

Industrial Lands & Economic Competitiveness: A Framework for Action

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OREGON BUSINESS COUNCIL





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Oregon is losing major manufacturing projects, jobs, and tax revenue because companies cannot find suitable development-ready sites.

Governor Tina Kotek's Prosperity Council¹ identified the lack of development-ready sites as a key constraint on recruiting and growing Oregon employers, making industrial site availability and readiness one of its ten main recommendations.

The Oregon Business Council (OBC) has repeatedly found that Oregon's shortage of a portfolio of industrial sites – ordinary expansion sites, 100–300-acre strategic sites, 500+ acre very large sites and a very small number of 1,000+ acre sites – constrains growth. OBC has documented this problem since at least 2003.² More recently:

- A top finding of 2022's Oregon Semiconductor Competitiveness Task Force³ was that the state lacked an adequate supply of sites across the site spectrum to fully capitalize on the boom in semiconductor investment. This finding was repeated in a June 2026 study by the University of Oregon⁴ for Business Oregon, which reported that limited industrial land is deterring new semiconductor investment in the state. Since 2020, the Semiconductor Industry Association (SIA)⁵ has tracked \$640 billion of industry investment. At the time of the Semiconductor Task Force, Oregon had 15% of the national semiconductor workforce. Since then, Oregon has underperformed, receiving only about 5% of industry investment while Arizona has captured about 30%.
- The Oregon Clean Tech Task Force⁶, convened in 2024, found that Oregon largely missed the first wave of federally supported clean-technology manufacturing investment. The 2024 Oregon Clean Tech Task Force, citing the Clean Investment Monitor, reported that of more than \$100 billion in privately led, federally supported clean-energy manufacturing investment tracked nationally, Oregon had received none as of July 2024. The Task Force documented that several large projects were missed because the state lacked the proper industrial site.
- A forthcoming survey by the Oregon Business Council, Oregon Economic Development Association and League of Oregon Cities (detailed below), with respondents representing well over half of Oregon's economic activity, found that more than 80% of respondents reported missing economic development projects due to a lack of development-ready land.

¹ https://www.oregon.gov/gov/Documents/Oregon%20Prosperity%20Council%20Report_June%202026.pdf

² <https://cdn.orbusinesscouncil.org/docs/policy/SteppingUp2003.pdf>

³ <https://oregonbusinessplan.org/wp-content/uploads/2022/08/Semiconductor-Task-Force-Report-for-Release.pdf>

⁴ https://www.oregon.gov/biz/Publications/Boards/Blog/Oregon_CHIPS_at_a_Crossroads/Strategic_Assessment_Semiconductor_6.5.26.pdf

⁵ <https://www.semiconductors.org/chip-supply-chain-investments/>

⁶ https://cdn.orbusinesscouncil.org/docs/policy/Oregon_Clean_Technology_Task_Force_Report.pdf

These reports document the shortage but do not fully explain why Oregon repeatedly lacks industrial land, or which mechanisms produce the problem.

Drawing on consultations with leading economic developers and jurisdictions, this report explains where state industrial-land policy breaks down and how to fix it. Its central finding is that Oregon's land-use system often makes it difficult or impossible for local governments to meet statutory mandates for the adequate provision of suitable industrial land. Without bold action, Oregon will face persistent shortages of development-ready sites.

Oregon's industrial-land challenge has three related dimensions:

1. **Supply:** Rules can make it too difficult to justify urban growth boundary (UGB) expansions: industrial land inventories overstate the amount of marketable industrial land available today, and it can be difficult for cities and regions to be "aspirational" yet realistic in the land they project.
2. **Readiness:** Rules determining land priority tend to put land in difficult and expensive places. That coupled with local government resource constraints and the state's lack of investment in site readiness leaves much of the state's industrial land without site assembly, infrastructure or utilities.
3. **Regulation:** Wetlands policy, and government capacity challenges create uncertainty, cost, and delay.

This paper does not call for wholesale land-use reform. Oregon should modernize the system while preserving its core principles and ensuring enough industrial sites to support economic opportunity, wage growth, and public revenue. The paper lays out the requirements for any solution:

What Solutions Must Do

- **Fund site readiness:** Capitalize state programs that finance infrastructure, site assembly, and technical work.
- **Enable aspirational, strategic planning:** Allow willing jurisdictions—and the state—to set goals above current trends and identify the land needed to achieve them.
- **Address "phantom supply":**
 - Align statutory definitions of site "suitability" with market requirements so inventories do not keep accumulating land that is undevelopable, prohibitively expensive, or poorly located.
 - Address the legacy "phantom supply" already embedded in regional inventories.
- **Make sure industrial expansions go where industry needs it.** Ensure selecting land for UGB industrial expansions properly weighs the value of the economic opportunity and the cost of readying the land.
- **Move faster:** Give the state and local governments faster, more flexible, and more predictable tools for responding to changing economic conditions.

Together, the changes proposed below to accomplish these objectives would expand high-value, high-wage advanced-manufacturing jobs while protecting the vast majority of Oregon’s productive farmland. More taxpayers and higher wages would also strengthen public revenues amid mounting fiscal stress.

Oregon must update its flagship policies, including its land-use system, for its economy to perform as intended.

Report Structure

The paper is structured as follows:

- Background on industrial lands: why it matters, how much Oregon has, and how the system is supposed to work.
- Problems and proposed solutions: where the system fails to work as intended, and how to fix it. The paper addresses these in roughly the order a city or region follows when adding industrial land to its UGB and then readying it. The paper begins with supply and the ways rules and statutes make it difficult for cities to add land. It then discusses the fundamental challenges cities face in readying that land, and concludes with other regulatory issues that need attention.

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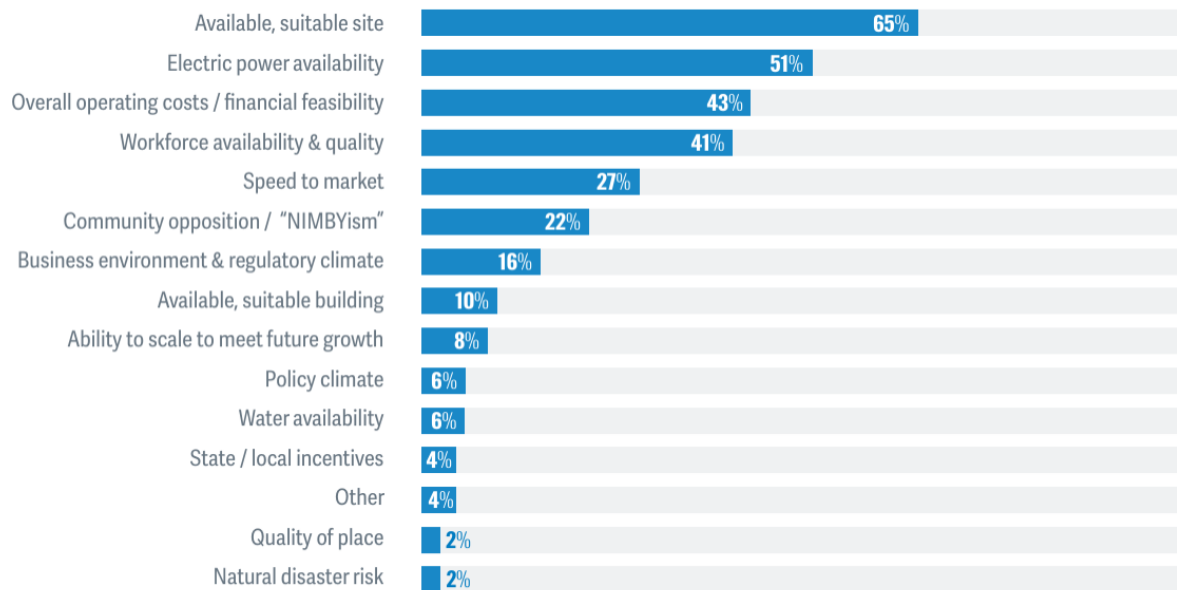


Background on Industrial Lands

Why Industrial Land Matters

Oregon has an acute need for more economic growth. Oregon’s unstable revenue mix creates structural challenges for funding public services. Growth means more workers and businesses paying property and income taxes. Industrial land helps recruit and retain major employers, while an economic strategy can target industries aligned with state wage and skill goals. Industrial land presents one of the state’s best opportunities to spur needed growth; as the Prosperity Council and OBC Task Forces found, employers want to be and expand here, but are often thwarted simply by a lack of development-ready land. The Site Selectors Guild’s annual “The State of Site Selection” 2026⁷ report finds that lacking a suitable site is the top elimination factor for companies.

FIGURE 1: SITE SELECTOR GUILD’S TOP FACTORS ELIMINATING A LOCATION FROM A SHORT LIST



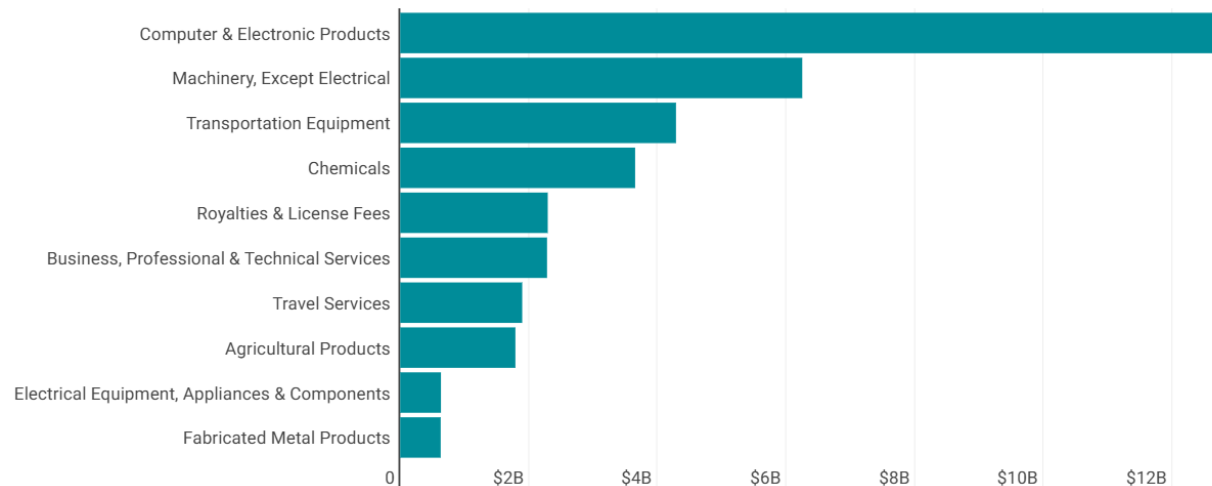
Oregon’s land-use system emerged at a time when the state’s traded-sector economy depended heavily on natural resources. Oregon pioneered a state land-use planning system explicitly to slow the loss and conversion of farm and forestland to suburbanization. Protecting farm and forest land was not simply an environmental objective; it was also an economic one. State officials were concerned that rapid suburbanization—particularly in the Willamette Valley—would permanently convert the productive land base supporting agriculture and timber. At the same time, Oregonians were reacting to environmental degradation and the public costs of growth that outpaced roads, sewer and water infrastructure. The specter of Southern California-style development loomed large.

Timber was an economic powerhouse. In the late 1960s and early 1970s, forest products employed roughly 9 percent of Oregon workers and generated about 13 percent of statewide labor income. Manufacturing was already a major part of Oregon’s economy: the state had roughly 172,000

⁷ <https://siteselectorsguild.com/research/state-of-site-selection-2026/>

manufacturing jobs in 1970, and wood products and paper accounted for more than 40 percent of them. Agriculture was also an important traded industry and a defining use of Oregon's land base, even though direct farm employment had already fallen substantially by 1970.

FIGURE 2. VALUE OF OREGON EXPORTED GOODS AND SERVICES BY INDUSTRY, 2022⁸



Source: U.S. Census Bureau, USA Trade Online, 2022, and Coalition of Services Industry, U.S. Services Exports Oregon 2022 Report.

What changed is not that Oregon went from agriculture to manufacturing, but the composition of Oregon's traded economy and the sources of its competitive advantage. Today, semiconductors are Oregon's most valuable export. The original system was built in substantial part to protect economic assets rooted in Oregon's natural endowments—productive soils and forests. Productive soils remain important. But Oregon has also spent decades building competitive advantages in industries such as semiconductors through private capital investment, specialized workers, supplier networks, research capacity and public infrastructure. Those advantages are no more automatic or permanent than productive farmland.

The policy challenge, therefore, is not to choose manufacturing over agriculture. It is to ensure that a land-use system designed to protect Oregon's economic strengths can recognize all of them. Statewide Planning Goal 9 exists for that reason. The system should continue protecting productive resource land while also ensuring that Oregon can provide appropriately located, development-ready sites for industries in which generations of public and private investment have created a durable competitive position.

⁸ <https://portlandmetrochamber.com/resources/2025-state-of-oregon-trade/>

How Much Industrial Land Oregon Has

Oregon has roughly 160,000⁹ acres of land zoned industrial within UGBs, about 0.25% of the state's total land area.¹⁰ By comparison, Oregon has roughly 15.6 million acres¹¹ zoned exclusive farm use, of which about 15.3 million acres are farmed¹²—roughly 25% and 24% of total land area, respectively.

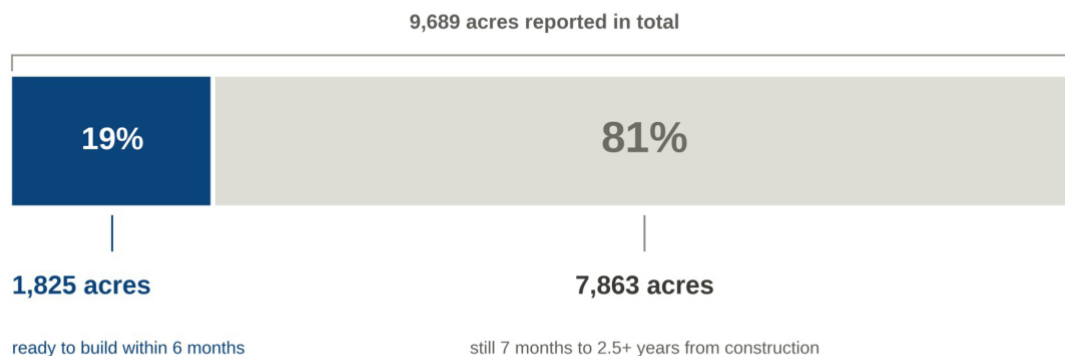
The policy question today is how much industrial land is vacant and available for development now and going forward. Because Oregon lacks a statewide inventory of available industrial land, OBC and its partners, the Oregon Economic Development Association (OEDA) and the League of Oregon Cities (LOC), surveyed jurisdictions about their available land and about projects missed because of insufficient development-ready sites.

The survey¹³ yielded several key findings. Of the 28 responding jurisdictions, 82% reported missing economic development opportunities; on a population-weighted basis, the rate is 98%.

Respondents from across the state, representing both large and small jurisdictions, reported just under 10,000 acres of “vacant” industrial land, but only 1,825 acres were development ready.

Statewide Industrial Land Survey · 28 responding Oregon jurisdictions

Respondents reported a total of **9,689 acres** of vacant industrial land across Oregon. **Only 19% of it is development ready.**



Source: Statewide Industrial Land Survey, submissions through 7 August 2026. Based on the 28 submissions flagged COUNT. Area figures are self-reported; nine non-numeric responses were parsed conservatively.

Much of this land faces common development barriers, including:

→ Lack of water, sewer, roads, wastewater or access to electrical power

⁹ Author calculations using Claude AI, based on DLCD's statewide zoning layer (Oregon Zoning, 2023; [Oregon GEOHub](#)), comprising zone codes IL, IH, IC, IO, RI, and UCRI. Polygon areas, natively reported in Web Mercator square meters, were corrected by $\cos^2(\text{latitude})$ to true ground area; the same correction applied to the full layer reproduces the Census Bureau's Oregon land area to within 0.001 percent.

¹⁰ Assumes a total land base of 63.018 million acres, as provided on slide 4 [here](#).

¹¹ https://www.oregon.gov/lcd/Commission/Documents/Attachment%20E_DLCD%20Farm%20Forest%20Report%202022-23.pdf, p. 7

¹² DLCD legislative presentation:

<https://olis.oregonlegislature.gov/liz/202311/Downloads/CommitteeMeetingDocument/285652?utm>

¹³ Published report forthcoming.

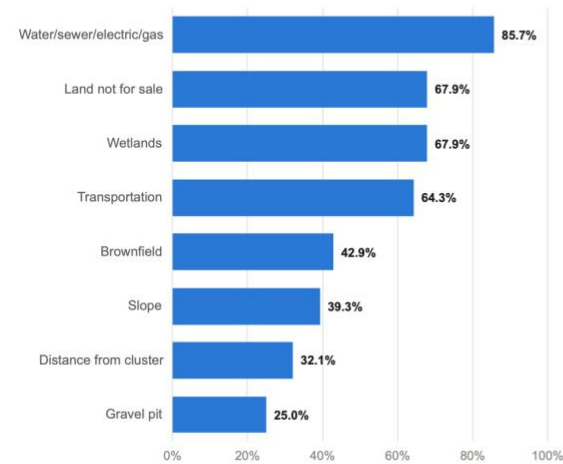
- Land not for sale or difficult to aggregate
- Wetland encumbrances
- Lack of transportation infrastructure

What is holding industrial land back

Statewide Industrial Land Survey · 28 responding jurisdictions rated each barrier on the Tier 2 and Tier 3 sites they hold

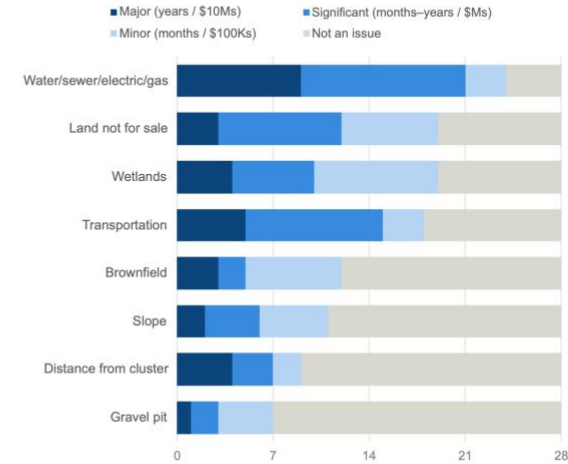
How common is each barrier

Share of the 28 respondents rating it anything above "not an issue"



How serious is it where it occurs

Count of the 28 respondents at each severity rating



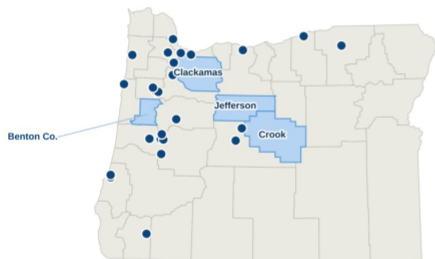
Respondents also reported very few large sites. Only eight of twenty-eight jurisdictions reported having at least one site 100 acres or larger. If the question had asked how many of these sites are development ready, the number of qualifying jurisdictions would almost certainly be smaller. Notably, respondents reported no large sites in the Metro area (where respondents included Hillsboro, Portland, Sherwood, Scappoose, Gresham and Clackamas County) and none in the Gorge area.

Respondents are everywhere. Large sites are not.

Of the 28 jurisdictions that responded to the Statewide Industrial Land Survey, 8 report a single industrial site larger than 100 acres. Both maps use the same projection, scale and frame.

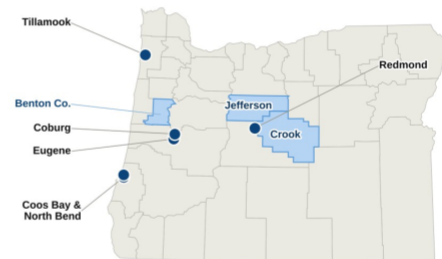
Survey respondents

4 counties and 28 cities and ports, spread across 19 of Oregon's 36 counties.



Respondents reporting a site over 100 acres

3 counties and 5 cities and ports, in just 7 of Oregon's 36 counties.



How the System is Supposed to Work

Oregon's land-use program has 19 statewide planning goals. One of them, Goal 9, addresses economic development and is balanced against the other 18. State land-use statute recognizes the importance of economic growth: ORS 197.712 states that the "Legislative Assembly finds and declares that, in carrying out statewide comprehensive land use planning, the provision of adequate opportunities for a variety of economic activities throughout the state is vital to the health, welfare and prosperity of all the people of the state."

To implement that recognition, ORS 197.712(2)(c) requires local governments to provide an adequate quantity of suitable industrial and employment lands: "Comprehensive plans and land use regulations shall provide for at least an adequate supply of sites of suitable sizes, types, locations and service levels for industrial and commercial uses consistent with plan policies."

In principle, the system works as follows:

- Cities complete an Economic Opportunities Analysis (EOA). They see significant growth opportunities ahead that break with past trends and compile the data and analysis necessary to demonstrate that this growth is reasonably likely to occur. As part of their EOA, cities inventory their existing industrial land. They check whether there are suitable sites in the sizes, locations and quantities needed to seize the EOA-defined opportunity. If they find there are not, they use the difference between projected need and current supply to justify and receive state approval for a UGB expansion. (Individual cities in Metro can complete their own EOAs, but Metro must use its own documentation of need, called the Urban Growth Report, to determine whether to amend its UGB.)
- Under Division 24 of the Oregon Administrative Rules (OAR 660-024), they evaluate potential expansion areas. As the rules require (and as described more fully in the sections that follow), they avoid farmland, especially high-value farmland with prime and unique soils, treating it as the lowest priority for expansion. They then apply a "suitability" test to determine which expansion area prevails. If that test rules out non-farmland, expansion occurs on farmland.
- Reaching this point requires a lengthy, rigorous process with extensive public involvement. Although disagreement is common, the local UGB expansion process is meant to build consensus, ensuring that agreed-upon growth is intentional and that the final product is durable and not appealed, which gives the public, government and private-sector actors certainty. Ideally, the process is completed in 2–3 years with broad agreement and a growing economy.
- Through state and local financial partnership, this process yields the required quantity of "short-term supply" of land, meaning land that is shovel-ready.

What is Not Working

Strictly speaking, Oregon does not have a shortage of industrial land. It has plenty of land, as evidenced by Metro's Urban Growth Report,¹⁴ which finds a regional surplus of more than 3,000 acres of industrial land. The problem is that much of this land is "phantom supply": land that governments count but that

¹⁴ <https://www.oregonmetro.gov/sites/default/files/2026-01/2024-ugr-summary-final.pdf>

the private sector will not develop and employers will not locate on. More precisely, then, Oregon has a shortage of development-ready industrial land, especially large sites.

Three primary causes, absent reform across all of them, effectively ensure the continued buildup of undevelopable “phantom supply”:

1. **Supply:** Rules can make it difficult to justify UGB expansions. Industrial land inventories overstate the amount of marketable industrial land available today, and it can be difficult for cities and regions to be “aspirational” but realistic in projecting the amount of land they need.
2. **Readiness:** Rules determining land priority tend to put land in difficult and expensive places. That coupled with local government resource constraints and the state’s lack of investment in site readiness leaves much of the state’s industrial land without site assembly, infrastructure or utilities.
3. **Regulation:** Wetlands policy, and government capacity challenges create uncertainty, cost, and delay.



Cause 1: Supply – Challenges Justifying Expansions

Oregon’s supply problem is not the number of acres zoned industrial but the number of acres that are real supply: sites in the right places and of the right sizes that the market will actually develop. Two features of the system produce the gap: expansions are not driven by an economic development strategy and industrial lands inventories count “phantom supply.”

Problem 1: Expansion justification is not based on an economic development strategy

The supply problem begins, especially in small cities and in Metro, with the EOA process, which determines how much land will be needed based on projected opportunities. Many in the economic development community believe the land-use system does not encourage cities to be “aspirational” in their EOAs.

Cities actually can be aspirational in their EOAs. The Land Use Board of Appeals (LUBA) has held that this is permissible as long as aspiration is grounded in an “adequate factual base,” though no statute or rule mentions aspirational planning. In practice, however, many find it difficult. Providing an adequate factual base can be onerous and invites legal challenge. Local governments that take this route must bear the time, consultant and legal costs of defending their EOAs. Faced with this reality, many resource-constrained localities default to the safe harbor route. OAR 660-024-0040(8) permits safe harbor approval for EOAs based on State Employment Department employment forecasts or Portland State University (PSU) population forecasts. These forecasts are by definition *not* aspirational; they are best guesses about the future based on existing policy and past trends. As a result, many localities that believe they could achieve more for their residents with more industrial land are locked into lower-opportunity futures.

Aspirational planning can be more limited for Metro, a major problem for state economic development because the Metro region is Oregon’s largest regional economy. Any expansion of its boundary is based on a 20-year population forecast (see OAR 660-024-0040(1)) that Metro then allocates among cities in the region. OAR 660-032-0030 outlines the requirements for the Metro area population forecast.

Parties dispute the degree to which rules allow Metro to be “aspirational.” The dispute demonstrates the problem: statutory clarity is needed to provide explicit authority – and a mandate – for aspirational planning in Metro and other cities.

Solution 1: A statewide economic development strategy

Land-use statute is largely silent on “aspirational” planning. That ambiguity should be resolved.

Consistent with the Prosperity Council’s recommendations on reorganizing Business Oregon and developing an economic strategy, we recommend that statute require the Governor to create an economic strategy for the state. The strategy should establish a statewide growth target (similar to Governor Kotek’s call to increase state GDP growth by 0.5% annually in her 2025 Prosperity Roadmap), identify target industries and specify their growth opportunities and, among other non-land topics, establish the land supply, locational factors and site characteristics needed to compete to secure

those opportunities (compared with an inventory of current supply).¹⁵ In effect, aspirational should be whatever the Governor says it is. The Governor should be required to complete the strategy every four years (with more frequent updates allowed as conditions change), in consultation with local governments, business and community leaders, and other stakeholders representing Oregon’s geographic and economic diversity.

Statutes pertaining to Goal 9, Goal 14 and the Division 24 administrative rules should also be amended to grant safe harbor to local and regional governments whose EOAs conform to the Governor’s Economic Strategy in projecting economic opportunities, just as local governments now receive safe harbor when they conform to PSU population forecasts or State Employment Department forecasts.

Unlike the Prosperity Council report or Business Oregon’s state strategy work, the proposed strategy would explain how Oregon will compete overall and in target industries—and would be owned and signed by the Governor.

Cities should not, however, be required to use the Governor’s strategy in their EOAs, and should remain free to pursue and justify their own aspirational paths, however they define them.

Problem 2: Industrial lands inventories do not count what they appear to count

Industrial lands inventories (ILIs), which are required in local plans and used to justify UGB expansions, do not inventory land suitable for particular target industries, or for industry in general.

The Land Conservation and Development Commission (LCDC) has adopted rules (OAR 660-024-0050) that allow a UGB expansion when a city is determined not to have “adequate development capacity to accommodate 20-year needs.”¹⁶ Determining adequate capacity requires comparing need with supply. Local governments must inventory existing industrial land and compare that with their projected 20-year need. If supply is insufficient, a UGB expansion is justified.

Division 24 rules hold that “the inventory must include: suitable land, vacant land and developed land, as defined in OAR 660-009-0005, designated for industrial or employment use, and must be conducted in accordance with OAR 660-009-0015.”

The disconnect comes in OAR 660-009-0015. Subsection (2) of the rule requires inventories to identify specific site types required under the city’s EOA employment projection. Subsection (3), however, requires the inventory to count only “vacant” and “developed” land. Subsection 3(a) says inventories must only *describe* the site characteristics of the inventoried vacant and developed land, not count the supply of different sites and acreages the city has. As a result, vacant land is counted as industrial supply even when it lacks the characteristics employers require. This mismatch inflates inventories with “phantom” supply that industry will not select but that is used to deny the need for UGB expansions.

¹⁵ This would require resourcing Business Oregon to maintain an updated, statewide inventory of industrial land (though it could perhaps focus primarily on large sites).

¹⁶ This report does not explicitly address the practicality or wisdom of the “20-year supply.” We note, however, that it is effectively impossible to plan reliably even five years out, much less twenty. The world and economies can change quickly and dramatically, now more than ever. Planning for a “20-year supply” makes sense only if the inventory is constantly reviewed and updated to reflect how the world is changing.

Furthermore, neither statute nor rule requires site types and “suitability” to reflect industry-specific needs. That is especially problematic in regional inventories such as Metro’s because industrial land is not fungible. Semiconductor manufacturers, for example, often need proximity to Washington County’s supplier and talent cluster; a 500-acre site elsewhere in the region may not be competitive.¹⁷

Solution 2.1: Modernize how industrial lands inventories are calculated

Statutes authorizing the Division 9 rules (and, for Metro, OAR 660-024-0050(1)) should be amended to ensure that ILIs count only land that is actually “suitable” for industry. This could be accomplished by specifying in law which land characteristics ILIs must include. OAR 660-009-0015(2) requires EOAs to identify required site types, but subsection (3) does not require inventories to count them. Statute should require ILIs to count only the supply of land both vacant and matching the site types identified pursuant to subsection (2).

Solution 2.2: Modernize key inventory definitions

Several definitions need revision.

- In both cases above, “suitable” and specifically “site characteristics” should be defined in industry-specific terms, because land is not always fungible across industries. Cities should therefore inventory land suitable for their target industries (this should be optional for cities under 10,000 population, and/or the state should provide technical assistance to help smaller cities comply). They should base these characteristics on an updated Business Oregon Industrial Development Competitiveness Matrix (to be updated and improved in the Governor’s Economic Strategy; see Appendix A for the current matrix).
- The definition of “suitable” should also exclude wetlands and land with other physical, regulatory or geographic constraints. As discussed more fully below, wetlands are important ecosystems that provide environmental and societal functions (flood resilience, water filtration). Strict state and federal wetland policy also makes developing on wetlands uncertain, costly and slow. For both reasons, wetlands should not be considered “suitable” for industrial development.
- The definition of “vacant land” needs improvement. It sets a minimum parcel size far too small to be meaningful for industrial land (though it is adequate, and should not be modified, for commercial uses). Discussions with market participants indicate that most view seven acres as the absolute minimum parcel size for industrial use and ten acres as the practical industry standard. Indeed, Business Oregon’s Industrial Development Competitiveness Matrix defines five to ten acres as the minimum competitive site size for many state target industries. A minimum parcel size of 0.5 acres creates substantial aggregation challenges (for example, when an owner will not sell) that effectively ensure that much of the new supply is not development ready and cannot be counted as “short-term supply” for years, or without significant additional cost. This is particularly pertinent because UGB expansion area selection does not account for an owner’s willingness to sell.

¹⁷ Semiconductor Task Force, p. 20, explains why semiconductor firms tend to cluster densely.

- The definition of “serviceable” is too broad. As defined, virtually any land with relevant public facilities nearby can be argued to be serviceable, regardless of the cost and time (including permitting) required to serve it. Given the substantial cost to taxpayers of readying Oregon’s large backlog of land that is not yet development ready, and Oregon’s chronic fiscal challenges, cost and time must be factors going forward. Applying cost within the definition of “serviceable” is more complex: the term is ambiguous, and redefining it to include cost may have unintended consequences. Because nearly any urban or near-urban land can be argued to be serviceable under the existing definition, the best way to factor in cost is through the statutes governing the Division 24 rules that determine which study areas are selected and which alternatives receive priority for UGB expansion (ORS 197A.285 and, for Metro, ORS 197A.355). Statute should be amended to give serviceability a cost and time-to-service component. It should be applied such that all else being equal, areas with lower costs to serve should receive higher priority for expansion.
- Finally, several related changes fall outside the definitions:
 - Cities should be allowed to rezone land deemed unsuitable under the changes described here for other uses, such as housing or Goal 5 purposes.
 - Inventories of suitable industrial land should include an evaluation-period standard. If land that is “suitable” on paper under these definitions has not developed within a specified period, local governments should be able to remove it from their ILIs or stop counting it.
 - ILIs should be updated regularly (for example, every five years), which would require state resources for resource-constrained cities.



Cause 2: Readiness

Oregon's supply problem is also a function of readiness. As discussed below, statutes and rules push land to where it's hard and expensive to develop, even as local governments face severe fiscal constraints and the state underinvests in site readiness.

Problem 1: Selecting land for UGB expansions does not weigh the value of the economic opportunity or the cost of servicing new land

Oregon's readiness shortage partly reflects a land-use system that gives industrial land too little priority. Unless that changes, UGB expansions will continue placing industrial land where the market does not want it.

Once an EOA justifies an expansion, statutes and rules guiding what land can be considered for expansion push industrial expansions away from optimal locations, even when doing so undermines the public value of the expansion. The land-use system does this in two ways.

First, ORS 197A.285 makes farmland, especially "high value farmland" as defined in statute, the last option available to cities seeking to expand their UGBs; cities must prove that no other suitable alternatives exist, which is an onerous process. Second, LCDC's implementing rules make it likely that "suitable" alternatives to farmland will be found on paper even when market realities differ.

When evaluating land to bring inside a UGB for industrial development, LCDC's Division 24 rules, specifically OAR 660-024-0067(5), hold that cities must assume land is suitable for industrial use unless it is effectively impossible to develop. Many of the criteria for excluding land from consideration are sensible, such as land that is excessively parcelized, has "constraining preexisting rural residential development patterns," has a slope greater than 10%, is or will be subject to Goal 5 protections, is subject to a conservation easement, or is committed to use by a park, school or cemetery. The problematic criterion is the clause providing that land is suitable for industrial development unless it "does not have and *cannot be improved to provide, one or more of the required site characteristics*" [emphasis added].

This creates two key problems. First, almost any site can be improved given unlimited resources. The rule does not account for the expense of extending facilities such as roads and sewer lines to make land suitable, a highly relevant consideration amid chronic state and local fiscal stress. As described more fully in the following sections, the public bears some site readiness costs because the private sector will not bear them: which is itself because the land-use system tends to place industrial land in areas too difficult or expensive to ready for private developers to do the work profitably.

Second, distance from a specific industry cluster cannot be "improved."

These two provisions tip the scales toward expansion land that is suboptimal for industry: land that is hard (i.e., expensive or time-intensive) to develop, or where industry will not locate. In effect, the land-use system constrains local governments' economic development strategies because it preselects farmland protection as the top priority. Land-use policy must better reflect the public cost of readiness and market location needs.

Solution 1.1: Enhance the priority given to the needs of traded-sector target industries in expansion area selection

Oregon faces a particular challenge in making a portfolio of large sites – 100–300-acre strategic sites, 500+ acre very large sites and a very small number of 1,000+ acre sites – available in the locations and with the site characteristics industry requires. That is a problem because these projects tend to deliver the most transformational economic benefits for Oregon: they bring thousands of full-time jobs and many millions of dollars in property and income taxes, and they become anchors for regional economies. Suppliers are drawn to them, the state’s overall manufacturing base grows, and additional anchors follow.

Oregon rules call such sites “prime industrial land.” OAR 660-009-0005(8) defines prime industrial land as land with “difficult or impossible” to replicate site characteristics for traded-sector industry.

State law should expressly recognize the unique importance of providing these sites and require jurisdictions to provide them when the Governor’s Economic Strategy identifies a need. A city could satisfy or waive that obligation by participating in a voluntary regional program, such as the Central Oregon Large Lot program, that plans collectively for large sites (more on this below).

To meet this requirement, “prime industrial land” should, like “prime farmland,” be given special priority under the land-use system.

This means amending ORS 197A.285 and ORS 197A.355 (the Metro provision) so that lands with prime industrial characteristics that lie outside existing UGBs and urban reserves, or in current rural reserves (for Metro, also ORS 197A.235 and 197A.250 and OAR chapter 660, division 27), be given first priority for inclusion in UGBs, subject to conditions such as: the land is reserved for advanced manufacturing and/or related R&D, and development of the land for these uses is expected to bring significant economic impacts to the state (through significant new job creation, wages well above area medians, large new tax collections, etc.).

Large sites impose higher readiness and assembly costs that local governments cannot bear alone. Prime industrial land therefore requires a state-local partnership providing technical, planning, acquisition, and infrastructure support. This recommendation could be implemented through the proposed industrial land banks, described in more detail below.

To support this recommendation, statute needs to revise the existing definition of prime industrial land in several important ways and require Division 24 rules (including OAR 660-024-0060 for Metro) to apply the concept when selecting and evaluating UGB expansion areas. Needed changes include:

- A minimum site size (prime sites should be understood as large sites), defined by industry in an updated Business Oregon Industrial Development Competitiveness Matrix (see Appendix A).
- The definition should reference the importance of “locational factors” as defined in OAR 660-009-0005, for example: “prime industrial lands possess site characteristics that are difficult or impossible to replicate in the planning area or region [such as the presence of locational factors for certain targeted industries like proximity to suppliers or workers] and/or [low cost of site readiness/serviceability and time to readiness].” Regarding this latter point, it is critical that a dimension of “prime land” be the cost to service it.

- The definition should also, like the state’s defunct Regionally Significant Industrial Areas program, reference the land’s suitability and potential to provide significant economic opportunity to the region as described above.

Statutes governing the Division 9 inventory rules (and, for Metro, OAR 660-024-0050(1)) should also be amended to ensure that industrial lands inventories include prime industrial land.

Solution 1.2: Encourage regional planning for prime industrial land

Not every city needs its own supply of prime industrial land for every target industry. Some cities lack suitable sites or pursue different economic strategies, and labor markets and industry clusters operate regionally. Regional planning can identify the number and type of large sites the regional economy actually needs, avoiding duplicative local requirements.

A related challenge is intense interjurisdictional competition for scarce state site readiness dollars. Goal 9 requirements and Oregon’s property tax limitations push cities to compete aggressively for large, capital-intensive employers that can generate substantial property tax revenue.

The legislature should authorize voluntary regional programs modeled on the Central Oregon Large Lot Industrial Program. That program demonstrates how jurisdictions can coordinate large-site planning, although the model may not fit every region. Fiscally stressed cities may resist sharing opportunities to recruit revenue-positive projects, and some jurisdictions may lack capacity to negotiate agreements or amend comprehensive plans. Clever incentives may be needed to overcome these potential disinclinations.

The program itself will require statutory amendments to operate as intended without creating new hurdles to aspirational growth. It is currently authorized under OAR 660-024-0040 and 660-024-0045, which impose a hard limit on the number of large sites regardless of what a state strategy may say. That limit, along with the arbitrary standards the rules set for the number of sites of different sizes a region may have, should instead be driven by strategy.

Solution 1.3: Modernize how “suitability” is calculated in UGB land alternatives analysis

OAR 660-024-0067(5) (OAR 660-024-0060 for Metro) sets criteria for evaluating alternative expansion areas, but those criteria differ from Division 9’s definition and do not reflect the factors that make land usable for particular industries.

Division 9 and Division 24 should use the same definition. For an industrial UGB expansion, both should evaluate suitability against the needs of the target industries the expansion is intended to serve.

As described above, statute and rule should be revised so that, when alternative UGB expansion areas are compared for industrial expansion, higher priority is given to areas with lower costs and/or shorter times to serve, as determined by the city.

Solution 1.4: Elevate the importance of the cost of serviceability in selecting UGB expansion areas regardless of whether it implicates prime industrial land

Regardless of whether an expansion is seeking to add prime industrial land, it is critical that the land-use system elevate the importance of the cost and time-to-service component of the expansion land. The best way to factor in these considerations is through the statutes governing the Division 24 rules (for Metro, ORS 197A.355 and OAR 660-024-0060) that determine which study areas are selected and which alternatives receive priority for UGB expansion. Statute should be amended to ensure that areas with lower costs to serve receive higher priority for expansion.

Solution 1.5: An alternative option to enhance the priority given to the needs of traded-sector target industries in expansion area selection

This option would ensure that urban reserve designation is based on the land's suitability to host industrial employment (among other urban uses), the approach promoted by [SB 1522 -1](#) (2026). Urban reserves are the first priority for UGB expansion, and existing statute (ORS [197A.245\(6\)](#)) already requires that urban reserve designation be based on the suitability of the land to support dense urban development. SB 1522 -1 would go further, precluding decisions based on existing land uses or soil type and requiring that they rest solely on the listed factors. While an improvement on Division 24's suitability definitions, the factors described in ORS 197A.245(6) are not a perfect match for industrial development. If this policy advances as a way to support industrial expansions, the factors should align with Division 9's "suitability" definitions, as discussed earlier in this document.

This alternative is slower. Even with existing but poorly located reserves, redesignation may take several years, followed by several more for UGB expansion — before any appeals. Oregon's economy may not be able to wait that long.

Problem 2: Insufficient funding for site readiness

The state has thousands of acres of industrial land within its UGBs without industrial users because the land is either (1) not development ready (e.g., the sites are fragmented, lack entitlements, or lack public water and sewer, roads, power or other service infrastructure) or (2) altogether undevelopable by market standards (e.g., tiny sites scattered across dozens of owners with little chance of aggregating them; sites on significant slopes; sites on wetlands or in floodplains).

As described above, these backlogs exist in part because the land-use system pushes industrial land to excessively expensive places or to places where market demand is insufficient to cover the costs of site readiness. If enacted, the changes recommended above would allow cities to replace currently unsuitable industrial land with more suitable land, saving the public significant site readiness costs.

Functioning markets often "absorb" sites when the economics make sense: private developers purchase sites and develop land speculatively, including working with utilities to bring services such as water, power and sewer to the site (though most sites still require some baseline public infrastructure investment, such as roads).

These economics do not work on much of Oregon's zoned industrial land. Because the rules that determine which lands are counted in inventories and where UGB expansions go do not adequately consider market suitability, much industrial land is unsuitable by market standards: it would be unprofitable for private actors to purchase and develop the sites. In practice, the investment required to

ready these sites exceeds the lease or sale price developers can recover. Public subsidy is therefore required to ready many of these sites; otherwise, they will continue to lack tenants.

For example, correcting topographical features such as slopes can be very expensive. Developers may still invest to ready the land if they expect the sale or lease premium to justify the cost, but the premium is unlikely to do so if the site is too far from the manufacturing cluster the intended end user needs proximity to. Most private developers lack the risk appetite or time horizon to spend what could be years aggregating sites across dozens of parcels, a serious issue in many localities. Localities sometimes require new road infrastructure to serve a new area, and the first user is often required to pay even though the entire area benefits. For an individual company, the cost is too high and the benefit too small. The same calculation applies to the costs of wetland mitigation and to navigating difficult and uncertain permitting regimes.

Making much of Oregon's zoned industrial land "development ready" will require public support, often in the form of subsidy. Even then, some sites may remain undevelopable; high-value employers will likely never locate there. It will also require public leaders to accept the time needed to bring services to sites. For example, aggregating a parcelized area into a single site can take years, even decades, and little can be done when sellers are reluctant or unwilling. Economic developers increasingly report multi-year waits for sites to secure adequate electrical load. Securing state and federal wetland permits can take three years.

Developers consulted for this report suggest using \$6 to \$8 per gross square foot of land to approximate site readiness costs for public infrastructure (roads, sewer, stormwater, water). Applying that shorthand to the survey detailed above yields a rough estimate of Oregon site readiness costs between \$2.06 billion and \$2.74 billion. These figures understate the total because they exclude the cost of purchasing land.

The public may choose to cover these costs, but it should do so with a clear understanding of the tradeoffs involved, including the cost per unit of economic value the readiness work creates, which for some sites could be unacceptably high.

Federal, state and local resources available to invest in industrial land readiness are severely limited. Oregon cities are increasingly cash-strapped and unable to take on development risk under Measures 5 and 50. The state has financing programs to help cities take on that risk, including the Regionally Significant Industrial Site (RSIS) program and the Industrial Site Loan Fund (ISLF), but invests too little in them.

The core challenge is intense competition for the very limited dollars the state reserves for economic development each biennium. Since the 2017–2019 biennium, the state has authorized \$1.79 billion in lottery bonds. In that time, only \$210 million was used for purposes connected to industrial lands: \$25 million for the ISLF, \$160 million for the Special Public Works Fund (which is not entirely focused on industrial site readiness), and the remaining \$25 million for Brownfields. The legislature elsewhere appropriated \$10 million to the Semiconductor Industrial Land Loan Program. At this pace, it would take the state roughly 100 years to address its current backlog of more than \$2 billion in site readiness investments. Other states invest aggressively in site readiness. Ohio recently created its "All Ohio

Future Fund” to invest \$750 million¹⁸ in site readiness. Michigan has reported investing \$580 million in site readiness since 2023.¹⁹ This year Pennsylvania invested \$400 million in its Pennsylvania Strategic Investments to Enhance Sites (SITES) Program.²⁰

Far greater resources could be available through state general obligation (GO) bonds, but there is currently no constitutional authority to use GO bonds to prepare industrial sites that are not state-owned or state-operated.

Solution 2.1: Capitalize the Industrial Site Loan Fund (ISLF) and authorize creation of land banks

The fastest way to increase the effective supply of industrial land is not a boundary change; it is converting existing planned industrial acreage into sites that employers can use. That means utilities, transportation, power, parcel assembly, environmental due diligence and other readiness work. Structural changes to inventories and UGB rules remain essential because ready sites eventually will be absorbed, but those reforms operate on a longer clock.

Many cities are satisfied with at least some of the land they have; they simply need financial support to ready it before a transformational employer arrives. As a land-use principle, though perhaps not an economic one, it also makes sense to maximize use of the land already within UGBs to reduce pressure to expand them.

First, the legislature must sufficiently capitalize Business Oregon’s Industrial Site Loan Fund and find ways to sustain that level of investment. The Prosperity Council’s \$250M recommendation is the appropriate scale.²¹ The legislature should also consider allowing a portion of the income tax generated by employment on supported sites to recapitalize the program so that growth pays for itself.

In the medium to long term, the state should establish constitutional authority for general obligation bond sales to capitalize tools such as the ISLF.

Second, the legislature must authorize one or more industrial land banks. Fragmented ownership, wetlands approvals, limited local capacity, and acquisition costs keep many large sites unready. Dedicated entities should assemble and prepare sites in coordination with prime-industrial-land and regional-planning programs, while working only with the consent of the relevant city or county and not displacing successful local efforts.

¹⁸ <https://development.ohio.gov/community/economic-development/all-ohio-future-fund>

¹⁹ <https://www.michiganbusiness.org/mi-sites-program/>

²⁰ <https://dced.pa.gov/newsroom/governor-shapiro-announces-new-pa-sites-awards-investing-over-31-million-in-seven-projects-across-the-commonwealth-to-create-hundreds-of-jobs-and-build-more-shovel-ready-sites-for-businesses/>

²¹ It is critical that wetland mitigation costs be an allowable use of these funds.



Cause 3: Regulation

3.1: Wetlands

Oregon has a severe shortage of available wetland mitigation bank credits, a major impediment to industrial (and other) development. Prior work has documented the causes;^{22 23} the shortage ultimately reflects state wetland policy and the requirements it imposes on development.

Overview of Wetland Mitigation

Oregon's guiding wetland regulations are established under the state's 1967 Removal-Fill Law (ORS 196.795-990), which requires a permit before any wetland in the state is removed or filled. The state, through the Removal-Fill Law, maintains a "no net loss" principle for wetlands, meaning any development that cannot avoid displacing an existing wetland must ensure an equivalent and concurrent²⁴ restoration, maintenance or creation of new wetland. Oregon's Removal-Fill Law was created in recognition of wetlands' critical social and environmental benefits: wetlands filter and clean water while increasing flood resilience, among other services. They are also critical ecosystems, providing critical habitat for flora and fauna. The Removal-Fill Law was created to halt the further loss of wetland resources in the state.

When triggering a removal-fill permit, the first option for developers is to purchase either a mitigation credit from a certified bank representing restored or created wetland in the same subbasin or the bank's approved service area, and able to replace the same type and functions of wetland, or an in-lieu fee (ILF) credit which satisfies US Army Corps of Engineers mitigation requirements for wetlands under federal jurisdiction. Developers may also perform "on-site" or "off-site" mitigation on land they control (though under federal rules, for wetlands under federal jurisdiction they can do so only if no mitigation bank or ILF credits are available), paying to do the mitigation themselves rather than purchasing a credit representing already certified mitigation work. Under OAR 141-085-0680(3)(c), only if an insufficient quantity of credits is available can the developer use DSL's Payment in Lieu (PIL) program, paying DSL to take responsibility for creating or restoring wetlands and maintaining them; this option applies only to wetlands solely under Oregon jurisdiction. For decades, Oregon and the federal government used nearly identical definitions of regulated wetlands, so removing or filling a wetland almost always required permits from both the state and the US Army Corps of Engineers. Only with the US Supreme Court's recent *Sackett* decision did the definitions diverge, restricting federal jurisdiction to "navigable waterways" and wetlands connected to them by above-ground water sources.

²² See "Wetlands Recommendations" A and C documents completed for the Governor's Housing Production Advisory Council: <https://www.oregon.gov/gov/policies/pages/housing-production-advisory-council.aspx>

²³ "Wetland Mitigation Options for the City of Lebanon, Oregon," report by EcoNW: <https://www.lebanonoregon.gov/DocumentCenter/View/149/ECONorthwest-Wetland-Mitigation-Options-PDF>

²⁴ OAR 141-085-0680(3)(d) holds that compensatory mitigation "earthwork must be completed within the same construction season as the authorized removal-fill project. The Department may approve non-concurrent CM if the applicant clearly demonstrates, in writing, the reason for the delay or that there is benefit to the aquatic resources in doing so."



Problem 1: there's a severe shortage of wetland mitigation credits

Credits are extremely scarce and, when available, expensive (usually around \$90,000, though developers report that prices can be significantly higher). Only 86.67 mitigation credits are currently available statewide²⁵ (one credit equals one acre of restoration). For example, in 2019 the City of Lebanon alone needed 134.32 wetland mitigation credits for its industrial sites, but only 15 credits were immediately available.²⁶

There is a structural timing challenge to building up a meaningful supply of credits. Suppose \$500M became available overnight to capitalize mitigation banks to create wetlands (i.e., generate credits). ORS 196.620(5) and OAR 141-085-0725 to 0735 require that credits be released for purchase only after verification (though up to 30% of credits can be released before performance standards are met). Creating or restoring wetlands and then certifying new credits for purchase takes 5–10 years. Even a large hypothetical capitalization, therefore, would not help industrial development seeking to break ground now.

Problem 2: there are insufficient alternatives to wetland mitigation credits when credits are in short supply

When credits cannot be purchased, developers have two options: perform “permittee-responsible mitigation,” such as on-site mitigation, or make a payment in lieu of permittee-responsible mitigation so that DSL assumes responsibility for the mitigation work.

As mentioned above, for wetlands outside federal jurisdiction, PIL is, by rule (OAR 141-085-0680(3)(c)), available as a second option after mitigation credits. The problem is that DSL rarely uses PIL. As the Housing Accountability and Production Office (HAPO) recently reported, PIL is often viewed as a “last resort.”²⁷ That can leave developers with no option other than permittee-responsible on- or off-site mitigation. Many developers will not undertake on-site mitigation because (1) it may consume roughly 50% of the site’s developable land, undermining the project’s economics, and (2) mitigation work is complex, challenging, costly and risky. It requires a full mitigation plan, monitoring, maintenance and perpetual site protection. Assuming this risk is untenable for most developers.

Administering the PIL program is complex and labor-intensive: developers pay DSL to take on the real estate, development and maintenance risk of wetland mitigation. DSL needs considerably more funding for (1) staff who can find land within the same watershed that provides the same functions and secure rights to it, and (2) engineers and designers to perform the technical work of wetland mitigation. DSL also appears to avoid accepting a payment in lieu without a mitigation project lined up, both to meet its agency performance measure to use “PIL funds on a wetland project within 1 year of collecting those

²⁵ Department of State Lands Aquatic Resource Management Program Annual Report for FY 2025, Table 8: https://www.oregon.gov/dsl/waterways/Documents/ARM_AnnualReport.pdf

²⁶ “Wetland Mitigation Options for the City of Lebanon, Oregon,” report by EcoNW: <https://www.lebanonoregon.gov/DocumentCenter/View/149/ECONorthwest-Wetland-Mitigation-Options-PDF>

²⁷ HAPO – SB 1537 Report: Impacts of State Policies on Housing Production, p. 51. https://www.oregon.gov/lcd/HAPO/Shared%20Documents/SB_1537_State_Impacts_Summary_Report.pdf

dollars”²⁸ and to avoid temporal loss, which is good practice (losing a wetland can disrupt a community’s flood resilience, for example).

When PIL is allowed, however, the payment tends to be expensive, often around the same price as credits from certified mitigation banks.

Permitting timelines are also challenging. Wetlands under federal jurisdiction require permits from the US Army Corps of Engineers. According to developers and economic developers, these permits can take a year to obtain, or 2–3 years when appealed.

Problem 3: Many local government ILIs count wetlands

As the Governor’s Housing Production Advisory Council (HPAC) found,²⁹ industrial lands inventories are inflated in part because the land-use system recognizes neither the fundamental reasons to avoid developing on wetlands nor the severe challenges of doing so. Furthermore, many wetlands in areas covered by current comprehensive plans were not mapped when those plans were created. Local governments, especially smaller cities, have very limited capacity to fund and conduct local wetland inventories and comprehensive plan updates, a gap that needs to be addressed.

Proposed Changes

As HPAC and now HAPO have found, wetland policy is not without solutions.

Solution 1: Make it easier and less costly for developers to meet wetland mitigation requirements

- A. **Resource mitigation banks to start generating credits.** Over the long term (10 years), the state could increase the supply of mitigation credits by funding wetland mitigation banks upfront to proactively develop new credits for sale. Because those credits would not materialize in full for nearly a decade, however, this is not a short-term solution, and it may not be the best use of scarce resources.
- B. **Leverage the Oregon Watershed Restoration Inventory.** One way to stock banks with credits now without waiting a decade is to allow wetland creation or restoration projects captured in the Oregon Watershed Restoration Inventory (OWRI) to be officially certified as saleable wetland mitigation credits, with proceeds returning to the jurisdiction that did the work. This recommendation appeared in the Governor’s HPAC Recommendations.³⁰ Local Watershed Councils do substantial work to restore and improve watershed functions for societal and ecological benefit. That work is captured in the OWRI, which includes about 76,000 acres of restored watershed. Even if only a small fraction has potential for wetland mitigation, it could help address the severe credit shortage and reduce credit prices. Using the OWRI would, however, likely require a “forensic evaluation” of past enhancements, including establishing a

²⁸ DSL memo to HPAC (Aug. 14, 2023), in HPAC Recommendation: Wetlands (A)

²⁹ HPAC Wetlands Recommendations (A) (p. 5).

<https://www.oregon.gov/gov/policies/Documents/Land%20Availability%20-%20Wetland%20Recommendation%20A%20UPDATED.pdf>

³⁰ Ibid

baseline against which to measure them. It may also require policy changes, as it could conflict with the “no net loss” principle.

Solution 2: Scale the use of the Payment in Lieu program

The state should make it simple for developers to use PIL without having to wait for DSL to find a suitable project. The recent *Sackett* decision creates a significant opportunity for Oregon on this front. By substantially narrowing the wetlands under federal jurisdiction, the decision left many wetlands solely under state purview, which creates an opportunity to expand use of the PIL program. DSL should be statutorily directed to scale up its use of the program. Implementing that directive, however, will require significantly more resources for DSL (which should also help it process more ILF requests for wetlands under Army Corps jurisdiction). That would include more staff coordinating with Local Watershed Councils, Soil and Water Conservation Districts and other entities to find suitable projects with the same attributes in the same basin, including working with property owners to secure rights and protective easements. Statute should ensure (at least on a temporary basis) that a mitigation project need not be in hand before DSL can approve PIL. This would mean relaxing the rule that mitigation earthwork be completed in the same construction season as the permitted project.

Scaling up PIL involves tradeoffs, however: the “temporal loss” rule exists for a reason. Wetlands provide important services: they help with flood resilience and filter water. Losing a wetland to development without a concurrent and equivalent replacement could leave a community exposed to flooding, or increase demands (and costs) for water treatment plants. Although this change should proceed, these tradeoffs are why, as discussed below, wetlands should not be treated as candidates for developable land (at least where alternatives, including farmland, exist).

Solution 3: In recognition of the societal and ecological value of wetlands, high-value wetlands should be removed from inventories and replaced with unencumbered lands

Local governments should not count wetland-encumbered sites in ILIs, or should at least have the option not to. Implementing this recommendation will require giving small and low-resource local governments the financial capacity to conduct wetland inventories and perform comprehensive plan updates to replace encumbered land with unencumbered land in their ILIs.

Some state-protected wetlands are of “low value,” meaning that they are not remnants of existing wetlands and could not be restored without substantial, ongoing public investment. Development without compensatory mitigation should be allowed on these low-value, low-function wetlands, which can be engineered to function only at great public expense. To implement this approach, we recommend creating a taxonomy that classifies wetlands from low to high value and function.

3.2: Local Government Capacity

Solution: Invest in local government capacity to update comprehensive plans in accordance with the changes outlined

Nearly every recommendation in this paper will create opportunities for local governments to undertake new planning work that gives them the industrial land they need to prosper. New definitions of “vacant,”

“suitable,” “serviceable” and “prime industrial land” mean recalculated industrial lands inventories; aspirational planning means new Economic Opportunities Analyses; stripping wetland-encumbered acreage out of ILIs means local wetland inventories that in many jurisdictions have never been done; regional large-lot planning means intergovernmental agreements and comprehensive plan amendments in every participating city. None of this is free, and Oregon has spent decades asking local governments to plan without meaningfully supporting their ability to pay for it.

Even a single planning process is costly. In OBC and the League of Oregon Cities’ forthcoming 2026 survey of city UGB and comprehensive plan experiences (33 jurisdictions responding), six of the thirteen cities able to estimate put the external cost of a typical UGB expansion above \$250,000 and one above \$1 million; seven of nineteen put a comprehensive plan amendment above \$250,000; and ten of seventeen reported spending a person-year or more of staff time on a UGB expansion, which does not count costs of appeals. A reform package that doubles the planning workload without funding it will widen the gap between large and small cities.

We therefore recommend that the legislature fund implementation at the scale of the mandate it is creating: a dedicated appropriation—perhaps distributed as formula-based implementation grants rather than through a competitive application process—sufficient to cover the comprehensive plan, EOA, industrial lands inventory and local wetland inventory updates these changes require. This funding should be paired with state technical assistance, including inventory templates and standardized methodologies, so that small cities are not each separately buying the same work at consultant rates.

3.3: A Statewide Industrial Land Inventory

Oregon does not maintain a statewide inventory of available industrial land; the survey described in the Background section was an attempt to fill that gap. The state should fund Business Oregon to maintain an updated statewide inventory of industrial land, which could focus primarily on large sites. That inventory would also provide the baseline the Governor’s Economic Strategy (described above) needs to compare the land supply required to compete in target industries with what is currently provided.



Conclusion

Oregon does not have a shortage of industrial land on paper. It has a shortage of land employers will actually use. The gap between the two is wide: jurisdictions responding to the OBC, OEDA and LOC survey reported just under 10,000 acres of “vacant” industrial land, but only 1,825 acres were development ready, and only eight of twenty-eight reported even one site of 100 acres or more. That gap is not an accident of the market. It is the result of a land-use system whose rules make it difficult or impossible for local governments to meet the mandate ORS 197.712 places on them: to provide “at least an adequate supply of sites of suitable sizes, types, locations and service levels” for industry.

The three causes described in this paper compound one another. For many jurisdictions, safe harbor forecasts anchor projected need to past trends, not future opportunities. Industrial lands inventories count phantom supply and use it to deny that need. When an expansion is justified anyway, priority rules push it toward land that is expensive to serve, slow to assemble or far from the industry clusters employers need to be near. The state then invests too little to ready that land, and wetland encumbrances, scarce mitigation credits and thin local capacity add cost, delay and uncertainty at every step. The result is a system that keeps accumulating “phantom supply” while major projects locate elsewhere.

The costs for Oregon are real. When the Semiconductor Task Force reported, Oregon had 15% of the national semiconductor workforce. It has since received only about 5% of the industry’s investment, while Arizona has captured about 30%. More than 80% of the jurisdictions responding to the survey reported missing economic development projects for lack of development-ready land. Every one of those projects represents jobs, wages and tax revenue that a fiscally stressed state can ill afford to forgo.

Because the causes reinforce one another, the solutions must move together. Funding site readiness without fixing inventories and expansion rules will make it difficult to replenish land. Fixing inventories without funding readiness would produce a new generation of phantom supply. Aspirational planning without changes to how expansion areas are selected would add acres where industry will not locate. And none of these reforms will reach small cities unless the state pays for the planning work they require.

This paper opened by laying out the requirements for any solution. Taken together, its recommendations accomplish each of them:

- **Fund site readiness:** The report calls for capitalizing the Industrial Site Loan Fund at the \$250 million scale the Prosperity Council recommended and potentially allowing a portion of the income tax generated by employment on supported sites to recapitalize it. Industrial land banks would take on the site assembly, acquisition and wetland work that fragmented ownership and limited local capacity now leave undone. In the medium to long term, constitutional authority for general obligation bonds would make far greater resources available. And because the reformed expansion rules would favor land that is cheaper and faster to serve, each public dollar would go further. The need is urgent: at the state’s current pace of investment, clearing Oregon’s more than \$2 billion site readiness backlog would take roughly a century, while Ohio, Michigan and Pennsylvania are each committing hundreds of millions of dollars to the same work.

- **Enable aspirational, strategic planning:** A Governor’s Economic Strategy, required by statute and completed every four years, would set a statewide growth target, identify target industries and specify the land supply, locational factors and site characteristics Oregon needs to compete for them, measured against a statewide industrial land inventory maintained by Business Oregon. A new safe harbor for EOAs that conform to the strategy would give willing cities and Metro a defensible path to plan above current trends without bearing the full cost of building and defending an “adequate factual base” on their own. Cities that prefer their own aspirational path would remain free to pursue it. Voluntary regional programs would let jurisdictions plan for large sites together, with the number of sites driven by strategy rather than fixed limits in rule, and dedicated implementation funding and technical assistance would let small cities, not just large ones, do this work.
- **Address “phantom supply”:** Going forward, industrial lands inventories would count only land that is both vacant and matches the site types an EOA identifies. “Suitable” would be defined in industry-specific terms grounded in Business Oregon’s Industrial Development Competitiveness Matrix and would exclude wetlands and other constrained land, and “vacant land” would carry a minimum parcel size that reflects what industry actually requires. Division 9 and Division 24 would share one definition of suitability, so UGB alternatives analysis would judge land against what target industries need rather than presuming it suitable whenever it could, at some cost, be improved. For the legacy phantom supply already in inventories, cities could rezone unsuitable land for housing or Goal 5 purposes, stop counting land that has not developed within a set evaluation period, update inventories regularly and replace high-value wetlands with unencumbered land.
- **Make sure industrial expansions go where industry needs it:** Prime industrial land would receive first priority for inclusion in UGBs, subject to conditions such as a requirement that it be reserved for advanced manufacturing or related R&D and that its development be expected to bring significant new jobs, wages well above area medians and large new tax collections. That pairing mirrors the test this paper set out. Prime industrial land is, by definition, land whose site characteristics are difficult or impossible to replicate elsewhere in the planning area or region, which is the practical meaning of “no suitable alternative”; the conditions ensure that the expected statewide benefits justify the tradeoff. Regional planning would avoid duplicative local requirements for large sites, so the system would ask only for the land the regional economy actually needs.
- **Move faster:** The quickest gains would come from readying land already inside UGBs, which requires no boundary change at all. The recommendations would also make expansions faster and more predictable by removing attack vectors for appeal. A safe harbor for EOAs that conform to the Governor’s Economic Strategy would take largely off the table the question on which aspirational EOAs are most exposed to challenge: whether a forecast rests on an “adequate factual base.” Explicit statutory authority would settle the dispute over how far Metro may plan aspirationally. Clear statutory definitions of “suitable,” “vacant,” “serviceable” and “prime industrial land,” shared by Division 9 and Division 24, would leave fewer questions open to litigation. Everything else equal, an expansion that presents fewer contestable issues will face fewer appeals and fewer remands, and will reach the ground sooner. Beyond appeals, a strategy that can be updated as conditions change, regularly refreshed inventories, a PIL

program that does not wait for DSL to line up a mitigation project, and priority for land that can be served quickly would all shorten the time between identifying an opportunity and offering a site.

None of this requires abandoning the principles that have defined Oregon's land-use system for more than half a century. Land zoned industrial inside UGBs accounts for roughly a quarter of one percent of Oregon's land area; land zoned exclusive farm use accounts for about a quarter of it. The reforms proposed here would protect the vast majority of Oregon's productive farmland.

OBC has documented Oregon's shortage of large industrial sites since at least 2003. The Semiconductor Task Force, the Clean Tech Task Force, the University of Oregon's 2026 assessment for Business Oregon and the Governor's Prosperity Council have since reached the same conclusion. Employers want to locate and expand in Oregon; too often, they are thwarted simply by a lack of development-ready land. Without legislative action, Oregon will keep counting acres employers will not use while the projects that would have built here go elsewhere. Oregon's land-use system was built to protect the foundations of the state's prosperity. It needs to be updated so it can do so again.

Appendix A: Business Oregon Industrial Development Competitiveness Matrix

Business Oregon’s Industrial Development Competitiveness Matrix sets out the site characteristics that industrial users in fourteen industry profiles typically require, including site size, slope, transportation access, utility service levels and other special considerations. The current version (revised October 14, 2025) is reproduced below. As recommended in this paper, the matrix should be updated and improved as part of the Governor’s Economic Strategy.

Industrial Development Competitiveness Matrix																
PROFILE DESCRIPTION	Production Manufacturing			Value-Added Manufacturing and Assembly		Light / Flex Industrial			Warehousing & Distribution		Specialized					
	A	B	C	D	E	F	G	H	I	J	K	L	M	N		
	Heavy Industrial / Manufacturing	High-Tech Manufacturing	Clean-Tech Manufacturing	Food Processing	Advanced Manufacturing & Assembly	General Manufacturing	Industrial Business Park and R&D Campus	Business / Admin Services	Regional Warehouse / Distribution	Local Warehouse / Distribution	Uncrewed aerial vehicles (UAV) Manufacturing / Research	Data Center	Hyperscale Data Center	Rural Industrial		
	Processing and/or production of raw materials and/or transformation of material substances in plants, factories, or mills.	Computerized and automated manufacturing and processing of raw products into technology products (e.g., semiconductors); not assembly.	Computerized and automated manufacturing and processing of raw products into clean energy technologies (e.g. batteries, solar panels, wind, timber etc.); not assembly.	Manufacturing, production, or processing of foods and beverages for human or animal consumption.	'Value-added' manufacturing and assembly with products transformed, upgraded, or used to create new product, typically higher-value product, by a specific process.	Less intensive manufacturing with emphasis on assembly activities and direct transfer to wholesale and retail markets.	Planned campuses with diversified facilities of general, light, or heavy industrial users, manufacturing, warehouse / distribution, office, and/or business support services.	Business functions such as call centers or broadcasting studios; often multi-story, employee-intensive, and parking heavy.	Large-scale warehousing, logistics, storage, freight consolidation, wholesale, and distribution of goods. May include inventory tracking, packaging, and customer service functions, serving regional or national markets.	Smaller scale warehousing, logistics, storage, freight consolidation, wholesale, and distribution of goods supporting last-mile or local delivery services.	Assembly, manufacturing, and testing of UAV; a type of advanced 'value-added' manufacturing that requires large open areas for testing.	Smaller-scale warehouse type facility for off-site storage of information technology infrastructure, computer systems, and associated components (applications and secure data). May include maintenance and office areas and can be single or multiple tenant occupied.	Large-scale warehouse type facility for off-site storage of information technology infrastructure, computer systems, and associated components (applications and secure data). May include maintenance and office areas and can be single or multiple tenant occupied.	Less intensive manufacturing processes with emphasis on assembly activities and direct transfer to wholesale and domestic consumer uses. Typically not high tech industries in rural areas.		
CRITERIA																
1	GENERAL REQUIREMENTS		Use is permitted outright, located in Urban Growth Boundary (UGB) or equivalent. Site is outside floodplain and does not contain contaminants, wetlands, protected species, or cultural resources or has mitigation plan(s) that can be implemented in 180 days or less.													
	PHYSICAL SITE															
2	TOTAL SITE SIZE*	Competitive Acreage**	10 - 100+	5 - 100+	5 - 100+	5 - 25+	5 - 25+	5 - 15+	20 - 100+	5 - 15+	20 - 100+	10 - 25+	10 - 25+	10 - 50+	50 - 100+	10 - 50+
3	COMPETITIVE SLOPE:	Maximum Slope	0 - 5%	0 - 5%	0 - 5%	0 - 5%	0 - 7%	0 - 5%	0 - 7%	0 - 12%	0 - 5%	0 - 5%	0 - 7%	0 - 7%	0 - 7%	0 - 5%
	TRANSPORTATION															
5	TRIP GENERATION:	Average Daily Trips per Acre	40 to 60 (ADT / acre)	40 to 80 (ADT / acre)	40 to 80 (ADT / acre)	50 to 65 (ADT / acre)	30 to 60 (ADT / acre)	30 to 50 (ADT / acre)	60 to 150 (ADT / acre)	170 to 180 (ADT / acre)	20 to 80 (ADT / acre)	20 to 80 (ADT / acre)	30 to 50 (ADT / acre)	20 to 30 (ADT / acre)	20 to 30 (ADT / acre)	30 to 50 (ADT / acre)
6	MILES TO INTERSTATE OR OTHER PRINCIPAL ARTERIAL:	Miles	w/in 10	w/in 10	w/in 10	w/in 30	w/in 15	w/in 20	N/A	N/A	w/in 5 (only interstate or equivalent)	w/in 5 (only interstate or equivalent)	N/A	w/in 30	w/in 30	w/in 60
7	RAILROAD ACCESS:	Dependency	Preferred	Avoid	Preferred	Preferred	Not Required	Preferred	Preferred	Not Required	Preferred	Preferred	Not Required	Avoid	Avoid	Preferred
8	PROXIMITY TO MARINE PORT:	Dependency	Preferred	Not Required	Preferred	Preferred	Not Required	Preferred	Preferred	Not Required	Preferred	Preferred	Not Required	Not Required	Not Required	Preferred
9	PROXIMITY TO REGIONAL COMMERCIAL AIRPORT:	Dependency	Preferred	Competitive	Competitive	Preferred	Competitive	Preferred	Required	Preferred	Preferred	Preferred	Preferred	Competitive	Competitive	Not Required
		Distance (Miles)	w/in 60	w/in 60	w/in 60	w/in 60	w/in 30	w/in 60	w/in 30	w/in 60	w/in 60	w/in 60	w/in 30	w/in 60	w/in 60	N/A
10	PROXIMITY TO INTERNATIONAL AIRPORT:	Dependency	Preferred	Competitive	Competitive	Preferred	Competitive	Preferred	Competitive	Preferred	Preferred	Preferred	Competitive	Preferred	Preferred	Not Required
		Distance (Miles)	w/in 300	w/in 30	w/in 30	w/in 300	w/in 30	w/in 300	w/in 30	w/in 300	w/in 300	w/in 300	w/in 100	w/in 300	w/in 300	N/A
11	PROXIMITY TO TRAINED LABOR FORCE:	Dependency	Preferred	Competitive	Competitive	Not Required	Competitive	Preferred	Preferred	Not Required	Not Required	Not Required	Competitive	Not Required	Not Required	Not Required
12	PROXIMITY TO EXISTING SUPPLY CHAIN:	Dependency	Preferred	Competitive	Competitive	Not Required	Competitive	Preferred	Preferred	Not Required	Not Required	Not Required	Competitive	Not Required	Not Required	Not Required
13	UTILITIES WATER: (private lateral, public main connection must be at least same diameter or larger)	Min. Line Size (Inches Diameter)	8" - 12"	12" - 16"	8" - 12"	12" - 16"	8" - 12"	6" - 10"	8" - 12"	4" - 6"	4" - 8"	4" - 6"	4" - 8"	16"	16" - 24"	4" - 8"
		Min. Fire Line Size (Inches Diameter)	10" - 12"	12" - 18"	10" - 12"	10" - 12"	10" - 12"	8" - 10"	8" - 12"	6" - 10"	10" - 12"	6" - 8"	6" - 10"	10" - 12"	10" - 12"	6" (or alternate source)
		High Pressure Water Dependency	Preferred	Required	Preferred	Required	Preferred	Not Required	Preferred	Not Required	Not Required	Not Required	Not Required	Required	Required	Not Required
		Flow (Gallons per Day per Acre)	1600 (GPD / Acre)	5200 (GPD / Acre)	1600 (GPD / Acre)	3150 (GPD / Acre)	2700 (GPD / Acre)	1850 (GPD / Acre)	2450 (GPD / Acre)	1600 (GPD / Acre)	500 (GPD / Acre)	500 (GPD / Acre)	1600 (GPD / Acre)	7000 - 11700 (GPD / Acre) †	7000 - 11700 (GPD / Acre) †	1200 (GPD / Acre)
14	SANITARY SEWER: (private lateral, public main connection must be at least same diameter or larger)	Min. Service Line Size (Inches Diameter)	6" - 8"	12" - 18"	6" - 8"	10" - 12"	10" - 12"	6" - 8"	10" - 12"	6" - 8"	4"	4"	6"	8" - 10"	8" - 10"	4" - 6" (or on-site source)
		Flow (Gallons per Day per Acre)	1500 (GPD / Acre)	4700 (GPD / Acre)	1500 (GPD / Acre)	2600 (GPD / Acre)	2500 (GPD / Acre)	1700 (GPD / Acre)	2000 (GPD / Acre)	1600 (GPD / Acre)	500 (GPD / Acre)	500 (GPD / Acre)	1300 (GPD / Acre)	1000 (GPD / Acre) ‡	1000 (GPD / Acre) ‡	1000 (GPD / Acre)
15	NATURAL GAS:	Preferred Min. Service Line Size (Inches Diameter)	4" - 6"	6"	6"	4"	6"	4"	6"	2"	2"	2"	2"	4" - 6"	6" - 12"	N/A
		On Site	Competitive	Competitive	Competitive	Preferred	Competitive	Competitive	Competitive	Preferred	Preferred	Preferred	Preferred	Competitive	Required	Preferred
16	ELECTRICITY:	Minimum Service Demand	2 MW	4-6 MW	4-6 MW	2-6 MW	1-2 MW	0.5 MW	0.5 -1.5 MW	0.5 MW	1 MW	1 MW	0.5 MW	5-100 MW	100 MW - 5 GW	1 MW
		Close Proximity to Substation	Competitive	Competitive	Competitive	Not Required	Competitive	Preferred	Competitive	Preferred	Not Required	Not Required	Not Required	Required, could be on site	Required, could be on site	Not Required
		Redundancy Dependency	Required	Preferred	Preferred	Not Required	Required	Not Required	Competitive	Required	Not Required	Not Required	Not Required	Required	Required	Not Required
17	TELECOMMUNICATIONS:	Major Communications Dependency	Preferred	Required	Required	Preferred	Required	Required	Required	Required	Preferred	Preferred	Required	Required	Required	Preferred
		Route Diversity Dependency	Not Required	Required	Required	Not Required	Required	Not Required	Preferred	Required	Not Required	Not Required	Not Required	Required	Required	Not Required
		Fiber Optic Dependency	Preferred	Required	Required	Preferred	Required	Preferred	Required	Required	Required	Preferred	Preferred	Required	Required	Not Required
18	SPECIAL CONSIDERATIONS:	Adequate distance from sensitive land uses (residential, parks, large retail centers) necessary. High throughput of materials. Large yard spaces and/or buffering required. Often transportation needs require marine/rail links.	Acreage allotment includes expansion space (often an exercisable option). Very high utility demands in one or more areas common. Sensitive to vibration from nearby uses.	Acreage allotment includes expansion space (often an exercisable option). Very high utility demands in one or more areas common.	May require high volume/supply of water and sanitary sewer treatment. Often needs substantial storage/yard space for input storage. Onsite water pre-treatment needed in many instances.	Surrounding environment of great concern (vibration, noise, air quality, etc.). Increased setbacks may be required. Onsite utility service areas. Avoid sites close to wastewater treatment plants, landfills, sewage lagoons, and similar uses. Lower demands for water and sewer treatment than Production High-Tech Manufacturing.	Adequate distance from sensitive land uses (residential, parks) necessary. Moderate demand for water and sewer. Higher demand for electricity, gas, and telecom.	High diversity of facilities within business parks. R&D facilities benefit from close proximity to higher education facilities. Moderate demand on all infrastructure systems.	Relatively higher parking ratios may be necessary. Will be very sensitive to labor force and the location of other similar centers in the region. High reliance on telecom infrastructure.	Transportation routing and proximity to/from major highways is crucial. Expansion options typically required. Truck staging areas required. Minimal route obstructions between site and interstate highway such as rail crossings, drawbridges, school zones, or similar obstacles.	Transportation infrastructure such as roads and bridges to/from major highways is most competitive factor.	Must be located within or near FAA-regulated UAV testing sites. Moderate utility demands. Low reliance on transportation infrastructure.	Larger sites may be needed. The 50 acre site requirement represents a more typical site. Power delivery, water supply, and security are critical for high volumes/supply. 100+MW requires multi-pronged energy approach with natural gas equipment working in tandem with other energy types and storage solutions. Surrounding environment (vibration, air quality, etc.) is crucial.	Very large sites or a collection of combined parcels may be needed, up to 1,000+ acres. Power delivery, water supply, and security are critical for high volumes/supply. 100+MW requires multi-pronged energy approach with natural gas equipment working in tandem with other energy types and storage solutions. Surrounding environment (vibration, air quality, etc.) is crucial.	Located in more remote locations in the state. Usually without direct access (within 60 miles) of Interstate or City of more than 50,000 people.	
Consultant team: Mackenzie; Glumac, ECONorthwest																
Terms:																
More Critical ↑ Less Critical	"Required"	factors are seen as mandatory in a vast majority of cases and have become industry standards.														
	"Competitive"	significantly increases marketability and is <i>highly recommended by Business Oregon</i> . May also be linked to financing to enhance the potential reuse of the asset in case of default.														
	"Preferred"	increases the feasibility of the subject property and its future reuse. Other factors may prove more critical.														
		* Total Site: Building footprint, buffers, setbacks, parking, mitigation, and expansion space.														
		** Competitive Acreage: Acreage that would meet the site selection requirements of the majority of users in this sector.														
		† Data Center Water Requirements: Water requirement is typically reported as gallons per MWh to more closely align with the Data Center industry standard reporting of Water Usage Effectiveness (WUE), 50-200 MWh.														
		The estimated demand range is based on a low-end assumption of 0.172 Acre/MW and 50 Gallons/MWhr, and a high-end assumption of 0.413 Acre/MW and 200 Gallons/MWhr. The required demand values of a prospective data center can vary greatly based on multiple design factors including the type of cooling method (air, liquid, or a combination), data center building type (single story, multi-story), the total acreage (for the data center, parking lots, generators, mechanical and electrical equipment), and specific site weather conditions.														
		‡ Data Center Sanitary Sewer Requirements: Sewer requirement is reported as 200% of the domestic usage at the Data Center facility. Water and sewer requirements for Data Centers are highly variable based on new technologies and should be reviewed on a case-by-case basis for specific developments.														