



Economic Revitalization Team

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Ray Naff

Intergovernmental Relations Director
Governor's Office

Gabrielle Schiffer

Special Projects Coordinator
Economic Revitalization Team

Executive Summary

House Bill 2011 was passed by the 72nd Legislative Assembly to focus state agency resources toward activities that improve Oregon's readiness for economic development. This legislation, renamed the Community Solutions Team the Economic Revitalization Team (ERT) and charged it with:

- Increasing the supply and marketability of industrial lands;
- Providing coordinated assistance to local government and business; and
- Simplifying and expediting state agency permitting processes.

The ERT is a seven-member team within the Governor's Office and a system-wide, collaborative and results-based approach to economic and community development. Because of its direct connection to the Governor's Office, the leadership and commitment of the eight ERT state agency directors and the statewide network of nine locally based, multi-agency regional teams; the ERT is able to achieve both statewide initiatives and local priorities.

During the interim, the ERT has made great strides toward improving the state's readiness for economic development. ERT coordination has been critical in developing and implementing the "project ready" industrial site certification program as administered by the Oregon Economic and Community Development Department (OECDD). "Project-Ready" site certification means that all the barriers that may be preventing a site from being developed have been removed and construction can begin within 180 days or less after being chosen for development.

To date, 22 industrial sites, totaling more than 1,800 acres, have been certified as "project ready." Another 18 sites are in the queue to be certified. An example of how certification can enhance a site's marketability and create jobs is Lebanon's NW Industrial Area. The site, which sat vacant for 17 years primarily because of uncertainty as to the extent of the wetlands on the site, was selected as the location for a major national retailer's distribution center four months after being certified. The recruitment is expected to employ about 350 construction workers over the next two years. It will also create between 400 and 750 full-time, family-wage jobs.

The Industrial Lands Advisory Committee comprised primarily of economic development professionals identified 25 "Opportunity Sites" of statewide significance for job creation in December 2003. To date, nine of the 25 sites have been certified. In addition to the Lebanon site identified above, "Opportunity Sites" in Canby, Klamath Falls and Salem have option on them.

In addition to increasing economic opportunity, the ERT approach has resulted in improved state agency service delivery to local governments and businesses. 95% of respondents to the 2004 OECD Customer Satisfaction Survey rated the ERT as “having a collaborative, problem solving, and customer service attitude.” 75% of survey respondents stated that ERT coordinator and regional team involvement resulted in projects completed as planned without surprises and roadblocks. Almost half say that ERT involvement enhanced their project significantly.

HB 2011 directed the ERT to expand its focus to include coordination and streamlining of agency policies, programs and processes related to economic development. The Advisory Committee on Regulatory Permitting, composed of individuals familiar with agency permit processes and procedures, worked with the eight ERT state agency directors during 2004 to identify streamlining opportunities. The ERT directors and the Office of Regulatory Streamlining are implementing a number of the ideas generated by the advisory committee, including the following:

- State agency participation at local pre-application conferences
- Increase the use of exemptions and exclusions for de minimus impact projects
- Expedite permit approval processes
- On-line permitting assistance
- Improve state/local coordination on highway access decision-making
- Increase coordination on the 404/401 removal fill permit nexus

One result of this emphasis on economic development and streamlining is an increased awareness on the part of the state’s regulatory agencies of their impact on economic development. This awareness translates into a shift in attitude away from the traditional regulatory paradigm of preventing “bad” things from happening to a new role of facilitating good projects by helping developers comply with federal and state laws protecting the environment and the state’s quality of life.

With its system-wide perspective and results-based, collaborative problem-solving approach, the ERT makes state government more responsive to the rapid changes of the global marketplace. Funding for the ERT is included in the Governor’s Budget because it.

- Helps create jobs by increasing the supply and marketability of industrial lands
- Fosters a customer service attitude toward working with local government and business which builds trust in state government, and
- Streamlines state regulatory permitting processes.

For a copy of the ERT report contact: Maryanne Engle, 503-986-6520
Or visit the ERT website at: <http://www.ert.oregon.gov>

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Introduction

The Oregon Legislative Assembly through House Bill 2011 (Ch. 800 OR Laws 2003), asked the Governor to establish the Economic Revitalization Team (ERT)

“for the purpose of coordinating and streamlining state policies, programs, and procedures and providing coordinated state agency assistance to local governments.”

In his budget speech on December 1, 2004, Governor Kulongoski pointed out that “we can’t afford to look at programs in larger system.” Transportation, land use, environmental protection, sewer/water capacity, affordable housing and workforce are all part of a larger economic development system that reaches across state agencies’ boundaries and governmental jurisdictions. This system-wide approach recognizes that adequate public infrastructure is a critical component of any successful business retention and recruitment effort.

The Economic Revitalization Team (ERT) is: a 1) a seven-member team¹ within the Governor’s Office charged with improving coordination on economic development issues from a system-wide perspective; and, 2) a results-based approach to economic and community development that achieves both statewide initiatives and local priorities. The ERT, the eight ERT state agency directors² and the nine multi-agency regional teams active statewide are the coordination and streamlining mechanism for the ERT approach to economic and community development.

¹ The Governor’s Intergovernmental Relations Director leads the ERT, which is composed of five regional coordinators located throughout the state in Milton-Freewater, Madras, Central Point, Beaverton and Salem. The two remaining team members work with the Governor’s Advisors, state agency directors and agency liaisons to the ERT on system-wide policy and administrative issues related to economic development.

² Referred to in HB 2011 as the “regulatory efficiency group” the eight ERT directors lead the following state agencies: Oregon Economic and Community Development Department (OECDD), Oregon Department of Transportation (ODOT), the Department of Land Conservation and Development (DLCD), the Department of Environmental Quality (DEQ), the Department of State Lands (DSL), the Oregon Department of Agriculture (ODA), Oregon Housing and Community Services (OHCS) and the Department of Consumer and Business Services (DCBS).

“We can’t afford to look at programs in isolation...we need to look at them together as part of a much larger system.”

- Governor Kulongoski

The ERT is a seven-member team within the Governor’s Office and a system-wide, collaborative and results-based approach to economic and community development.

At the local level, the ERT has developed multi-agency regional teams to assist local governments and businesses with job creation.

At the statewide level, the ERT works with the state agency directors to improve the state's competitiveness in the global marketplace by ensuring that our regulatory system provides a world-class business climate and quality of life. At the local level, the ERT has developed multi-agency regional teams to assist local governments and businesses with job creation by:

- Removing barriers to development
- Coordinating state agency investment and
- Expediting permitting processes.

With a focus on state agency coordination, multi-jurisdictional collaboration, public-private partnership and customer service, the ERT system-wide approach permeates the economic development agenda of both the Legislature and Governor. Key elements of this approach as outlined in HB 2011 include:

- Refocus the Oregon Economic and Community Development Department (OECDD) to business development and job creation
- Develop a "project ready" industrial site certification program within OECDD (<http://www.econ.state.or.us/IC.htm>)
- Identify 25 industrial "Opportunity Sites" with statewide significance for job creation and bring those sites to "project ready" status (Industrial Lands Advisory Committee report (<http://www.econ.state.or.us/ILACRpt2003.pdf>)
- Simplify, coordinate and expedite regulatory permitting processes (Advisory Committee on Regulatory Permitting report (<http://www.ert.oregon.gov>)
- Develop a comprehensive economic development strategy for the state (State Economic Development Strategy – <http://www.econ.state.or.us>)
- Study the conversion of industrial lands to other uses (see Conversion Committee report – (<http://www.dlcd.state.or.us>)

Purpose and Organization of this Report

This report provides information on the activities undertaken by the ERT and the “regulatory efficiency group”³ during the interim. The information in this report is organized under the following three interrelated topic areas:

- I. Increase the supply and marketability of industrial lands
- II. Provide coordinated assistance to local government and business
- III. Simplify and expedite state agency permitting processes

Activities for each topic area are summarized followed by a short description of the role of the ERT and comments and observations. Case studies that demonstrate impediments to efficient economic development and the types of problems encountered in coordinating agency functions on economic development are incorporated into each topic area where appropriate. The report concludes with accomplishments and recommendations regarding the future of the ERT. Brief descriptions of individual state agency actions to support economic development as directed by HB 2011 are attached as Appendix A.

³See foot note 2 - the ‘regulatory efficiency group’ are referred to as the ERT directors.

I. Increase the Supply and Marketability of Industrial Lands

The Industrial Lands Task Force, in its October 2003 report to Governor Kulongoski, concludes, “There is a critical shortage of industrial lands in key parts of Oregon, to meet both immediate and long-term needs.” The Task Force report identifies the following locations as appearing to have both short-term and long-term (20-year) supply shortages: Portland metro, Salem-Keizer, Eugene-Springfield, Bend and Pendleton. The Task Force Report is available at: www.ert.oregon.gov/Gov/ERT/pdf/industrial_lands_taskforce_report.pdf

The following statement by Dick Sheehy, site selection consultant with Industrial Design and Construction (IDC), illustrates how a shortage of developable industrial land impacts the state as a whole:

“We cannot facilitate the growth of jobs and stimulate the economy if industry has nowhere to expand and invest. Job creation is how we will keep our quality schools and quality of life at the levels Oregonians expect.”

Increasing the supply of marketable industrial lands will help position the state for prosperity by making the state more competitive to businesses looking to expand and locate in the Northwest. Given state government’s reliance on income tax for funding needed services, an opportunity exists to increase state revenues by creating a ready supply of land for job creation.

During the interim, the ERT provided leadership on the following efforts to increase the supply of marketable industrial lands:

- Develop and implement the “project ready” industrial site certification program in partnership with OECDD
- Ready 25 “opportunity sites,” as called for in HB 2011, for development.
- Redevelop Former or Existing Industrial Sites

Support for these three overlapping efforts to increase the supply and marketability of the state’s industrial land is

“There is a critical shortage of industrial lands in key parts of Oregon, to meet both immediate and long-term needs.”

- Industrial Lands Task Force

“...Job creation is how we will keep our quality schools and quality of life at the levels Oregonians expect.”

- Dick Sheehy

“...the absence of a certification program means that communities are more likely to be ill-prepared to capture economic opportunities.”

- Site selection consultant

included in the Governor’s Budget as a \$60 million recapitalization of OECDD’s Community Development Fund. Specific allocation of Community Development Funds to two OECDD managed programs – the Special Public Works Fund (SPWF) and the Brownfields Redevelopment Fund (BRF) - would directly assist with financing needed for site preparation and infrastructure improvements essential to the development of both publicly and privately owned industrial sites. Specifically, SPWF loans and grants can be used to ready industrial sites for development by constructing needed infrastructure improvements, clean up contamination and provide technical assistance to local communities. BRF loans can be used to assist with redeveloping former or existing privately-owned industrial sites seeking difficult-to-secure environmental cleanup financing.

Each of these three efforts to increase supply and marketability of industrial lands is separately summarized below:

“Project Ready” Industrial Site Certification Program

The industrial site certification program is the centerpiece of Governor Kulongoski’s “Shovel-Ready” Initiative. Signed in February 2003, Executive Order 03-02 directs the ERT, then called the Community Solutions Team (CST), to implement the initiative as its first priority. The Oregon Legislature with HB 2011 supports the Governor’s actions on increasing the state’s supply of marketable, ready-to-develop industrial land.

Industrial certification is a leading national trend in site selection that gives site selectors confidence that a site will meet their development requirements. Oregon is one of only three states with an industrial site certification program.⁴ According to a nationally recognized site selection consultant,

“...the absence of a certification program means that communities are more likely to be ill-prepared to capture economic opportunities.”

⁴ New York and Pennsylvania are the other states with certification programs.

Site certification means that construction can begin on a site within 180 days (six months) or less after being chosen for development (i.e. “project ready”). In order to be certified, a site undergoes an evaluation process that identifies and removes potential barriers to site development. In addition to resolving issues that may prevent a site from being developed, certification assembles together all the documentation needed by businesses considering the purchase or lease of a site. OECDD community development staff helps local jurisdictions and businesses assemble certification binders for each site. A copy of the completed binder is then sent to the third party verifier hired by OECDD to conduct site visits to verify how the information provided for each site plays out on the ground. Another copy of the binder is given to the property owner upon certification. OECDD also retains a copy for recruitment purposes.

An example of how certification can enhance a site’s marketability is Lebanon’s NW Industrial Area. The site, which sat vacant for 17 years primarily because of uncertainty as to the extent of the wetlands on the site, was selected for the location of a major national retailer’s distribution center within months of being certified. The company’s real estate manager, impressed with the quality of the data contained in the site’s certification binder (which included copies of a wetlands delineation study and the results of a Phase 1 Environmental Assessment) made the following comment,

“You cannot put a dollar value on having that work done in advance. Don’t let anyone ever tell you that it was not money well spent...the work you provided gave our engineers a big head start on evaluating the site and really helped move this site forward in our process.”

To date, 22 industrial sites, totaling more than 1,800 acres, have been certified as ‘project ready.’ Another 18 sites are in the queue to be certified (list of certified sites is attached as Appendix B). OECDD is on track to meet the performance measure goal of certifying 50 sites by June 30, 2005.

“Project-Ready” site certification means that all the barriers that may be preventing a site from being developed have been removed and construction can begin within 180 days after being chosen for development.

“You cannot put a dollar value on having that work done in advance. Don’t let anyone ever tell you that it was not money well spent...the work you provided gave our engineers a big head start on evaluating the site and really helped move this site forward in our process.”

- Major national retailer’s real estate manager

HB 2011 “Opportunity Sites” with Statewide Significance for Job Creation

HB 2011 charged the Director of OECDD with convening an advisory committee composed of representatives “who are knowledgeable about the need for, and requirements of, industrial and traded sector development within the state” to assist OECDD and the ERT in identifying 25 industrial sites with statewide significance for job creation.

The Industrial Lands Advisory Committee identified 25 “Opportunity Sites” in December 15, 2003. A copy of the Advisory Committee’s report is available at: www.econ.state.or.us/ILACRpt2003.pdf. The committee made their selection from a larger pool of 55 industrial sites identified by OECDD’s Business Development Officers (BDOs), in consultation with ERT coordinators and regional teams, as sites with regional or statewide potential for job creation. The committee was guided in their selection process by the following factors as outlined in HB 2011:

- Size that meets the market needs of industrial and traded sector businesses
- Ownership patterns that would enable efficient development
- Within a jurisdiction of a local government that shows a willingness to cooperate with siting new development
- Accessibility to public facilities and infrastructure
- Few or manageable environmental constraints
- Zoning that allows, or can allow in a reasonable period of time, for development

Although the 25 “Opportunity Sites” identified by the advisory committee total more than 3,300 acres, the committee noted that the limitation of the above guiding factors made several sites that might be attractive to large employers ineligible for consideration. The report went on to express concerns over the apparent dearth of sites currently available for industrial development in and around Portland and along the I-5 corridor between Portland and Salem. This concern is based on the economic importance of the Portland metropolitan area to the state economy and the projected growth in the Portland and Salem metropolitan areas over the next two decades.

The Lebanon site, an “Opportunity Site” which was certified as “project ready” in October of 2004 underscores the market desirability of close proximity to the I-5 corridor. Attracting the company to Oregon represents a major accomplishment in light of larger communities in California, Nevada and Washington who actively pursued this project. According to the building permit application filed with the City of Lebanon in January 2005, the proposed distribution center will be a 1.3 million square foot facility, which would make it one of the three largest buildings in Oregon. Over the next two years, construction of the facility is expected to employ about 350 workers. It will also create between 400 and 750 full-time, family-wage jobs in an economically distressed community. The recruitment, once it becomes final, will significantly reduce Lebanon’s unemployment rate, which has ranged from 9% - 13% in recent years. In a thank you letter to Governor Kulongoski, Lebanon Mayor Ken Toombs notes,

“I want to thank you for your support and that of the Economic Revitalization Team (ERT), OECD and DSL for...play[ing] key roles in preparing the site for development as well as marketing this site, and the state of Oregon, to the company.”

To date, nine of the 25 “Opportunity Sites” have been certified as “project ready” (List of “Opportunity Sites” is attached as Appendix C). The remaining “Opportunity Sites,” with the exception of the Opus site in Woodburn and Juniper Ridge site in Bend, are on track to be certified in 2005. The Opus and Juniper Ridge sites need significant investment in transportation and other infrastructure as well as local planning processes and land use actions before they can be ready for certification. A case study of the Juniper Ridge site, attached as Appendix D, outlines progress to date as well as barriers that still need to be removed to ready the site for development.

In addition to the Lebanon site identified earlier, “Opportunity Sites” in Canby, Klamath Falls and Salem have signed options on them.

To date, nine of the 25 “Opportunity Sites” have been certified as “project ready.” Four of the sites have signed options on them.

“I want to thank the Economic Revitalization Team, OECD and DSL for...play[ing] key roles in preparing the site for development as well as marketing this site, and the state of Oregon, to the company.”

***-Mayor Ken Toombs,
Lebanon***

Redeveloping Former or Existing Industrial Sites

Recognizing that redevelopment and reuse of former or existing industrial sites is an important part of the industrial land supply equation, the ERT directors approved an Industrial Brownfields Redevelopment Strategy in April 2004 (Appendix E). Cleanup and reuse of industrial brownfields⁵ will increase the supply of industrial lands by bringing existing industrial land back to productivity. Redeveloping industrial brownfields has a number of advantages including:

Cleanup and reuse of industrial brownfields will increase the supply of industrial lands by bringing existing industrial land back to productivity.

- Lower cost of providing services to the site because of the presence of existing infrastructure (roads, power, rail, sewer, and water service).
- Community acceptance of industrial uses on the property.
- Conservation of the state's resource lands including agricultural and forest uses.
- Increase of local tax revenue by bringing underutilized or vacant properties back to taxable use.
- Reduced health and environmental risks to communities as a result of cleanup
- In some cases, liability relief to local jurisdictions and property owners.

The Strategy is a joint venture between OECDD, the Oregon Department of Environmental Quality (DEQ) and the Department of Land Conservation and Development (DLCD) and is implemented through collaborative partnerships at the local and state level. These agencies, the ERT coordinators and regional teams work with local jurisdictions, industrial property owners and other interested partners to identify industrial brownfield sites with market reuse potential for industrial employment.

For liability reasons, no statewide list of industrial brownfields sites exists; however; on a voluntary basis local jurisdictions, property owners and other interested individuals have identified properties as varied as:

- former Joseph Timber/Sequoia Timber Mill site in Wallowa County;

⁵ An industrial brownfield is a previously used industrial site with concerns over actual or perceived contamination.

- 2 acre site located in the City of Lowell's core downtown area
- recently closed Ochoco Lumber Company Mill Site in Prineville;
- former petroleum bulk plant property situated at the gateway to the City of Hermiston
- former pesticide plant in northeast Portland

Recent estimates indicate that there are approximately 1,365 identified, uncharacterized brownfields sites in the state. OECDD estimates that approximately 341, or 25% of these sites, are industrially zoned properties. Anecdotal evidence from environmental industry experts indicates that, based on a breakdown of brownfields activities and associated costs, the funding need can be estimated at over \$60 million for clean up. It should be noted that not all industrial brownfields will be redeveloped for industrial use.

OECDD currently manages two programs to assess and clean-up brownfields – the Brownfields Redevelopment Fund (BRF) and the Oregon Coalition Brownfields Cleanup Fund (a \$1.5 million EPA-funded program). These programs can provide financing assistance to municipalities, private property owners and non-profits seeking to redevelop industrial-zoned brownfields properties. Currently, the BRF is the program with more flexible funds; has \$8,000 available for projects for the remainder of the 2003-005 biennium.

... ERT coordination has been critical in developing and implementing the certification program as administered by OECDD.

ERT Role in Readying Industrial Sites for Development

Because readying a site for development is a multi-agency, state/local and public/private effort, ERT coordination has been critical in developing and implementing the certification program as administered by OECDD. To illustrate the multi-faceted nature of certification, a short list of the information that needs to be characterized and documented for each site follows:

- Ownership and price
- Sewer/water infrastructure capacity
- Utility and telecommunications service
- Transportation access and capacity
- Potential contamination
- Land use and zoning designation
- Wetlands

- Presence of Threatened and Endangered Species or Cultural Resources
- Telecommunications and utilities capacity

The ERT played a pivotal role in coordinating and implementing agency review processes which are incorporated into the certification application (available at: <http://www.econ.state.or.us/ICapp.pdf>) and documented in a site's certification binder. Coordination of agency review processes extended beyond the eight ERT agencies to include Oregon Fish and Wildlife (ODFW), the State Historic Preservation Office (SHPO), Oregon Water Resources, the Tribes, and in some cases, federal partners such as the US Army Corps of Engineers (USACE) and US Fish and Wildlife (USFW). The Governor's Intergovernmental Relations Director and the ERT Special Projects Coordinator worked with OECD and the state agency directors and liaisons to the ERT on resolving interagency issues related to certification. The ERT also facilitates communication and information sharing on agency activities that have the potential to impact economic development from a system-wide perspective.

On the ground, the ERT regional coordinators and the nine regional teams provide the venue for site-specific coordination on industrial lands. Organized around the state as part of the original CST effort, these multi-agency regional teams are composed of field staff from the ERT agencies as identified in HB 2011 (contact info for regional teams is available at: <http://www.ert.oregon.gov/Gov/ERT/offices.shtml>). These locally-based teams are the coordination and problem solving mechanism that brings together state agencies, local government and property owners to remove barriers, leverage investments and expedite permitting processes on individual sites.

...the ERT coordinator and regional teams also identify and seek solutions to issues that many sites may share in common.

In addition to removing barriers to development on specific sites, the ERT coordinator and regional teams also identify and seek solutions to issues that many sites may share in common. Wetlands, especially for industrial sites in the Willamette Valley, are a common barrier identified by the ERT regional coordinators. With help from the ERT and OECD, the Department of State Lands (DSL) piloted two projects, in Lebanon and Sutherlin, to resolve state and federal wetlands permitting issues in advance of

development. These pilot projects resulted in changing DSL's standard practice of responding to specific requests at the time of development to now extending technical assistance for advance wetlands planning for industrial sites seeking to be certified. The pilots are a collaborative partnership between state agencies, the property owners and the local jurisdiction. John Hitt, City Administrator for the City of Lebanon had the following words of praise:

"This partnership has enabled the City of Lebanon to make substantial progress toward making our industrial sites truly 'shovel-ready.' We believe that this project sets a pattern for others to follow and demonstrates the effectiveness of interdepartmental and intergovernmental cooperation."

Given the state's current budget limitations, wise use of public dollars is paramount. The ERT and regional team involvement in a project ensures that state resources are coordinated and leveraged to the greatest extent possible. An example of how the ERT is maximizing and leveraging public funds in support of economic development is with transportation dollars. The ERT worked closely with the Director of the Oregon Department of Transportation (ODOT) and the Freight Advisory Committee to align and leverage needed transportation infrastructure improvements for industrial sites with OTIA III and freight mobility projects whenever possible.

The Mill Creek site in Salem provides a great example of how limited transportation dollars are being used to increase the marketability of industrial lands. The Oregon Department of Transportation's (ODOT) planned improvements to I-5 in southeast Salem and the Kuebler interchange are being coordinated with the phased development of this 500 acre "Opportunity Site." Scheduled to be certified in 2005, Phase 1 of the site already has a signed option from a national retailer for a distribution center.

"This partnership has enabled the City of Lebanon to make substantial progress toward making our industrial sites truly 'shovel-ready'. We believe that this project sets a pattern for others to follow and demonstrates the effectiveness of interdepartmental and intergovernmental cooperation."

- John Hitt, City Administrator, Lebanon

Comments and Observations on Increasing the Supply of Industrial Lands

The ERT's collaborative problem solving approach to economic and community development is central to the success of the certification program. The certification program remains a work in progress. Refinements and improvements to the certification application as well as review and documentation processes are continuing.

Readying an industrial site for certification has increased awareness for state and local government and property owners of what makes a site attractive from a market perspective and what needs to be in place in order to develop within 180 days.

Involvement in the certification program was a cross-training opportunity for managers and staff that not only increased awareness of how agency programs and processes impact one another, but also how each agency impacts economic development.

Certification has also been a labor-intensive effort for state agencies, local jurisdictions and property owners. For state agencies, the work of developing and implementing review processes, which in many instances involved site visits, took many hours of staff time. Staffing the certification program was especially challenging for OECDD, which has lost more than 30 employees since 2001 without any reduction in program responsibilities. This staffing shortage, along with key staff turnover within the certification program itself, slowed the development and initial implementation of the certification program.

In some instances, working with local governments to make industrial sites ready for development has been hindered by the lack of local staff capacity and resources. This issue is not new or surprising given that 168 (70%) of the state's cities have populations of 5,000 or less. Many small cities cannot afford to employ a planner and must rely on contract services or the support of a local council of governments (COG) if one is available. State agencies have responded to this issue by providing technical and financial assistance through the ERT framework but more assistance is needed than is available.

Also, land use processes such as annexations, urban growth boundary expansions, comprehensive plan amendments, or zoning code amendments are sometimes required to qualify an industrial site for certification. These processes often require time consuming and/or expensive technical analysis. Completing this work quickly can be difficult in communities with capacity shortages. In addition, local ordinances and state statutes often require public involvement procedures

and timelines for approval. These timelines and procedures add to the total time it takes to certify an industrial site.

The experience of working together on industrial site certification brought to the surface how state agency programs are often developed in relative isolation from one another. Involvement in the certification program was a cross-training opportunity for managers and staff that not only increased awareness of how agency programs and processes impact one another, but also how each agency impacts economic development. Brief descriptions of how individual agencies are supporting economic development are included in the June 2004, first annual report to Governor Kulongoski on Executive Order 03-02 (http://governor.oregon.gov/Gov/ERT/pdf/gert_eo_2004.pdf). Agency actions in support of economic development directly related to HB 2011 are summarized in Appendix A.

Removing barriers to development is challenging because barriers can take many forms and require investment of both time and money to remove. Removing barriers to development can range from thousands of dollars for expanding the Urban Growth Boundary (UGB) or developing a plan for avoiding or mitigating wetlands impacts to millions of dollars for improving a highway interchange or upgrading a sewer system.

Recapitalization of OECDD's Special Public Works Fund, as called for in the Governor's Budget, is critical because most of the 22 sites certified to date represent the "low hanging fruit." For the most part, these initial sites were existing sites already zoned industrial that did not require land use actions, significant investment in infrastructure or resolution of complex environmental issues to qualify for certification. Readyng industrial sites for development may become increasingly resource intensive and time consuming as the relatively easy to develop sites are either certified and/or developed. A number of the "Opportunity Sites" need significant investments in infrastructure and local planning processes before the site can be marketed or developed.

And finally, for the more rural parts of the state, increasing the supply of industrial lands may be only a small piece of a more diverse economic development strategy. This is especially true along the Oregon coast where geography, the growth of tourism and an aging demographic combine to make industrial development more challenging than in other parts of the state ("Challenges to Industrial Development along Oregon's Coast" is attached as Appendix F).

Removing barriers to development requires investment of both time and money.

II. Provide Coordinated Assistance to Local Government and Business

Local government and businesses value the multi-agency framework and the collaborative problem solving approach put into practice around the state by the ERT coordinators and the network of nine multi-agency regional teams. To illustrate, Clatsop County Commissioner Lylla Gaebel, former chair of the Northwest Area Commission on Transportation (NWACT), and a person who understands that transportation is a key piece of the larger economic development system for the north coast, writes to Governor Kulongoski that

“The Economic Revitalization Team is proving to be an extremely successful resource in streamlining transportation decision-making and communication in NW Oregon.”

“The Economic Revitalization Team is proving to be an extremely successful resource in streamlining transportation decision-making and communication in NW Oregon.”

-Lylla Gaebel, Clatsop County Commissioner

The ERT has also earned endorsements from the League of Oregon Cities (LOC), the Association of Oregon Counties (AOC), the Oregon Ports Association and the Special Districts Association.

During 2004, the ERT state agency directors increased coordinated assistance to local government on economic development through the following actions:

- Focused the multi-agency regional teams on economic development
- Coordinated funding for economic development and industrial lands
- Conducted outreach to local communities

Short summaries of each of these actions are included in the below.

Focusing the Regional Teams on Economic Development

With signing of Executive Order 03-02 and the approval of HB 2011, the ERT framework of ERT coordinators, agency directors, and regional teams were focused on economic development, specifically removing barriers to development, to increase the supply of marketable industrial lands. To expand and clarify this shift in focus from Community

Solutions Team (CST) and livability to ERT and economic development, the ERT state agency directors tasked the regional teams with implementing three of the recommendations contained in Governor's Industrial Lands Task Force Report (Implementation Strategies are in Appendix G).

ERT director action in October 2004 expands regional team assistance to local government beyond increasing the marketability of existing industrial sites by readying them for certification. The regional teams are now working with key "ready and willing" local jurisdictions on increasing the actual supply of land available for industrial development. The implementation strategies direct each of the nine regional teams to assist local jurisdictions with solving industrial lands issues such as lack of suitable inventory as well as offering their assistance with coordinating and expediting permitting processes on economic development projects of regional or statewide significance for job creation. Each of the regional teams is in the process of incorporating these tasks into their team work plan.

It should be noted that the regional team framework is flexible and responsive to regional economic diversity. While each regional team is composed of a core membership, individual team composition reflects regional differences and needs. For instance, in the state's northwestern counties where issues with Threatened and Endangered Species are part of many, if not most, economic development projects, a staff person from the Oregon Department of Fish and Wildlife (ODFW) participates on the northwest regional team. East of the Cascades where water supply is emerging as an issue for economic development, staff from Oregon Water Resources will begin participating on central corridor and eastern Oregon regional teams starting in 2005.

While each regional team is composed of a core membership, individual team composition reflects regional differences and needs.

Coordinating Funding for Economic Development and Industrial Lands

As was pointed out earlier, removing barriers to development requires resources. The ERT website lists resources available to local government and businesses through the ERT agencies (<http://www.ert.oregon.gov/Gov/ERT/funding.shtml>). This information is shared with the League of Oregon Cities (LOC) who post information on these programs on their website where it is sorted not by agency but by topic (i.e. sewer/water infrastructure, technical assistance, planning, etc).

To help ERT coordinators and regional teams better assist local communities with economic development projects from a system-wide perspective, the ERT agencies developed a matrix that lists and describes technical assistance programs available for economic and industrial lands development across the ERT agencies. The resources available to local communities and business through regional teams are extensive and can include:

- Technical assistance on resolving local land use planning and zoning issues
- Incentives for company recruitment such as Oregon Housing and Community Services (OHCS) First Time Home Buyer program
- Expediting complex permitting issues through the Department of Environmental Quality's (DEQ) Business Response Team
- Coordinating and leveraging big ticket public infrastructure projects
- Assisting local jurisdictions with long-range economic development planning

Outreach to Local Communities

Outreach is a key component of each of the regional team work plans. Often a community will host a team's monthly meeting. These visits to local communities are a chance to introduce state agency staff to local government staff and community leaders. They are also an opportunity to discuss a community's economic development strategy and provide assistance on high priority economic development projects.

In addition to regional team outreach, the ERT agency directors paid collective visits to the following areas of the state to meet with local elected officials during 2004:

March 2	Douglas County
March 11	Lebanon, Albany and Corvallis
April 6	Prineville, Redmond and Bend
August 23/24	Burns and Madras
October 16	Rainier and Scappoose
November 8	Hillsboro and the Port of Portland

These visits helped strengthen the connection between state and local government by providing local officials the opportunity to showcase their high priority projects and familiarize state agency directors with local issues. Some visits illustrated the need for specific action or policy changes. For instance, the directors visits to Douglas County and central Willamette Valley highlighted the challenge of mitigating wetlands especially when wetlands constitute more than 50% of a site. In the case of Burns and Madras, the directors' left with a better understanding of economic and community development issues and opportunities in the more rural parts of the state and what their agencies can do to help.

In addition to meeting with city mayors, city councilors, county commissioners and state legislators as well as other local leaders, the state agency directors also met with the members of the regional teams on each of their visits around the state.

ERT Role in Providing Coordinated Assistance to Local Government and Business

The statewide framework of regional ERT coordinators and multi-agency teams brings all the elements of the larger economic development system together at the local level. Because of their direct connection to the Governor's Office and its authority, and the broad multi-agency overview this position provides, ERT regional coordinators provide leadership, coordination and facilitation on high priority statewide initiatives and local projects.

This ERT system-wide and collaborative problem solving approach to economic development is resulting in more coordinated assistance to local government and business. ERT regional coordinators are often in the position of assessing issues and identifying who needs to participate to provide resolution. This can involve brainstorming with state agencies and local governments on how to fund, leverage, and enhance a project, trouble-shooting when things go awry, and coordinating state agency follow up.

Respondents to the 2004 Customer Satisfaction Survey rate the ERT as "extremely strong on having a collaborative, problem-solving and customer service attitude." Survey

...ERT regional coordinators provide leadership, coordination and facilitation on high priority statewide initiatives and local projects.

ERT regional coordinators are often in the position of assessing issues and identifying who needs to participate to provide resolution.

results, (attached as Appendix H) which averaged 3.6⁶ , rated the ERT on the following:

They [ERT Coordinators] put a face on the faceless bureaucracy of state government at the local level.

- Having a collaborative, problem solving and customer service attitude
- Completing projects without surprises or roadblocks
- Timeliness of response or follow-up
- Increasing access to key state agency staff
- Coordinating and expediting permitting processes
- Increasing access to state, local public and private resources

In addition, 75% of survey respondents stated that ERT coordinator and regional team involvement resulted in projects completed as planned without surprises and roadblocks. Almost half say that ERT involvement enhanced their project significantly.

Comments and Observations on Providing Coordinated Assistance to Local Government

Because ERT coordinators, and in most instances state agency field staff serving on regional teams, live in the region they work in, they are familiar faces in their regions. They put a face on the faceless bureaucracy of state government at the local level. Their local availability increases access to state agencies. Local government knows whom to call when they need help, an answer to a question or a progress report on a follow up action. Contact information for the ERT and the regional teams is available on the ERT website at: <http://www.ert.oregon.gov/Gov/ERT/offices.shtml>.

“Our work with the state’s CST [ERT] is an effort to move past the concept and into the reality of a one-stop permitting system, combining federal and state regulatory systems to minimize existing timelines for industrial site readiness.”

***- Norm Smith, President
Roseburg Area Chamber
Commerce***

⁶ Survey scale is based on 1=poor and 4=excellent.

III. Simplify and Expedite Regulatory Permitting Processes

The ERT coordinators and the nine multi-agency regional teams have earned praise for coordinating state agency actions and streamlining permitting on local economic development projects. For instance, Norm Smith, President of the Roseburg Area Chamber Commerce, has this to say about his experience working with the ERT coordinator for southwest Oregon and the Coos-Curry-Douglas Regional Team on readying two industrial parks for development:

“Our work with the state’s CST [ERT] is an effort to move past the concept and into the reality of a one-stop permitting system, combining federal and state regulatory systems to minimize existing timelines for industrial site readiness.”

HB 2011 directed the ERT to expand its focus beyond increasing coordination on specific projects, to coordination and streamlining agency policies, programs and processes related to economic development. HB 2011 identifies the “regulatory efficiency group,” composed of the directors of the following state agencies, in assisting the ERT in this task.

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

Recognizing that regulatory streamlining is critical in improving the state’s business climate and gaining competitive advantage in the global marketplace Executive Order 03-01 created the Office of Regulatory Streamlining within DCBS in February 2003.

Helping businesses comply with the laws, coordinating and combining permitting processes when possible, and aligning regulatory processes more closely to business processes will have a positive effect on the state’s economy and the

Governor Kulongoski added Department of Business and Consumer Services to the “regulatory efficiency group” in order to connect his Regulatory Streamlining Initiative to the ERT effort.

state's budget. The ERT worked with the following efforts to simplify and expedite regulatory permitting processes:

- The Advisory Committee on Regulatory Permitting
- Connecting to the Office of Regulatory Streamlining

Brief summaries of these efforts follow:

Potential solutions focused on simplifying and expediting existing permitting processes so that they are more responsive to today's business and economic conditions without diminishing protection for the natural environment or compromising community livability.

Advisory Committee on Regulatory Permitting

The Advisory Committee on Regulatory Permitting expands the focus of the ERT from streamlining specific projects to streamlining processes that impact economic development. Composed of individuals familiar with agency permit processes and procedures, the advisory committee met with the eight ERT state agency directors over the summer and fall of 2004. These joint meetings focused on the following four topic areas identified by the business community as a high priority for streamlining:

- Project permit process
- Transportation infrastructure
- Water related permitting
- Public Appeals process

Topic work groups prepared short white papers for each of the topic areas that describe the problem from the perspective of the business community and identify 'potential solutions' for addressing the problem. Potential solutions focused on simplifying and expediting existing permitting processes so that they are more responsive to today's business and economic conditions without diminishing protection for the natural environment or compromising community livability.

The ERT played a staffing role to the Advisory Committee on Regulatory Permitting, which was co-chaired by the Governor's Intergovernmental Relations Director. The committee, their joint meetings with the ERT directors and the topic work group meetings were staffed by the ERT Special Projects Coordinator.

The committee report contains 17 'ideas that merit further consideration.' (<http://www.ert.oregon.gov/Gov/ERT/committee.shtml>) These ideas are the synthesis of the four joint topic oriented meetings. The ideas, which are listed below for each of the topic areas, should not be

viewed as fully developed recommendations for action. Lack of time did not allow for a thorough examination of the pros and cons of each idea or adequate public and stakeholder involvement.

Project Permit Process

1. Pre-application conferences
2. Exemptions & Exclusions for de minimus impact projects
3. Expedited Approval Process
4. On-line permitting assistance
5. Receipts Authority (fees for services)
6. Staffing assistance

Transportation Infrastructure

7. Reimbursement Districts & System Development Charge (SDC) Credit Transfers
8. Single Property Tax Increment Districts
9. Transportation Planning Rule (TPR) & Transportation System Plans (TSPs)
10. Concurrency
11. ODOT & Local Government Coordination
12. National Environmental Protection Act (NEPA) & Land Use Processes

Water Related Permitting

13. Improve nexus between 404/401 & state removal fill program

Public Appeals Process

14. Limit certain decisions to local level
15. Specific assignment of error in the Notice of Intent to Appeal (NITA)
16. Eliminate Dual Filing
17. Land Use Board of Appeals (LUBA) as Magistrates under Court of Appeals

The ERT directors and the Office of Regulatory Streamlining are implementing a number of the 17 ideas. These include the following process improvements:

- State agency participation at local pre-application conferences
- Increasing the use of exemptions and exclusions
- Expediting approval processes
- On-line permitting assistance and
- Improving state/local coordination on highway access decision-making.

To be effective with streamlining regulatory processes, a strong connection to the Office of Regulatory Streamlining is critical.

The joint effort currently underway between DLCD and ODOT to amend the Transportation Planning Rule (TPR) should provide greater clarity on the issue of concurrency. In addition, the ERT Special Projects Coordinator is continuing to work with state agency staff from DSL, DEQ, Oregon Water Resources (OWR) and the Oregon Department of Fish and Wildlife (ODFW) to improve coordination on the nexus between the federal Clean Water Act (CWA) Section 404 permit, state of Oregon removal-fill permit and the CWA Section 401 water quality certification. A case study that outlines the problems encountered by applicants as well as efforts currently underway to address these problems is attached as Appendix I.

Connecting to the Office of Regulatory Streamlining

The Office of Regulatory Streamlining, created by Executive Order 03-01 is housed within DCBS. Including DCBS as an ERT agency creates a direct connection between industrial lands and regulatory streamlining. The Office of Regulatory Streamlining is responsible for coordinating and assisting with all streamlining activities statewide not specifically addressed in Executive Order 03-01. Currently, over 300 projects have been completed or are underway. Summaries of these streamlining efforts are available at <http://www.streamline.oregon.gov>. The objective of these efforts is to make business regulations in Oregon faster, simpler, cheaper and easier with which to comply while maintaining protections Oregonians expect for consumers, workers, the environment, and public health and safety.

In addition, DCBS has instituted many improvements to electronic services in their Building Codes, Finance and Corporate Securities, and Insurance Divisions. These improvements in business information, filing and payments, form and fee simplifications allow businesses to fulfill their regulatory requirements at their convenience, saving businesses time, money and aggravation.

ERT Role In Simplifying and Expediting Regulatory Permitting Processes

As pointed out in the previous section, ERT regional coordinators work with their regional teams to devise ways of helping rather than hindering progress on local projects.

While the ERT has years of experience working with local government on coordinating and expediting agency actions on specific projects, streamlining the permitting processes themselves is a new role for the ERT.

In addition to staffing the HB 2011 Advisory Committee on Regulatory Permitting, the ERT continues to work with the ERT directors and the Office of Regulatory Streamlining on implementing a number of the permitting process improvements contained in the committee's December 2004 report.

Comments and Observations on Simplifying and Expediting Regulatory Permit Processes

HB 2011 directs the ERT to engage in both project specific problem-solving and systems analysis work for policy and program improvements. This dual role has proven to be challenging. To be effective with streamlining regulatory processes, a strong connection to the Office of Regulatory Streamlining is critical. Continuing to share information, ideas and staff findings between ERT and the Office of Regulatory Streamlining will bring about systemic improvements to regulatory permitting processes.

The leadership and commitment of the ERT directors is key to the success of the ERT approach and its efforts to streamline permitting processes. They are a communication and coordination mechanism that links the ERT agencies at the highest level. The ERT directors meet monthly to share information, take collective action, provide direction to the ERT coordinators and regional teams on complex issues encountered in the field, identify emerging policy issues for the Governor's Office and resolve policy conflicts.

Agency directors are in the position of authority to provide guidance and specific instruction to their staffs to consider the impacts of agency actions on economic development. In addition, they are in a position to promote good management practices and streamline permitting processes. The following excerpt from the HB 3120 Committee Report underscores the importance of the agency directors to regulatory streamlining,

“Agency culture changes from the top down, and often cultures must change to effectively improve regulatory processes. In short, much

“Agency culture changes from the top down, and often cultures must change to effectively improve regulatory processes. In short, much of the regulatory streamlining effort must be about good management and leadership.”

- Excerpt, HB 3120 Committee Report

of the regulatory streamlining effort must be about good management and leadership.”

It should be noted that a side benefit of the series of joint meetings between the Advisory Committee on Regulatory Permitting and the state agency directors was education. Each group gained a better understanding of the issues, challenges and constraints faced by the other. In the end they agreed that efficient and effective permit processes should have the following characteristics:

- Simple and easy to access applications
- Timelines for permits should be aligned with, and sensitive to, financial and business timelines
- Clear processes and standards that create an upfront understanding of the requirements for favorable permit decisions
- Coordinated permit processes when multiple jurisdictions regulate different elements of the same public good
- One-stop permit processes that are project oriented across jurisdictional boundaries rather than narrowly focused on a specific area of jurisdiction
- Provide a single point of contact within state government whenever possible

ERT leadership and collaboration has resulted in job creation, in an improved customer service attitude by state agency staff and streamlining of regulatory permit processes.

Accomplishments

During the interim, the ERT has demonstrated its value by promoting a system-wide and collaborative problem solving approach to economic development challenges both within state government and between state and local government. ERT leadership and collaboration has resulted in job creation, in an improved customer service attitude by state agency staff and streamlining of regulatory permit processes.

As mentioned earlier in the report, one of the 22 industrial sites certified as “project ready” is already in the process of being developed as a new regional distribution center for a major national retailer, a project that will create between 400 and 750 full-time, family-wage jobs. In addition to the Lebanon site, Canby, The Dalles, Klamath Falls and Salem have options on them with significant potential for job creation in the near term.

Beyond the certification program, ERT involvement and coordination was critical in bringing a number of economic development projects to fruition. Two examples are the North Bay Marine Industrial Park in Coos Bay and the Whetstone site in Central Point. ERT involvement in readying the Coos Bay site for development resulted in the relocation of Southport Forest Products to 30 acres of the Coos Bay site in June 2004. The relocation will keep 65 well-paying jobs on the central Oregon coast. On announcing the sale to Southport, Port Commission President Dave Kronsteiner praised the joint state/local effort to ready the site for development by commenting,

“This is a successful community–state partnership that will benefit the region.”

ERT collaboration on readying the Central Point site for development resulted in Amy’s Kitchen announcing its intention to purchase 50 acres of the Whetstone site for a new processing plant in December 2004. When completed, the new facility will create approximately 200 jobs. This project illustrates how the ERT adds value to the economic development process. When an unsuccessful relocation to the site in 2003 revealed that the extent and location of the vernal pools located on the site were creating uncertainty for developers, the ERT coordinator and DSL worked together to comprehensively assess the site and mark the location of

ERT involvement in readying the Coos Bay site for development resulted in the relocation of Southport Forest Products to 30 acres of the site in June 2004. The relocation will keep 65 well-paying jobs on the central Oregon coast.

The ERT and the regional teams have learned that early involvement in local projects often results in expediting the development process...

the pools, home to endangered fairy shrimp. DSL found that the vernal pools on this site were small enough and scattered enough that a site plan based on avoiding the pools was possible. The city surveyed and mapped the pools, which DSL later approved. In addition to avoiding and protecting the rare vernal pool habitats, this action by DSL also avoided the need for a state removal-fill permit and federal wetlands permit.

These are just some of the successes produced by the ERT collaborative approach to economic and community development. Others, including the Hot Lake Hotel Restoration in Union County, which will employ over 200 people and host over 2,500 visitors a day when it opens in 2005, are included in Appendix J. This appendix is a compilation of short case studies that highlight regulatory agency involvement in economic development projects.

...the ERT makes state government more responsive to the rapid changes of the global marketplace.

The ERT's focus on economic development and emphasis on collaborative problem solving has increased awareness by the state's regulatory agencies of their impact on economic development and resulted in better customer service. The short case studies in Appendix J indicate how this awareness is being translated into a shift in attitude away from the old regulatory paradigm of preventing "bad" things from happening to a new role of facilitating good projects by helping developers comply with federal and state laws protecting the environment and the state's quality of life.

In addition to this shift in attitude, which is difficult to legislate, the ERT is also adding value by focusing state agencies on streamlining development and regulatory permitting processes. The ERT and the regional teams have learned that early involvement in local projects often results in expediting the development process and in some cases even contributes to a better end product. Increasing regional team involvement in pre-application meetings for economic development projects of regional and statewide significance for job creation will create jobs sooner and improve the state's business climate.

The ERT involvement in streamlining regulatory permitting processes is focusing its efforts on the 404/401 removal fill permit nexus. A multi-agency effort currently underway to simplify this complex permitting process is expecting to produce results this legislative session.

Recommendations on the Future of the ERT

The ERT approach is collaboration in the pursuit of opportunity. With its system-wide perspective and results-based approach to economic and community development, the ERT makes state government more responsive to the rapid changes of the global marketplace. Funding for the ERT is included in the Governor's Budget because it:

- Helps local communities create jobs by increasing the supply and marketability of industrial lands
- Fosters a customer service attitude toward working with local government and business which builds trust in government, and
- Streamlines state regulatory permitting processes.

The ERT's reach is greater than its small size of seven staff members because of its direct connection to the Governor's Office, the leadership and commitment of the ERT state agency directors and the statewide network of locally based, multi-agency regional teams. The ERT ethic and statewide organizational structure focuses state agencies on customer service and collaborative problem solving. In short, it is a coordination mechanism that can achieve statewide initiatives and local priorities. State agency directors should continue to assist the ERT by directing staff to participate on regional teams. In addition, the directors should continue to integrate the ERT approach to economic and community development and collaborative problem-solving ethic into agency operations and processes.

Instituting broad mission goals that includes both project specific problem-solving and the systems analysis work needed to inform policy and program improvements has proven to be challenging. Funding of the Office of Regulatory Streamlining and the Office of Rural Policy, both of which are included in the Governor's budget, is essential. Sharing information, ideas and staff findings between these three allied efforts will facilitate the systemic improvements required for economic recovery in Oregon.

In short, it is a coordination mechanism that can achieve statewide initiatives and local priorities.