

Action Agenda Item No. 4.3

Oregon Tech Participation in the Oregon Manufacturing Innovation Center (OMIC)

Background (from OMIC Business Plan):

The OMIC proposal brings together as founding partners The Boeing Company, the broader regional metals manufacturing industry and employers, Portland Community College (PCC), Portland State University (PSU), Oregon State University (OSU), Oregon Tech (OIT), the Oregon Legislature, the Office of the Governor, Oregon Employment Department, Business Oregon, Greater Portland Inc, Columbia County and City of Scappoose.

The business launch of OMIC is planned to commence by 2017. The combination of industry-driven Research and Development (R&D) and Workforce Training facilities make OMIC a distinguished economic asset. Advanced manufacturing research activities from OSU, PSU and OIT are poised to begin once a building can be purchased or built. The Boeing Company, regional industrial partners and Oregon research universities will serve as OMIC's R&D anchor tenants, providing a collaborative environment that accelerates innovative technologies, tools and techniques to directly increase the competitiveness of the member companies.

Parallel to this, PCC will build the Oregon Training Facility focused on serving students through industry sponsored skilled apprenticeships, leading to postsecondary credentials and family-wage jobs. As the educational accrediting partner for these training activities, PCC will work closely with metals manufacturing companies. Initial apprenticeships will target underserved students in metals manufacturing.

Opportunity:

There is a facility that would work nicely for this R&D application that is currently available for purchase in Scappoose. The facility sits on 10.18 acres of land in a reclaimed gravel quarry. The facility was built in 2008 and is located within Scappoose urban growth boundary and the enterprise development zone just outside of city limits. The facility is 33,816 total square feet comprised of 12,543 sq. ft. office on two floors, and a 21,730 sq. ft. high bay shop. Boeing has toured the facility and found it to be an ideal place to locate OMIC's R&D Center.

The facility is for sale for \$4.2M. The Oregon Business Development Department (OBDD) has \$2.5M in State Lottery bonds (designated for use by a university for this purpose) that they are willing to make available for this purchase, subject to certain terms and conditions. The balance of the purchase price would need to come from a university partner and other local sources. Currently, there is another offer pending on this property that is currently in due diligence. That due diligence period ends on May 13, 2016 at which time the buyer must perform or back-out. However, the owners of the property have the right to bump this offer subject to giving this prospective buyer the right of first refusal to match a competing offer.

We have had conversations with OSU and PSU and while both of these universities are committed to supporting this OMIC project, neither wishes to pursue purchasing this property on their own or in partnership with the others. However, both universities are supportive of OIT should we wish to

purchase the property and they have indicated they would lease 5,000 sq. ft. each (for a total of 10,000 sq. ft.) in the center should OIT purchase it. The lease payments from these two partners would come close to covering basic operating and maintenance costs of the center.

Why should Oregon Tech be interested?

- Expand business engagement with Oregon's advanced manufacturing industry, resulting in applied research support;
- Build a nationally distinguished mechanical, manufacturing and applied business education offering in the Portland metro area;
- Relieve space issues, particularly with labs, at the Wilsonville campus;
- Complement Oregon Tech's technical expertise and reputation by deepening applied research connections with industry, PSU and OSU.

Is this a viable concept?

- Center is modeled on the successful Advanced Manufacturing Research Centre in Sheffield England (<http://www.amrc.co.uk/>) which has transformed a distressed and economically disadvantaged region into a world center for research with multiple major manufacturers co-located in an industrial park.
 - Manufacturers of all sizes collaboratively invest in applied research projects that are undertaken in the context of an academic environment.
- This is the 15th such research center established with Boeing leadership worldwide, and **the first Boeing sponsored in the United States.**
- The Portland area is significant to Boeing, since it has a world leading manufacturing center located in Gresham that will be one of the major participants in the center.
- The region has approximately **600 small, medium and large metals manufacturing companies**—from small-employee machine shops to major producers supplying Boeing, Daimler and other aerospace, transportation, infrastructure and industrial machinery manufacturers.

What would Oregon Tech's role be in the Center?

- 1) Act as the landlord and neutral property manager for the site and
- 2) Be a participant in the R&D Center.

For its upfront investment, Oregon Tech will have office space allocated for 3-5 faculty and necessary support staff, and two classrooms capable of remote delivery with Wilsonville. All remaining space and use specifications will be determined by the industry-driven board of the center, of which Oregon Tech will be an academic partner.

This project was also discussed with the university's FOAC committee earlier this week. While time was limited for a discussion, FOAC members understood that this would involve an investment of some of the proceeds from the sale of the Harmony Road campus. They also asked about Oregon Tech's academic capability to support this endeavor. Laura McKinney explained that she has received funding for three new positions in mechanical engineering in Wilsonville, some of whom could be assigned to work in Scappoose and that it was not incumbent on OIT to support the entire endeavor as other universities' faculty as well as industry R&D personnel would also be available in the center. Other than that everyone seemed generally supportive of this initiative.

Proposal:

In order to keep this property in play we would like to explore this possibility with the Finance and Facilities committee and possibly the Board later this week. This would entail the following:

Consider submission of an offer to purchase the property for \$4.2M prior to the expiration of the current due diligence being performed by the competing purchaser. This offer would be subject to the following contingencies and standard real estate caveats, with fully refundable earnest money:

- Initial due diligence (~45 days)
 - Title report
 - Environmental inspections
 - Ingress/egress options - easement documentation
 - Flood plain determination
 - Appraisal with the appraised value being equal to or greater than \$4.2M
 - Well log and quality test
 - Septic/digester inspection
 - Verify zoning against intended uses
 - Radon testing?
 - Pre-buy building/property inspection by third-party commercial service?
 - Verify that high-bay area has the floor and power we need for the machining centers Boeing and others would like us to house
 - Board approval of primary due diligence results and to move to secondary due diligence
- Secondary Due Diligence (~74 days) – triggers another payment of additional earnest money to be held in escrow
 - Legislative approval and release of State Lottery bond funding and bridge financing until bond sale is complete and proceeds are available
 - Anchor tenant or similar identified – preferably 3-5 corporate commitments as members – Boeing would be one, others would need to be identified
 - Agreements (leases/partnership) between OSU, PSU and OIT
 - PCC Training facility adjacent location – could resolve ingress/egress issues
 - EDA grant?
 - Resolving Albany Research Center (NETL) interest in co-locating on this property
 - OMIC corporate entity created
 - Validate Boeing equipment transfer
 - Board approval of secondary due diligence results.

Close – mid October 2016

This project was reviewed by the Finance and Facilities committee of the Board on Wednesday, May 6, 2016. The committee heard testimony from Senator Betsy Johnson (her district includes Scappoose and NW Oregon) and Chris Harder, Director of the Oregon Business Development Department (the entity that would be conveying the State bonds for this project). The committee asked many questions about the initiative and after much deliberation unanimously passed a motion to endorse this project at the upcoming Board meeting, subject to limiting the investment of university funds to a net amount of \$1.75M (calculated as follows: purchase price \$4.2M less \$2.5M State bond funds plus up to \$50K for due diligence costs for an appraisal and other consultants needs to satisfy the primary due diligence contingencies). The committee also directed staff to work with legal counsel to prepare a purchase agreement reflecting the aforementioned terms and contingencies, etc. In addition, the Committee asked for: 1) an analysis of the costs for expanded lab space for Wilsonville independent of this project; and 2) the costs of other items, such as movable equipment, etc., needed to make this project a success.

Recommendation

In order to preserve this opportunity, consistent with the direction provided by the Finance and Facilities Committee, staff recommend that the Board approve Resolution 16-2 authorizing staff to develop and execute a purchase agreement with contingencies for the Jersey building and property in Scapoose, Oregon as part of the Oregon Manufacturing Innovation Center project.

Attachment

Draft Resolution 16-3

**DRAFT
RESOLUTION NO. 16-3**

BOARD OF TRUSTEES OF OREGON INSTITUTE OF TECHNOLOGY

**A RESOLUTION AUTHORIZING STAFF TO DEVELOP AND EXECUTE A PURCHASE AGREEMENT
WITH CONTINGENCIES FOR THE JERSEY BUILDING AND PROPERTY IN SCAPOOSE, OREGON
AS PART OF THE OREGON MANUFACTURING INNOVATION CENTER PROJECT**

WHEREAS, the University has the opportunity to participate in the Oregon Manufacturing Innovation Center (OMIC) project, an applied research center with partners and sponsors from industry, higher education, and government;

WHEREAS, OMIC has the potential to be transformative for Oregon and for the Oregon Institute of Technology (Oregon Tech);

WHEREAS, a facility in Scappoose, Oregon known as the Jersey Building has been identified for sale and appears to have the ideal characteristics to launch OMIC;

WHEREAS, the Jersey Building and associated property already has an accepted purchase offer and time is of the essence to try and secure that building for OMIC;

WHEREAS, Oregon Tech is the only institution that is capable of responding in time and Oregon Tech serving as the landlord can help catalyze the launch of OMIC;

WHEREAS, funds from other partners and sponsors have already been identified to help with the facility acquisition and operations;

WHEREAS, Oregon Tech administration believes it is in the best interest of OMIC and the Oregon that the option to purchase the Jersey building be preserved;

WHEREAS, the administration has begun discussions and believes that it can put forward a purchase agreement that would be accepted by the owners of the Jersey Building that provides time for Oregon Tech to fully vet the facility and to confirm that the key launch partners of OMIC are committed;

WHEREAS, the administration expects out-of-pocket costs for detailed due diligence are likely to be \$50,000; and, earnest money placed in escrow will be required to hold the facility while due diligence is performed;

WHEREAS, Oregon Tech's Finance and Facilities Committee of the Board of Trustees completed a preliminary review of the proposed project and ascertained that OMIC is within the mission of the university; has determined that Oregon Tech has sufficient fund balance reserves to lead the acquisition; and, has worked with the administration to tune the due diligence and purchase agreement contingencies; and,

WHEREAS, Oregon Tech's Finance and Facilities Committee of the Board of Trustees held a public meeting on May 4, 2016 and passed a motion endorsing the project to the Board of Trustees;

Now, therefore, the Board of Trustees resolves as follows:

Section 1

Oregon Tech administration is authorized to develop and execute a purchase agreement for the Jersey building facility and property with the following provisos:

1. It will include two rounds of due diligence as described below with specific legal contingencies each of which are to be reviewed and approved by the Board of Trustees prior to closing on the purchase of the facility.
 - Initial due diligence (~45 days)
 - Title report
 - Environmental inspections
 - Ingress/egress options - easement documentation
 - Flood plain determination
 - Appraisal with the appraised value being equal to or greater than \$4.2M
 - Well log and quality test
 - Septic/digester inspection
 - Verify zoning against intended uses
 - Radon testing?
 - Pre-buy building/property inspection by third-party commercial service?
 - Verify that high-bay area has the floor and power we need for the machining centers Boeing and others would like us to house
 - Board approval of primary due diligence results and to move to secondary due diligence
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 - PCC Training facility adjacent location - could resolve ingress/egress issues
 - EDA grant?
 - Resolving Albany Research Center (NETL) interest in co-locating on this property
 - OMIC corporate entity created
 - Validate Boeing equipment transfer
 - Board approval of secondary due diligence results.
2. The total net outlay from the university to acquire the facility shall not exceed \$1.75M for capital and due diligence investigation.

3. That earnest money placed in escrow toward the facility purchase will be refundable if the contractual contingencies are not satisfied including final approval of Oregon Tech's Board of Trustees.
4. Final approval will be contingent upon execution of appropriate agreements with members, sponsors, and partners with OMIC and upon the approval of government funding for the project.

Section 2

This Resolution shall take effect immediately upon approval by the Board.

Moved by _____ Trustee _____

Seconded by _____ Trustee _____

Trustee	Yes	No
Jeremy Brown		
Melissa Ceron		
Bill Goloski		
Jessica Gomez		
Lisa Graham		
Kathleen Hill		
Jill Mason		
Kelley Minty Morris		
Celia Núñez		
Dan Peterson		
Steve Sliwa		
Paul Stewart		
Fred Ziari		

Approved and dated this 6th day of May, 2016.

 Lisa Graham
 Board Chair

ATTEST:

Sandra Fox
Board Secretary

I, _____, Secretary of the Board, do hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Oregon Institute of Technology Board of Trustees at the meeting held on the _____ 6th day of _____ May _____, 2016, and thereafter approved and signed by the Chair and attested by the Secretary of the Board.

Secretary of the Board