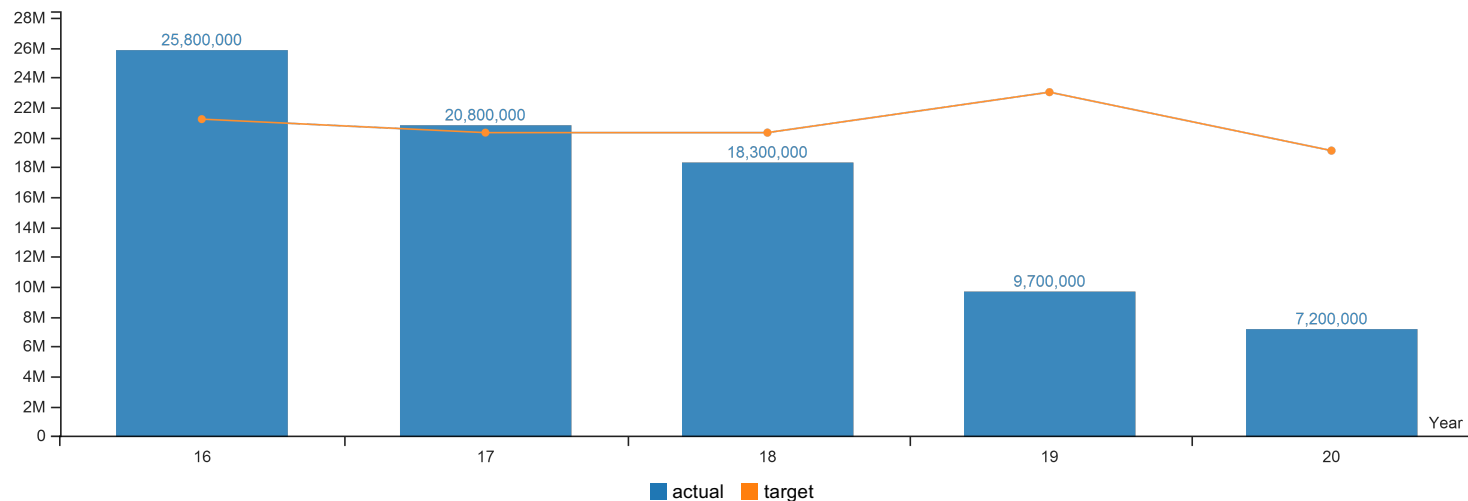
Part of the decline in jobs retained compared to the target of 5,500 can be explained by a large project that was incorrectly categorized as a job retention project in FY 2018 that was removed from the FY 2019 analysis. Nonetheless, jobs retained has declined since FY 2015, when jobs retained was 6,677. Private sector employment in Oregon over this time increased by an annualized rate of over 2 percent a year. As such, cyclical changes do not explain the decrease in jobs retained at the department.

Comparing FY 2020 to FY 2015, jobs retained is down across most programs. Job retention decreased the most from Strategic Reserve Fund, with 1,154 jobs retained in FY 2020, down 4,479 jobs from FY 2015. The primary reason for declines in KPM 2 is reduced expenditures on job retention projects across all programs, followed by less jobs retained per dollar spent from Strategic Reserve Fund projects. As noted in KPM 1, Business Oregon has emphasized the quality, accessibility, and location of the jobs created by projects we fund, and has used program funding to improve long-term outcomes rather than just the number of immediate direct jobs created or retained.

Job losses from COVID-19 in April through June of 2020 had a minimal impact on jobs retained in FY 2020 due to fewer job losses in traded-sector industries early in the pandemic. This generally did not result in lower employment over the four-quarter average for most of Business Oregon's projects.

KPM #3	Personal income tax generated by the Department's investment in jobs -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	\$25,800,000.00	\$20,800,000.00	\$18,300,000.00	\$9,700,000.00	\$7,200,000.00
Target	\$21,200,000.00	\$20,300,000.00	\$20,300,000.00	\$23,000,000.00	\$19,100,000.00

How Are We Doing

In FY 2020, jobs created and retained by businesses funded by Business Oregon generated an estimated \$7.2 million in state personal income tax revenue. This was 63 percent less than the FY 2020 target of \$19.1 million. Estimated state personal income tax revenue from jobs created and retained in FY 2020 was \$2.5 million lower than FY 2019, a decrease of 26 percent.

The \$7.2 million in state personal income tax revenue primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

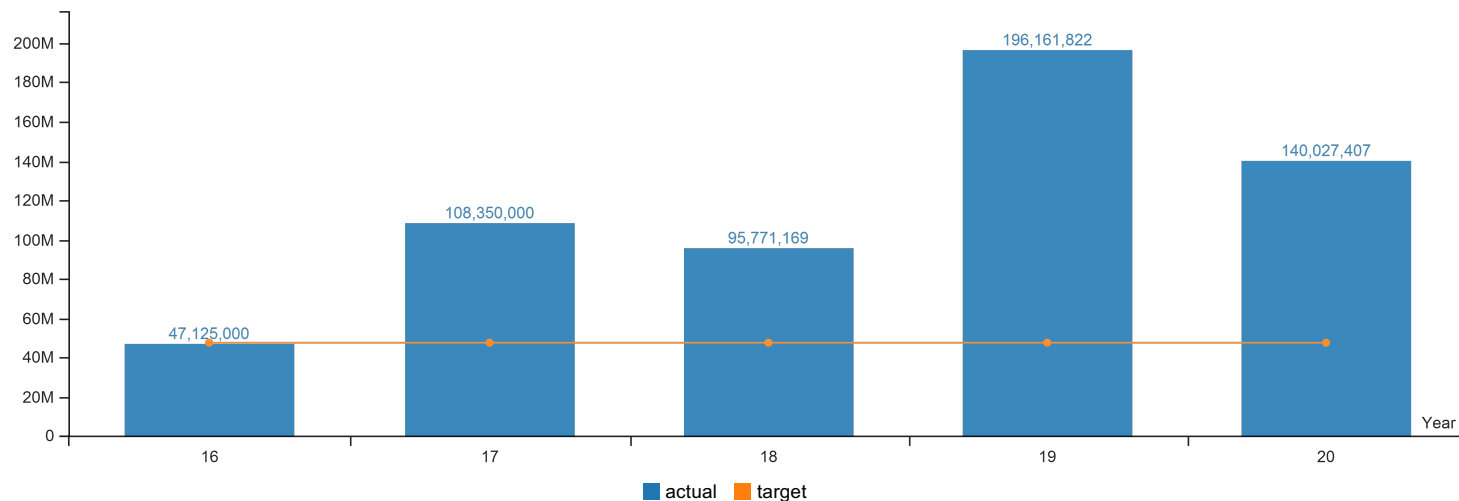
Factors Affecting Results

The combined jobs created and retained in FY 2020 were lower than FY 2019, which led to lower personal income taxes generated in FY 2020. Personal income tax generated by the department has steadily declined since FY 2015, when personal income tax generated was \$29.5 million. Private sector employment in Oregon over this time increased by an annualized rate of over 2 percent a year, as such, cyclical changes do not explain the decrease in personal income tax generated by the department.

Lower personal income taxes generated by the department since FY 2015 are primarily the result of lower jobs created and retained over that time. Another factor affecting results over time is lower average wages of jobs created and retained. The average wage of jobs created and retained in FY 2020 was 26 percent lower than the inflation adjusted average wage of jobs created and retained in FY 2015. Lower average wages have resulted in lower income tax revenue per job created and retained, despite slight increases in effective tax rates between FY 2015 and FY 2020. Also, the jobs associated with projects in rural areas, and jobs that are accessible without a four-year degree — two areas of focus mentioned in KPMs 1 and 2 — are often lower-wage jobs than those found in large business projects in metro areas.

KPM #4	New export sales of assisted clients -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	\$47,125,000.00	\$108,350,000.00	\$95,771,169.00	\$196,161,822.00	\$140,027,407.00
Target	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00

How Are We Doing

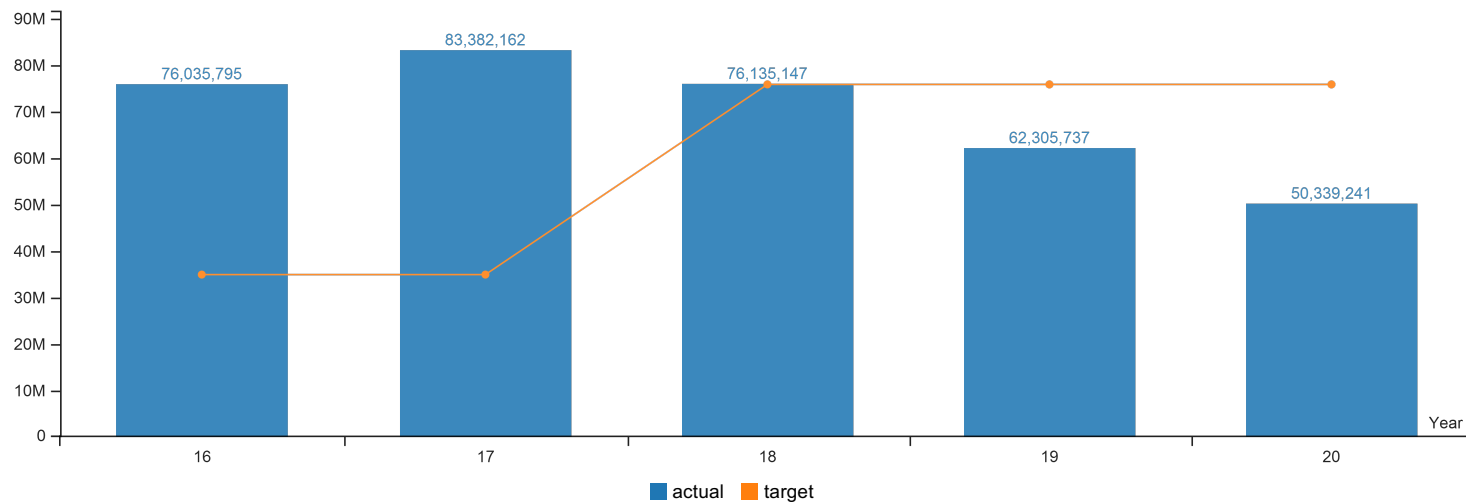
Documented new export sales for FY 2019 is \$140,027,407, exceeding the KPM target. Export sales include immediate and expected sales reported by Oregon businesses supported with both technical and financial assistance from Business Oregon. Business Oregon leverages both state and federal funds to achieve export sales goals by supporting trade events and opportunities for target industry groups and Oregon small business exporters. Our federal partners include SBA, ExIm Bank, and the Softwood Export Council. Sales revenue resulting from these partnerships are reflected in this measure.

Factors Affecting Results

In early 2020, Business Oregon was projecting yet another record year for export sales for this measure, following another record year of overall Oregon exports in calendar year 2019. However, due to COVID-19, Oregon businesses were not able to attend trade shows during the last four months of the fiscal year and therefore sales were lower than expected. Still, these businesses significantly outperformed the target amount. Moving forward, the Global Trade team at Business Oregon is organizing virtual trade shows, trade missions, e-commerce opportunities, and website optimization and localization for Oregon businesses in international markets.

KPM #5a	Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	\$76,035,795.00	\$83,382,162.00	\$76,135,147.00	\$62,305,737.00	\$50,339,241.00
Target	\$35,000,000.00	\$35,000,000.00	\$76,000,000.00	\$76,000,000.00	\$76,000,000.00

How Are We Doing

The total amount of federal contracts GCAP achieved in fiscal year 2020 was \$50,339,241. This is lower than in fiscal year 2019 but on track to fulfill contractual obligations of \$100 million biennially.

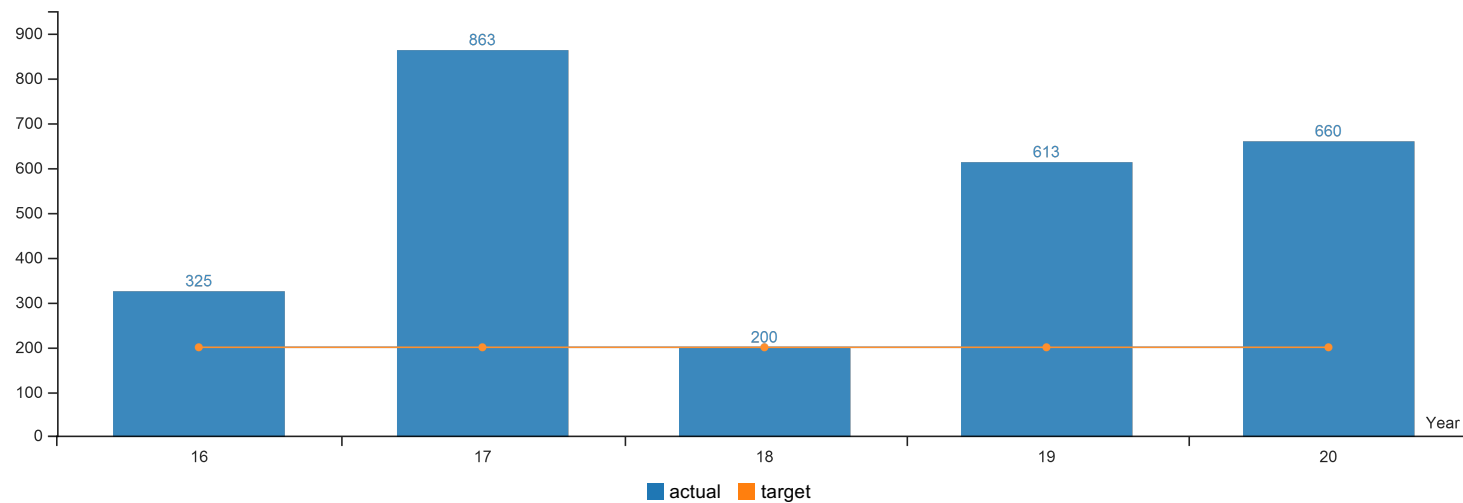
Business Oregon, through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP), assists start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has more than 25 years of experience in working with small businesses on early stage growth issues and training them on how to seek and secure federal and state procurement opportunities.

Factors Affecting Results

While the number of contracts has exceeded the target, the contract values have been smaller. Also, GCAP receives performance data on the value of contracts from a third party vendor which acquires and reports federal contract data. It may not include data for every firm and may experience lag times with regards to data entry. COVID-19 may have also affected contracting beginning in March of 2020.

KPM #5b	Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	325	863	200	613	660
Target	200	200	200	200	200

How Are We Doing

Oregon small businesses using the Government Contract Assistance Program (GCAP) received 660 federal contracts in fiscal year 2020, a slight increase from 2019 and well above the target of 200.

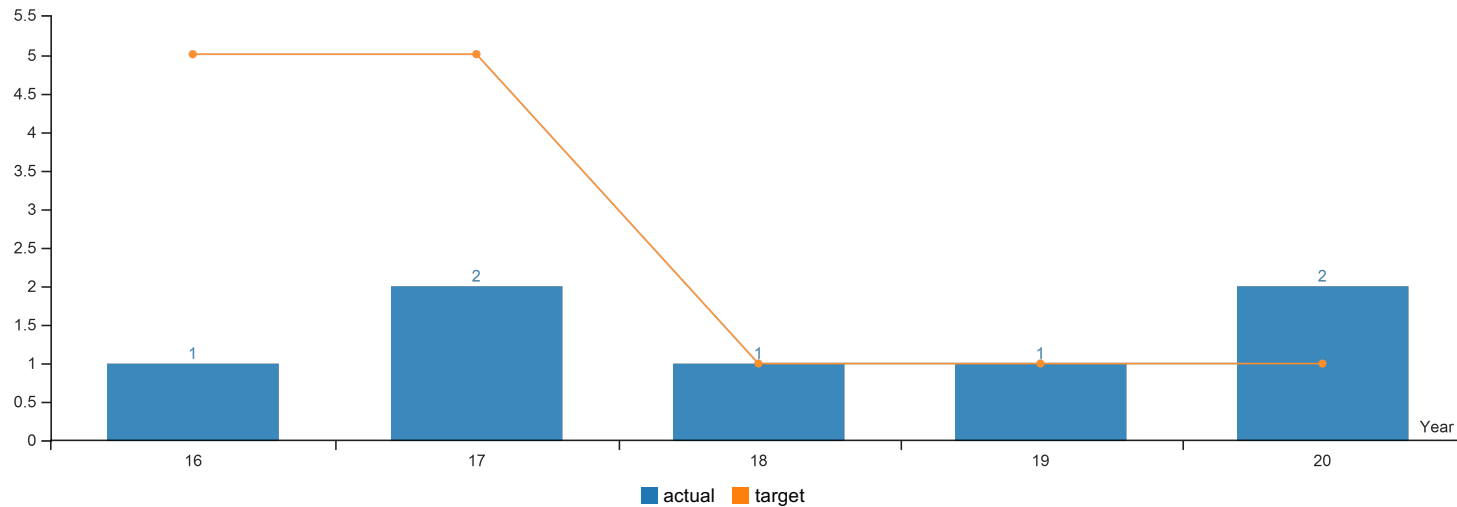
Business Oregon, through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP), assists start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has more than 25 years of experience in working with small businesses on early-stage growth issues and training them on how to seek federal and state procurement opportunities.

Factors Affecting Results

There's been strong demand for the program, as more firms in Oregon see value in securing federal contracts. GCAP receives performance data on value of contracts from a third party vendor which acquires and reports federal contract data. While it may not include data for every firm and may experience lag times with regards to data entry, it has in recent years been including a more accurate representation of individual contracts received than in prior years. COVID-19 may have also affected contracting beginning in March of 2020.

KPM #6	Number of new industrial sites/acres certified "project ready." -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	1	2	1	1	2
Target	5	5	1	1	1

How Are We Doing

We met the target, with two sites certified as "project ready" totaling 19.8 acres. In addition, one additional 29 acre site is in the process of certification, and 8 sites were re-certified "project ready" totaling 403 acres. One site was also pre-certified, the first step in full certification.

Factors Affecting Results

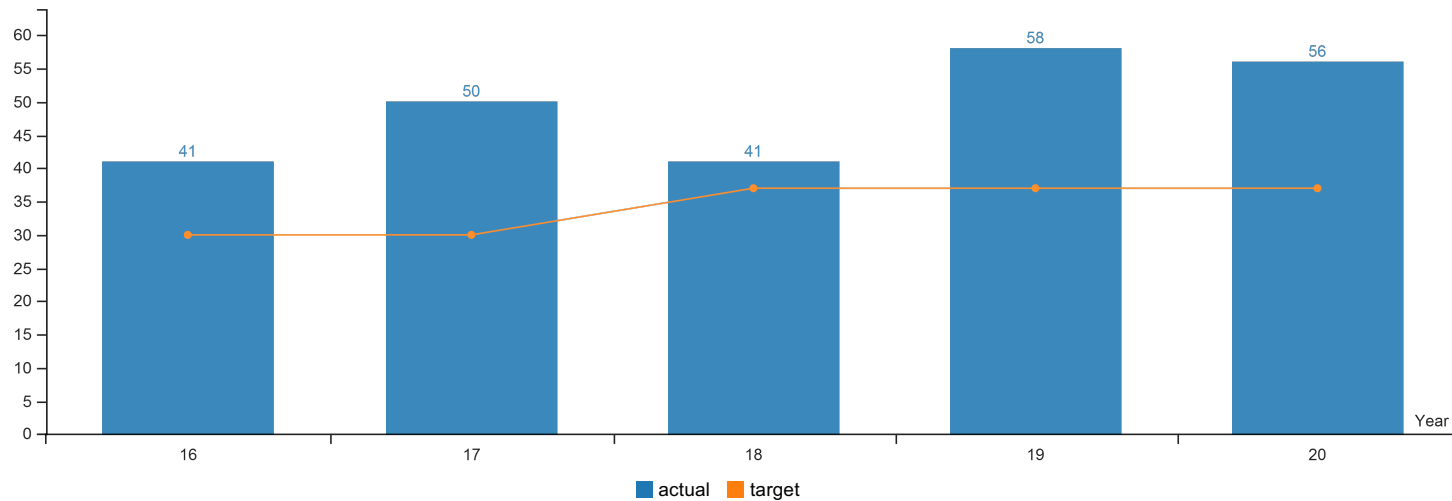
Limited options for funding site studies and financing public infrastructure remains the challenge to achieving certification or maintaining recertification. The reduction in number of sites recertified compared to previous reports is partly a result of decreased state and local government resources for this work.

Absent of any new infusion of funding to certify sites, Business Oregon will continue to seek innovative solutions that assist local communities in developing an ample supply of "shovel ready" industrial sites. Currently, the department is using the Special Public Works Fund's planning grant to pay for this work for publicly-owned sites. Alternatively, privately owned sites have been provided a self-fund/contract option. Last month, Business Oregon included an industrial site readiness concept in its EDA CARES Act grant application; if the grant is awarded, it would provide funding for the next three years.

Furthermore, the department continues to expand the Regionally Significant Industrial Site (RSIS) program, eight sites have been designated thus far. Business Oregon expects to see one or two RSIS applications next year. The RSIS program allows public-funded site development costs to be recouped by a municipality from 50% percent of state income taxes from new jobs that are ultimately created at the site, that meet program thresholds.

KPM #7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	41	50	41	58	56
Target	30	30	37	37	37

How Are We Doing

Business Oregon awarded 56 planning projects exceeding the target of 37. The 56 projects represent approximately \$3.5 million in planning funds. This measure includes planning projects associated with Business Oregon's Special Public Works Fund, Water/Wastewater fund, ports funding programs, Safe Drinking Water Revolving Loan fund, and Community Development Block Grants. Examples of planning projects are plans for industrial lands development; water system master and resiliency planning; and capital project plans that support community infrastructure and facilities such as wastewater treatment, safe drinking water, and community facilities.

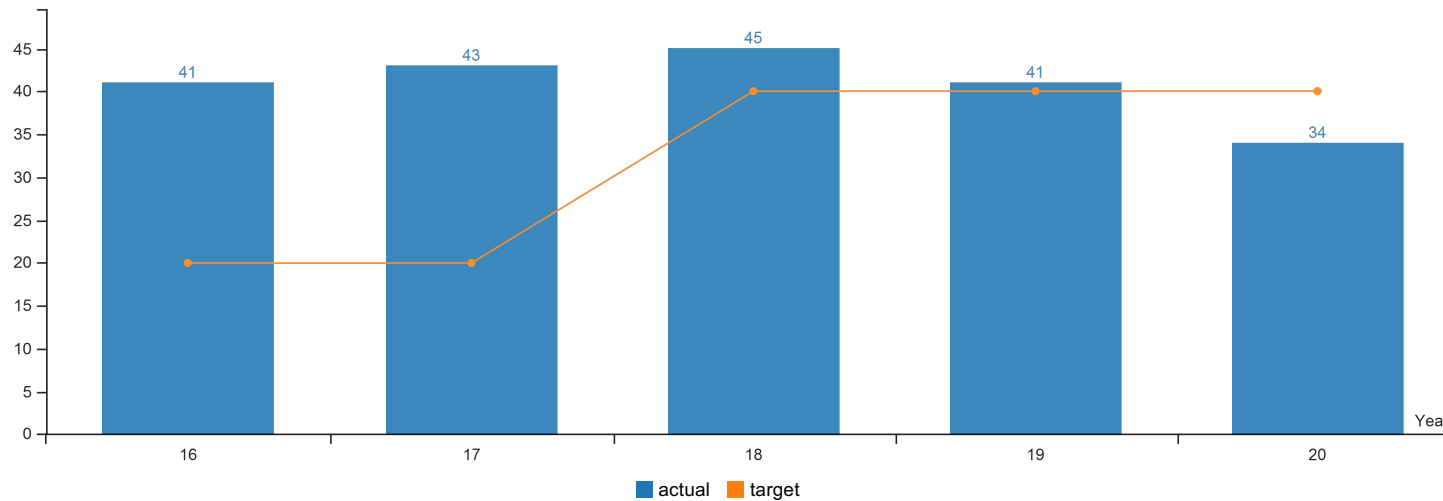
Factors Affecting Results

The demand for planning project awards remains high as communities grapple with aging infrastructure. Communities have acknowledged their existing utility plans are outdated and do not reflect the growth and development which has occurred over the past 10 years. Additionally, expected population growth in many areas is encouraging communities to review current facilities with an eye towards future needs.

Business Oregon expects to see continued demand for construction projects as planning projects are completed and communities seek to move forward with implementing capital improvements. 2020 wildfires devastated dozens of Oregon communities, and we may see a future increase in infrastructure planning and construction as a result. Of course, demand is also dependent on economic factors. Historically, demand has increased and decreased with overall economic conditions. With economic uncertainty related to COVID-19, communities may seek to prioritize those projects that maintain essential utility services such as capital construction projects associated with health and safety objectives (KPM 8).

KPM #8	Number of community capital construction financing projects that address public health and safety issues. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	41	43	45	41	34
Target	20	20	40	40	40

How Are We Doing

Business Oregon awarded 34 projects out of a target of 40 for a total of approximately \$44.1 million. While the total number of awards is lower than the previous year's total of 41, project development activities associated with awarded planning funds (KPM 7) should drive interest in capital construction financing projects moving forward.

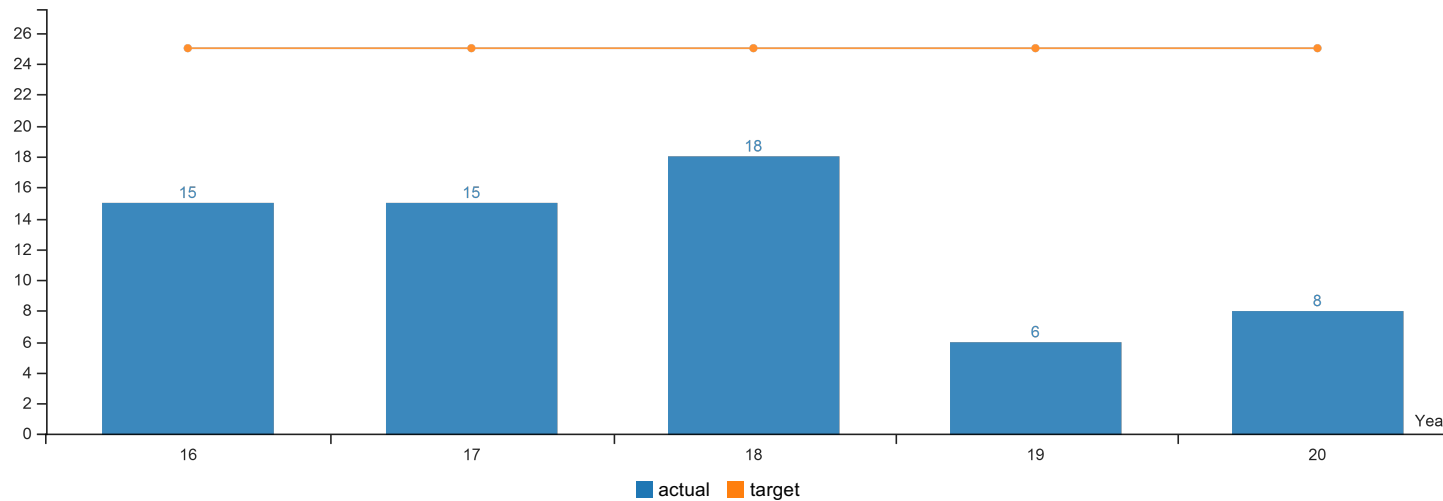
Factors Affecting Results

The need for municipal infrastructure construction remains high, as is the demand for financing. Project costs continue to grow and state-supported low-interest financing is vital to small and rural communities that generally do not have bond ratings. Business Oregon will continue to strive to meet the demand of local communities for financial assistance. To supplement lottery bond dollars awarded by the legislature, the department will continue to implement its bond bank authority with the next sale expected in early 2021. While the Bond Bank is one tool for raising funds, it should not be considered the only tool. Lottery bond fund capitalization remains vital to the department's ability to assist communities with financing projects.

Additionally, communities are beginning to take on larger projects, with FY 2020 marking the first time department funding helped a community leverage the Environmental Protection Agency's Water Infrastructure Financing Act (WIFIA) funding by contributing to the required 51% WIFIA match funding requirement.

KPM #9	Number of community capital construction financing projects that assist with future economic and community development. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Actual	15	15	18	6	8
Target	25	25	25	25	25

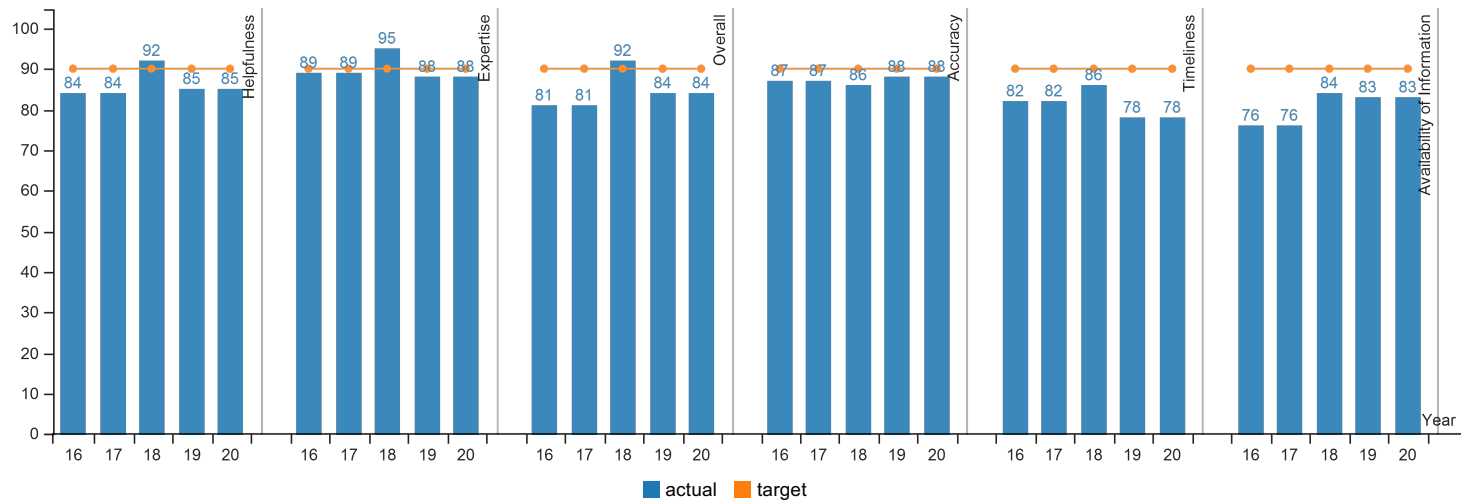
How Are We Doing

Business Oregon completed eight projects out of a target of 25 for a total of approximately \$21.9 million. Communities continue to focus their efforts away from economic and community development projects to health and safety projects, primarily water and wastewater projects. This is likely due to planning efforts for municipal water and wastewater projects with an emphasis on addressing an aging infrastructure and current and future demand. Undertakings associated with community and economic development infrastructure construction are highly dependent on economic cycles. As communities grapple with the economic impacts of COVID-19 and prioritize essential water and wastewater utility investment, Business Oregon expects the shifting of focus to economic and community development will likely not occur for a few more KPM cycles.

Factors Affecting Results

The need for municipal infrastructure construction remains high and the demand for financing will continue to rise as communities address infrastructure needs for business opportunities. Communities continue to focus their efforts on water and wastewater infrastructure, which are generally larger, high-need projects. However, water and wastewater projects are the basis for future economic and community development activities as the latter cannot occur without the former. Business Oregon will work with its program partners (League of Oregon Cities and Association of Counties) and communities to identify opportunities to fund capital construction projects that assist with future economic and community development. Such projects will be instrumental to economic recovery efforts as the threat of COVID-19 subsides.

KPM #10	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2016	2017	2018	2019	2020
Actual	84%	84%	92%	85%	85%
Target	90%	90%	90%	90%	90%
Actual	89%	89%	95%	88%	88%
Target	90%	90%	90%	90%	90%
Actual	81%	81%	92%	84%	84%
Target	90%	90%	90%	90%	90%
Actual	87%	87%	86%	88%	88%
Target	90%	90%	90%	90%	90%
Actual	82%	82%	86%	78%	78%
Target	90%	90%	90%	90%	90%
Actual	76%	76%	84%	83%	83%
Target	90%	90%	90%	90%	90%

How Are We Doing

Overall satisfaction with department services was 84 percent in FY 2019. The Customer Satisfaction Survey is conducted every two years, so the metric data we are reporting for FY 2020 is a duplication of the FY 2019 results. The Customer Satisfaction Survey was emailed to approximately 4,500 external customers using an online survey tool. Depending on the size of the list available for each program, customers were either sampled at random or using a non-random “convenience sampling” methodology.

A total of 278 surveys were completed in May and June of 2019 for a response rate of six percent. Of these respondents, 211 indicated they interacted with Business Oregon in the last year. The 67 who did not were omitted. Over the past year, the 211 respondents reported using the following agency programs:

- Business Development (73%)
- Infrastructure (23%)
- Innovation and Entrepreneurship (24%)
- Arts (18%)

The survey included questions ranking Business Oregon on timeliness, helpfulness, expertise, availability of information, information accuracy, and overall satisfaction. Results with comparisons to recent KPM surveys are provided below (percent of customers giving Business Oregon a mark of “good” or “excellent”).

- Timeliness – 78% (vs. 86% in 2018; 84% average from 2014-2018)
- Helpfulness – 85% (vs. 92% in 2018; 89% average from 2014-2018)
- Expertise – 88% (vs. 95% in 2018; 91% average from 2014-2018)
- Availability of information – 83% (vs. 84% in 2018; 82% average from 2014-2018)
- Information accuracy – 88% (vs. 86% in 2018; 88% from 2014-2018)
- Overall satisfaction with department services – 84% (vs. 92% in 2018; 87% from 2014-2018)

Factors Affecting Results

In 2019, the agency adopted a new methodology and approach for KPM #10. From a methodical standpoint it may not be appropriate to compare results of 2019 to previous years. Factors to consider when comparing results include:

- Our survey sample was more robust this year due to a more comprehensive approach to gathering contact information from our databases. This year we made a significant shift and our survey list included customers who had engaged with staff on a project, not just customers receiving financial assistance as had been used in the past. The list also more accurately represents customers of all agency divisions.
- Due to broader customer engagement, we had a response increase of 72 percent (122 responses in 2018 vs. 211 in 2019).



December 4, 2020

To Daniel Holbrook, Business Oregon
From Josh Bruce, Bob Parker – UO Institute for Policy Research and Engagement
SUBJECT **INFRASTRUCTURE LEADERSHIP ROUNDTABLE - MEETING SUMMARY**

On November 19, 2020, Business Oregon convened leaders from across the state of Oregon for a two-hour Infrastructure Leadership Roundtable. The purpose of the roundtable was to engage local government leaders and elected officials in a discussion about linking, leveraging, and aligning critical infrastructure investments with statewide economic development priorities. Key objectives of the roundtable were to identify infrastructure actions that participants could take to support long-term economic growth and post COVID and wildfire recovery. Roundtable participants included local elected officials, infrastructure system managers, economic development staff, agency regulators, and others. Appendix B includes a list of Roundtable participants.

Business Oregon Interim Director Chris Cummings and Industrial Lands Specialist Daniel Holbrook welcomed participants and set the stage for the discussion. IPRE faculty Josh Bruce and Bob Parker facilitated the Roundtable with support from William Sullivan, IPRE Research Associate. Chantal Ivenso and Ciara Williams, Rural Economic Recovery Coordinators with NOEDD and COIC (RARE-AmeriCorps Placements), recorded notes from the conversations. Business Oregon staff offered additional notes and observations.

Roundtable participants were assigned to one of two breakout rooms to discuss how to (1) initiate and leverage large scale critical infrastructure investments, and (2) streamline the infrastructure design, permit, finance, and construction process. Refer to Attachment A for the meeting agenda. This memorandum summarizes Roundtable topics, themes, outcomes, and next steps.

Overall Topics and Themes

IPRE facilitated two small-group breakout discussions. The first group discussed how **Oregon can make and leverage large-scale (once in a lifetime) investments in resilient infrastructure systems**. The second group discussed how **Oregon can ensure the efficient and timely delivery of infrastructure systems**. IPRE facilitators encouraged participants to focus their discussion around opportunities to stimulate economic activity and help the state recover from both COVID-19 and the 2020 wildfire season.

To initiate the discussion, facilitators first asked participants to identify things the state **COULD** do to increase both investment in and the efficient delivery of critical infrastructure systems. The following topics emerged:

Infrastructure Investment

The infrastructure investment breakout focused on opportunities to increase investment in critical infrastructure systems. The following **key themes** emerged as things Oregon should be doing now:

- **Increase capacity:** One participant identified the need for local governments to “Hunt as a pack.” Working together can leverage partnerships to build shared resources, tools, and capacity. More capacity will lead to more projects to invest in.
- **Collaborate:** Work together to leverage limited resources and capacity to create innovative partnerships. Explore ways to expand private-sector funding through public-private partnerships or other means.
- **Innovate:** Create a space where government and private sector partners can explore innovative solutions.
- **Implementation:** Bridge the gap between planning and implementation that involves finance and project delivery teams from the start by creating integrated teams to support small communities.
- **System/Process improvements:** Improve funding cycles and models, improve repayment terms, centralize requirements, and streamline processes.

Participants acknowledged that not enough money exists. While all agreed that higher levels of federal and state funding would be helpful, the group primarily focused on strategies to better leverage existing funding and increase private sector funding. At least one funding agency expressed that funds from their programs were being left on the table. Some of the reasons included that terms were not favorable relative to other programs, that application processes are complex, and that small and rural local governments have limited capacity to get projects to the point where funding requests can be made.

Participants observed that the current pace of projects, particularly in rural communities, is too slow. Therefore, increasing the volume of infrastructure projects – from one project every few years, to multiple projects every year – should be the goal. Solutions focused on the development of strategic partnerships (“hunting as a pack”) to close the gap between planning and implementation, ensuring that available funds are spent on needed projects, and mitigating staff turnover and loss of institutional knowledge.

Specific “what could we do” ideas the group generated included:

- Establish planning and a delivery teams that work together from the beginning to the end of the project.
- Develop strategic partnerships - Business Oregon can bring key partners together to get that money spent.
- Focus on existing infrastructure first and look at its value and how to maintain that; identify and leverage underutilized infrastructure.
- Communicate the importance of infrastructure to the legislature.
- Bring everyone around a table at the pre-development phase to map out all necessary public and private development phases at the same time.
- Develop or participate in a West coast Infrastructure exchange.
- Explore creative ways to meet environmental requirements that are more efficient and less costly.
- Increase the amount of flexible, pre-development capital that can be invested in what people need (versus what we think they need).
- Because debt is the only option to financing critical infrastructure for many communities (e.g. rural, Tribal, etc.), assist communities in determining how much debt is appropriate/manageable.

- Modernize infrastructure with FEMA funds to create long-term resilience as opposed to having to build back the way things were.
- Identify an ombudsman or matchmaker entity who can review these proposed "mergers and acquisitions" or "joint ventures" and evaluate their risk, but with the goal of syndicating risk so that we can manage their exposure while allowing them to experiment on new service delivery models.
- Don't re-invent the wheel: Consider models like: <http://www.infracore.org/> which overarching the work through state agencies and federal agencies and deploy assistance to the rural communities of WA.

Efficient Infrastructure Delivery

The efficient infrastructure delivery breakout focused on opportunities to reduce bureaucracy and streamline infrastructure planning, permitting, inspection, and deployment processes. The following **key themes** emerged as things Oregon should be doing now:

- **Reduce the number of development applications and permits:** There are too many hoops to jump through for local governments to access funding. An opportunity exists to consolidate applications and the number of agencies local governments and developers have to contend with.
- **Increase capacity:** Rural areas do not have the engineering, finance, grant management, and other staff needed to pull complex infrastructure projects together. Explore opportunities to consolidate resources and provide this capacity at a regional scale (like infrastructure "circuit riders"). This approach is supportive of the "hunt as a pack" philosophy identified by the financing group.
- **Local decision-making:** Shift infrastructure decision making authority from state/federal to local/regional. Locals understand their needs and how to get things done. Relying on state and federal officials to get up to speed takes too long.

In discussing process efficiency, participants indicated that the sheer number of steps, applications, and agencies implicated in the delivery of infrastructure creates inefficiency. Thus, consolidating applications and developing single points of contact for infrastructure projects emerged as priority opportunities. Additional solutions focused on a more intentional use of the land-use planning process to establish local infrastructure strategies, making decision making as local as possible, and consolidation and sharing of technical capacity at regional scales. Specific "what could we do" ideas the group generated included:

- Place a cap on the number of public agencies that public or private property and infrastructure developers must interact with in order to move projects forward.
- Develop public processes that aggregate information and resources to create more "one-stop" options for developers (e.g. single applications that cover multiple projects).
- Increase staffing capacity to provide technical assistance to small and rural jurisdictions that do not have staff dedicated to planning, engineering, financing, grant management, etc.
- Leverage land use, infrastructure, and economic planning processes (e.g. Goal 9, Economic Opportunity Analyses, Capital Improvement Planning, Community Economic Development Strategy, infrastructure system plans, etc.) to create infrastructure investment strategies.
- Acknowledge that one-size approaches to infrastructure don't work well in a diverse state like Oregon; cede decision making authority to locals as much as possible.
- Develop a resource page or information library locals can use to access information in one place.

- Implement an exceptions process for certain regulations where the costs outweigh the benefits at the local level; alternatively, provide state funding for regulations or mandates that are intended to provide statewide or regional benefits.
- Develop process charts, pathways, or menus that clearly describe common project steps and elements.
- Map local infrastructure assets, develop timelines for upgrades and maintenance, and then invest in maintaining and marketing existing infrastructure first.

Outcomes

The facilitators and Business Oregon project leads agreed that the Roundtable effectively engaged participants in a forward-thinking dialogue. Specifically, the Roundtable generated a number of high-impact, low-effort actions that Oregon can take leverage infrastructure as an economic development strategy. Twelve of the Roundtable participants made specific commitments to things they intend to do in the coming weeks and months to move the emergent themes forward. Additionally, the Roundtable established a precedent for additional “doing”-focused discussions moving forward. IPRE and Business Oregon are discussing the possibility of future convenings to continue the dialog and monitor progress.

Next Steps

Business Oregon staff and IPRE faculty will present Roundtable findings and results to the Infrastructure Finance Authority Board on December 4, 2020 and the Business Oregon Commission on December 11, 2020. Business Oregon plans to explore additional convenings in the new year. This topic and theme will be presented again at the 2021 Infrastructure Summit.



OREGON'S INFRASTRUCTURE OPPORTUNITIES: FUNDING, ECONOMIC DEVELOPMENT, AND RESILIENCE

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This white paper presents opportunities to link, leverage, and align historic infrastructure investments with a statewide economic development and crisis recovery strategy.

PROBLEM: Oregon's infrastructure is deteriorating. In 2019, the American Society of Civil Engineers gave Oregon's statewide infrastructure a C- grade.¹ Energy and wastewater systems received D grades. In short, Oregon does not fund infrastructure at a level to sufficiently maintain its infrastructure systems nor to mitigate future natural or man-made disasters. Deteriorating infrastructure hampers economic development efforts, restricts private sector investment, and threatens the future wellbeing of our state. Moreover, without significant investment, infrastructure will continue to deteriorate and ultimately affect Oregon's competitiveness.

SOLUTION: Oregon can leverage historically high global capital reserves and historically low government borrowing costs to make large-scale investments in resilient infrastructure systems. In addition, state and local leaders should ensure the efficient and timely delivery of infrastructure to stimulate economic recovery from COVID and the 2020 wildfire season and improve Oregon's long-term economic growth prospects.

¹ American Society of Civil Engineers. (2019). Report Card for Oregon's Infrastructure.

Project Framing

Imagine Oregon addresses growing economic, social, and environmental uncertainties by making large-scale investments in multi-objective, resilient infrastructure projects.

- *How would this vision benefit economic growth and development?*
- *How would this vision support economic recovery to COVID-19 and the 2020 wildfire season?*
- *What will leaders in Oregon need to DO to realize the vision?*

Problem Statement

Deteriorating infrastructure hampers economic development efforts, restricts private sector investment, and threatens the future wellbeing of our state. Moreover, without significant investment, infrastructure will continue to deteriorate and ultimately affect Oregon's competitiveness.

The need for infrastructure investment in Oregon is immense. According to a 2016 report by the League of Oregon Cities, the state will need to invest \$7.4 billion in drinking water and wastewater system maintenance and improvements alone over the next 20 years.² In 2014, the Oregon Department of Transportation recommended an investment package of over \$4 billion to replace, rehabilitate, or retrofit 718 bridges in the state over five program phases.³ At the local level, it is estimated that earthquake retrofits to the Center Street Bridge, a critical Willamette River crossing in Salem, will cost \$100 million alone.⁴ Despite the apparent financial and societal benefits of infrastructure projects, the barriers are immense. **Funding these projects requires political support, money, technical assistance, and coordination between multiple funders and stakeholders to be implemented.**

If Oregon's leadership does not immediately identify and prioritize strategic solutions to support existing infrastructure systems and increase infrastructure resilience, the state's economic, social, and environmental systems will suffer. This white paper proposes leveraging the evolving COVID-19 crisis and wildfire disaster to position infrastructure as a long-term economic development and community investment strategy for Oregon. **A successful recovery will align infrastructure investments with strategies that help communities respond and adapt to COVID in the short term and position themselves for post-2020 recovery and resiliency.**

Our infrastructure systems are at risk of failure if we do not interrupt this cycle.⁵ Infrastructure needs to be resilient in order to encourage economic development and resistance to natural hazards and other disruptions to economic activity. In order to be resilient, infrastructure users, services, and physical assets

² *Infrastructure Survey Report (Water)*. (2016). League of Oregon Cities.

³ *Oregon Highways Seismic Plus Report*. (2014). Oregon Department of Transportation.
https://www.oregon.gov/odot/Bridge/Docs_Seismic/Seismic-Plus-Report_2014.pdf

⁴ Bach, J. (n.d.). *Salem Center Street Bridge seismic retrofit may cost \$100 million*. Statesman Journal. Retrieved from <https://www.statesmanjournal.com/story/news/2019/04/24/salem-center-street-bridge-earthquake-retrofit-may-cost-100-million/3555474002/>

⁵ Altman, R., Klein, A., & Krueger, A. (2015). *Financing U.S. Transportation Infrastructure in the 21st Century*. The Hamilton Project. Brookings.

need to quickly recover after an event.⁶ Resilient infrastructure creates a competitive advantage and improves local governments' ability to maintain services during disaster events. The COVID-19 pandemic and 2020 wildfires have strained infrastructure in unexpected ways. No set of tested strategies exist to respond to these crises—we will need to develop the playbook as the crisis unfolds. We recommend the following objectives guide these efforts: **Get more – jobs, business growth, community wellbeing, resilient infrastructure, etc. - out of each dollar of infrastructure investment.**



Call to Action

1. **Make large-scale investments in resilient infrastructure systems.**
2. **Ensure the efficient and timely delivery of infrastructure to stimulate economic recovery from COVID and the 2020 wildfire season.**

Globally, capital reserves (private savings) are at an all-time high. Concurrently, government borrowing costs are at an all-time low. According to Nobel Prize winning economist Paul Krugman, this sets up a situation where it would be “irresponsible” for governments not to engage in large-scale borrowing as an investment in the future.



Accordingly, Oregon’s federal delegation, state and local governments, and private stakeholders must work together to construct and maintain resilient infrastructure that will serve residents and businesses. This will require a multi-objective, interjurisdictional planning effort, prioritizing projects with the highest return-on-investment. These projects will benefit from significant investment from the state and federal government, regional collaboration, combined procurement, and including innovative technologies.

⁶ Hallegatte, Stephane; Rentschler, Jun; Rozenberg, Julie. 2019. Lifelines : The Resilient Infrastructure Opportunity. Sustainable Infrastructure;. Washington, DC: World Bank. © World Bank.

Background

Oregon, home to over four million people, is currently contending with multiple economic, social, and environmental headwinds. Before COVID-19 emerged, Oregon was dealing with structural inequity, homelessness in urban areas, a shortage of affordable and middle-income housing, and the loss of manufacturing jobs in rural areas. The pandemic has only aggravated these issues. Business closures and job losses are causing revenue shortfalls in local and state governments which will likely lead to painful reductions in government services. Multiple wildfires that started in September 2020 have burned more than 1 million acres, displaced tens of thousands of people, and impacted critical infrastructure systems across the western half of the state. **The result of these compounding crises is clear: economic damage will be lasting, and the recovery period will extend for years.**

Looking forward, Oregon remains vulnerable to natural hazards ranging from chronic wildfires, flooding, and severe winter storms, to a catastrophic Cascadia subduction zone earthquake and tsunamis. Investments in resilient infrastructure systems can mitigate risks from hazards while contributing direct and indirect benefits to Oregon's economy. These include the creation of new jobs, an increase in development-ready employment sites, and higher productivity for those working remotely. **Strategic investments in infrastructure spending should be used to stimulate economic development activity while alleviating the economic impacts of the COVID-19 pandemic and recent wildfires.** Such investments can make Oregon more resilient to the effects of the next disaster or recession.

What is Infrastructure?

According to the American Public Works Association, public infrastructure includes roads, bridges, public transportation and airports, drinking water and wastewater treatment systems, solid waste services and facilities, and other important utilities essential to a functioning community. These tangible assets and services help sustain community life, safeguard the environment, protect our health, support the economy, and allow people and goods to move safely and efficiently.

Purpose and Methods

In October 2019, Business Oregon hosted its first annual Infrastructure Summit. With an overarching theme of “resilience,” the purpose of the summit was to: “Provide a venue for the exchange of ideas focused on understanding and articulating the interconnectedness of basic infrastructure with community and economic development.” Business Oregon is interested in facilitating a deeper conversation about the overlap between infrastructure and economic development. Specifically, Business Oregon wishes to explore opportunities to align the state's long-term economic development strategy with meaningful, targeted investments in resilient critical/lifeline infrastructure systems.

The nexus between infrastructure and economic success is clear. Increasingly, entities such as the World Bank, Brookings Institute, and others point to investments in *resilient infrastructure* as the key to address growing economic, social, and environmental uncertainties. To explore these questions, Business Oregon will convene a group of local, regional, and state leaders in conjunction with the 2020 Brownfields and Infrastructure Summit. The purpose of this Roundtable will be to initiate discussions that lead to new, multi-objective resilient infrastructure investment opportunities.

Understanding the local needs is a prerequisite to develop the regional and statewide strategies for infrastructure. The Institute of Policy Research and Engagement (IPRE) researched uncertainties from the COVID-19 pandemic, the extent and implications of deferred maintenance, infrastructure as an economic

driver, and how resilient infrastructure can support resilient economies. To investigate Oregon's infrastructure needs, IPRE interviewed 14 government officials, port managers, tribal leaders, financing professionals, and utility company managers to explore the topics of funding, economic development, project deferred maintenance, and natural hazard resilience. The interviews supplemented a review of the academic and practitioner literature. We have also provided case study examples that may provide creative solutions for Oregon.

Infrastructure Assessment

The key takeaways from these research efforts were:

Additional infrastructure funding from the federal and state governments is critical to help communities fill infrastructure gaps. Existing funding sources are not sufficient, and securing grants and loans needs to be made easier for infrastructure projects, particularly for smaller communities.

•Infrastructure is a pre-requisite for business development, and the COVID-19 pandemic has only reinforced this. Developing infrastructure sometimes comes into conflict with other state goals, but a multi-objective approach can lead to projects that accomplish multiple goals and minimize harm. Tying federal and state funding to specific outcomes can encourage a stronger link between planned projects and efficient infrastructure development.

•Local governments experience the most difficulty in funding maintenance and planned capital improvements on their infrastructure systems. Local governments face limited revenues and technical expertise; further support in planning, funding, and managing infrastructure systems could help, particularly in smaller, more rural communities.

Economies benefit from resilient, redundant infrastructure systems. Each system is vulnerable to different hazards. Multi-objective, resilient practices can be prohibitively expensive for jurisdictions that already struggle to cover operations and maintenance costs. Many local governments do not have the capacity or expertise for long-term resilience planning, and assistance from the state could help. Infrastructure outcomes that advance resilience to natural hazards and climate change can be achieved by targeting funding guidelines for federal and state grant and loan programs.

1) Infrastructure Funding in Oregon

- Additional infrastructure funding from the federal and state governments is critical to help communities fill infrastructure gaps.

- Fees for utility service, system development charges, and tax-increment financing are common revenue sources for Oregon jurisdictions funding their infrastructure projects. They are not adequate.

- Securing grants and loans needs to be made easier for infrastructure projects, particularly for smaller communities.

- While the need for funding is critical, regional collaboration offers cost-savings to smaller communities.

- **Creative solutions must be considered.**

“Business as usual” is not meeting Oregon’s infrastructure needs. Lack of investment is the primary cause of our infrastructure deficiencies.⁷ As time elapses without maintenance issues being addressed, the greater the state of decay, which increases the cost of project. As projected costs rise, updating infrastructure systems become more financially (and politically) prohibitive. This leads to a vicious cycle of recurring lack of investment resulting in accelerating deficiencies. If not interrupted, this cycle puts infrastructure at further risk of failure.⁸

Additional infrastructure funding from the federal and state governments is critical to help communities fill infrastructure gaps.

Communities across Oregon fund their infrastructure projects with a variety of tools (that include taxes, user fees, system development charges, and other sources), but many rely heavily on federal and state loan programs for funding. Many practitioners report that funding availability at both the federal and the state levels has remained constant over the past decade, while needs have grown exponentially. Grant and forgivable loan opportunities have become less widely available to city, county, and tribal governments, as well as to special districts. As funding levels have remained static and interest-free funding opportunities have become scarcer, communities struggle to afford maintenance on existing infrastructure systems and needed capital improvements.

⁷ Plotch, P. M. (2015). What’s Taking So Long? Identifying the Underlying Causes of Delays in Planning Transportation Megaprojects in the United States. *Journal of Planning Literature*, 30(3), 282–295.

⁸ Altman, R., Klein, A., & Krueger, A. (2015). Financing U.S. Transportation Infrastructure in the 21st Century. The Hamilton Project. Brookings

Given forecast population and employment growth in Oregon, the current level of investment is inadequate to address maintenance issues and install necessary new infrastructure to keep up with demand. The economic impacts of the COVID-19 pandemic will further widen that gap. In July, the Center for Budget and Policy Priorities estimate that state budget shortfalls from 2020 to 2022 will total \$555 billion cumulatively across the 50 states.⁹ This figure excludes budgetary shortfalls experienced by local and tribal governments.

The picture for Oregon is mixed. The Oregon Office of Economic Analysis' (OEA) September 2020 forecast paints a rosier picture than their June 2020 forecast did, noting that Oregon's principal revenue streams have continued to grow despite the impacts of the recession. While not yet reflected in the data, the recession's impacts on the state's labor market will negatively affect state revenue and while the OEA does expect Oregon's labor market to "return to health by summer of 2023,"¹⁰ the state's revenue will grow much more modestly than forecasted before the coronavirus crisis began.

By investing in infrastructure now, Oregon's state government can counteract some of the longer-term economic impacts of this recession. Congress could similarly stimulate economic activity by increasing infrastructure funding. Many legislators see the need for infrastructure investment to spur economic recovery in the pandemic's wake, but many communities are still waiting for legislative action that will provide those much-needed cash injections for infrastructure.

Case Study Example:

In Denver, Colorado, the Denver Metro Chamber of Commerce directly works with the Colorado Department of Transportation to prioritize projects that could be completed with additional funding. "Identifying the specific projects, specific time frames for delivery and including safeguards against cost overruns are critical. You can no longer just say, 'We need more funding.'"¹¹

Fees for utility service, system development charges, and tax-increment financing are common revenue sources for Oregon jurisdictions funding their infrastructure projects. They are not adequate.

In addition to public funding from the state and federal governments, local jurisdictions rely significantly on fees for services. This funding source presents challenges for many Oregon jurisdictions as the accumulated costs are simply too high to be borne by ratepayers, particularly in rural areas with residents who are on fixed incomes or who are presented with fewer opportunities for higher-paying employment.

System development charges, fees levied on developers by municipalities to pay for the cost of capital improvements needed to expand system capacity for a new development, are very common in cities

⁹ Leachman, M., & McNichol, E. (2020). *States Continue to Face Large Shortfalls Due to COVID-19 Effects*. Center on Budget and Policy Priorities.

¹⁰ *Oregon Economic and Revenue Forecast: September 2020 (p. 5)*. (2020). Oregon Office of Economic Analysis.

throughout Oregon. While they are not set at rates that fully compensate municipalities, this tool helps cities to accommodate growth and bring needed capital improvement projects to fruition.

Our interviews told us that cities have a difficult time expanding infrastructure systems to attract new development. Residents do not want their own utility fees to increase, and new developers do not want to foot the bill for the entire expansion. This is compounded by the moratoriums that communities have enacted on disconnecting utility service for non-payment of fees during the pandemic, which are crucial in providing relief for those facing extreme financial hardships but also deprives local jurisdictions of those funds desperately needed for infrastructure maintenance and construction.

Tax-increment financing (TIF), where the margin of property tax increases is set aside for re-investment in infrastructure, also remains a popular tool for municipalities in Oregon. Cities can create urban renewal districts, which could include a wide variety of tax-collecting bodies like governments and special districts or a TIF plan to establish a TIF. According to the Oregon Economic Development Association, TIF can be used for “construction of streets, utilities and site improvements in accordance with the TIF plan.” (pg. 48).¹² However, TIF require an intensive coordination and calculations in order to predict the assessed property value. Other critics say that transparency is an issue¹³ and that a TIF takes revenue away from other taxing districts.

Case Study Example:

The Bend City Council approved a TIF in order to develop 637-acres over a 30-year period. Part of the project includes transportation, streetscape, and utility infrastructure. “Revenue for a tax increment financing plan is generated by the growth in assess property value from new development... Property owners do not receive an increase in taxes from tax increment financing.”¹⁴

Securing grants and loans needs to be made easier for infrastructure projects, particularly for smaller communities.

Our interviewees told us that if they had a magic wand, they would streamline the grant and loan application process. Infrastructure projects can be very expensive, which means that needing multiple funding sources is common. Moreover, grants are competitive, and most grant programs receive many more applications than they have capacity to fund. In order to qualify for funding, jurisdictions must demonstrate need, provide detailed descriptions of proposed investments, agree to comply with funding requirements, and address many other details. This becomes very complicated when each funding source has a unique application process. In addition, each funding source has a set of regulations tied to it, which further complicates projects. As an alternative, each funding source could have a similar set of requirements to qualify, like a college student applying with a universal application. Even if there was enough money to go around, accessing those dollars is a challenge.

¹² Oregon Economic Development Association (2019). Best Practices for Tax Increment Financing Agencies in Oregon.

¹³ Schnieder, B. (2019). CityLab University: Tax Increment Financing. Bloomberg CityLab.

¹⁴ MyCentralOregon.com (2020). Bend City Council Preliminarily Approves Core Area Tax Increment Finance Plan.

Small cities and rural areas have heightened problems with infrastructure funding. An interviewee in Coos County said that the City of Coos Bay’s infrastructure is reasonably adequate, but smaller cities like North Bend and Gold Beach (in neighboring Curry County) face more significant challenges. Some smaller cities rely on public works and administrative teams of only two or three staff members (or even volunteers) to handle all their infrastructure projects. When projects require intricate funding streams, the jurisdictions with less capacity have more difficulties submitting competitive applications. If the state were able to provide additional capacity and technical assistance to assist with high priority projects, it could help alleviate some of these burdens.

While the need for funding is critical, regional collaboration offers cost-savings to smaller communities.

The need for large-scale, immediate investment in infrastructure is serious, but there are additional measures that can be taken to ease the financial challenges faced by local infrastructure authorities.

“...it takes a year to five years to get through the process of getting infrastructure development, and it’s that uncertainty that’s the biggest problem. They don’t want to deal with it.”

Modifications to existing regulations and funding guidelines could encourage collaboration amongst local jurisdictions and allow for flexibility in achieving positive outcomes. By increasing local governments and special districts’ ability to coordinate regionally, opportunities for cost-saving present themselves, particularly in the bidding and procurement process. Oregon has seen instances of smaller, more rural communities banding together to meet individual goals collectively by creating economies of scale, but these examples are few. In the long term, we should

promote collaboration between government, private industry, and academia to adopt a standardized fee structure.¹⁵ Encouraging municipalities and special districts to collaborate can reap significant cost-savings, and communities can achieve things collectively that they couldn’t individually.

Case Study Example:

In Maryland, Republican Gov. Larry Hogan has utilized public-private partnerships in order to attract funding for different transportation infrastructure projects.¹⁶ In order to encourage public-private partnerships, Maryland has sped up the permitting process for wary private sector partners by passing HB 560 in 2013, which streamlines the process.¹⁷

¹⁵ Altman, R., Klein, A., & Krueger, A. (2015). Financing U.S. Transportation Infrastructure in the 21st Century. The Hamilton Project. Brookings

¹⁶ Greenblatt, Alan. (2019). Without Help from Washington, Governors Chart Own Path on Infrastructure. Governing, The Future of States and Localities.

¹⁷ Maryland Transportation Authority. Public-Private Partnerships in Maryland.

Creative solutions must be considered.

One idea for state action to better fund local infrastructure is the creation of a state-owned depository bank that can make surplus deposits in local banks and credit unions, which would require action from the Oregon state legislature. By moving surplus government funds to local banks and credit unions, Oregon could be better able to offer infrastructure financing to local communities.

Case Study Example:

North Dakota is the only state that operates a public bank, but several other states have shown interest. They can offer lower interest loans for infrastructure projects and they leverage banks and credit unions' local relationships to make the funds accessible to local governments, tribal governments, and special districts. This system has shown great resilience through the boom-and-bust cycle of North Dakota's natural gas production and could offer Oregon economic resilience.



2) Infrastructure and Economic Development

- Tying federal and state funding to specific economic development outcomes can encourage a stronger link between planned infrastructure projects and efficient infrastructure development.

- Broadband is a significant need that the COVID-19 pandemic has only further highlighted.

- Environmental protection and economic development, two important goals in Oregon, are sometimes in tension with each other and that has implications for some infrastructure projects.

- Although state goals sometimes come into conflict, there are many infrastructure projects that can achieve objectives beyond infrastructure service and economic development.

- Infrastructure is a pre-requisite for economic development.

Infrastructure spending is a direct driver of economic activity in multiple sectors, like construction, telecommunications, and utilities. Construction and operational jobs are typically well-paid and are accessible to those who have had less opportunity for formal education or skills training, which is a demographic that is often among the most effected during recessions. Quality infrastructure furthers economic development goals with increased movement of people and goods and with improved broadband connectivity, a necessity in today's globalized economy. Better infrastructure can reduce negative externalities like pollution, increase mobility, improve resilience, and expand choices for consumers and businesses alike.¹⁸

Broadband is a significant need that the COVID-19 pandemic has only further highlighted.

COVID-19 has exposed broadband issues statewide; many rural and urban communities alike lack basic broadband infrastructure. For many other communities that have broadband infrastructure installed, a range of issues can limit the extent to which broadband is accessible to all members of the population. Notably, rural cities with broadband have more exposed infrastructure because places are more thinly spread out. Generally, systems run linearly in rural spaces, as opposed to in an urban network, where systems have more redundancies. While infrastructure reliability may always be more of a challenge in rural areas, we heard that some of these rural homes do not have consistent wi-fi, which is required to stay competitive in a COVID-19 world. An interviewee from a tribal government said that school children are having a difficult time connecting to wi-fi in order to keep up with their education. Similarly, an interviewee from southern Oregon said that people are being told to work from home, but they cannot

¹⁸ Altman, R., Klein, A., & Krueger, A. (2015). Financing U.S. Transportation Infrastructure in the 21st Century. The Hamilton Project. Brookings

perform their job duties without an adequate internet connection. A 2020 Federal Communications Commission report found that 18 million Americans lack broadband access, but other researchers estimated those numbers are much higher.¹⁹ Broadband has shown to be as important as transportation and utilities during a disaster like this pandemic.

Case Study Example:

In Wayne County, NC, leaders have demanded improved broadband access in their rural communities. The county has the support of the elected officials, and they have moved forward by partnering with the group “Open Broadband” to provide people with wireless solutions to their internet needs, so that the government does not have to build new powerlines.²⁰ The success of the partnership has not been determined.

Environmental protection and economic development, two important goals in Oregon, are sometimes in tension with each other and that has implications for some infrastructure projects.

In Oregon, balancing economic development and environmental protection can be contentious. This tension is evident in the now-defunct West Eugene Parkway project. The Parkway was originally proposed in 1986. The parkway was intended to address burgeoning problems with congestion along West 11th Avenue and the areas around it, as well as provide infrastructure to serve more commercial development. It was controversial for a couple reasons: for one, it was expensive – the total projected cost was \$86 million.²¹ More salient to many stakeholders was the potential loss of hundreds of acres of wetlands, which would have to be offset by the establishment of other protected habitats. In 2006, the Eugene City Council blocked further development of the parkway until a public hearing was held. After assessment of the environmental impact, a decision was made not to proceed with the parkway. The West Eugene Collaborative was established to explore other solutions to the transportation and land use issues around West 11th Avenue, but millions of dollars in sunk costs were spent on the first phase of an infrastructure project that came to nothing due to conflicting values.²²

Although state goals sometimes come into conflict, there are many infrastructure projects that can achieve objectives beyond infrastructure service and economic development.

¹⁹ McBride, J., & Moss, J. (2020, September). The State of U.S. Infrastructure. Council on Foreign Relations.

²⁰ Conners, K. (2020) Commissioners Push for Improved Broadband Access Across County. Goldsboro Daily News.

²¹ Emerald, D. *West Eugene Residents Protest LTD Expansion*. Daily Emerald. https://www.dailyemerald.com/news/west-eugene-residents-protest-ltd-expansion/article_dcb66bb3-bc1b-5514-9e6f-89966009b7e5.html

²² *A New Vision for West Eugene*. (2009). West Eugene Collaborative.

Good outcomes for infrastructure and economic development need not always be at the expense of other goals, like environmental protection or social equity. The key is communicating the intent to the public, because it is not always obvious how a particular project connects to those outcomes. One of the interviewees brought up the issue of expanding rail, particularly for freight; “...you have to explain why rail is critical to the economic development of this county... you know, one train of 36 some-odd cars is a lot more beneficial than replacing that train with 127 18-wheeler [tractor-trailers] on the highway.”

Expanding the rail network will require trade-offs, but it may have more net societal benefits than other alternatives. It will carry the necessary goods but will have a lower carbon footprint and incur less wear on highway infrastructure (which leads to more maintenance) compared to traditional trucking.

“...you have to explain why rail is critical to the economic development of this county.”



Some regulations and funding guidelines prevent local jurisdictions from achieving multiple objectives. For example, funding may be available to extend infrastructure to reach a particular industrial site but will not allow that project to also cover a nearby undeveloped residential area that might be attractive for housing development. Combining those objectives could save money and create a system that more powerfully drives economic growth. By allowing jurisdictions to incorporate housing development, allow for re-zoning, or package infrastructure types together, they gain the ability to meet multiple goals at lower cost. While this issue often stems from the state’s division of responsibilities between agencies (e.g. DLCD oversees land use, ODOT oversees transportation, etc.), funding guidelines and regulations requiring those projects to be separated is more costly, takes more time, and does not accomplish as many public goals.

Tying federal and state funding to specific economic development outcomes can encourage a stronger link between planned infrastructure projects and efficient infrastructure development.

Some infrastructure funding guidelines prioritize economic development outcomes to a greater degree than others. The funding guidelines set forth by public agencies for the grant and loan opportunities they offer are an important tool by which policymakers can guide state and federal infrastructure investments towards projects that will have the largest economic benefit. An example is the Oregon Investment Board’s Revolving Loan Fund available to public and private organizations within the Columbia River

Gorge Natural Scenic Area, which scores applications for funding based on the number of jobs created and retained (amongst other criteria).²³ State and federal funds often do the same, but those guidelines offer a versatile tool that funders to adapt as needs evolve. By further tying application scoring directly to economic development, funding agencies can further encourage local jurisdictions to prioritize projects that will help increase and diversify their tax base. In turn, that expanded tax base will result in local entities collecting a higher volume in both taxes and service fees, which facilitate the meeting of infrastructure needs.

Infrastructure is a pre-requisite for business development.

When asked about the connection between infrastructure and economic development, all of our interviewees said that economic development is not possible without essential infrastructure. “The infrastructure needs to be in place before the businesses come knocking on your door. If it’s not in place, they’re a lot less interested. And a lot of the problem is that... it takes a year to five years to get through the process of getting infrastructure development, and it’s that uncertainty that’s the biggest problem. They don’t want to deal with it.” Another interviewee mentioned the common suggestion that rural towns attract breweries to their town. The problem is that, without a decent municipal water/wastewater system, this is impossible and much of rural Oregon still relies on private wells and septic tanks.



²³ *Columbia River Gorge National Scenic Area Oregon Investment Board Revolving Loan Fund Plan*. (2017). Oregon Investment Board.

3) Deferred Maintenance and Capital Improvements

- The COVID-19 pandemic will compound the difficulty local governments experience in funding maintenance and planned capital improvements on their infrastructure systems.

- Communities are struggling to fund basic maintenance and improvement projects, so they are making decisions that will save money in the short term but cost more over time.

- Local governments face challenges of limited bandwidth and with their staff's technical expertise. Further support in planning, funding, and managing infrastructure systems could help, particularly in smaller, more rural communities.

The condition of infrastructure systems varies statewide, but the extent of deferred maintenance in systems of all types and locations is significant. Interviewees reported that Operation Management & Replacement (OMR) systems would be of great use to communities in maintaining their infrastructure, but the expertise needed, and initial time investment, are obstacles too steep to overcome. Additionally, the cost of installing infrastructure is so high that communities struggle to afford additional features to systems that would lower lifecycle costs.

The COVID-19 pandemic will compound the difficulty local governments experience in funding maintenance and planned capital improvements on their infrastructure systems.

COVID-19 presents a challenge to Oregon communities' funding of water and wastewater projects. Many cities have placed moratoriums on disconnecting service to ratepayers who are unable to pay their bills due to financial impacts of the pandemic. The disadvantage to this policy is that most cities rely primarily on fees for service to fund operations of, as well as needed maintenance and planned upgrades on, water and wastewater systems. While projects already planned before the onset of the pandemic seem to be moving forward, Oregon can expect to see the maintenance projects that would have otherwise received funding and began construction later in 2020 and into 2021 pushed further down the road. This will only further exacerbate the extent and ancillary costs of deferred maintenance.

Communities are struggling to fund basic maintenance and improvement projects, so they are making decisions that will save money in the short term but cost more over time.

In water, wastewater, and transportation systems, the lack of funding for maintenance and improvements is also having the effect of deprioritizing lifecycle costs for the sake of lowering immediate investment costs. Due to how long many projects have been deferred, many jurisdictions are unable to acquire the capital needed to incorporate sustainable, long-lasting materials and technologies that would defray maintenance costs in the future. As a result of having to struggle to afford the most basic version of a maintenance or improvement project, the potential for innovation is significantly reduced and jurisdictions are caught in a cycle that results in higher costs over the long term.

“we see a lot of projects come forward to us for funding that are in a state of disrepair”

Some interviewees mentioned that in certain instances, jurisdictions are choosing to ignore deferred maintenance because there is an impression that it would be more expensive to maintain the current system than to simply wait for complete failure, and then rebuild it: “we see a lot of projects come forward to us for funding that are in a state of disrepair, and they’re that way because they haven’t funded their maintenance... how they actually deal with it is to say ‘you

know, we don’t have the funding to maintain it. We’ll run it as long as we can, and when it’s a total breakdown, then we’ll come back, and we’ll build a new system.”

The flaw in that thinking is that it is rarely less expensive to build something new, especially if it is going to be resilient. “When they start to evaluate new systems, I think they are getting pretty innovative and coming up with new solutions. Those come with a price, though, and I think there’s some hesitancy because of the price tag, [especially when] it gets tagged on to those residents to go with the new and latest models.”

Local governments face challenges of limited bandwidth and with their staff’s technical expertise. Further support in planning, funding, and managing infrastructure systems could help, particularly in smaller, more rural communities.

Additional technical assistance may alleviate deferred maintenance problems that communities face. Particularly for Oregon’s small, rural communities, expert advice and added bandwidth from the state and federal governments to address projects could make a substantial difference to find workable solutions to their unmet infrastructure maintenance and improvement needs. While important to offer those resources to jurisdictions to address current concerns, the added ability to plan more proactively for future needs would be a considerable advantage for local communities. Collaborative approaches between cities, special districts, tribal governments, counties, and state agencies is becoming increasingly important as challenges and costs continue to grow.



4) Resilience to Natural Hazards

- Economies benefit from resilient, redundant infrastructure systems. Each system is vulnerable to different hazards.

- Incorporating green and resilient practices and technologies can be prohibitively expensive for local jurisdictions struggling to cover basic infrastructure costs.

- Many local governments do not have the capacity or expertise for resilience planning. More assistance from the state government could help.

- Infrastructure outcomes that advance resilience to natural hazards and climate change can be achieved by targeting funding guidelines for federal and state grant and loan programs.

Resilient infrastructure assets pay dividends to the society that invests in them. The immediate impact is the creation of jobs and economic activity. In the long run, resilient infrastructure saves dollars by reducing the vulnerability to natural hazards and bouncing back after shocks to the system. Mitigating infrastructure for natural hazards saves \$4 per every \$1 spent.²⁴ Infrastructure continuity can absorb a disruption of service and recover more quickly when critical lifelines are interrupted. Additionally, a well-maintained infrastructure system is cheaper since less maintenance and repair is necessary. However, the full value of infrastructure comes from the networks and activities it facilitates.

Infrastructure is a worthwhile investment for any jurisdiction. When a jurisdiction builds infrastructure assets that can resist shocks, it reduces the life-cycle cost. In addition to cost savings for the owner of said assets, it provides better services for people who are using the infrastructure. If the users have better service, then themselves make up a more resilient group. By improving infrastructure resilience, as described in the figure below, it mitigates the impact of natural

Benefit-Cost Ratios for Mitigation Strategies

- Adopting model codes saves \$11 per \$1 spent
- Federal mitigation grants save \$6 per \$1 spent
- Private sector building retrofit saves \$4 per \$1 spent
- Exceeding codes saves \$4 per \$1 spent
- Mitigating infrastructure saves \$4 per \$1 spent

Multi-Hazard Mitigation Council (2019.). Natural Hazard Mitigation Saves: 2019 Report.

²⁴ Multi-Hazard Mitigation Council (2019.). Natural Hazard Mitigation Saves: 2019 Report. Principal Investigator Porter, K.; Co-Principal Investigators Dash, N., Huyck, C., Santos, J., Scawthorn, C.; Investigators: Eguchi, M., Eguchi, R., Ghosh, S., Isteita, M., Mickey, K., Rashed, T., Reeder, A.; Schneider, P.; and Yuan, J., Directors, MMC. Investigator Intern: Cohen-Porter, A. National Institute of Building Sciences. Washington, DC. www.nibs.org

hazards on people and their intertwined economy.²⁵ During the COVID-19 pandemic jurisdictions have been strapped for cash, but resilient infrastructure remains to be an important investment.

Economies benefit from resilient, redundant infrastructure systems. Each system is vulnerable to different hazards.

All infrastructure sectors are vulnerable to natural hazards; however, each system is vulnerable in a different way. In a report produced with the World Bank Group, electric utilities are at a higher risk to extreme weather events with high winds. When accounting for all hazards, some countries have 100% of their

power generators located at exposed locations.²⁶ Lightning can short circuit an electrical system²⁷ and trees are at a risk to knock down power lines.²⁸ Water and wastewater systems are particularly vulnerable to floods, especially because they typically are located at lower elevations for efficiency reasons. While engineers build water treatment plants by using gravity and locating them at low-lying areas, it makes them vulnerable to discharge from nearby lakes and rivers.²⁹ When we inquired about recent infrastructure projects, multiple interviewees mentioned how they had recently improved their waste water or water treatment plants. Telecommunications are specifically vulnerable to flooding, earthquakes, tsunamis, and landslides, but can be more resilient with redundancy and alternate network routes.³⁰

Again, our interviewees indicated that the COVID-19 pandemic has exposed gaps in telecommunications that are disproportionate to poor families. One interviewee commented that for families who have three children and one working computer with spotty wi-fi, its makes navigating this world almost impossible. Family's with two parents working remotely are struggling, but they can get through this. He further went on to suggest that a complicated part of broadband and internet connection is that there is not a guaranteed level of service. People pay for the maximum speed that their router can receive rather than



Layers of Infrastructure Resilience

Source: Hallegatte, Stephane; Rentschler, Jun; Rozenberg, Julie. 2019. Lifelines: The Resilient Infrastructure Opportunity. Sustainable Infrastructure. Washington, DC: World Bank. © World Bank

²⁵ Ibid.

²⁶ Nicolas, C., E. Koks, A. Potter van Loon, C. Arderne, C. Zorn, and S. Hallegatte. 2019. "Global Power Sector Exposure and Risk Assessment to Natural Disasters." Background paper for this report, World Bank, Washington, DC.

²⁷ Panteli, M., and P. Mancarella 2015. "Influence of Extreme Weather and Climate Change on the Resilience of Power Systems: Impacts and Possible Mitigation Strategies." *Electric Power Systems Research* 127 (October): 259–70.

²⁸⁻⁹ Hallegatte, Stephane; Rentschler, Jun; Rozenberg, Julie. 2019. Lifelines: The Resilient Infrastructure Opportunity. Sustainable Infrastructure. Washington, DC: World Bank. © World Bank

a continuous speed. Perhaps paying for internet can be set up more similarly to paying a water bill, where you pay for what you use, which would be a more resilient and equitable fee structure.

Incorporating green and resilient practices and technologies can be prohibitively expensive for local jurisdictions struggling to cover basic infrastructure costs.

The cost of maintaining and installing infrastructure has reached levels where limited funds are available to explore alternatives with more resilient design and engineering. As communities struggle to fund the most inexpensive version of a project, additional investments in natural hazard-resilient or green technologies are unattainable. It is difficult for jurisdictions to make the case for renewable energy and other green practices. Jurisdictions must fund the highest priority projects and often, green projects do not make the cut. If greener infrastructure is a priority for the state and federal governments, local jurisdictions will require assistance, or green goals will not be met.

The American Planning Association's 2020 report identified that green bonds are available for projects that promote sustainability, renewable energy, and innovation in transportation, while reducing pollution and greenhouse gas emissions. The popularity of these bonds increased four-fold between 2015 and 2018, from \$42 billion to \$180 billion. Newer still are environmental impact bonds (first developed in 2016), which are available for water infrastructure and green infrastructure projects that promote resilience to climate change and floods and/or improve water quality.³¹

Case Study Example:

Washington D.C. had a stormwater system that was connected to their sewage system. On a normal day, the outdated water infrastructure worked fine, but on a heavy rain day, water would overwhelm the capacity and end up discharging sewage into the rivers. To address this, the district built an expansive tunnel system and installed green roofs, porous pavement, and rain gardens (funded by a \$350m green bond) in order to capture the storm water.³²

Many local governments do not have the capacity or expertise for resilience planning. More assistance from the state government could help.

There is broad agreement among researchers and public works organizations that significant new investment from Congress and the Oregon State Legislature is needed. While many local governments in Oregon are concerned about infrastructure and resilience, interviews indicate that communities with a history of natural hazards are more deeply engaged in those conversations. There is additional opportunity for state agencies to lead that conversation with all communities regardless of any experience of natural hazards and offer expert technical assistance in incorporating resilience principles and climate-friendly technologies into local jurisdictions' planning processes.

Smaller cities and unincorporated communities will have a much harder time finding the capacity to achieve higher degrees of resilience planning compared to their larger counterparts. This is especially true

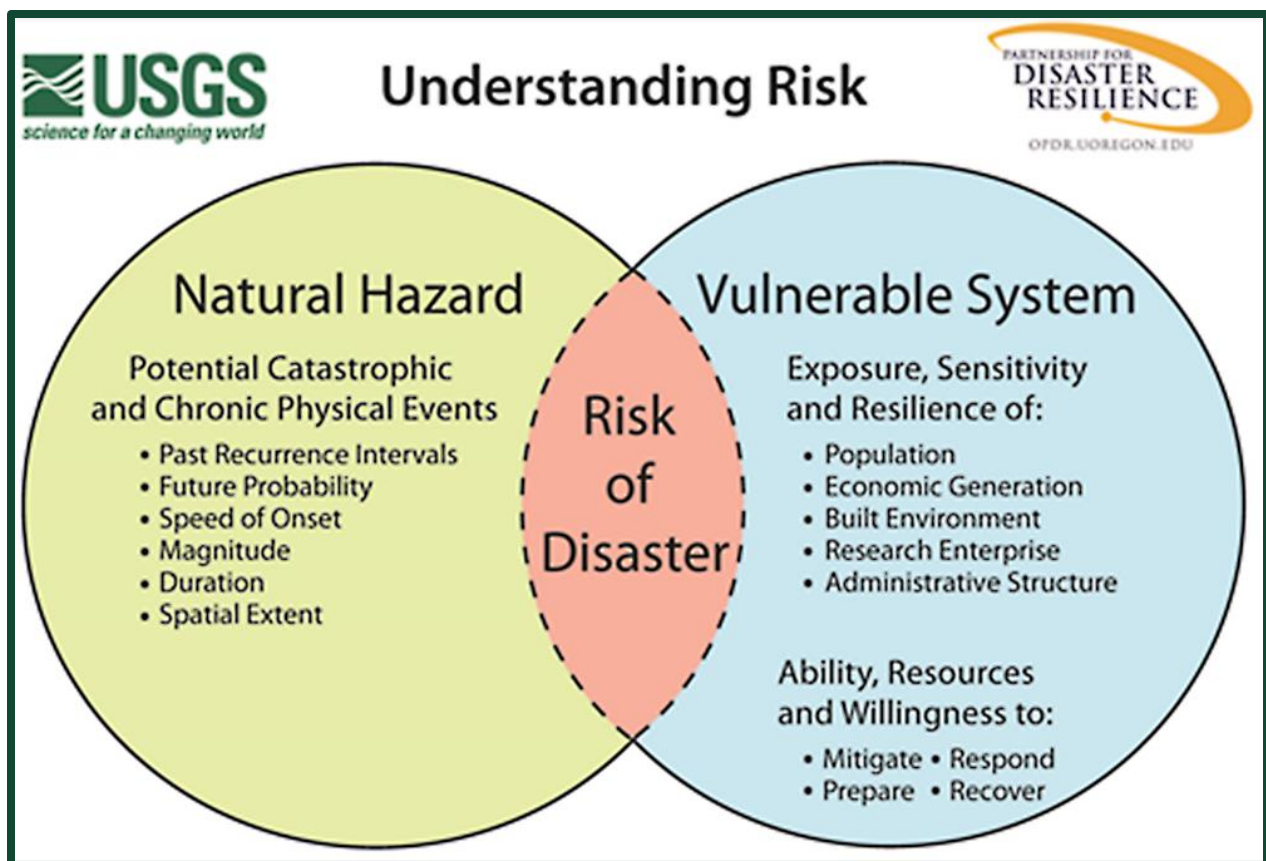
³¹ DeAngelis, J., Briel, H., & Lauer, M. (2019). *Planning for Infrastructure Resilience* (PAS Report 596). American Planning Association.

³² Governing Institute (2018). *Modernizing America's Infrastructure*.

when revenues are low, deferred maintenance costs are rising, and the populace has a hard time seeing the value in spending money to “overbuild” infrastructure for disasters that appear unlikely to happen. Unfortunately, full awareness and appreciation of natural hazard risks is not clear to many until after the disaster has happened, at which point all resources are tied up in recovery, response, and repair.

Infrastructure outcomes that advance resilience to natural hazards and climate change can be achieved by targeting funding guidelines for federal and state grant and loan programs.

In the same way that grant and loan funding guidelines can encourage infrastructure projects that more directly result in economic development, funders can prioritize climate change and natural hazards resilience in their funding guidelines to encourage more resilient infrastructure systems. By scoring applications based on the resilience outcomes they would achieve, state and federal policymakers can encourage communities to incorporate resilient components into the design and engineering of their infrastructure projects.



Conclusion

Vulnerable infrastructure is not a new concern for Oregon, but the compounding economic crises of the COVID-19 pandemic and recent wildfires makes investment in infrastructure more important than ever. Investment now can alleviate some of the economic impacts facing Oregonians, but assistance from the federal and state governments is critical.

Current sources for infrastructure funding are inadequate. Additional investment will help, but by streamlining application processes for funding, encouraging regional collaboration, and committing to “out-of-the-box” thinking, communities will be better equipped to tackle their infrastructure needs.

Resilient, well-maintained infrastructure, including an extensive broadband network, is necessary for any jurisdictions looking to develop and attract businesses. Oregon can also install and maintain important infrastructure that does not threaten environmental conservation. Funding guidelines targeted at economic development are a powerful tool that federal and state agencies have at their disposal to leverage economic development outcomes.

Communities around the state are struggling to fund maintenance and capital improvements to infrastructure systems and are stuck in a cycle of mounting costs, which will only be made worse by the economic effects of the COVID-19 pandemic. Those rising costs are causing many jurisdictions to sacrifice resilience outcomes and more durable technologies that will have a longer-term payoff because the initial project cost is too high to bear. Small communities are struggling the most and more opportunities for additional technical assistance in planning, funding, and managing infrastructure systems can only help. Additionally, prioritizing resilience in scoring funding applications for infrastructure policies can help state and federal agencies to make sure local jurisdictions are looking seriously at infrastructure resilience.

To address the state’s infrastructure issues, government at every level and private stakeholders must collaborate closely. Those planning efforts must achieve multiple objectives, including economic development and resilience. That collaboration, combined procurement, and new infrastructure technologies will help communities get closer to their infrastructure goals, but now is also the time for sizable investment in infrastructure from the federal and state governments. Additional funding will be invaluable in recovery from the economic recession caused by the COVID-19 pandemic and will have increasing returns that make us more resilient to any new challenges in the coming years.

Date: December 3, 2020

To: Daniel Holbrook, Business Oregon

From: Mark Knudson, Special Districts Association of Oregon

RE: Oregon's Critical Infrastructure Leadership Roundtable

Thanks again for the opportunity to participate in the Infrastructure Leadership Roundtable on November 19. In preparation for the Roundtable, I polled some of my peers at special districts to compile ideas that might be relevant. Below is the summary of their comments. I was able to mention several of these ideas during the breakout session, but due to time constraints, some of the ideas were left "on the cutting room floor."

(1) How Oregon can make immediate, long-term investments in Oregon's critical infrastructure systems?

- Establish a state program that mirrors WIFIA repayment terms (30 yr repayment starting up to 5 yrs after project complete; debt service based on timing of draws rather than full loan award) – include incentives for projects that address defined objectives and priorities (e.g., regulatory compliance and resiliency)
- Consolidate state-wide funding programs into a single organization to better focus on state-wide needs and priorities rather than treating each sector as a special interest and pitting those sectors against each other (e.g., break down silos; water vs wastewater vs broadband vs public works - previous recommendation of IFA funding task force). Provides consistent process, criteria, programs and focus on state-wide priorities ... Currently, each agency has separate mandates and priorities.
- Establish a pre-loss mitigation program for state ... similar to FEMA BRIC program (e.g., funding as percentage of disaster relief paid in the previous year) to create a funding source for infrastructure resiliency. Like BRIC, coordinate with natural hazard mitigation plans.
- Fund Natural Hazard Mitigation Plans for counties and/or jurisdictions that current lack them so communities can qualify for FEMA BRIC funding.
- Make available low-interest loans or grant money; these kinds of projects create high value professional consulting (design, permitting) and construction jobs, as well in our case allow our agency to grow.
- Identify approach that will reduce American Iron & Steel requirements for loans & grants (see below)
- Support organizations with greatest need; many smaller organizations don't have experience or capacity for successful with grant application writing; agencies with the greatest needs can least afford funds to write a winning grant application. Streamline initial application process to keep it simple; highlight needs and benefits but allow vetting by experts to find best investments.
- IFA could be more aggressive in leveraging its existing portfolio of loans into new funding ... it's complicated and would require expertise that someone like Pat Clancy could provide.
- Modify existing programs to better accommodate funding for larger projects to fill "doughnut hole" between typical small community projects and big projects that fit programs like WIFIA. IFA is currently structured to provide funding for projects generally less than ~ \$10 million; find ways to fund mid-sized \$20-30 million projects without federal process like WIFIA. Maybe something like a legislatively established bond program for specific projects or groups of projects that are selected by expert panel. (again, Pat Clancy may have insights)

(2) What strategies would streamline the design, permitting, and construction process to reduce the time it takes to provide critical infrastructure to communities?

- Increase thresholds for QBS and/or simplify QBS process. Professional services procurements add time and expense to projects – this isn't all bad and competition is good but having pricing with proposal would enhance competitiveness of proposals and expedite awards.
- Encourage regional strategies; leverage economies of scale to provide greater benefits at lower cost per resident or customer (see the white paper: "... we should promote collaboration between government, industry and academia. Encouraging municipalities and special districts to collaborate can reap significant cost-savings.") Need to find legislative fix(es) to protect interest of cities and special districts in partnerships since interests of cities and special districts not always in alignment and, in some cases, can discourage investment.
- Consider establishing state "clearinghouse" of owner's agents and/or design-build firms to manage projects and programs for smaller organizations that don't have capacity in-house. Smaller communities may lack the knowledge of project implementation. Provide funding resources to support project manager selection and development of project management plan.
- Provide coordinated clearinghouse for project planning resources ... essentially modeled on "design-build, alternative project delivery" but specifically limited to planning and permitting. Planning, permitting and funding for projects can take years. Encourage coordinated teams and/or firms to provide project planning and permitting to result in faster delivery, reduces risks, optimizes benefits of investments by providing incentives to coordinated projects and funding for coordinated planning work. Also allows for prioritization of public resources based on state-wide needs and priorities rather than who writes the most compelling grant application.
- Establish a "one-stop process" for local, state and federal permitting; infrastructure projects often span a number of jurisdictions, so the permitting approval process often defines the critical path. Smaller communities often lack the knowledge of project implementation, and/or resources to develop project permitting plan and permitting strategies.
- Make investments in support systems by local service providers and state/fed agencies
 - Local service providers: fund public education programs to achieve educated and supportive public that support master plans, rates that support investments, public communication and outreach, financial standards, engineering/design standards, etc
 - Contractors: support trade associations and apprentice programs to have qualified contractors and trained staff
- Reduce American Iron & Steel requirements for loans & grants ... not an all-or-nothing proposition; just reduce to ~ 70% to simplify and speed construction, generate jobs and keep costs competitive
- Streamlining shouldn't compromise the need to complete due diligence to make sure investments are made in the right places for right things. Investments should reflect regional resilience and importance based on state-wide priorities.

(3) Other ideas

- Infrastructure works as a system so investments need to be made on a systems perspective – e.g., we can invest heavily on resiliency of water systems but if we don't also invest in resiliency of wastewater systems or energy or communications, we still face huge public health risks ... and inability to restore businesses and industries ... after a large earthquake.

Oregon's Critical Infrastructure Leadership Roundtable

Comments from Oregon Special Districts

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- Emphasis should be on creating shovel-ready projects to respond to opportunities for federal stimulus funding if/when it occurs. That's why comprehensive priorities, support for project planning, incentives for regional solutions AND consolidation of state funding programs work together to maximize societal benefits of investments in public infrastructure.
- Create a legislatively established bond program that targets state-wide priorities – for example, a new water seismic resiliency program (comparable to existing school seismic resiliency program) that would include groups of projects with common objectives (improved resiliency of critical infrastructure) with specific projects selected by expert panel based on program goals, readiness, benefits and other criteria.

Contributors:

- Mark Knudson, SDAO
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- Jason Rice, Oak Lodge Water Services District
- Brian Stahl, Rockwood Water PUD
- Carrie Pak, Tualatin Valley Water District
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