Expanding Oregon’s Vision for a Once-in-a-Generation Infrastructure Investment

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Abstract

Oregon will receive more than $5 billion in Infrastructure Investment and Jobs Act (IIJA) which will finance projects in more than 100 programs across state agencies, local governments, and tribes. In this paper, we argue that, rather than a job-creating road, water, and broadband bill, Oregon stakeholders should actively marshal IIJA funding as a critical building block for three of the State’s most pressing economic issues: equity, housing, and industrial revitalization.

The Opportunity

Congress passed the $864 billion Infrastructure Investment and Jobs Act (IIJA) in November 2021. The five-year initiative represents an overdue federal investment in regional economies in Oregon and across the nation. The IIJA’s aggressive implementation timetable provides advantages to states with a clear vision—and substantial prior planning—centered on the relationship between infrastructure and economic development.

The opportunity is at once simple and complex. Although the Act includes dozens of competitive opportunities and could create more than 100 new federal programs, about three-quarters of the resources, $660 billion, will pass directly to state and local governments through formula funding. And while IIJA covers a broad range of infrastructure areas, about two-thirds of resources, $591 billion, are devoted to transportation—highway, roadway, bridge, and transit programs.

The White House reports that Oregon will receive more than $5 billion in IIJA funds which will finance projects in more than 100 programs across state agencies, local governments, and tribes.¹ It’s a significant spending boost: Oregon

¹ https://www.oregon.gov/odot/IF/Pages/Governors-Infrastructure-Cabinet.aspx
state and local governments made $1.6 billion in capital outlays for highways and utilities in 2019.²

Table 1. Infrastructure Investment and Jobs Act (IIJA) Allocations to Oregon

<table>
<thead>
<tr>
<th>Infrastructure Area</th>
<th>Allocation (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernize roads and highways</td>
<td>3.4</td>
</tr>
<tr>
<td>Upgrade public transportation</td>
<td>0.7</td>
</tr>
<tr>
<td>Improve water infrastructure</td>
<td>0.5</td>
</tr>
<tr>
<td>Connect Oregonians to the internet</td>
<td>0.1</td>
</tr>
<tr>
<td>Bridge replacements/repairs</td>
<td>0.3</td>
</tr>
<tr>
<td>Other (airports, resiliency)</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.3</strong></td>
</tr>
</tbody>
</table>

The Oregon Department of Transportation (ODOT) will be a key implementing agency and anticipates spending at least $1.2 billion on a variety road, bridge, transit, footpath, bike path and climate migration projects.³ Two-thirds of the known ODOT funds are earmarked for specific projects; the remaining one-third is allocated for flexible funding. The funds will affect dozens of other programs managed by several key state agencies including Business Oregon, Oregon Housing and Community Services, Oregon Department of Environmental Quality, Oregon Health Authority, Oregon Water Resources Department, Oregon Department of Energy, Oregon Fish and Wildlife, and Oregon Department of Aviation.

In addition to the formula allocations, Oregon’s state and local governments can compete nationally for resources that will be steered to economically significant bridge investments and projects that deliver substantial economic benefits to local communities. Portland’s long-planned replacement of the Oregon-Washington Interstate 5 Bridge and the Port of Coos Bay’s Pacific Coast Intermodal Port projects are strong candidates for competitive funding.

The IIJA: Unlocking Economic Potential in Oregon’s Complex Development Environment

Infrastructure is a key economic building block, and in Oregon, a unique, statewide planning system often determines where, how, and whether it is deployed. Across Oregon and across decades, localities have navigated complex rules and secured hard-fought approvals for development. But too often, a lack of infrastructure funding has proven to be an insurmountable, final barrier. The IIJA offers a

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rare opportunity to unlock economic potential and to make investments that pay returns over decades.

Infrastructure sits at the foundation of an economy. Like human, social, and natural capital, it is a core asset supporting multi-generational economic growth. A large body of research has established the long-run benefits of public infrastructure spending and concluded that most advanced countries underinvest in it.\(^4\) Infrastructure drives economic growth by supporting land uses that facilitate productive activity. It builds community, enables social interaction, helps move goods and services to market, and provides places for people to live. The planning and deployment of infrastructure evolves over decades. Communities first identify needs in 20-year master plans. As economic opportunities come into clearer focus capital improvement plans prioritize investments in a three-to-six-year window. And then when the market is ready, a site is developed.

Through planning and the gradual addition of infrastructure, land transitions through a series of states, or transition events, that lead from greenfields to developable lots.\(^5\) In Oregon, those transitions are governed by the state’s nearly 50-year-old land use planning program. Its iconic requirement calls on every city to establish an Urban Growth Boundary (UGB) to protect resource lands outside the boundary and encourage higher density development patterns inside the boundary.

![States vs Transition Events](image)

**Figure 1. Pathways to Development Readiness – Land States and Transition Events**


The program—through its Goal 11 on Public Facilities and Services—also requires cities and counties “to plan and develop a timely and efficient arrangement of public facilities and services to serve as a framework for urban and rural development.”6 Goal 11 and its related administrative rule establish two important requirements: (1) cities and counties must adopt public facilities plans; and (2) local governments cannot allow development of sewer systems outside urban growth boundaries or unincorporated community boundaries.

While Oregon has a well-established set of planning requirements for localities, the system largely leaves the execution and funding of infrastructure to local governments. And a lack of infrastructure funding was determined to be a key barrier in greenfield-to-developable lot transitions. An analysis of Portland-area’s UGB expansions found that—14 to 18 years after the expansion— newly added areas had developed only 2.5% of their envisioned housing capacity. A subsequent, more detailed analysis of many of the same expansion areas and found that infrastructure funding and availability was a barrier to development in many of these areas.7 Similarly, on the industrial side, a lack of infrastructure leaves prime land vacant decades after its introduction into the UGB. More than 43% of respondents rated bringing infrastructure to land within UGBs as an “extreme barrier” to housing production in Oregon; another 34% rated it as a “moderate barrier.”8

The bottom line: Oregon’s highly prescribed, statewide approach to land-use and infrastructure planning, together with the devolution of infrastructure finance, has contributed to a shortage of developable residential, commercial, and industrial lots. The IIJA does not solve Oregon’s underlying land-use and financing challenges, but it does open a door to address a sizeable backlog of long-identified development opportunities in small and large communities across the State.

Ready to Act: Oregon’s Early Steps on IIJA

Oregon is known for its vision and innovation in the transportation and infrastructure sectors. The 1970s conversion of the Mt. Hood Freeway into a light rail project is part of State lore and ushered in an era of investments that elevated the importance of community vibrancy and social capital in physical capital planning. Oregon was among the best stewards of federal highway dollars in past generations9 and, with modern finance innovations like the vehicle miles tax and congestion pricing in the works, appears poised to maintain its leadership in the next. At the federal level, Oregon and the nation have been well served by Representatives

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8 Barriers to Housing Production in Oregon, Rebecca Lewis and Robert Parker, research in progress.
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Peter DeFazio, retiring chair of the House Committee on Transportation and Infrastructure and Earl Blumenauer, a national thought leader on transit-oriented development.

The State’s leadership in the area positions it well for this opportunity. Soon after IIJA’s passage, Governor Kate Brown convened an Infrastructure Cabinet to coordinate with the federal government, state agencies, and local governments. Racial equity is a priority as are meeting key federal expectations of “resilience, equity, not leaving anyone behind, labor, made in America, and climate resilience.”

The IIJA’s implementation coincides with ODOT’s recently adopted strategy, which is organized around three imperatives: a modern transportation system, sufficient and equitable funding, and equity. The plan provides a solid foundation for decision making and advances an important list of goals: economic opportunity, climate equity, facility preservation, maintenance, safety, innovative technologies, and congestion pricing. Just five months after the IIJA’s enactment, ODOT had already made good on a community engagement goal. Early feedback—assembled through a series of public meetings and online surveys—suggests the public would prioritize local street and school routes safety over better designed, maintained highways. The fresh strategy and a head start on outreach put Oregon in a good position to deploy its formula funds and win more than its fair share of competitive grants.

Broadband and water also are pressing needs. A 2020 Infrastructure white paper by the University of Oregon’s Institute for Policy Research & Engagement concluded that “many rural and urban communities alike lack basic broadband infrastructure.” A 2016 report by the League of Oregon Cities, concluded that Oregon will need to invest $7.6 billion in water quality and supply infrastructure between 2016 and 2036: $4.3 billion for water quality projects and $3.3 billion for water supply projects.

At the broadest level, the condition of Oregon’s infrastructure is deteriorating. The American Society of Civil Engineers 2019 “Report Card for Oregon’s Infrastructure” gave Oregon a C-minus grade with energy and wastewater systems receiving D grades. In short, the state is not adequately financing infrastructure to meet deferred maintenance on top of capital needs to accommodate growth.

11 Oregon Department of Transportation (November 2021) Strategic Action Plan. ODOT. Salem, OR
12 Oregon Department of Transportation (March 2022) Infrastructure Investment and Jobs Act STIP Update: Public Input Summary. ODOT. Salem, OR
Stepping Back: Infrastructure in the Context of Oregon’s Economic Recovery

Transportation and utility stakeholders will naturally plan and evaluate potential IIJA investments through their individual lenses and promote safe, equitable, well-maintained facilities that deliver quality services to users. But to make the most of this once-in-a-generation opportunity, the Cabinet and other top elected and agency officials must also put the investment into the broader context of current conditions and the economic recovery.

Emerging from the pandemic, Oregon is a middling performer with many of the same natural assets as its West Coast neighbors - but with lower incomes and a less diversified economy. Like elsewhere, the Covid-19 downturn impacted communities of color, women, and low-income workers especially hard and exacerbated already wide inequities in wealth and income. The murders of George Floyd, Ahmaud Arbery, and countless other Black Americans sparked sustained protests in Portland and put a renewed focus on the present-day consequences of the State’s unique 19th Century black exclusion law16 and other systemically racist policies that followed.

Chronically undersupplied housing has triggered an affordability crisis that has put home buying out of reach for many, further exacerbated wealth inequities, and strained household budgets. The housing shortage is the principal driver of the state’s growing and seemingly insoluble homelessness crisis. Housing affordability and homelessness are unrivaled, top public concerns.

Economic developers were recently stung by news that Intel, the state’s largest private employer, chose Ohio for a sizable chip-making investment. A national imperative on domestic semiconductor manufacturing, and on re-shored supply chains generally, has Oregon officials re-examining their complex land-use and regulatory processes.

Roads must be safe, water clean, and broadband reliable. Those are necessary but insufficient aims of the IIJA. An infrastructure investment of this scale can and should do more. Implemented well, the IIJA should be a key ingredient to an inclusive recovery that puts Oregon on a path to more broadly shared prosperity. To achieve that, the IIJA should:

**Rebuild and reconnect Oregon’s economically isolated neighborhoods and communities**

Harvard University economist Raj Chetty’s research has demonstrated the importance of place on intergenerational economic mobility. Physical isolation is a major mobility barrier, and too many low-income children in Oregon and the

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16 [https://sos.oregon.gov/archives/exhibits/black-history/Pages/context/chronology.aspx](https://sos.oregon.gov/archives/exhibits/black-history/Pages/context/chronology.aspx)
U.S. grow up in neighborhoods and schools with high poverty concentrations. Neighborhood and school segregation cuts off access to income-diverse networks, mentors, and jobs.

Oregon has a nationally relevant, rebuilding opportunity in Portland’s Albina neighborhood. Hundreds of Black families were displaced, and homes, worth an estimated $1 billion today were destroyed to make way for Interstate-5 and subsequent 1960s era construction projects. A decade-old initiative, the Albina Vision, seeks to develop a vibrant, 94-acre community within walking distance of downtown. The project enjoys strong political and philanthropic support but is complex and involves a dozen property owners. IIJA-funded investments—through both formula and competitive channels—could underwrite some or part of the initiative's concepts: a robust freeway cap, a rebuilt street grid, development of a waterfront park, and the realignment of intersecting light rail lines. The federal resources should take the initiative from blueprints into implementation.

The IIJA’s broadband monies provide thousands of more opportunities to connect isolated households to jobs, education, and medical care across urban and rural Oregon. Federal resources are sufficient to significantly improve rates of connectivity, but the newly connected communities will rightly ask—connectively at what cost and to what end? The state’s Broadband Advisory Council should develop a framework for adoption and make the case, community by community, on the importance of information communication technology.

**Contribute to the need to build 30,000 new housing units annually for the next twenty years**

Chronic housing underproduction has led to low housing vacancy rates, high prices and rents, and elevated levels of cost-burdening. A study ordered by the Legislature found that Oregon’s housing stock is underbuilt by 140,000 units and, to address legacy underproduction and accommodate anticipated population growth, localities would need to build about 30,000 units annually through 2040.

Local communities are quick to identify inadequate infrastructure as a top barrier to housing production. Hundreds of acres that have successfully transitioned into the state's constrained UGBs sit undeveloped because the lack of road, water, and sewer systems. And recent efforts to publicly subsidize affordable housing must divert dollars to build underlying infrastructure. So, an important question for IIJA investments: what can strategic infrastructure investment do to address the state's housing crisis?

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Oregon and its localities have dozens of systemic and project-level opportunities in the housing space, but the Instructure Cabinet and others will need to elevate housing as a strategic imperative. At the systemic level, architects of the state’s emerging housing production legislation are considering state-centralized infrastructure funding to expedite land development. That could take the form of a system development charge (SDC) reimbursement fund—that could backfill SDC discounts that localities provide to local housing developers. Alternatively, the State could extend existing loan and grant programs that incent commercial and industrial development into the residential sector—as recently outlined in Business Oregon’s recently released Equitable Economic Recovery Plan\textsuperscript{19}. IIJA funds would provide a meaningful initial deposit into reimbursement, loan, or grant programs and accelerate the State’s nascent production initiative.

Geographically focused opportunities exist across the State. Portland’s 82\textsuperscript{nd} Avenue, a former state highway recently transferred to city ownership, is a prime candidate for redevelopment as a major transit, pedestrian, and residential corridor. Long-idled industrial sites along the State’s rivers are prime candidates for mixed-use development, including long discussed opportunities in Springfield and St. Helens. The Southeast UGB expansion area is primed for development but lacks road infrastructure. And the State should earmark some funds to support workforce housing in rural communities across Oregon.

**Position Oregon to grow its manufacturing sector in an era of production reshoring**

The pandemic disrupted global supply chains, underscoring the importance of maintaining a strong domestic manufacturing sector. Constrained supplies of the components of Covid-19 testing kits and personal protective equipment got the attention of elected leaders and public health officials. The disruption ushered in a new era of U.S. industrial policy and reshoring opportunities. If the public and private attention to domestic industrial persists, Oregon could grow manufacturing jobs rather than simply recover. A 10-20 thousand manufacturing job increase over the decade would be a reasonable aspiration if the Biden Administration and Congress maintain a focus on industrial policy.

Oregon has evolved into a manufacturing leader during the past half century and now has an opportunity to continue to lead and grow equitably in a new era of policy and investment. Developers and business leaders, however, have long suggested that Oregon has an inadequate supply of project-ready sites for industrial and other uses. Like the housing issue, preliminary analysis indicates that inadequate infrastructure stands in the way of business growth because of an adequate inventory of project-ready sites.

\textsuperscript{19} ECONorthwest (March 2022) *Equitable Economic Recovery Plan*. Prepared for Business Oregon. Salem, OR. Page 41
Bend’s 500-acre Juniper Ridge site underscores the critical role of infrastructure in economic development. The land, targeted for industrial uses and business parks, successfully transitioned into the UGB in 2003. More than a decade later, the site sat empty and required a major sewer line. The city completed the first two phases of the project during 2020-2021, and timing of the third, final stage is to-be-determined.\(^{20}\) It will have taken at least 20 years for the site to transition from greenfield to developable lot. IIJA funding could be instrumental in helping Bend bring Juniper Ridge across the finish line while also strengthening the competitiveness of dozens of other partially developed sites.

**Conclusion**

Based on the composition of its funding, IIJA has been described as an infrastructure act with a transportation focus. The Act’s proponents clearly intended that newly supported projects create near-term construction jobs and demonstrate that a divided Congress can come together on issues of national importance. But Oregon would be well served if the vision for the IJJA were even more ambitious. Rather than a job-creating road, water, and broadband bill, Oregon stakeholders should view the Act as a critical building block for three of the State’s most pressing economic issues: equity, housing, and industrial revitalization. A shared vision around these imperatives together with well-coordinated, high-return investments would boost Oregon’s economic competitiveness and set the stage for more broadly shared prosperity.

**Author Capsule Bios**

**Robert Parker** is Director of Strategy and Technical Solutions for the University of Oregon’s Institute for Policy Research and Engagement (IPRE). Since 1989, he has managed more than 500 policy and planning analysis projects with communities and state agencies throughout Oregon. He served as Executive Director of IPRE from 2000-2020. IPRE is known widely throughout Oregon as one of the state’s critical policy analysis resources, connecting expertise of University faculty and students with communities and agencies. These relationships, as well as the vast policy analysis experience, help IPRE transform Oregon communities and organizations through research and action. He also coordinates the EDA University Center for economic development housed in IPRE.

**John Tapogna** is a Senior Policy Advisor at ECONorthwest with a focus on economic development, fiscal, housing, workforce, education, and social policy. Since his arrival in 1997, his clients have included the Bill and Melinda Gates Founda-
tion, the Lumina Foundation, the Oregon Business Council, and numerous state agencies and local governments across the United States. He served as ECONorthwest’s president from 2009-2021 and oversaw a strategy that successfully transitioned the firm to a second generation of ownership and expanded its presence along the West Coast and into the Intermountain West. Prior to joining ECONorthwest, John was an Analyst at the U.S. Congressional Budget Office and a Peace Corps volunteer in Chile.