

OSU-C Innovation District Roadmap to Redevelopment

Prepared for:
Oregon State University-Cascades

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About the Roadmap to Redevelopment

The *Roadmap to Redevelopment* is a product of the [CDFA Brownfields Technical Assistance Program](#), which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The *Roadmap to Redevelopment* was developed through a multi-day process that included interviews with numerous stakeholders from the government, business, and non-profit sectors. The plan provides a framework for the financing of the remediation and redevelopment of the former landfill and pumice mine to allow for OSU-C's expansion and buildout of the Innovation District.

The *Roadmap to Redevelopment's* recommendations combine the input of development finance experts, CDFA staff, and the interests of stakeholder groups gathered during the Project Response Team site visit.

Background & History

Oregon State University-Cascades (OSU-C) first established a presence in Bend in 2001 through a shared campus with Central Oregon Community College (COCC). In 2013, the state legislature committed to building a four-year university in Bend, and OSU was awarded the opportunity. In 2016, OSU-Cascades opened its brand new 10 acre campus to students, making it the only four-year university within a 150 mile radius.

The campus is located adjacent to a 46-acre pumice mine and 72-acre demolition landfill. Long range plans for campus expansion include remediation and reclamation of both adjacent properties, resulting in a 128-acre campus. OSU-C currently owns the pumice mine. Plans are underway to acquire and redevelop the landfill in conjunction with the pumice mine. The remediation plan includes using a soil mixing technique to combine a pre-determined amount of landfill soil with clean soil to fill the pumice mine area. Some of the existing landform features will be preserved. The soil mixing technique is an alternative to hauling in clean soil to fill the mine and is expected to greatly reduce the cost of remediation.

The campus expansion will be completed over a 10-year period, beginning with land reclamation, construction of a new academic building, and Student Success Center. Additional phases will add several more academic buildings, a health and wellness center, and student housing. OSU-C has prepared a 10-year Capital Plan Forecast that includes the anticipated total costs of this expansion.



On left: 56 acre OSU-C property including Pumice Mine. On right: Deschutes County Landfill.

In addition to the expansion described above, the University is proposing an Innovation District, a designated geographic area “where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, and accelerators. [Innovation districts] are... physically compact, transit-accessible, and technically-wired and offer mixed-use housing, office, and retail.”¹ The planned Innovation District would provide 380K square feet of private or public partner industry space. Private industry usage is expected to comprise about 50 percent of the space, while University (15 percent), co-use (15 percent), and commercial/retail (20 percent) usage will comprise the rest of the space. The co-use space is an important component of the Innovation District and will house shared equipment and other resources.

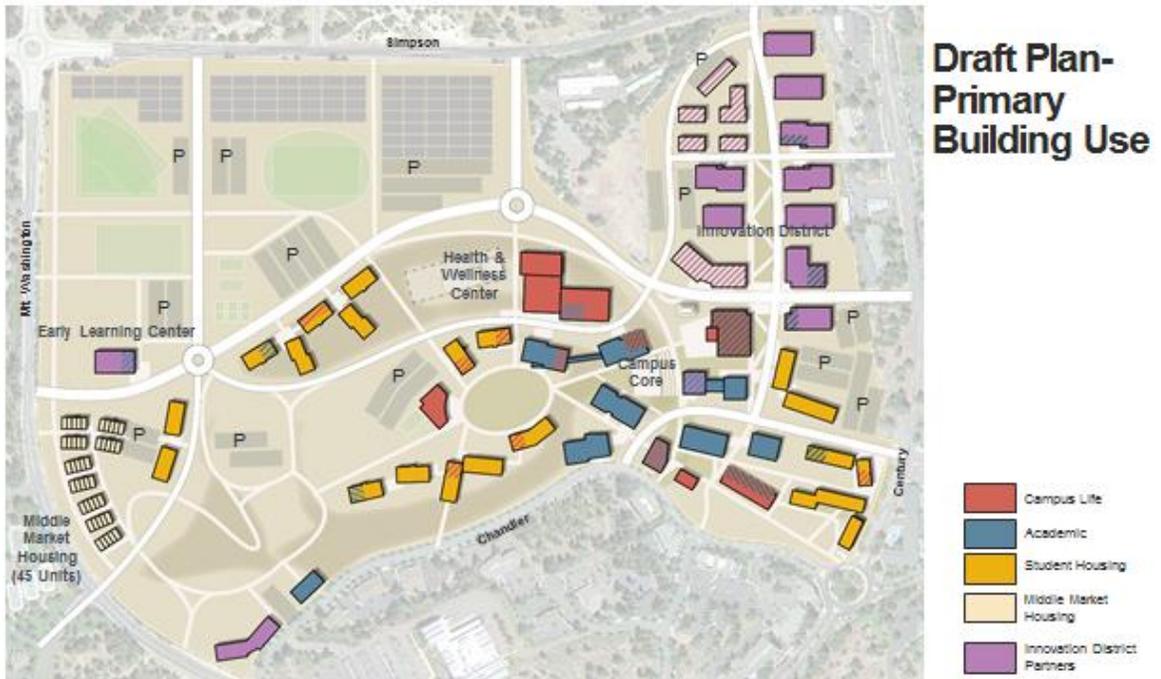


Image Courtesy of OSU-Cascades

The Innovation District is intended to provide on-campus internships and research projects for students, but also to be an economic anchor for the community. Industry partners will be selected based on their integration with the University programs. Several key trade sectors have already been identified as potential tenants of the Innovation District, including:

- High technology (software and hardware)
- Biotechnology (pharma and medical device)
- Recreational/outdoor equipment and apparel
- Brewing and distilling
- Food products
- Aerospace
- Tourism/hospitality (ecotourism)
- Wood products and natural resources

¹ The Brookings Institution. May 2014. The Rise of Innovation Districts: A New Geography of Innovation in America. Retrieved from: <https://www.brookings.edu/wp-content/uploads/2016/07/InnovationDistricts1.pdf>

OSU-C has prepared a 10-year capital plan forecast for campus expansion (2017-2027) totaling approximately \$423.75M. This plan is divided into 2-year phases, as the State issues bonds at the end of the biennial. The plan includes the reclamation of the pumice mine and landfill, infrastructure, buildout of academic buildings and Student Success Center, student housing, and wellness center. The forecast does not include costs for the Innovation District, other than the remediation of the site. OSU-C estimates the buildout of the Innovation District to cost an additional \$235M to realize the planned amount of public and private industry space in all four categories.



OSU-Cascades Dining Hall. Photo Courtesy of OSU-Cascades.

OSU-C Innovation District Roadmap to Redevelopment

Recommendations

Part I: Pursuing Bonds as Primary Source of Funding

The most likely source of funds for the Innovation District redevelopment will be bond proceeds, through either the State bond program or the University's bond programs.

OSU-C has access to three different bonding structures to finance development activities. State bonds issued are either G bonds or Q bonds. G bonds require a 50/50 University match, while Q bonds do not require a match and are typically used for infrastructure and related improvements such as parking. State bonds are likely to cover academic structures.

University backed bonds are issued by the OSU-C's internal bank and can be used for academic buildings and a variety of other campus buildings. In 2016, the University issued bonds for the construction of the residential building and dining hall. The University bonds are revenue bonds and require incremental tuition revenue or a similar source to pledge to the repayment of such bonds.

- i. Pursue 10-year forecast request diligently.

As mentioned previously, the 10-year forecast does not directly include any costs for the redevelopment of the Innovation District. Nevertheless, the campus expansion and redevelopment activities that are included in the forecast will be critical in supporting the growth and health of OSU-C. If OSU-C is successful in financing the campus expansion as proposed, it will be building the capacity of the campus to meet the enrollment goal of over 5,000 students in the next 10-15 years.

- ii. Work with Oregon State University main campus (OSU) to determine a bonding strategy for redevelopment of the Innovation District.

To the extent that OSU-C has the capacity to issue additional bonds for the proposed redevelopment, OSU-C should investigate whether OSU would be willing to issue the bonds. OSU has a very strong credit rating and could likely support the proposed debt over a ten year period to fund the expansion, providing that it doesn't compete too greatly with other OSU capital expenditures.

- iii. Find a sponsor for additional bond requests.

State economic development agencies such as Business Oregon and Regional Solutions (Central Region) can sponsor key economic development projects for the state if the projects are expected to result in job growth or traded sector expansion. Recent economic impact studies were completed on the planned OSU-C expansion and Innovation District projecting significant growth to both the central Oregon region as well as the state. OSU-C should work with one of these agencies to issue additional bonds related to the Innovation District infrastructure needs.

Part II: Capital Campaigns

OSU-C has been actively running capital campaigns and already has fundraising gifts built into the campus expansion plan. Although OSU-C has a relatively short history within the community, it has enjoyed enthusiasm and support from many individuals and businesses. Capital campaign funds are likely to play a small but important role in the overall development; OSU-C should continue to run these campaigns diligently.

Part III: Investigating Public-Private Partnership (P3) Opportunities

A public-private partnership (P3) is a contractual arrangement where a government agency (or in this case, OSU-C) contracts with a private partner (the “Developer”) to renovate, construct, operate, maintain, and/or manage a facility or system that provides a public service or benefit.² Depending on the structure of the P3, it may be possible to keep the financing of the Innovation District off of the University’s balance sheet and thereby not impact OSU-C’s (or OSU’s) overall credit standing.

P3s vary widely in structure and terms. The most likely approach for the Innovation District would be for OSU-C to maintain ownership of Innovation District while establishing a long-term lease with a Developer. The Developer would invest its own capital to design and develop the Innovation District, assuming the associated risk. Once complete, the Developer would lease the space to tenants. The lease payments would flow first to the Developer to pay their debt service payments associated with the costs of developing the Innovation District. A portion of those payments would cover the expenses incurred in providing the infrastructure and services the OSU-C would be obligated to support as the master lessor.

The following recommendations are intended to assist OSU-C in an analysis of the feasibility of a P3:

- i. Initiate a Request for Interest (RFI) or Request for Proposal (RFP).

OSU-C should open up the development opportunity to potential private partners through an RFI or RFP. The responses should provide a better understanding of the costs and feasibility of the proposed Innovation District.

² Council of Development Finance Agencies. (n.d.) Retrieved June 23, 2017, from <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/p3.html>

- ii. Obtain market study to determine projected lease rates.

OSU-C has already identified potential tenants for a substantial portion of the commercial space. One key tenant has already provided a letter of intent to OSU-C. While this is a key starting point, it is difficult to determine what the lease payments of prospective tenants will support in regards to debt service. Based on information collected from real estate professionals, it was noted that both commercial and residential living space was a commodity within Bend and vacancy rates in a variety of market sectors, including commercial and residential, was below 5% vacancy, and in some sectors, below 1% vacancy. While this indicates that market demand and supply would support development of the Innovation District, a market study based on projected lease rates will determine the economic feasibility of the development.

Part IV: Utilizing Regional and State Program Resources

Oregon offers a variety of programs that have the capacity to finance a portion of the Innovation District redevelopment. The following programs are most closely aligned with the Innovation District redevelopment and have the best potential to provide financial assistance:

- i. Brownfields Redevelopment Funds

Business Oregon's brownfields department manages two brownfields financing funds: the Oregon Brownfields Redevelopment Fund, funded by proceeds from the sale of state revenue bonds; and the Oregon Coalition Brownfields Cleanup Fund, capitalized through a revolving loan grant from the U.S. Environmental Protection Agency. Both programs are revolving loan fund programs, however, limited grants can be awarded to projects that are publicly owned depending on the applicant's debt capacity and public benefit of the redevelopment project. The department sets the interest rate and the terms of loan repayment with consideration to the applicant's ability to repay, credit worthiness, economic benefit of the project and use of proceeds as defined in the project.³ The maximum grant/loan combination is dependent on the amount available at any given time. Bridge loans are also available for a term of 12 months with no interest.

³ Business Oregon. (n.d.). Retrieved July 6, 2017 from <http://www.orinfrastructure.org/Infrastructure-Programs/Brownfields/>

ii. Oregon State Clean Water Revolving Loan Fund

The Clean Water State Revolving Fund (CWSRF) Loan Program provides low interest rate loans for the planning, design and construction of water pollution control facilities. Any public agency in Oregon is eligible for a CWSRF loan for a publicly-owned project. Projects are selected according to a Project Priority List and Intended Use Plan. The program is administered by the Oregon Department of Environmental Quality (DEQ) and projects are funded up to the approved amounts according to the available RLF capital.⁴

iii. Immediate Opportunity Fund (IOF)

The Immediate Opportunity Fund is administered by the Oregon Department of Transportation and the Oregon Transportation Commission. It supports primary economic development in Oregon through the construction and improvement of streets and roads. Access to this fund is discretionary and the fund may only be used when other sources of financial support are unavailable or insufficient. The IOF favors projects that create or retain jobs and/or are of regional significance.⁵ Improvements must be on a public right-of-way and the policy guidelines state that a local government agency must be the owner, so OSU-C may not qualify. It is worth investigating whether public access easement on the roads would be eligible, as the Innovation District will be accessible to the public.

iv. Regional Solutions Funding

As the regional center for state agency work and funding, Regional Solutions (Central Region) has the capacity to assist priority projects in the Bend area. OSU-C's Graduate Research Center (2016) was partially funded by the agency. Among the opportunities that Regional Solutions values most highly are education, economy, and environmental stewardship. Although amounts awarded are often small, the agency will likely be interested in supporting the Innovation District by funding a portion of the redevelopment.

Part V: Explore Federal and National Opportunities for Funding

i. United States Department of Agriculture (USDA) Community Facilities Program

The Community Facilities Program offers direct loans, guaranteed/insured loans, and project grants for the construction, enlargement, extension, or other improvement of community facilities providing essential services to rural residents; postsecondary education facilities can be eligible. Given the fact that OSU-C is the only four-year university in a 150-mile mostly rural radius, it is worth reaching out to the USDA state office to see if the academic buildings or student success center might qualify. If so, it could free up funds for other purposes.

⁴ Oregon.gov. (n.d.) Clean Water State Revolving Loan Fund. Retrieved July 11, 2017 from: <http://www.oregon.gov/deq/FilterDocs/cwsrflans.pdf>

⁵ Oregon Department of Transportation. Immediate Opportunity Fund Policy Guidelines. (March 2015). Retrieved from: <http://www.oregon.gov/gov/admin/regional-solutions/Documents/Mid-Valley/4.3.15.MidValley.IOF.Guidelines.pdf>

ii. Economic Development Administration (EDA) Regional Innovation Strategies (RIS) Program

The EDA Regional Innovation Strategies Program awards grants that build regional capacity to translate innovations into jobs through two programs: the i6 Challenge and the Seed Fund Support grants competition. Although this year's Notice of Funding Availability (NOFA) for \$17M closed on June 23, 2017, OSU-C should keep an eye out for the 2018 NOFA and examine the projects that get awarded through the program this year to determine what their level of competitiveness might be.

iii. National Science Foundation (NSF)

The NSF awards nearly \$190M annually to startups and small businesses through the Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) program, transforming scientific discovery into products and services with commercial and societal impact. Some of the companies targeted for the innovation district might be able to tap into this resource, again freeing up funds for other purposes.

OSU-C Innovation District Roadmap to Redevelopment

Additional Resources

CDFA Brownfields Financing Toolkit |

[http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/\\$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf](http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf)

CDFA Online Resource Database |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html>

Business Oregon |

<http://www.orinfrastructure.org/Infrastructure-Programs/Brownfields/>

USDA Community Facilities Program |

<https://www.rd.usda.gov/programs-services/all-programs/community-facilities-programs>

EDA Office of Innovation and Entrepreneurship Regional Innovation Strategies Program |

<https://www.eda.gov/oie/ris/>

NSF America's Seed Fund |

<https://seedfund.nsf.gov/>

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