

EUGENE URBAN RENEWAL AGENCY

AGENDA ITEM SUMMARY



Action: Disposition of Real Property

Meeting Date: February 9, 2014
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 6
Staff Contact: Denny Braud
Contact Telephone Number: 541-682-5536

ISSUE STATEMENT

The Urban Renewal Agency is being asked to approve the disposition of property located at 942 Olive Street (Bradford's Building) to the University of Oregon (U of O) to create an entrepreneurial hub anchored by the Eugene Regional Accelerator and Innovation Network (RAIN Eugene).

The RAIN/U of O/City of Eugene partnership will generate a place-based asset that strengthens the emerging cluster of creative and technology-based businesses. The partnership brings outside funds to support the renovation of 942 Olive Street, converting an under-used building into an active downtown center with regional economic development impact. It will bring entrepreneurs, students, faculty, and community participants to the core of the city to grow new business ideas into the next generation of thriving Eugene-based businesses. The City's contribution to the RAIN Eugene project is an important investment in an economic development priority identified in the Regional Prosperity Plan.

BACKGROUND

RAIN Eugene

The Oregon Regional Accelerator & Innovation Network (RAIN) is a consortium of government, higher education, and the business community. Oregon RAIN was founded by Governor Kitzhaber's Regional Solutions network and was funded by the 77th Oregon State Legislative Assembly in 2013 to advance the formation of high-growth innovative startup companies throughout the South Willamette Valley. Its purpose is to serve the region's entrepreneurs by helping them turn ideas into high-impact, innovative, traded-sector companies that can grow and thrive locally. Oregon RAIN is governed by a 10-member board of directors that represent its diverse interests. Its members include Mayor Piercy, the Mayor of Corvallis, and representatives from the U of O, OSU, Business Oregon, and the private sector.

The RAIN initiative includes two nodes—RAIN Eugene and RAIN Corvallis. Each node includes an accelerator that works with local startup companies and other development organizations to create a network of support structures for new companies. RAIN Eugene is managed cooperatively

by the University of Oregon, the Eugene Area Chamber of Commerce, and the City of Eugene.

The Regional Accelerators (the RA in RAIN) work directly with entrepreneurs to launch their companies. The Innovation Network (the IN in RAIN) works with the communities to help coordinate the community resources that are necessary for companies to grow and thrive in our region. In its role as an accelerator, RAIN provides disciplined, mentored business acceleration programs. It also connects resident talent, capital and infrastructure, including the resources of the U of O and OSU, into an intelligent network that is easy for entrepreneurs to access and navigate, no matter what stage of business development is being experienced.

In its first year, the Oregon RAIN Board hired a director and achieved 501(c)(3) status. Additionally, Oregon RAIN is in the process of establishing a comprehensive advisory board and working on structural and financial strategies that will set the RAIN program on a path towards long-term sustainability.

RAIN Eugene has hired a chief start-up officer and graduated its first cohort of eight startup businesses from its RAIN Eugene accelerator. The second cohort of nine businesses has been selected and just began their program. The 12-week accelerator program offers intense training and mentoring to early growth-stage companies. The RAIN Eugene Innovation Network is organized by working groups formed by the local partners, RAIN affiliates, and community members to advance the RAIN innovation ecosystem objectives. The working groups are organized around programs and education, outreach and events, resource network, capital formation, community and workforce development, and marketing and communication.

942 Olive Street

The Urban Renewal Agency acquired the 12,800 square-foot property from Diamond Parking in 2009 as part of the land-assembly effort to redevelop the former Sears site (now the Lane Community College Downtown Campus). Constructed in 1909, the building was originally used as an automotive sales and repair shop. The structure has been extensively remodeled, most recently in 1992. Attachment D shows current and historic photos of the property.

In 2012, the parcel was appraised at \$740,000. At that time, the URA released a Request for Proposals for the sale of property with the expressed intent of redevelopment that would add to downtown revitalization. The URA received one response, with an offer to purchase the property for \$200,000 for an unidentified retail/commercial use. This offer was not accepted.

The current tenant in the building is Bradford's Home Entertainment. Their business has been significantly downsized and they use less than half the building at this time. It is not financially feasible for Bradford's to meet the rent and overhead obligations associated with the large building. Therefore, their rent has been reduced to a minimum level on a month-to-month lease until a future use for the building is identified. The owner of Bradford's is aware of the URA's ongoing plans to dispose of the building, aware of the RAIN proposal, and has been fully cooperating with providing access to the property over the past couple of years.

Using the City of Eugene's Brownfields Grant, an environmental assessment was conducted on the property. The assessment identified the presence of regulated substances, primarily asbestos,

that will need to be abated as part of any renovation of the structure. The URA plans to apply for funds from the Business Oregon brownfield program to remediate the identified substances prior to the transfer of ownership to the UO. The remediation cost is estimated at \$75,000.

RAIN/U of O/City of Eugene Entrepreneurial Hub

RAIN Eugene is currently located in temporary space at the Eugene Chamber of Commerce. To achieve its full impact, RAIN Eugene needs a larger facility that can offer space for their training programs, maker space, lab space, formal and informal meeting space for entrepreneurial community events, and administration. The City has been collaborating with the U of O and RAIN Eugene to establish an entrepreneurial hub at 942 Olive Street.

The City, through the Downtown URA, will sell the property to the University for one dollar. Attachment B lists the proposed terms of the property transfer. The U of O, in turn, will renovate the building to create the space that supports the RAIN Eugene program vision and objectives.

The U of O proposes to reinforce the impact of RAIN Eugene in the 942 Olive Street building by co-locating two programs currently at the main campus location, the Product Design program and the Tyler Invention Greenhouse. The Product Design program teaches students how to design, evaluate, fabricate and produce consumer products. They plan to expand their program within the building at 942 Olive to include the Downtown Innovation Launch Lab. The Tyler Invention Greenhouse is a program that focuses on interdisciplinary work in green chemistry and product creation. Both programs are highly collaborative in terms of creative and practical applications. The integrated programs will create an entrepreneurial hub that links creators, designers, students, mentors, local and regional businesses; and it will reinforce the strong collaboration between the City, the U of O, and the entrepreneurial community.

To launch Oregon RAIN, the state legislature committed \$3.75 million to support the startup and operation of primary RAIN components. The funds include a one-time capital budget of \$1.25 million for the RAIN Eugene hub. The expenditure of these capital funds has four key requirements:

1. The funds must be used for a capital expenditure, to improve or develop a physical location, and not for any operating expenses;
2. The funds are available only through the U of O as the RAIN-designated legislative entity;
3. A majority of the funds must be committed by the end of the current fiscal year; and
4. The Oregon RAIN funding must include non-state matching funds.

The City, RAIN Eugene, and the U of O have worked together to ensure the disposition of 942 Olive Street meets the four requirements. As proposed, the overall project budget for the entrepreneurial hub is estimated at \$2.7 million. The state RAIN funds will cover \$1.25 million; a private donation supporting the Tyler Invention Greenhouse will bring \$500,000; and the U of O is identifying other funds and funding opportunities to generate the remaining funds. The U of O will fund operating costs into the future; the City's contribution to the partnership is the building.

At its January 13, 2015, meeting, the Oregon RAIN Board unanimously approved the U of O's plan to proceed with the 942 Olive Street building project as the home for RAIN Eugene and related

programs, including the use of \$1.25 million in capital funds allocated to the RAIN Eugene hub and approximately \$50,000 per year from the RAIN Eugene operating budget to contribute towards the building's operating expenses. The University would be responsible for all building operating expenses not covered by the RAIN Eugene allocation. The U of O Board will consider the property purchase at its March 4, 2015, meeting.

Although the City's contribution is necessary to meet the state's requirements to release their funds for the capital improvements, the City's contribution is more than that. By contributing the property to the University of Oregon, the City is underscoring its commitment to working with its regional partners to work toward long-term prosperity. The Eugene RAIN entrepreneurial hub will foster the growth of new companies that will succeed in the future. The mentoring and training provided in the building will improve the likelihood of success, so these startup companies can grow into viable establishments, expanding the job base in the community. Contributing this property to the partnership is an investment by the City for long-term economic prosperity.

RELATED CITY POLICIES

The disposition of 942 Olive Street to the U of O to create the RAIN entrepreneurial hub directly addresses many goals, policies, and principles for Eugene and downtown, including:

Regional Prosperity Economic Development Plan

- By 2020, create 20,000 net new jobs in the chosen economic opportunity areas; reduce the local unemployment rate to, or below the state average; and increase the average wage to or above the state average.
- Encourage a culture of entrepreneurship and re-investment into our local community.
- Develop the region's physical, social, education, and workforce infrastructure to meet the needs of tomorrow.
- Promote local businesses and entrepreneurs that lead our area to a higher level of economic independence and resilience.

Eugene Downtown Plan

- Build upon downtown's role as the center for government, commerce, education and culture in the city and the region.
- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.
- Use downtown development tools and incentives to encourage development that provides character and density downtown.

Envision Eugene Pillars

- Provide ample economic opportunities for all community members.
- Promote compact urban development and efficient transportation options.

Eugene Climate & Energy Action Plan

- Increase density around the urban core and along high-capacity transit corridors.

City Council Goal of Sustainable Development

- Increased downtown development.

COUNCIL OPTIONS

1. Authorize the City Manager to sell the 942 Olive Street to the University of Oregon consistent with the terms included in Attachment B.
2. Amend the terms included in Attachment B, and authorize the City Manager to sell 942 Olive Street to the University of Oregon.
3. Do not approve the disposition of 942 Olive Street at this time.

AGENCY DIRECTOR'S RECOMMENDATION

The Agency Director recommends approval of the sale of 942 Olive Street to the University of Oregon consistent with the terms included in Attachment B.

SUGGESTED MOTION

Move to authorize the Agency Director to sell the 942 Olive Street property to the University of Oregon consistent with the terms included in Attachment B.

ATTACHMENTS

- A. Map of 942 Olive Street
- B. Outline of Terms for Sale of Property
- C. Project Timeline
- D. Contemporary and Historic Photos of Property

FOR MORE INFORMATION

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942 Olive St



Aerial Imagery: 2013
Caution: This map is based on imprecise source data,
subject to change, and for general reference only.

City of Eugene
Planning and Development
January 26, 2015



Outline of Terms of Sale for 942 Olive Street

Buyer: University of Oregon

Seller: Urban Renewal Agency of the City of Eugene

Property: Land and improvements (approximately 12,800 square feet) located at 942 Olive Street

Purchase Price: \$1.00

Property Condition: The property is offered on an “as is” basis. The City intends to submit for a \$60,000 grant from Business Oregon. If the grant funds become available, they will be used for environmental remediation, based on a Level I environmental assessment dated August 8, 2014.

Purchase and Sale Agreement: If terms of sale are agreed upon by the Urban Renewal Agency and the U of O Board of Trustees, Buyer and Seller shall enter into a Purchase and Sale Agreement for the Property listed above.

Closing Date: The closing of the sale shall occur as soon as possible but no later than June 30, 2015, unless a reasonable extension is agreed upon by the seller and buyer.

Project Description: The property will be used to create an entrepreneurial hub, anchored by RAIN Eugene.

Exclusive Negotiation: Seller will not enter into negotiations with any other party.

Parking: The City agrees to identify access to 25 parking permits at market rate or bulk rate, if applicable. The City will make a good faith effort to identify desired bicycle parking located nearby.

Permits and Fees: Buyer will be responsible for all building permits and related fees. The City will provide facilitated permit review.

Reversionary clause:

- a. If RAIN Eugene does not occupy the property within 18 months or does not demonstrate significant progress towards occupying the property, Seller retains the right to purchase the property back from the buyer for \$1.00, plus the fair market value of any improvements made to the property.
- b. If Buyer desires to sell the property within ten years, Seller will retain a right of first refusal, or the Buyer and Seller agree to split net proceeds on a pro-rated basis, based on total investments made in in the building project prior to such sale and a straight-line depreciation of The City’s interest over a 10 year period.
- c. If there is unused space in the property after RAIN Eugene moves in, the U of O will consult with the City to identify compatible uses for the property.

**RAIN Entrepreneurial Hub
Draft Timeline**

January 13, 2015

RAIN Eugene Board approved location of RAIN Eugene and creation of an entrepreneurial hub in 942 Olive Street.

February 9, 2015

Urban Renewal Agency considers the terms for the sale of 942 Olive Street for the location of RAIN Eugene and creation of an entrepreneurial. If the URA approves, the following dates apply:

February 10, 2015

City Staff submits application for Business Oregon grant to remediate identified regulated substances in 942 Olive Street to Intergovernmental Committee for approval.

March 4, 2015

University of Oregon Board of Trustees meets to consider the location of RAIN and creation of an entrepreneurial hub in combination with the Tyler Invention Greenhouse and the Product Design Program. If the Board approves, the following dates apply:

March 16, 2015

Environmental cleanup begins.

April 6, 2015

Property is available for RAIN Eugene/U of O use. Renovation work commences.

February, 2016

RAIN Eugene occupies the building; Tyler Invention Greenhouse and Project Design program follow soon after.

Contemporary and Historic Photos of 942 Olive Street



