

REGIONAL INFRASTRUCTURE ENTERPRISE BUSINESS PLAN

Please keep in mind the following:

1. **This is only a 75% draft.** The goal of this draft is to present a more complete proposal on RIE that pulls together the various elements we have been discussing over the last several months. More refinements are needed before this document can be officially adopted by the CII in September.
2. **Layout and design for the document is scheduled for late summer 2013.** Table numbers and references will also be included as part of the design and final proof.
3. **This document includes the executive summary and the complete plan.** The executive summary is envisioned to be a standalone document. Some of the language from the summary is repeated in the complete version.
4. **The comments in the margins represents feedback already received from the RIE implementation group and have yet to be fully incorporated.**
5. **Vetting is important.** Though not complete, this draft could spark conversation with stakeholders and implementation partners that will lead to further improvements.
6. **The discussion of this document should avoid wordsmithing.** Because this is only a draft document, there will be additional opportunities to provide to more in-depth feedback before it is proposed for adoption in September 2013.
7. **The attachments section is not included in this draft.** Staff is still working to complete them. If you are interested in reading what has been developed thus far, please let staff know.
8. **The name of the Regional Infrastructure Enterprise is changing.** A new name will be selected over the summer for the Regional Infrastructure Enterprise. The next version of the business plan available in September will reflect this change.

If you have any questions relating to this plan, contact the CII Co-Chair Tom Imeson at tom.imeson@portofportland.com or by calling 503-415-6015 or Maria Ellis at maria.ellis@oregonmetro.gov, 503-797-1732.

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Comment [E1]: Overall, document needs better and more realistic articulation of the viability and steps necessary to implement phase 3 as envisioned.

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Regional Infrastructure Enterprise Business Plan

EXECUTIVE SUMMARY

This Business Plan recommends the creation of the Regional Infrastructure Enterprise, or RIE. The Community Investment Initiative (CII), a coalition of private and community leaders whose mission is to support the region's economy by investing in the infrastructure needed to support the creation of living-wage jobs, developed this recommendation as a solution to systemic and troubling disinvestment in the Portland region's infrastructure. The Business Plan is a call to action for public and private partners to take a leading-edge approach to a problem that affects not just the Portland region, but the entire nation. Once implemented, RIE will set a new bar for innovation and best practice in the field of infrastructure project delivery, cementing our region's reputation for thoughtful, creative solutions.

What is RIE?

RIE is a public-private partnership whose mission is to facilitate infrastructure investments that catalyze living-wage job creation, economic development, and private investment.

RIE is meant to fill critical gaps in our region's infrastructure finance and project delivery system by working with the private sector and local governments to invest in a variety of infrastructure projects. RIE's fundamental role is to improve system coordination and provide more resources to finance the projects that are most critical to our region's economic development goals. RIE will supplement and coordinate, rather than replace components of the existing infrastructure delivery and finance system.

What will RIE do?

RIE will invest in a variety of projects that meet criteria for job creation and other outcomes; projects include traditional infrastructure (e.g., roads, water and sewer lines, energy infrastructure, etc.) and land readiness investments (e.g., remediation, mitigation, land aggregation, public plazas, parking structures). By making these investments in infrastructure and development, our region will be better poised to produce more business activity and an overall stronger economy. RIE will be a:

- Market-driven selector of the infrastructure projects that are most important to our region's economic future. Using a set of criteria described in this Business Plan, and in partnership with local jurisdictions, RIE will focus its attention on coordinating existing resources and attracting new funding to these projects.
- Consultant providing technical and financial structuring assistance. That assistance may include due diligence and pre-development support, assistance with packaging of financial resources, and assessment of market and project feasibility.
- Investor in regionally significant projects. Existing resources are increasingly constrained and are probably insufficient, even if used to their fullest potential and in the most coordinated way possible. New public and private resources are necessary. RIE will need

to identify and work with regional partners to secure these resources, and target them to implement the most important regional projects.

Why do we need RIE?

Infrastructure is the most basic element of a strong economy: it moves people and goods to and from market, and is a necessary precondition for private investments in development and jobs. And yet, though we understand the critical role of infrastructure, we have failed to continue to invest at the same levels that recent generations have. America's outdated highways, electrical grid, ports, and transit systems are giving other countries a leg up. U.S. infrastructure has fallen from first place in the World Economic Forum's 2005 economic competitiveness ranking to number 15 today. Countries like China, India, and Mexico are building huge new highways, port facilities, broadband networks, rail systems, and airports – because they know these investments will help them grow and make their countries' businesses more competitive. Our economy, our businesses, and our workers are all falling behind because of our failure to make critical investments in infrastructure.

In greater Portland, the situation is no better. 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 development and financing of community support systems are not working.

Without an injection of new investment in infrastructure, the strength of our region's economy is at risk. Traditional funding sources are expected to cover only about half the estimated \$27 to \$41 billion needed to accommodate growth by 2035. Smart investments now can position us for success in the future and improve our economic resilience. We must invest to remain competitive and to ensure our economic success and resiliency.

The solution to this daunting challenge must be bold and collaborative. It will require the collective will of private businesses and entrepreneurs, government leaders, non-profits and foundations, and citizens, as well as a clear-eyed understanding of the risks to inaction, the skills and hard work of stakeholders to overcome those risks, and the leadership of many to build and maintain momentum. The Regional Infrastructure Enterprise is that solution, and this Business Plan explains how it will succeed.

Who does RIE serve?

RIE will provide assistance and services to a variety of partners in the infrastructure development and management community, including:

- Municipalities, counties, agencies, and service districts
- Utilities and other service providers
- Private development companies
- Non-profit and community-based developers, financiers, and service providers

Ultimately, RIE serves the general public of the Portland metropolitan region inside the urban growth boundary (UGB). Although investing in infrastructure is expensive, the return on that investment directly improves the lives of the people who live and work here. That return can be in the form of quantitative measures such as higher tax revenues, improved housing, and more jobs, as well as more-qualitative measures of strong and livable communities. Public investment is necessary to make private investment possible and profitable, and private investment is what ultimately builds great communities and allows individual households to be prosperous.

How will RIE be implemented?

Creating a new entity that can undertake a challenge of this proportion will require significant effort and support from many parties. The CII recognizes that more analysis and conversations will be needed to ensure a successful transition to full operations. To address this reality, it is proposed that RIE be implemented in a phased approach that allows it to establish a track record of success and demonstrate its value in an early phase, before transitioning to an independently financed entity in later phases. This phased approach allows RIE to develop in a nimble manner that can respond to opportunities as they arise. By leveraging existing capacities and expertise, RIE is an efficient way to provide assistance to projects. Implementation will occur in three phases:

- In Phase 1, roughly September 2013 to December 2015, RIE's primary activities will center on implementing a few demonstration projects that can serve as the basis for a successful transition to Phase 2. In addition, RIE will develop a region-wide project package and associated funding strategy for implementation in Phase 2 that will yield the greatest economic development benefit to residents. Lastly, Phase 1 work will also include refinements to the Phase 2 business model and governance structure, and continuing conversations with stakeholders to ensure success.
- In Phase 2, which begins around December 2015, RIE will work with regional partners to select and access a secure, on-going public funding source (or sources) to implement an initial package of regionally significant infrastructure projects. After execution of this package, RIE will continue to invest in additional projects that meet its criteria for (1) economic development and job creation; and (2) equity, community development, and innovation outcomes. RIE will become a full-fledged player in the regional infrastructure delivery system, coordinating with other public and private investors to ensure smart investments in our region's economy.
- In Phase 3, a longer-term effort, RIE will evolve into an entity that can more directly access private funds to invest in public infrastructure and public-private development agreements. This phase is an important goal for RIE and could be characterized by the development of an investment arm of RIE that could tap into retirement or sovereign funds or programs like EB-5. The Business Plan describes the practical, legal, and financial questions that will need to be answered before this phase can be implemented, and describes the decision-making structure for answering those questions.

Who will govern RIE?

To align with its implementation phases, RIE's governance model will also be phased. In all phases, RIE's Board will be composed of public and private sector leaders, ensuring that both the public good and private investment perspectives are integrated into all aspects of decision-making.

- In Phase 1, RIE can be created by an intergovernmental agreement (as authorized in Oregon Revised Statutes [ORS] Chapter 190) between the Port of Portland and Metro. As two agencies with regional scopes, Metro and the Port are best positioned to provide RIE with the capabilities, expertise, and resources needed to successfully launch. RIE will have a skills-based, appointed Board of Directors that will evaluate and invest in merit-based projects that align with the RIE mission. The projects themselves will be selected and implemented using Metro and Port staffing and financial resources.
- In Phase 2, RIE's Board of Directors will have fiduciary responsibility for the resources allocated to it, and will be directly responsible for selecting and sequencing project implementation. The lessons learned from Phase 1 will be incorporated into the business model, which will likely result in amendments to the ORS 190 agreement.
- Governance in Phase 3 has yet to be determined. It may not change significantly from Phase 2, or, depending on the nature of the private capital RIE accesses, it may require leadership that includes an additional range of stakeholders. These questions will be addressed as decisions are made about how RIE evolves from Phase 2 to Phase 3.

NEXT STEPS

The CII recommends this Business Plan for Metro and Port consideration and action. Specifically, Metro and the Port should form an ORS 190 partnership, as described in more detail in the Business Plan, and begin implementation of Phase 1. Key among those next steps is developing a project package that supports the economic development goals of our region and generates momentum for securing funding for implementation and on-going investments. The Port and Metro have committed staff to help support the implementation of Phase 1.

Table X RIE at a glance

	<i>Phase 1: Demonstrate</i>	<i>Phase 2: Invest</i>	<i>Phase 3: Access private dollars</i>
When	September 2013 - December 2015 (estimated)	December 2015 until Phase 3 begins, date TBD	Unknown, but must be sequenced after Phase 2 successes have been achieved
Range of projects	Demonstration projects show the added value of RIE. Projects will be smaller in scale than those envisioned for Phase 2 while still achieving an economic development outcome and serving as a model for Phase 2.	Projects located in regionally designated centers, corridors, and industrial lands that have a clear nexus to job creation and/or economic development. A project package proposal will be created in Phase 1 for implementation in Phase 2. Package will include a set of larger complex infrastructure, development, or land readiness projects.	Same types of projects as in Phase 2 but with an additional focus on revenue-producing projects that can create financial return on investment for private investors.
Services	Technical assistance, including due diligence, feasibility and market analysis, regulatory and permitting assistance. Assistance with structuring PPPs, including coordinating partners, negotiating development agreements, and connecting private capital.	Same as in Phase 1 plus direct funding including patient capital, gap financing, and grants.	Same as in Phase 2, but with the addition of a direct investment arm that accesses private funds and invests in projects that can create a return.
Funding	Existing public funding sources and finance structuring to support the demonstration projects. The Port and Metro will provide staffing and incidental funding.	Stable, on-going public resources to support continue investments. Private investment in appropriate individual projects negotiated through development agreements.	Dedicated on-going public funding for appropriate projects, with the addition of private capital from a Phase 3 investment arm of RIE. Investment capital could include EB-5, retirement funds, a partnership with a CDFI, or other sources.
Governance	RIE Board of Directors: skills-based, six-person Board that includes a mix of Greater Portland Inc. (GPI), Port, and Metro nominees. The Board will also have non-voting liaisons to connect it to its sponsors and local governments.	Same as Phase 1 but with refinements based on lessons learned. There may be opportunities to add additional sponsors and adjust the nominating bodies accordingly.	Similar to Phase 2, but may include more private sector participation in the management and oversight related to RIE's private investment arm.
Staffing	To be provided by RIE's originating sponsors, the Port and Metro, which will provide project management and technical staffing, RIE executive management and administration, and consultants.	Expand staffing capacities to execute a larger, more complex set of projects to be included in the Phase 2 package, including highly skilled staff to structure and negotiate development deals and leverage private investment for specific projects.	With the expansion of RIE to include a direct private investment fund, add staff that can recruit and manage private capital.
Private sector role	Participate directly in governance of RIE via the Board of Directors; participate through PPPs, as appropriate, to help execute the demonstration projects.	Same as in Phase 2 but on more projects.	Phase 2 role plus direct investment in projects that produce a return.

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Public sector role	Public agencies initiate and sponsor RIE (the Port and Metro); provide funding for Phase 1 components, including staff and incidentals.	Provide a public funding allocation to the RIE Board of Directors to execute Phase 2 project package while leveraging private investments in individual projects. Funding will be originated by a public agency.	Same as Phase 2.
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RIE Business Plan (Implementation Plan)

OVERVIEW

The Regional Infrastructure Enterprise is meant to fill critical gaps in our region's infrastructure project delivery and finance system, working with the private sector to invest in a wide variety of infrastructure projects. Those projects include traditional infrastructure (e.g., roads, water and sewer lines, energy infrastructure, stormwater management) as well as land readiness investments (e.g., remediation, mitigation, aggregation, public plazas, parking structures).

Fundamentally, RIE's role is to improve our existing infrastructure project delivery system, making it more efficient by improving system coordination and providing more resources to finance projects that are critical to our region's economic development goals. More specifically, RIE will provide technical assistance, financial analysis and packaging, and, as appropriate, funding to projects that meet criteria for regional and state economic development significance. RIE will supplement and coordinate, rather than replace, components of the existing infrastructure finance system. It has been designed to support and improve that existing system without creating redundant efforts or new bureaucracies. RIE will be implemented in phases, beginning with a demonstration phase before a fully independent entity is formed.

1. THE NEED

Infrastructure is the most basic element of a strong economy: it moves people and goods to and from market, and is a necessary precondition for private investments in development and jobs. And yet, though we understand the critical role of infrastructure, we have failed to continue to invest at the same levels recent generations have. America's outdated highways, electrical grid, ports, and transit systems are giving other countries a leg up. U.S. infrastructure has fallen from first place in the World Economic Forum's 2005 economic competitiveness ranking to number 15 today. Countries like China, India, and Mexico are building huge new highways, port facilities, broadband networks, rail systems, and airports – because they know these investments will help them grow and make their countries' businesses more competitive. Our economy, our businesses, and our workers are all falling behind because of our failure to make critical investments in infrastructure.

In greater Portland, the situation is no better. 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 development and financing of community support systems are not working.

Without an injection of new investment in infrastructure, the strength of our region's economy is at risk. Traditional funding sources are expected to cover only about half the estimated \$27 to \$41 billion needed to accommodate growth by 2035. Smart investments now can position us for success in the future and improve our economic resilience. We must invest to remain competitive and to ensure our economic success and resiliency.

The solution to this daunting challenge must be bold and collaborative. It will require the collective will of private businesses and entrepreneurs, government leaders, non-profits and foundations, and citizens, as well as a clear-eyed understanding of the risks to action, the skills and hard work of stakeholders to overcome those risks, and the leadership of many to build and maintain momentum. The Regional Infrastructure Enterprise is that solution, and this Business Plan explains how it will succeed.

What is the nature of the infrastructure problem in our region?

The infrastructure delivery challenges in our region (and nationally) are systemic and begin with the many limitations associated with currently available funding sources. Most large-scale infrastructure projects combine funds from several sources. Depending on the type of infrastructure, a project may be financed with some combination of the following:

- Bonds secured by and/or paid from general fund revenues, urban renewal tax increment revenues, or other revenue streams
- Rates or fees
- Federal, state and local grants or loans
- Development-derived sources such as systems development charges
- Private contributions such as local improvement districts or other direct investments from property owners

Together, these tools provide a variety of ways to fund projects, especially for municipal governments with strong credit ratings and sufficient staff to pursue a complex mix of funding sources.

However, all major sources of revenue and financing are increasingly constrained, and many important projects remain unfunded. A fundamental reason for the funding shortage is that tax receipts are not growing fast enough to keep pace with the increasing cost of providing services to a growing population. In Oregon, statutory limitations on property tax growth, combined with limited political will or ability to increase rates and fees that are more flexible, limit the major revenue sources available to local governments. Public leaders are making difficult decisions about how to use limited revenues to fund priority services—including schools, public safety, and social services—in addition to maintaining existing and building new infrastructure. Because local resources are similarly limited across the United States, the competition for also-declining federal funds and grants is fierce.

An additional complication is that existing resources are not consistently available to all project types in all locations. Some projects, especially those involving water, sewer, or electrical infrastructure, have access to rate-based revenues or to their own property tax streams via a special district. Others, such as transportation improvements, do not. Large-scale transportation projects on interstate and state highways are more likely to be eligible for competitive funding from state and federal sources, while smaller scale transportation and multi-modal improvement projects typically must rely on local government resources. And some resources, such as urban

renewal dollars, are not available outside of certain geographic areas. These differences mean that some projects are more easily financed through the existing system than others.

Finally, some projects that have access to development-derived sources end up in a chicken/egg funding situation in which infrastructure is needed to support the development, but that development is what provides the revenue to cover the infrastructure's cost. In these types of projects, which include multi-modal access improvements, open space improvements, and other infrastructure projects that support redevelopment, the financing challenge is short-term. If upfront capital costs can be covered, the project will generate a stream of revenue that can be used to repay those upfront costs. Sometimes, this upfront money is referred to as "patient" capital, because it must come from an investor who is willing to wait for the development to produce revenues before a return is generated.

Comment [m2]: In the Sept. version, staff will do more to describe the types of projects that need help based on the Catalytic Infrastructure Survey results.

What will RIE do to address the problem?

Given the above challenges, the CII found several ways RIE can help. RIE will be a:

- Market-driven selector of the infrastructure projects most important to our region's economic future. Using a set of criteria described in this Business Plan, and in partnership with local jurisdictions, RIE will focus its attention on coordinating existing resources, providing technical assistance, and bringing new funding to these projects.
- Consultant providing technical and financial assistance. That assistance may include due diligence and pre-development support, assistance with packaging of financial resources, and assessment of market and project feasibility.
- Investor in regionally significant projects. Existing resources are increasingly constrained and are probably insufficient, even if used to their fullest potential and in the most coordinated way possible. New public and private resources are necessary. RIE will identify and secure these resources, and target them to implement the most important regional projects.

RIE's role in the region's economic development strategies

RIE will facilitate (and in some cases, implement) regional and state economic development priorities and actions by delivering infrastructure projects that support regional economic growth. It is designed to supplement and coordinate, rather than compete with, the host of regional economic development strategies, chambers of commerce, and industry groups focused on job creation and retention in the region. By Phase 2, RIE will deploy new public resources that will support our region's most important projects while leaving project ownership with partner organizations or jurisdictions. In all cases, RIE's governance structure ensures that local priorities are protected.

The Portland metropolitan region's economic development strategies all have similar goals: more living wage jobs, more jobs in traded sectors or specific economic clusters, and increased wealth and economic well-being. These goals clearly align with the goal of RIE. The strategies specify a range of actions to achieve these goals, such as: recruitment and retention of firms that provide living wage jobs, investment in higher education and workforce training programs,

support for entrepreneurship and small businesses, support of green development and other environmental projects, and coordination of economic development efforts across the region. Most of the strategies also recognize that infrastructure is critical to regional competitiveness and job creation; it is quite literally the foundation on which an economy exists.

Comment [XXX3]: Cite in final version

In this context, the Business Plan for RIE lays out a clear set of criteria for project selection. These criteria will help ensure that regionally significant projects that lead to an economic development or job creation outcome are prioritized and funded in a coordinated approach.

Who else is operating in this space?

RIE is meant to supplement an existing project delivery system. Table X below identifies the major players, the role they play, and how RIE supplements their activities. The list is not comprehensive (there are more players than can be listed in one readable table), but is rather meant to provide some sense of RIE’s role and how it can operate without creating redundancies.

Table X Name

Organization	Role	Why RIE adds value
Infrastructure Finance Authority	Statewide entity that helps communities deliver infrastructure projects, with a special focus on drinking water, wastewater systems, and industrial lands certification	RIE will Focus on the Portland region, and on a broader range of infrastructure needs; for certain types of projects, IFA will be a partner
Oregon/Regional Solutions	Designates projects of regional or state significance, deploys technical assistance, and advocates for public funding for projects	RIE can partner on projects to bring additional resources but will have a broader scope of projects that it will participate in
Development consultants	Market and feasibility analysis; due diligence on property acquisition	For projects in which RIE is a partner, it will be less expensive for jurisdictional partners; more comprehensive and consistent approach
West Coast Infrastructure Exchange	Information clearinghouse and standardization of practices across Oregon, Washington, and California	RIE may draw from Exchange resources, but focuses on Portland Metro region and applies to specific projects
Redevelopment Agencies	Fund infrastructure and redevelopment projects in urban renewal areas	RIE can invests in areas outside of urban renewal boundaries; bring new resources to support declining TIF resources inside the urban renewal boundaries
The Port of Portland	Industrial land readiness studies and activities, in coordination with local jurisdictions; key property owner	RIE can bring additional revenues to land readiness projects

Metro	Gap financing for Transit Oriented Development projects and limited technical assistance to local jurisdictions; key property owner; coordinates and prioritizes federal funding for regional transportation projects via the Joint Policy Advisory Committee on Transportation (JPACT)	RIE can expanded service to a larger number of projects
Developers	Due diligence on private development projects; in some cases, funding infrastructure development	RIE brings a more comprehensive approach that goes beyond individual projects; brings additional resources that support public outcomes

2. OUR APPROACH

Purpose and outcomes

The mission of the Regional Infrastructure Enterprise is to facilitate infrastructure investments that catalyze living-wage job creation, economic development, and private investment.

RIE mission deconstructed:

- “To facilitate” - RIE’s activities will accelerate and improve project implementation by providing technical and funding resources to projects.
- “Infrastructure investments” - RIE is meant to make investments in a wide variety of projects, including traditional infrastructure (e.g., pipes and pavement needed to make a site more appealing for investment by partners), land readiness (e.g., remediation, mitigation, aggregation or other investments needed to create shovel-ready land for new and expanding business), and development (co-develop sites with private and public partners to help achieve desired economic development goals)
- “Catalyze” - some investments RIE makes will lead directly to job creation, while others will generate indirect economic development and/or job creation by other partners or on adjacent properties by improving the attractiveness for private investors. Both are needed to grow a strong economy.
- “Living-wage job” - though RIE’s investments will contribute to the creation of many short-term jobs (especially in construction), RIE’s main focus should be investments that lead to the creation of sustained living-wage jobs. Over the long-run, RIE should measure its success partially by using the jobs and per-capita indicators established by the CII.
- “Economic development” - RIE is meant to help build out the infrastructure and development-related aspects of existing economic development strategies and organizations, such as those in the Comprehensive Economic Development Strategy, adopted by Greater Portland Inc., and the Oregon Business Plan, in ways that also support local development goals. Regional economic development strategies include actions that support clusters / traded-sector job growth as well as small business and

Comment [XXX4]: Add hyperlink to PEM section

entrepreneurship, but all would benefit from the implementation of additional infrastructure in the region.

- “Private investment” - Fundamental to RIE’s approach will be making investments that leverage private investment as part of the development deal (co-investing in the redevelopment of a specific site) or that lay the foundation for future investments by the private sector. RIE will negotiate and structure public-private partnerships (PPPs) to maximize investment resources on key projects.

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 in the region. Public investment is also necessary to make private investment possible and profitable, and private investment is what ultimately builds great communities.

Because the infrastructure problem in our region is broad, and the investment needs will always outpace the capacity to invest, RIE must focus on addressing a targeted component of the challenge in order to be effective. RIE will focus on infrastructure investments in centers, corridors, and industrial areas that have a clear nexus to job creation and economic development. If established as envisioned, RIE will serve as a mechanism for the region to make targeted and ongoing investments in merit-based projects. A mechanism of this kind does not currently exist. Though similar work is being done on individual projects, it is generally uncoordinated and unconnected to a larger strategy. RIE is meant to provide centralized technical assistance expertise and some funding for important projects to augment existing efforts.

Table X RIE at a glance

Comment [E5]: This table should be formatted to fit on one page

	<i>Phase 1: Demonstrate</i>	<i>Phase 2: Invest</i>	<i>Phase 3: Access private dollars</i>
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Services	Technical assistance, including due diligence, feasibility and market analysis, regulatory and permitting assistance. Assistance with structuring PPPs, including coordinating partners, negotiating development agreements, and connecting private capital.	Same as in Phase 1 plus direct funding including patient capital, gap financing, and grants.	Same as in Phase 2, but with the addition of a direct investment arm that accesses private funds and invests in projects that can create a return.
Funding	Existing public funding sources and finance structuring to support the demonstration projects. The Port and Metro will provide staffing and incidental funding.	Stable, on-going public resources to support continue investments. Private investment in appropriate individual projects negotiated through development agreements.	Dedicated on-going public funding for appropriate projects, with the addition of private capital from a Phase 3 investment arm of RIE. Investment capital could include EB-5, retirement funds, a partnership with a CDFI, or other sources.
Governance	RIE Board of Directors: skills-based, six-person Board that includes a mix of Greater Portland Inc. (GPI), Port, and Metro nominees. The Board will also have non-voting liaisons to connect it to its sponsors and local governments.	Same as Phase 1 but with refinements based on lessons learned. There may be opportunities to add additional sponsors and adjust the nominating bodies accordingly.	Similar to Phase 2, but may include more private sector participation in the management and oversight related to RIE's private investment arm.
Staffing	To be provided by RIE's originating sponsors, the Port and Metro, which will provide project management and technical staffing, RIE executive management and administration, and consultants.	Expand staffing capacities to execute a larger, more complex set of projects to be included in the Phase 2 package, including highly skilled staff to structure and negotiate development deals and leverage private investment for specific projects.	With the expansion of RIE to include a direct private investment fund, add staff that can recruit and manage private capital.

Private sector role	Participate directly in governance of RIE via the Board of Directors; participate through PPPs, as appropriate, to help execute the demonstration projects.	Same as in Phase 2 but on more projects.	Phase 2 role plus direct investment in projects that produce a return.
Public sector role	Public agencies initiate and sponsor RIE (the Port and Metro); provide funding for Phase 1 components, including staff and incidentals.	Provide a public funding allocation to the RIE Board of Directors to execute Phase 2 project package while leveraging private investments in individual projects. Funding will be originated by a public agency.	Same as Phase 2.

The kinds of projects RIE will invest in

RIE will make investments in both traditional public infrastructure projects and in public private partnership projects. Table X below reflects the distinction between the two.

Table X Name

	Public Infrastructure Projects	Public-Private Partnership Projects
Incubation Projects	Projects that have a long-term outlook but are still at a conceptual stage and need full pre-development technical assistance from RIE to carry out market feasibility studies and due diligence. Evaluation of these projects will be based on more-conceptual information since projects will not yet be fully developed. Information generated through the pre-development process will be needed to decide whether the project will eventually be an Implementation Project.	Projects that will eventually be public-private partnership projects. Projects will need public assistance with early project development.
Implementation Projects	Projects that need patient public investments in infrastructure to get land shovel-ready; for example, investing in infrastructure needed to support development on an industrial site.	Public-private projects that are already fully developed, nearly ready to begin construction, and are seeking the final gap financing needed to complete the project. In this case, the project is fully developed and can be evaluated using more-complete information and with greater certainty and rigor than Incubation Projects.

The role of public private partnerships

For RIE to deliver on its mission, it will need to foster public-private partnerships (PPPs) that add value and resources to the delivery of projects. Research by the Brookings Institute describes PPPs as “contractual agreements between governments at all levels and the private sector to design, build, operate, maintain and/or finance infrastructure. Whether repairing, upgrading, or augmenting an existing asset or building new, the intent is to leverage private sector financial

Comment [m6]: We recognize the role of PPPs is important to the work of RIE. Staff will further articulate this in the Sept. version of the document.

resources and expertise, improve project delivery and to better share responsibilities and costs between the public and private sector.”

Comment [XXX7]: Cite at the end

The partners in a PPP, usually through a legally binding contract, agree to share responsibilities related to implementation and/or operation and management of an infrastructure project. This collaboration or partnership is built on the expertise of each partner and must clearly meet a defined public need through the appropriate allocation of resources, risks, and responsibilities.

Effective PPPs leverage the strengths of each partner in performing specific tasks. The public sector’s contribution to a PPP may take the form of capital for investment (available through tax revenue), a transfer of equity assets, or other commitments or in-kind contributions, such as staffing to support the partnership. The public agency also provides social responsibility, local knowledge, and an ability to mobilize political support. The private sector’s role in a PPP is to make use of its expertise in commerce, management, operations, and innovation to run the business efficiently. The private partner may also contribute investment capital, depending on the structure of the PPP.

Though their motivations for participating in PPPs are different, both the private and public sector have vested interests in ensuring an economically prosperous region. For the public sector, the goal is expansion of regional prosperity and improved access to living-wage jobs, increased social equity through the distribution of investments or the type of investment (i.e., affordable housing), and expanded capacity of citizens and businesses to pay taxes and fees needed to more broadly build needed infrastructure and deliver public services.

The private sector benefits from these same investments by gaining access to more infrastructure by which to develop, build, and move their products and services. Public investments that contribute to amenities and quality of life are appealing to businesses when they are looking to relocate. And as more public resources are generated and used to fund public education, the more talented the labor pool becomes for businesses.

Regardless of the circumstances, PPPs must acknowledge the need for each party to meet its own self interest. **The public investment must be at a level that is justified based on the public benefit being realized.** The benefit could be in the form of increased job opportunities for the population or increased taxes and fees paid by the business. The private investment must be based on making a sound business decision leading to a profitable venture and return.

It is important to emphasize here that PPPs are not a broad-stroke solution to the wider **infrastructure service problem facing our region. Rather, they are a viable project implementation mechanism for maximizing the resources and managing the risk associated with delivering projects.**

Who are the customers? *(sketch level text only)*

RIE will provide assistance and services to a variety of partners in the infrastructure development and management community:

- Municipalities, counties, agencies, and service districts

- Utilities and other service providers
- Private development companies
- Non-profit and community-based developers, financiers, and service providers

Comment [m8]: DG - [maybe the notion of the customer can be integrated with examples]

Approaches considered (sketch level text only; needs completion)

Many other options were evaluated in the process of developing the recommended model for RIE. Table X provides an overview. In this evaluation, CII kept firmly in focus the desire to avoid the creation of new layers of bureaucracy, to create an entity that can leverage both public and private resources, and to fit into an existing system of project delivery.

Table X Organizational options considered but not pursued

Type and description	Implications	Why not chosen for RIE
Investment bank for infrastructure model	<ul style="list-style-type: none"> • Performs on a financial ROI model • Relies on private investors to capitalize the fund • Requires private model of governance; little to no oversight by public bodies, including limited transparency requirements 	<ul style="list-style-type: none"> • Not all projects need in our region will generate a financial ROI, thus are not suitable for this model • Requires strong track record of performance before successfully attracting investors – RIE does not yet have this • Limited to no role for the public sector in determining investments or oversight. • More suitable for instances where privatization of assets is an option
Statutorily-enabled model Functions as a public corporation enacted by the State, similar to Oregon Health Sciences University.	<ul style="list-style-type: none"> • Requires vote of State legislature • Board reports to the State • Mandate defined by State • Authority allows flexibility and independence: <ul style="list-style-type: none"> ○ Competitive compensation ○ Contracting flexibility ○ Project-based ○ Financing flexibility ○ Scalability • Could be tied directly to State funding 	<ul style="list-style-type: none"> • Focus needs to be on regional needs and the connection to the State could deter from that • State funding could be inadequate or unavailable • Passage of legislative package would be complex. Requires substantial resources and time to implement • Changes in legislature and State budgets could affect the stability of a new entity • Potential for conflicts between locally-identified needs and financing strategies.
Procurement-based model Utilizes a modified version of the Design-Build-Maintain model of procurement, which is used in British Columbia by	<ul style="list-style-type: none"> • Requires a mandate or incentive for local jurisdictions to participate • Entity has more flexibility and authority to act as owner’s representative on projects • Increased private sector participation in the infrastructure delivery process • Accounts for the life-cycle costs of projects from the onset 	<ul style="list-style-type: none"> • More appropriate at State level for economies of scale; currently being considered at State level • Fee-for-service model • Requires participants to already have financial resources for project implementation; because life-cycle costs are accounted, up-front costs are greater

<p>Partnerships B.C.</p>	<ul style="list-style-type: none"> • Leverages private sector creativity and innovation to the design, build and maintenance of projects • Long-term cost savings to local projects sponsors • ROI for private partner determined by performance-based management 	<ul style="list-style-type: none"> • Local project sponsors may not trust or resist the level of entity control over each projects
<p>New taxing district Functions as a “regional special district” or “regional service district” with new legislation similar to ORS 198/ORS 451; purpose would be to fund infrastructure</p>	<ul style="list-style-type: none"> • Requires vote of State legislature • If successful, creates funding mechanism at same time as creating district • Authority to impose assessments against properties and issue bonds • Stable funding source. • Authorities and functions as set in the legislation; could include some contracting flexibility 	<ul style="list-style-type: none"> • Addresses the funding problem but not the need for regionally centralized technical expertise to support projects • Requires substantial resources and time to be implemented • Opposition from existing service districts based on concerns around compression
<p>Independent non-governmental entity Functions as mutual benefit corporation platform organization (or non-profit); has the ability to create project or program-specific subsidiaries that fulfill its mission. A mutual benefit corporation is a non-shareholder, taxable entity.</p>	<ul style="list-style-type: none"> • Formed as a “parent” organization with subsidiaries that take on specific projects or programs and operate a separate legal entities • Parent determines operating structure for Subsidiary • Careful work is needed to develop bylaws and charter • Board not controlled by municipalities or state; a private corporation • “Goodwill” funding model where partners fund programs and operations • Transparency at lower levels than public model • Contracting rules determined on a project by project basis 	<ul style="list-style-type: none"> • Operations funded from contributions, contracts, fees, grants; funding not as stable as in other sources • Stakeholder reluctance about lack of public control and issues of transparency • Public perception private entities with a public “purpose” can look like a “give away” of tax dollars • Lack of statutory authority eliminates direct municipal funding and bonding authority

Overview of phased approach

Creating a new entity that can undertake a challenge of this proportion will require significant effort and support from many parties. The CII recognizes that more analysis and conversations will be needed to ensure a successful transition to full operations. To address this reality, RIE will be implemented in a phased approach that allows it to establish a track record of success and demonstrate its value in an early phase, before transitioning to an independently financed entity in later phases. Nobody wants a new large bureaucracy, and this phased approach allows RIE to develop in a nimble manner that can respond to opportunities as they arise. By leveraging existing capacities and expertise, RIE will be a more efficient way to provide assistance to projects. Implementation will occur in three phases:

- In Phase 1, roughly September 2013 to December 2015, RIE’s primary activities will center on securing a successful transition to Phase 2. Those activities include selecting and successfully implementing a series of demonstration projects in industrial areas and in centers and corridors, developing a project package for Phase 2 and an associated funding strategy, solidifying the Phase 2 business model and governance structure, and continuing conversations with stakeholders to ensure success.
- In Phase 2, which begins around December 2015, RIE will need to work with regional partners to identify and access a secure, on-going public funding source (or sources) to implement an initial package of regionally significant infrastructure projects. After execution of this package, RIE will continue to invest in additional projects that meet its criteria for (1) economic development and job creation; and (2) equity, community development, and innovation outcomes. RIE will become a full-fledged player in the regional infrastructure delivery system, coordinating with other public and private investors to ensure smart investments in our region’s economy.
- In Phase 3, a longer-term effort, RIE will evolve into an entity that can more directly access private funds to invest in public infrastructure. This phase is an important goal for RIE and could be characterized by the development of an investment arm of RIE that could tap into retirement or sovereign funds or programs like EB-5. The Business Plan describes the practical, legal, and financial questions that will need to be answered before this phase can be implemented, and describes the decision-making structure for answering those questions.

Table X Overview of the Phased Approach

Phase 1	Phase 2	Phase 3
<p>Demonstrate ability to deliver projects</p> <ul style="list-style-type: none"> • Establish governance • Deliver 1-3 demonstration projects with existing funds • Refine Phase2 business model • Develop Phase 2 project and funding proposal 	<p>Work with regional partners to identify and secure on-going public funding for investments</p> <ul style="list-style-type: none"> • Implement a regional project package • Leverage public funds to access other public and private funds • Evaluate, recommend, and invest in projects beyond the initial package 	<p>Complete public-private investment program</p> <ul style="list-style-type: none"> • Establish an investment banking arm to directly utilize private capital

Critical activity by phase

PHASE 1 Critical activity

1. **Establish governance for RIE.** Create the RIE Board of Directors (a framework for the selection and composition of the Board can be found starting on page xx)
2. **Facilitate successful completion of demonstration projects.** The RIE Board of Directors will facilitate the successful completion of the Phase 1 demonstration projects with existing funds. This will include using its collective expertise to bring resources to the demonstration projects:
 - a. Connecting private investment to projects as appropriate (creating PPP)
 - b. Pursuing existing public and non-profit funds to support the projects (MTIP, foundation grants, TOD, etc.)
3. **Facilitate development of a strategic economic development project package for implementation in Phase 2.** Development of such a package will require thoughtful collaboration with the business community, local jurisdictions, and community leaders.
(Add something more about the project package here)
4. **Facilitate development of public funding strategy for Phase 2 implementation.** In Phase 2, private capital will come to projects through project-specific financing, not through RIE itself. As such, RIE will need to create a strategy, with regional partners, to access ongoing public resources with which to execute the Phase 2 project package and make continued investments. The funding strategy should:
 - a. Be diverse and not rely too heavily on any one single source. RIE should pursue a variety of state, federal, and non-profit sources, as well as new public revenues.
 - b. Have a clear understanding of the opportunities for structuring PPPs around individual project in the Phase 2 project package.
5. **Recommend refinements to the Phase 2 RIE business model.** Based on the lessons learned from the demonstration projects and development of the Phase 2 project package, the RIE Board of Directors will recommend business model refinements to the Port and Metro related to:
 - c. Operations and program elements of RIE (i.e. - what changes in service delivery model are needed? What refinements are needed to the project evaluation framework?)
 - d. Governance of RIE (i.e. – how will the responsibilities of the Board of Directors change in Phase 2? Are all the skills needed properly reflected on the Board?)
 - e. Staffing of RIE (i.e. – are the existing staff and expertise levels sufficient to execute the Phase 2 project package? What changes would be needed?)

These recommendations may result in Phase 2 changes to the IGA structuring RIE.

6. **Establish a third party periodic review system, to function throughout all phases, to ensure RIE is meeting its mission and fiscal responsibilities.**

PHASE 2 Critical activity

Phase 2 activity and deliverables will be informed by the outcomes of Phase 1. As part of the Phase 1 work, the Board of Directors will propose a more detailed set of responsibilities and work plan for Phase 2.

The following are the fundamental activities that are currently envisioned for Phase 2:

1. **Implement a regional project package.** Assuming that the public supports funding for Phase 2 projects, RIE will be responsible for successfully executing the Phase 2 project package in collaboration with the local government partners. This work will include structuring PPPs around specific projects from the package *as appropriate*.
2. **Select, recommend and sequence projects for investment.** Assuming ongoing dedicated funding is attained, the RIE Board of Directors will be responsible for evaluating, recommending and sequencing project projects beyond the Phase 2 package (a framework for this evaluation is on page XX and proposed criteria are in Attachment X).
3. **Fiduciary accountability within budgets allocated by the sponsoring public agencies.** As RIE is allocated resources to execute projects, it will be accountable for the responsible management of those public resources to effectively meet the RIE mission.
4. **Other responsibilities as recommended by the Phase 1 Board of Directors and outlined in the ORS 190 agreement that creates RIE.**

PHASE 3 Critical activity

A differentiating characteristic of Phase 3 is for RIE to gain direct access to private resources for investment. This will require developing an investment arm for RIE that can be directly used to make investments that can garner the rate of ROI expected from investors. Resources could include EB-5, pension funds, or other sovereign investment funds. These resources are not suitable for capitalizing RIE in Phase 2 due to the fiscal returns and guarantees associated with them.

Before Phase 3 can be implemented, the Board of Directors in Phase 2 will need to conduct a comprehensive due diligence analysis on the risks and opportunities associated with this shift and what additional changes to the business model are needed to be successful (operations, governance, services, etc.).

3. RIE SERVICES AND PROJECTS BY PHASE

General Services

RIE’s fundamental role is to improve system coordination and provide more resources to finance the projects that are most critical to our region’s economic development goals. RIE will supplement and coordinate, rather than replace, components of the existing infrastructure finance system. Table X summarizes the services RIE will need to provide throughout all of its phases in order to effectively support projects. Additional functions for RIE may be identified and added to RIE repertoire if they are deemed necessary to effectively support projects.

Table X General RIE functions and services

Predevelopment technical assistance	Public-private partnerships assistance	Funding
<ul style="list-style-type: none"> • Due diligence • Feasibility and market analysis • Regulatory and permitting assistance 	<ul style="list-style-type: none"> • Coordinate among partners • Negotiate development agreements • Connect private capital 	<ul style="list-style-type: none"> • Direct or patient capital • Grants

Projects by Phase

Phase 1: Demonstration projects

In Phase 1, roughly September of 2013 to December of 2015, RIE’s primary objectives are to demonstrate an ability to deliver projects, refine the RIE business model for Phase 2, and build credibility with community, business, and elected leaders. To accomplish these objectives and create a track record of success, the CII recommends that RIE select and implement a series of demonstration projects in Phase 1. Those demonstration projects must balance two outcomes: (1) they must be visible to a range of regional leadership, align with RIE goals, and prove the value of RIE to regional project delivery; and (2) given that RIE brings no new financial resources to the table, they must be of a scale that can be delivered with existing resources.

Outcome 1: Visibility and alignment. The demonstration projects align with RIE goals for job creation and economic development and public-private partnership, are visible and have community support, are community or area catalysts for additional private investment, and build support for Phase 2.

Outcome 2: Practical and implementable. The recommended demonstration projects are (or are close to) market viability, can be implemented with existing resources and achieve success by Phase 2 initiation, and prove a model for success in Phase 2.

The following table describes the recommended demonstration project. A second tier of possible projects, together with more details on each of these projects and RIE’s role, is also included in the longer recommendation contained in Attachment X.

Comment [m9]: We will include additional information about what resources it will take to complete the projects and what actions are needed to move them forward in the September draft, after more vetting.

Project area: Industrial	Why selected?	RIE role
North Hillsboro Industrial Area - phased financing/infrastructure plan for several key industrial land sites with various infrastructure and financing needs.	From a regional perspective, this 1,000+ acre area will be vital to the region's economic development objectives, given its close proximity to major high-tech employers.	Helping to develop a phased financing/infrastructure plan and to identify financial resources and partners at the regional and state levels.
Gresham Vista Business Park - Eco-Industrial Infrastructure improvements	Would create a model for sustainable, integrated industrial development. Partnerships in place, could catalyze additional investments.	Technical assistance and coordination of resources. Grant writing.
TRIP Phase 2 Mitigation/Fill	TRIP Phase 2 mitigation/fill is the top industrial land project for the Port. SB 246 funding for site reimbursement is likely to be reimbursement only (with a longer term goal of getting loan funding) so near-term funding assistance is needed.	Technical assistance; coordination of funding sources.

Project Area: Centers and Corridors	Why selected	RIE role
St. Johns: The Central Hotel, BES property at 8735 N Lombard, PBOT slip lane improvements and associated redevelopment	Several major opportunity sites are currently ripe for redevelopment. The area has seen some redevelopment and public sector support, but several critical projects are stuck.	Coordinate and package resources from BES, PBOT, private developers, and possibly PDC NMTC, EB-5, and historic tax credits might all be applicable, as well as public funds for infrastructure improvements at key intersections and a public plaza.
Milwaukie: Dark Horse Comics Relocation; pedestrian connectivity improvement	Significant site in Milwaukie's business district that leverages regional investment in light rail line. Connectivity and other public improvements are also needed.	Coordination, staff support. Package resources from a variety of public and private funding sources.
Tigard: Downtown Tigard mixed-use development projects	Opportunity to coordinate two development opportunities/public private partnerships. City owned 3 acre site, and 3.2 acre site to be acquired by developer.	Coordinate and package resources. Structure public - private partnership.

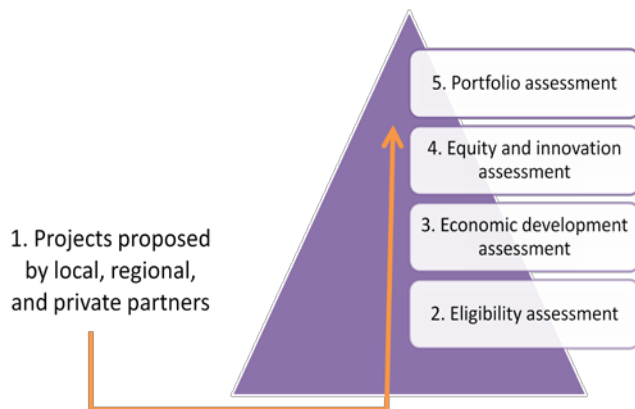
Oregon City: Infill sites in downtown core	Area contains one of the most significant redevelopment sites in the region: the Willamette Falls site, which is currently the target of a major planning effort and could be an excellent Phase 2 RIE candidate. Smaller opportunities in the downtown core could be nearer-term targets. Market fundamentals of the downtown appear strong.	Urban renewal staff support and technical assistance. Coordinate and package resources, including urban renewal. Structure public - private partnership.
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Phase 2: Evaluation of ongoing investments *(sketch-level text only)*

In addition to the initial project package RIE will execute in Phase 2 (described on pg XX of this business plan), RIE needs a process to evaluate and select ongoing projects for investment. The goal of RIE’s Phase 2 evaluation process should be to reward and incent projects that achieve multiple outcomes while not creating an overly arduous to process for participants. The following recommends an evaluation process and criteria (the criterion is listed in attachment X on pg XX) which the Board of Directors can build upon. The RIE Board of Directors, and it sponsors, will have the ultimate responsibility for formalizing the process of evaluation and criteria, including the development of a weighting or ranking system.

Phase 2: Evaluation of investments

The following evaluation process reflects how projects come to RIE and has four assessment steps: Eligibility, Economic Development, Equity and Innovation, and Portfolio. Infrastructure needs will always outpace RIE’s capacity to deliver assistance. As such, this process would narrow the pool of options at each step to identify those projects with the most opportunity and fit within RIE’s resource capacity.



1. **How projects come to RIE.** Consistent with the principle that RIE will not make prioritization decisions for local communities, it is envisioned that RIE will accept applications from both public and private applicants interested in delivering projects in partnership with RIE.
2. **Eligibility Assessment.** This assessment has two sections: minimum requirements and additional information.
 - a. **Minimum requirements.** This section determines whether projects meet the minimum requirements, such as alignment with RIE mission, a distinct role for RIE, etc. Because these are minimum requirements, projects that don't meet this criterion will not move forward in the evaluation process.
 - b. **Additional Information.** This section allows for qualitative responses that paint a fuller picture for the evaluators regarding the project's additional benefits before diving deeper into the analysis. Questions in this section include listing the potential positive and negative equity impacts or benefits of the project, whether the project is in the *incubation or implementation* phase. There is no right or wrong answer for these questions. The answers simply add additional context to the project proposal.

The RIE should clearly communicate application expectations and parameters to minimize attrition at the Eligibility Assessment stage

3. **Economic Development Assessment.** The projects remaining after the Eligibility screening will be assessed for their ability to create jobs and economic activity for the region. Projects with the best ranking in this section will move onto the Equity and Innovation Assessment.
 - a. **General screening.** This screening measures a project's ability to create sustained living-wage jobs, advance regional economic development strategies and achieve positive ROI.
 - b. **Incubation project screening.** Because incubation projects have a longer-term outlook, the goal of this screening is to understand the status of a project's due diligence needs, including risks and mitigation strategies, and if such investment creates opportunities for job creation and economic development in the future.
 - c. **Implementation project screening.** Implementation projects should be nearer to actual development than the incubation projects. As such, this assessment focuses more on the leveraging, sourcing and procurement aspects of the project.
4. **Equity and Innovation Assessment.** In this assessment the projects that advance from the Economic Development Assessment are measured for their equity and innovation potential. Applicants will need to detail such things as their project's impact on social, economic, political and geographic disparities, the use of innovation in the projects, and impacts on immediate surrounding communities. The result of this assessment will be a ranked list of projects prioritized by their ability to deliver equity and innovation outcomes.
5. **Portfolio Assessment for Final Project Selection.** In the final assessment, the RIE Board of Directors will use the results of the Economic Development and Equity and Innovation Assessments to select a final set of projects that best contribute to the CII's mission given the

RIE's available capacity. The outcome of the process is a portfolio of projects that, taken as a whole, will accomplish economic development goals while delivering equity and environmental benefits to the region.

- a. Balance immediate quantifiable economic benefits with equity benefits
- b. Balance investments in incubation projects against investment in implementation projects

Phase 3: Additional private investments

The evaluation process for Phase 3 should be similar; projects funded using private investment funds will have to be evaluated based on the criteria provided to you by the investor. For project where public funds are used, an intentional approach to evaluating projects for equity, as laid out in the Phase 2 evaluation proposal, should be maintained.

Comment [m10]: DG - Do you need this section? We don't know much.

4. GOVERNANCE BY PHASE

General approach and principles

The Regional Infrastructure Enterprise (RIE) needs strong leadership to execute Phase 1 and to successfully enter Phase 2. The governance needs for these phases are distinct and have different responsibilities. Phase 1 is focused on start-up and real-time design of RIE using existing resources. This includes testing the concept through demonstration projects, refining the RIE business model, conducting feasibility for phase 2, and developing a Phase 2 project package. Phase 2 will be centered on project execution but will need leadership focused on the long-term management and oversight of investments.

Guiding Principles

The CII has outlined general guiding principles to govern RIE. These principles should serve as the beacon to guide RIE sponsors in establishing the entity and its Board of Directors.

1. **Accountable for delivering on its mission.** The Board should seek an independent review of its accomplishments using the following framework:
 - a. Level 1 – Successfully implementing its assigned work program.
 - b. Level 2 – Each project should be evaluated upon completion to ensure it delivers upon its promises identified through the evaluation and selection process.
 - c. Level 3 – Selected regional outcomes should be monitored to ensure that the portfolio of projects is having the desired regional impact as outlined by the CII Tier 3 indicators, which include living-wage jobs, per capita income, and poverty rates.
2. **Make decisions on technical merits.** Projects should be selected for implementation based upon their technical merits and ability to demonstrate the greatest regional benefit related to job creation and economic development. Decisions should be supported by a strong technical analysis by the staff guided by strong technical and financial expertise on the Board of Directors.

3. **Have the expertise necessary to make sound investments.** The Board of Directors should include the expertise needed to evaluate projects on their merits and structure public-private partnerships, including private development and financing, economic development, public development and infrastructure delivery, traded sector corporate sitting experience, policy making or governance, marketing and public relations, and legal expertise (development, finance, governmental, or organizational design).
4. **Mixed appointed governance is important.** A public-private model holds the greatest credibility with the public. The public sector is essential for voter accountability and the private sector is necessary for expertise. The appointed Board of Directors should be a mix of individuals from the private and the public private sectors.
5. **Acknowledge and account for different forms of return on investment.** Investments made through RIE must take into account and acknowledge the explicit return requirements of its partners. For private investment partners this return will be financial. For public partners, some returns may be financial but may also include a clearly defined public benefit that is not directly financial in nature.
6. **Responsibility for accountability and transparency.** Though RIE will be responsible for selecting and implementing projects, it will *not* have authority to levy taxes or impose fees. Any resources allocated to the Board of Directors for investment must be appropriated by a public body or bodies and are subject to public transparency and accountability requirements, including meeting rules and records standards.
7. **Implementing regional or local prioritization.** The RIE should draw upon priorities brought forward by local governments and the private sector that are consistent with regional and local policies that best meet the selection criteria established for RIE. The Board should not substitute its judgment for that of local and regional governing and economic development bodies.

Board of directors characteristics and attributes

The mission of the Board of Directors is to effectively guide RIE's investments and operations toward catalyzing living-wage job creation, economic development and private investment. As the Guiding Principles outline, it is critical that the Board of Directors have the skills and expertise necessary to not only support complex projects, but also manage and guide the entity toward successful entry into Phase 2. In addition to these formal skills, the Board must also reflect several important informal attributes to aid it in effectively engaging with community leaders and local governments. It is not intended that each Board member embody every skill and attribute, but rather that, on the whole, the Board reflects them.

Formal Skills (in no particular order):

- Private capital and equity financing
- Economic development
- Development and infrastructure delivery

- Traded sector corporate siting
- Policy making or governance
- Marketing and public relations
- Legal expertise (development, finance, governmental, or organizational design)
- Expertise in negotiating complex projects involving the public and private sectors

Informal Attributes (in no particular order):

- Diversity (ethnic, gender, and geo-political)
- Gravitas and a trustworthy reputation
- Civic leadership
- Constructive and collaborative work style
- Regional thinking, above parochialism
- Not representative of an interest
- Bold and entrepreneurial spirit

The Board as whole should represent this complete set of skills and attributes **throughout all phases of RIE.**

Governance and composition by phase

As two agencies with regional scopes, Metro and the Port are best positioned to provide RIE with the capabilities, expertise, and resources needed to successfully launch. As the legal sponsors of RIE via an IGA, both parties should play a role in establishing RIE's Board of Directors.

Greater Portland Inc. (GPI), with its responsibilities related to the federally designated Comprehensive Economic Development Strategy (CEDS), and as the region's public-private economic development partnership, should also play role. To be effective RIE must have a strong connection to key economic development strategies so as to coordinate and sequence investments in way that support those strategies. Creating a more formal role for GPI related to the Board would ensure this connection.

Phase 1: Governance composition and implications

The Phase 1 Board of Directors is proposed as **seven appointed voting members** that meet the required skills and attributes and **three non-voting appointed Liaisons**. All member nominations, voting and non-voting, are made by the Port, Metro, and GPI. Port and Metro nominations of voting members to the Board of Directors are not envisioned as members the Port Commission or of the Metro Council. Greater Portland Inc. may nominate any individual that meets the requirements, including someone from their Board.

The role of the Liaisons is to promote transparency and create connection to the sponsors. Metro and the Port should each appoint one individual from their agencies to serve as Liaisons. The Port, Metro, and GPI should also nominate one member of the Metro Policy Advisory Committee

(MPAC) to serve as a Liaison. The role of the MPAC Liaison is to provide better connection to the infrastructure related issues local governments are facing and to keep MPAC informed on the progress of RIE toward its mission.

All nominations are confirmed by a joint decision of the Port Commission and Metro Council. Terms of service for all voting and non-voting members still need to be assessed and should be articulated in the IGA adopted to create RIE.

Phase 2: Governance composition and implications

The governance model is not expected to change much between Phases 1 and 2, though more voting members could be added to the Board in Phase 2. Currently, it proposed that nomination of Board members and Liaisons should continue to be made by some combination of the Port, Metro, Greater Portland Inc. Refinements to the governing model may be needed in Phase 2 to adjust for lessons learned in Phase 1. This may include changes to the nominating bodies or adding other sponsors to the inter IGA that organizes RIE. If the IGA is amended to include another sponsor in addition to the Port and Metro, this partner could expect nomination and confirmation rights for the RIE Board Directors.

Phase 3: Governance composition and implications

The key distinction for RIE in Phase 3 is gaining direct access to private investment funds such as EB-5, retirement funds, or partnering with a CDFI. With this change, it is likely that the governance structure for RIE will need to be revisited to include more stringent private sector participation in the management and oversight of investments.

5. FINANCE AND RESOURCES BY PHASE

Phase 1: Finance and resources *(sketch-level text only; Attachment X will provide details)*

Having a viable staffing and funding plan is important to the successful execution of Phase 1. Phase 1 staff, together with the Board of Directors, will be largely responsible for the successful transition to Phase 2. The resources provided for Phase 1 include:

- Staff to develop the projects, including pursue funding and coordinate and manage technical assistance delivery in partnership with the developer and local jurisdictional partner. For this task, the following resources will be available:
 - One position in Metro's Development Center to manage projects in centers and corridors, in partnership with the developer and local jurisdictional partner
 - One position in Metro's Planning Department to support industrial lands work led by the Port
 - Port staff, to be assigned
- Board management and administrative support, including a staff person to coordinate resources, interface with the RIE Board of Directors and sponsors, and conduct public relations. In addition, the RIE governing body will need basic administrative support

(clerical and logistical) to complete its Phase 1 duties. Metro’s budget currently holds two positions in the CII sponsorship that could, in part, be used to support these needs.

- Strategic policy support to help the Board of Directors develop the Phase 2 project and funding package. This work will entail considerable local government engagement to build enough consensus around a set of projects.

Beyond the costs associated with staffing, Phase 1 will require resources to build or develop the actual demonstration projects. Phase 1 brings no new funding resources. Public funding for these projects will be pursued through existing channels, including sources such as MSTIP, STIP, TOD, systems development charges, urban renewal and tax increment finance, capital funds available through partner jurisdictions, grant sources, and state funds (where applicable). Some private resources, such as local improvement districts or direct developer contributions, may also be considered for applicable projects. Additionally, where possible, private resources should be connected to the projects through the negotiation and structuring of public-private partnerships, which tie public sector investments in infrastructure directly to a parallel private investment in development.

Comment [m11]: The September version will include project profiles that will identify the existing resources that may be applicable to each project.

At this point, RIE is not anticipated to charge fees for its services in Phase 1.

Phase 2: Finance and resources *(sketch-level text only; Attachment X will provide details)*

In many (perhaps most) cases, the research about systemic regional project delivery gaps conducted to support this Business Plan illustrated that the largest need is additional funding. A key measure of success for transitioning to Phase 2 is access to a stable, ongoing source or sources of public funding to supplement the existing, project-specific funding sources that will be accessed for project delivery during Phase 1.

The need for project delivery is large (\$13 - \$20 billion in unmet gap through 2035). At the same time, most revenue options are already at, or close to, their limits or are unavailable or preempted for use. While RIE is not meant to fill this entire funding gap, at this time, all possible sources of public funding must remain on the table for consideration. In Phase 1, the RIE Board of Directors will undertake further analysis and conduct additional outreach to determine which of these sources is most appropriate for RIE’s purpose in Phase 2.

In part, which source to use will depend on the package of projects that is selected, as will the amount of funding needed to address project needs. The questions of which projects to implement and which funding sources to use must be answered together as a key product of Phase 1. Specifically, the following questions should be considered when determining a funding strategy:

1. Equity considerations: Does the source have a fair nexus between who pays and who benefits?
2. Sufficiency of funding source:

- a. Given ongoing staffing costs, as determined in Phase 1, and the need for additional capital budget to increase capacity to deliver the project package as well as ongoing projects, how much revenue is needed?
 - b. Can the source provide that capacity? Is a combination of sources needed?
3. Is the source available as a one-time allocation or as a revenue stream over time? How stable is the source?
 4. What can be done to overcome the political challenges of accessing the source?

Identifying and selecting a new public financial resource will require the input of elected leadership, the business community, and the citizens of the region. Many potential funding sources would not be directly controlled by RIE, requiring partnerships with taxing jurisdictions or other entities in project delivery. Further, many potential public funding sources would require voter approval or statutory changes, requiring significant outreach and communication around the region. In short, no funding source is available to RIE without more conversations with stakeholders, legal review, and research into feasibility.

The Phase 1 Board of Directors will recommend refinements to the Phase 2 business model which may or may not include an assessment of a fee structure for Phase 2.

Phase 3: Finance and resources (*sketch-level text only; Attachment X will provide details*)

In Phase 3, RIE will find ways to more directly attract private resources to infrastructure projects. At this point in the business planning cycle, Phase 3 financial sources and functions remain largely unknown and have not been thoroughly explored; further work would be undertaken in Phases 1 and 2 to provide further direction and to evaluate the need for direct financial investment.

Fundamentally, private money seeks a return on its investment, and will be most appropriate for economic development and infrastructure projects that generate the revenues that create that return. This implies that, in Phase 3, RIE would be focused on funding different types of projects: power and electrical projects, toll roads, and water or wastewater projects are examples.

Preliminarily, a number of sources are possibilities:

- RIE could become an EB-5 Regional Center, investing more directly in businesses and development, as well as in the infrastructure that supports it
- RIE could access public or private pension funds, foreign investment, or other investment entity funds

Depending on the source and structure, RIE may charge for some services in Phase 3.

Comment [m12]: DG - Can you be more direct in the discussion of P2 financing? It seems based on a dedicated source to fund a set of worthy projects. It would be 10s of 100s of million dollars? I like the list of possible sources. Do you have an analogy that would help?

6. MEASURING SUCCESS *(sketch-level text only)*

The CII recommends incorporating the CII Performance Indicators into regular tracking and measuring of RIE’s progress toward achievement of its mission. This framework includes a three-tiered approach:

- **Tier 1** Tracking progress toward implementation of RIE’s assigned work program. At this level, the goal is to assess whether RIE is effectively executing the work program for which it is responsible, including meeting key milestones and deliverables.
- **Tier 2** Outcomes of individual investments. The tier 2 level, the goal is to assess whether individual investments made by RIE have produced the benefits pledged in the application process. The project evaluation criteria should serve a measure to assess this.
- **Tier 3** Progress toward regional outcomes. The tier 3 indicators, base on the Oregon Business Plan indicators, track regional economic health and equity that RIE will contribute to, but is not solely responsible for; many other factors will play a role. These indicators are: decreasing the poverty line below 10%, the creation of 12,500 new jobs, and a per capita income that is at 110% of the US metro average. Table X below reflects the metrics and the goals associated with them.

Embedded in this framework is the understanding that equity is an important indicator of regional economic health. RIE must demonstrate its value to earn the trust and support of the region’s residents. All investments have impacts, good and bad. RIE should seek to make investments that advance economic goals, support equitable outcomes by improving how the benefits of investments are shared across the region, and mitigating and/or minimizing negative impacts on communities.

Table X Name

Tier 3 Indicator	Baseline	Goal
Living Wage Jobs	13,751 number of living wage jobs were created in 2010	12,500 new living wage jobs per year
Per Capita Income	Portland MSA was 96% of US Metro Average in 2010 (GPP)	Per capita income is 110% of US Metro average
Poverty Rate	13.4% percent of individuals in Portland MSA were in Poverty in 2010	Poverty Rate is below 10%

7. BARRIERS, RISKS AND MITIGATION STRATEGIES *(sketch-level text only)*

The two biggest risks to successful implementation of RIE, and steps to take to mitigate those risks, are:

1. Staff and financial capacity to deliver demonstration projects in Phase I, limiting RIE's ability to successfully transition to Phase 2 on a track record of success. To address this risk, it is critical that Phase 1 staff have the financial, project management, and political skills necessary to successfully deliver demonstration projects.
2. Failure to access a public funding source to deliver a project package in Phase 2. There are a number of approaches to reducing this risk, all of which should be goals: (1) successful implementation of Phase 1 demonstration projects, (2) strong outreach in determining an appropriate funding source(s) and in all Phase 1 activities, (3) selection of a package of projects that reflect regional priorities and generate enthusiasm for implementation.

8. STEPS FOR IMPLEMENTATION *(sketch-level text only)*

Decisions or actions needed for implementation

The CII has been considering the best approach to implement RIE for the last year. Though this Business Plan lays out a proposal, it will be up to other partners to take the actions necessary to fully realize this concept. The table below lists the actions necessary for RIE to successfully enter and complete its Phase 1 work.

Table X Decisions and actions needed for implementation of Phase 1

Decision or action	Acting parties
Release draft RIE Business Plan for vetting.	CII Leadership Council
Vet the draft RIE Business Plan with critical implementation partners and key stakeholders. The goal of the vetting process is to identify potential amendments and refinements to the Plan and to build support. Vetting should include presentations and discussions with business association, local governments, community groups and Metro and the Port and the proposed sponsors. Determine whether the RIE sponsors should approve the Phase 1 demonstration projects in the Sep./Oct. 2013 timeframe or to delegate this to the RIE Board Directors after it is established in spring 2014.	CII Leadership Council, RIE Implementation Group members
Adoption of the RIE Business Plan, with amendments.	CII Leadership Council
Consideration of an IGA forming RIE – The Port and Metro consider whether to act upon the CII’s recommendation and create RIE via an ORS 190 agreement.	Metro, Port, Greater Portland Inc.
Nomination of RIE Board members – If the Port and Metro choose to establish RIE, they should begin the process of selecting Board members.	Metro, Port, Greater Portland Inc., MPAC
Due diligence and development of pilot projects. Regardless of when the demonstration is selected (in Sep. 2013 or spring 2014), the Port and Metro should begin the technical analysis of demonstration projects (either those approved or the candidates recommended in Business Plan).	Local government project sponsors, RIE Board of Directors, Port, Metro
Form RIE by Joint Resolution of the Port and Metro. This resolution would approve the ORS 190 agreement, including: <ul style="list-style-type: none"> • appoint of Board members • establish of Board officers • operating practices • work plan 	Port, Metro, Greater Portland Inc.
RIE Board of Directors review and select Phase 1 demonstration projects (if not already selected in Sep. 2013)	RIE Board of Directors
Ratification, by the Port and Metro, of the RIE Board of Directors selection of demonstration projects (if not already selected in Sep. 2013)	The Port, Metro, RIE Board of Directors
Development of the Phase 2 project package and funding proposal	RIE Board of Directors
Public outreach and consideration of the Phase 2 project and funding package	Metro, Port, Greater Portland Inc., local jurisdictions
Assess needed refinements to the Phase 2 RIE business model and amendments to the ORS 190	RIE Board of Directors
Consideration of needed refinements and amendments for the Phase 2 RIE business model	Port, Metro, Greater Portland Inc., other potential sponsors to RIE

The Community Investment Initiative's role in RIE

With no formal authority to act, the CII understands that strategies and concepts developed by our Initiative must be transferred to formal bodies for implementation and long-term management. RIE is no exception. After the RIE is established, formal decisions regarding RIE will be made by the RIE Board of Directors, the Port and Metro. However, as originators of the Regional Infrastructure Enterprise concept and authors of this Business Plan, we still add value to ongoing RIE development by:

- Serving in an advisory capacity to the RIE Board of Directors, Port, and Metro on work elements of Phase 1. Specifically, the CII brings private sector perspective to the development of demonstration projects and the Phase 2 project and funding package.
- Supporting the use of the CII's Performance Indicators to track and document progress toward achievement of the RIE mission.
- Advocating in the region for the creation of RIE and implementation of the actions listed in this Business Plan.

9. Attachments

Comment [E13]: The full set of attachments will be available for the September version of the Plan.

Attachment and exhibit guide

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| Attachment A1 | Industry and needs research and background
This attachment provides summaries of focus groups with mayors, the results of the catalytic infrastructure survey, and other research regarding the need for RIE in our region. |
| Attachment A2 | Background, Phase 1 demonstration projects
This attachment describes the process of evaluating and selecting the demonstration projects, and provide details on the selected projects. |
| Attachment A3 | Background, ongoing project selection
This attachment describes the project evaluation process as well as criteria. |
| Attachment A4 | Supporting materials, options for funding
This attachment provides additional research and context regarding discussion the CII has had regarding funding, as well as background research regarding the possible funding sources that might be accessed in each of the Phases. |
| Attachment A5 | What are public-private partnerships
This attachment defines public private partnerships as a cornerstone of RIE's purpose, and describe theory and practice regarding application of these partnerships. |
| Attachment A6 | Risk and mitigation strategies
This attachment describes the risks to RIE's success and the strategies that should be undertaken to overcome those risks. |