

Capital Project Stage Gate I: OSU-Cascades Innovation District Land Development

BACKGROUND

The OSU-Cascades Innovation District Land Development Project is included in the Ten-Year Capital Forecast. In March 2022, the Oregon State Legislature approved \$10M from the general fund to support this project. Given the project's nature and timeline, staff is submitting it for the Board's review at Stage Gate I approval, with plans to award a progressive design-build contract in late summer. The following information is provided for consideration by the Finance and Administration Committee to approve advancing this project to the design development phase pursuant to the [Approval of Capital Projects policy](#).

PROJECT SUMMARY

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|  <p>OVERVIEW OF INNOVATION DISTRICT PLAN</p> | Gross Square Feet Renovated | N/A |
| | Estimated project budget | \$34,000,000 |
| | OSU-paid bonds | \$24,000,000 |
| | State General Fund | \$10,000,000 |
| | Deferred maintenance reduction | \$0 |
| | Estimated project completion | Fall Term 2024 |
| | Location | Cascades Campus, Bend |

This first phase of innovation district development is the next step in the Long Range Development Plan (LRDP) for the OSU-Cascades Campus. This will include transformation of approximately eight acres of the construction and demolition landfill property into a valuable community and university asset. The waste will be safely removed from the landfill, sorted into reusable soil and waste, which will subsequently be used as backfill allowing the build-out of recreation fields and further bring up the elevation of the bottom of the pumice mine. The bottom of the newly-created hole will be brought up to its permanent elevation by harvesting native soils from the east portion of the campus. All of this will be completed within the current campus boundaries and will change a blighted lot into an open public space.

Finally, infrastructure including water, sewer, electric, roads and conduit for future broadband will be installed. The development will also support the OSU-Cascades Net Zero Water and Energy goals. The installation of a water line will support a future water reclamation facility that will provide recycled water for irrigation and flush toilets in the future. Similarly, heating and cooling lines and a second geo-exchange well will be installed, connecting the Innovation District to the first central heating node, which was built in coordination with Edward J. Ray Hall.

Regional Economic Impact

The land will be developed into an Innovation District, envisioned as a “figurative handshake between academic-led instruction and research and industry-led innovation.” The boundary between the campus and the Innovation District is blurred by mixing academic and partnership buildings, creating adjacencies that support shared research, workforce training and resources. A vibrant environment will be created by the addition of affordable or middle market housing and childcare that will fill a critical need in Central Oregon. OSU-Cascades engaged ECONorthwest to conduct an economic impact analysis for the future development of the Innovation District. Based on this analysis, the Innovation District has a potential economic impact of more than \$165M annually and is anticipated to double OSU-Cascades’ impact on Central Oregon and the State of Oregon.

ADVANCING OSU’S STRATEGIC GOALS

| <p>Goal 1 Preeminence in Research, Scholarship and Innovation</p> | <p>Goal 2 Transformative Education That is Accessible to All Learners</p> | <p>Goal 3 Significant and Visible Impact in Oregon and Beyond</p> | <p>Goal 4 A Culture of Belonging, Collaboration and Innovation</p> |
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| <p>The Innovation District will house 55K gross square feet of university research and innovation space. This is equivalent to the size of Ray Hall. This space will focus on the intersection between Central Oregon industry and OSU academic programs such as Outdoor Products, Biosciences, or Computer Science.</p> | <p>The criteria for Innovation District partners will include a student access and engagement focus. Industry partners will offer internships or research opportunities for students. Student amenities, including affordable housing and childcare, will be included in the build out. Innovation spaces such as maker spaces or fabrication labs will provide opportunities for hands-on student engagement.</p> | <p>The City of Bend, EDCO, the Bend Chamber, Oregon Bio, Technology Association of Oregon, SBDC, Central Oregon Intergovernmental Council, East Cascade Works, and other organizations are working in collaboration to develop a regional Innovation Hub. The OSU-Cascades Innovation District will be at the epicenter of a regional Innovation Hub. OSU-Cascades Co-Lab will cluster and connect with start-ups, business incubators and accelerators.</p> | <p>The OSU-Cascades Innovation District will constitute the ultimate mash-up of entrepreneurs and educational opportunities, start-ups and schools, mixed-use development and medical innovations, bike-sharing and bankable investments—all connected by transit, powered by clean energy and wired for digital technology.</p> |

IDENTIFICATION OF RISKS AND MITIGATION STRATEGIES

The following risks have been identified for the project. Given these risks, the construction, owner, and design contingencies have been set at 3%, 7%, and 10%, respectively.

| Risks | Consequences | Mitigation Strategy |
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| <i>Discovery of prohibited waste in landfill.</i> | Although significant due diligence has been done, full understanding of waste cannot be known until it is uncovered. | <ol style="list-style-type: none"> 1. Prospective Purchaser Agreement in place with DEQ to limit OSU liability. 2. Utilize the PSA with Deschutes County as one source of mitigation. 3. Choose GC with solid background in landfill remediation to avoid delays due to inexperience or poor management. 4. Align with DEQ/Deschutes County/OSU EHS and other stakeholders on what we would do in certain circumstances before those items arise. 5. Utilize ~10% contingency set aside specifically for hazardous waste. 6. Consider design changes to defer cleanup of any heavily contaminated areas and keep overall project on schedule. |
| <i>Unforeseen environmental conditions create air, water, soil quality impacts during work.</i> | Hazardous waste that is encountered needs to be handled with caution in order to remove chances of migration. | <ol style="list-style-type: none"> 1. Utilize lessons learned during previous remediation work. 2. Hire a General Contractor experienced with this type of work. 3. Utilize recommendations of DEQ/Design Team/EHS/Construction team in developing material handling plans. 4. Develop hazardous material execution plan and team that will engage when hazardous material is encountered. 5. Setup perimeter monitoring that aligns to DEQ and EHS best-known methods for this type of work. |
| <i>Areas of pyrolysis</i> | The area of focus for this project has the most active known pyrolysis. | <ol style="list-style-type: none"> 1. Choose a GC with experience handling this type of landfill work. 2. Preplan a menu of options that we can quickly utilize based on what we encounter. |
| <i>Higher than expected construction market escalation and/or COVID implications</i> | Construction market escalation will erode scope development in buyout minimizing the amount of work delivered relative to commitments. | While a cost escalation factor is planned into the project, we will also utilize an early prioritization of scope and materials to allow for flexibility in the execution. This will give us the ability to adjust to the escalation that may or may not materialize maximizing the scope delivered. |
| <i>Project delay</i> | Funding, permitting, logistical, contractual, or | Early effort to develop a procurement/buyout plan that highlights the |

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| | <p>any reason for substantial delays in construction present not only schedule vulnerability, but also subject the project to further escalation in materials and labor costs. Stretching the construction period would likely increase the cost for the contractor to manage the project and pay for general conditions.</p> | <p>possibilities for delay and the options to mitigate will be a team priority.</p> |
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TOTAL COST OF OWNERSHIP

The estimated life cycle ownership costs for the OSU-Cascades Innovation District Land Development Project are summarized in the following table.

| Education & General Fund - Forecasted Total Cost of Ownership OSU-Cascades Innovation District Land Development | |
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| ITEM | COST |
| Total Project Cost | \$34,000,000 |
| Total Debt Service for improvements (\$24M for 30 years @ 4.99%) | (\$46,536,000) |
| Operations & Maintenance (50 yrs – escalated at 3% annually) | (\$1,005,000) |
| Capital Renewal on percentage of project costs subject to renewal (\$9M @ 50 yrs, escalated 2%) | (\$7,302,000) |
| Total Cost of Ownership | (\$54,843,000) |
| Revenue generation (Low Case) | \$58,000,000 |
| Net Cost of Ownership | \$3,157,000 |
| Revenue generation (Base Case) | \$63,000,000 |
| Net Cost of Ownership | \$8,157,000 |

RECOMMENDATION

Staff recommend that Finance & Administration Committee approve advancing this project to next phase of design development.