

METRO 2021 LEGISLATIVE ISSUE IDENTIFICATION

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ISSUE: Land Readiness

BACKGROUND: Protection of farm and forest land outside the urban growth boundary requires, among other things, efficient use of the land inside the boundary. This, in turn, often requires action to make vacant or underdeveloped land ready for development. Metro has supported several strategies to accomplish this; this paper addresses two key approaches.

Brownfields: Thousands of properties around Oregon are vacant or underutilized because of known or perceived environmental contamination. These brownfield properties constitute unrealized assets with the potential to help communities meet multiple goals relating to livability, economic development, environmental protection, equity, and efficient use of land and existing infrastructure. At the local level, these vacant and underutilized properties, often located in marginalized communities, undermine neighborhood livability and can threaten human health and environmental quality. Redeveloping these sites enables local governments to generate greater tax revenues due to the increased value of the redeveloped and neighboring properties.

In 2014, Metro led the creation of the Oregon Brownfields Coalition, a group that has grown to include more than 50 public, private and community organizations seeking solutions to the problems associated with brownfields. The Coalition, which has successfully advocated for both legislative funding and policy solutions since the 2015 session, has two priorities for 2021:

- **Top priority:** Recapitalization of the state's Brownfields Redevelopment Fund (BRF), which provides grants to local governments and nonprofits, and loans to private landowners, to support brownfield cleanups; and
- **Secondary priority:** Creation of a BRF subaccount to provide forgivable loans (essentially grants contingent on performance) to private landowners to support brownfield cleanups (this proposal replaces the Coalition's previous tax credit proposal).

Industrial site readiness: Our region has many places suitable for high-paying manufacturing and other traded-sector jobs, but these sites often require investment to make them ready for new employers to develop. These investments and actions include regulatory approvals (permitting, mitigation), infrastructure (sewer, water, transportation, fill), site aggregation, brownfield cleanup, and state/local actions (land division, rezoning, annexation).

The biggest public beneficiary when these lands are brought into productive traded-sector use is the state general fund, through increased personal income tax revenues. The state thus has an interest in providing up-front financing when landowners and local governments are unable to address the constraints that keep the land from being market-ready.

RECOMMENDATION: Support (a) recapitalization of the state’s Brownfields Redevelopment Fund; (b) creation of a forgivable loan program to support cleanups of privately owned brownfields; (c) funding for partially forgivable loans to public sponsors of efforts to make industrial land market-ready.

LEGISLATIVE HISTORY: Since inception, the BRF has received \$16.5 million in state funding but was last recapitalized with \$7 million in 2015 and has now depleted all of its capitalized funds (it is operating only on loan repayments). The 2019 Legislature allocated \$5 million in lottery bond proceeds to the BRF but the sale of lottery bonds was canceled due to the COVID pandemic. Business Oregon has requested \$10 million.

The Brownfields Coalition has prioritized creation of a tax credit for brownfield since 2015, but the creation of new tax credits is politically out of favor. The forgivable loan proposal constitutes a reframing of the tax credit legislation that would address the same need, while also providing the opportunity for better cost control and better targeting of worthy projects.

The 2013 Legislature passed SB 246, which authorized Business Oregon to provide either reimbursement or partially forgivable loans to local project sponsors to support investments that could overcome constraints and make industrial sites market ready. In 2017, SB 333 amended the program to make it more workable, and the reimbursement element is in effect. However, funding has never been provided to support the forgivable loan element, which is needed for local communities that lack funding for up-front site investments.

OTHER INTERESTED PARTIES: As noted above, the Brownfields Coalition includes dozens of business organizations, local governments, and environmental and community groups. The industrial site readiness effort originated with a 2011 survey of large sites in the Portland region sponsored by the Portland Business Alliance, the Port of Portland, the Oregon chapter of NAIOP, Business Oregon and Metro. The Oregon Economic Development Association has assumed a role in coordinating this effort, which has also been supported by local jurisdictions, land use interest groups like 1000 Friends of Oregon, and the usual stakeholders in this arena.

IMPACT IF PROPOSED ACTION OCCURS: Cleanup and redevelopment of brownfield properties will create jobs and increase tax revenues at the local and state levels, in addition to the environmental and social benefits of eliminating contamination. The proposed forgivable loan program would provide additional incentives for hiring of minority- and women-owned contractors and for cleanups in high-poverty, distressed and rural areas.

Funding for investments in industrial site readiness would reduce the cost and risk to property owners and local jurisdictions of making large sites market ready. Creation of traded-sector jobs pay better on average than jobs serving the local market.

In the Portland region, either of these programs would make land with existing infrastructure available for productive urban uses within the existing urban growth boundary and would have positive impacts on local government finances by generating increased property tax revenues.