

Board Docket for Finance and Facilities Meeting – May 4, 2016

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, 2017 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.

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

Staff Recommendation:

In order to preserve this opportunity, staff recommend that the Finance and Facilities endorse this project for the Board’s consideration at its May 6, 2016 meeting and direct staff to begin preparing a purchase agreement that reflects the aforementioned terms and contingencies.