

EXECUTIVE SUMMARY

As a number of recent incidents have graphically illustrated, the United States faces an infrastructure crisis of epic proportions. Congressman Earl Blumenauer has observed that the nation has no plan for building the roads, bridges, water and sewer lines, energy facilities, and other physical projects that support our communities.

"We're losing this battle," says Blumenauer. "We're investing less in infrastructure than in any time in our history."



The Portland region is not immune to this serious problem. Past plans that guided investments are outdated. The lack of adequate financing mechanisms has led to maintenance being postponed and neglected. Despite widespread recognition that sound infrastructure is critical to maintaining and enhancing regional economic growth, competitiveness, productivity and quality of life, current approaches to the planning, development and financing of critical community support systems are not working.

To make matters worse, approximately one million more people are expected to live in the seven-county Portland metropolitan area within thirty

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years. The estimated cost of building the public and private facilities needed to accommodate growth in jobs and housing in the three-county Portland region through 2035 is \$27-41 billion. Traditional funding sources are expected to cover only about half that amount. Even if the region does not experience this projected growth, \$10 billion is needed just to repair and rebuild our existing infrastructure.

Systems development charges, gas taxes and other revenue sources are not keeping pace with rising infrastructure costs, while voter-approved tax limitations and other ballot initiatives have crippled the ability of communities to fund these services. Rate-funded services tend to enjoy more stable and predictable funding, but can face significant difficulties in obtaining large amounts of up-front capital needed to make major improvements or expand capacity.



All of this leads to one unavoidable conclusion: we cannot continue to do things as we have in the past. New and creative solutions are essential.

REGIONAL INFRASTRUCTURE ANALYSIS

Expenditures to improve public infrastructure are investments. As with other types of investments, the public should expect a return on its investments in public infrastructure. That return can take many different forms, including quantitative measures such as higher tax revenues, improved housing or more jobs. Other "returns" could include more qualitative benefits, such as strong and livable communities. Although investing in infrastructure is expensive, the return on that investment directly improves the lives of the people who live and work here. Public investment is also necessary to make private investment possible and profitable, and private investment is what ultimately builds great communities.



In 1995, the Portland region adopted the 2040 Growth Concept, a long-range plan to guide future growth and development. This innovative blueprint for the future is based on a set of shared values that continue to resonate with residents of the region: thriving neighborhoods and communities, abundant economic opportunity, clean air and water, choices in housing and transportation, access to nature, and a sense of place that, taken together, are the reason people love to live here.

However, this vision will not become a reality unless we can provide the infrastructure to support it. Local and regional leaders have identified the lack of adequate infrastructure funding as a key barrier to

successfully realizing the aspirations embodied in the 2040 Growth Concept.

To address this issue, Metro initiated a process to identify infrastructure needs, assess the funding gap, and explore financing and other policy options. The analysis focuses on eight infrastructure types needed to make and sustain great communities:

- Civic buildings, parking structures, public plazas
- Energy
- Schools
- Roads, transit, bike lanes and sidewalks (transportation)
- Stormwater
- Urban parks and open spaces
- Wastewater (sewers)
- Water

It is important that the region continue its legacy of coordination among local jurisdictions and the general public to identify and address the highest priorities

for providing infrastructure to serve both existing and future residents. Political leadership and public engagement efforts will be needed to raise awareness of infrastructure needs and issues and garner support for agreed-upon solutions. Metro, along with its local government partners, plays a key role in leading this regional dialogue and building consensus.

The vision of the 2040 Growth Concept is to establish complete communities that include:

- safe and stable neighborhoods for families
- compact development that uses both land and money more efficiently
- a healthy economy that generates jobs and business opportunities
- protection of farms, forests, rivers, streams and natural areas
- a balanced transportation system to move people and goods
- housing for people of all incomes in every community

REGIONAL INFRASTRUCTURE ANALYSIS

Infrastructure planning, development and finance strategies are organized into the following four approaches:

Efficient Service Delivery

Fragmented delivery systems often result in reduced efficiencies. Better coordination among service providers can lead to cost savings through sharing facilities and service delivery, adjusting service areas, merging service districts, and reallocating funding responsibilities for community and regional facilities. Improved maintenance of existing infrastructure systems ensures a maximum return on past investments. Potential strategies include:

- Shared public facilities
- Regional coordination and planning
- Systems maintenance

Demand Management

Reducing the demand for services can help prevent or delay the need for major capacity investments. Components of demand management include focusing growth to use existing capacity first, using pricing and other incentive-based strategies to reduce demand and shift it to off-peak times, and educating the public on conservation strategies. Potential strategies include:

- Compact development patterns
- Peak-use pricing
- Public education and resource conservation

Innovative Planning and Design

Emerging technologies provide opportunities to increase efficiencies and conserve resources over the long term. Investments in research and development of innovative approaches to infrastructure planning, design and construction can make infrastructure systems more sustainable and build community support. Preparing for the impacts of new technologies will result in long-term cost savings. Potential strategies include:

- Infrastructure recycling and reuse
- Sustainable infrastructure (e.g., natural systems, co-generation facilities)
- Emerging technologies (e.g., electric cars and water reuse systems)



New Funding

New funding sources are needed to enable the region to upgrade and replace deteriorating infrastructure systems and provide services to newly urbanizing areas. The region also needs to identify and remove barriers to public and private investments in infrastructure. Communities in the region can work together to secure funds at the local, community and regional levels and to leverage federal and state investments. A regional approach to financing basic infrastructure could help achieve the region's long-term vision. Potential strategies include:

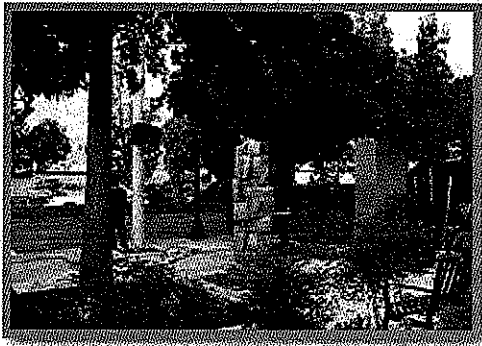
- Pursuit of new state and regional revenue sources
- Public-private partnerships
- Strategic land acquisition

REGIONAL INFRASTRUCTURE ANALYSIS

CONSIDERATIONS FOR MOVING FORWARD

Changing times require new approaches to infrastructure provision and finance. This analysis describes the region's infrastructure challenges and begins to quantify the problem and lay out some options to address the region's infrastructure needs. However, tough questions remain as the region moves forward:

- There will never be enough money for everything – how can we most efficiently guide public investment decisions to strategically target limited resources?



- Can managing demand reduce the need to expand the capacity of infrastructure?
- Are we providing infrastructure services at the most efficient level (geographical or jurisdictional), or are there opportunities to achieve economies of scale or efficiencies?
- How can we best address competing fiscal demands for new infrastructure, maintenance needs, and upgrades of existing facilities?
- Do service providers currently have the capacity to research and share information with counterparts nationally and globally to facilitate the adoption of innovations in service delivery?
- Will incorporating global climate change and sustainability into public messages help manage consumption?

- How can government deepen public understanding of the infrastructure challenges and increase public support for infrastructure finance?

RECOMMENDATIONS FOR ACTION

The time is right for decisive action by elected and appointed leaders across the region to address our infrastructure needs. Recommended actions:

- Coordinate regional partners to identify state legislative changes that would increase our capability to finance regional infrastructure needs.
- Convene regional partners to explore opportunities to implement solutions that increase efficiency and better manage demand.
- Increase public awareness of infrastructure needs and the importance of setting priorities with limited resources.
- Recognize return on investment when making public investment decisions in both urban and newly urbanizing areas.
- Encourage and facilitate implementation of new technologies that increase the efficiency and sustainability of infrastructure systems.



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