



UNIVERSITY OF OREGON

March 12, 2008

Susan L. Muir
Executive Director, Planning and Development
City of Eugene
99 West 10th Avenue
Eugene, OR 97401

Dear ~~Ms. Muir~~: *Susan*

As you are aware, I am coordinating the work of the university team assigned to address the City's request for preliminary information pertaining to the potential development of a hospital on university-owned land in the Riverfront Research Park. Specifically, we are researching and analyzing what would be required to make approximately twenty-seven acres of land north of Franklin Boulevard and south of the railroad tracks available as a site for the location of McKenzie-Willamette Medical Center. The acreage in question includes the developed portions of the Riverfront Research Park, as well as university land housing other programs and activities.

The team is working diligently to identify the issues raised by the proposal and has made good progress. However, there is still a considerable amount of research needed to address the issues associated with the site. Let me share with you some of our initial thoughts regarding real property, replacement property, the process, and other potential issues.

Real Property

Although the ground is owned by one entity, the acreage in question consists of a patchwork of parcels with different histories and encumbrances. For example, in the Research Park proper, the university has entered into long-term (up to 98 years) ground leases at 1600 and 1800 Millrace with two different private developers who have constructed substantial buildings. One developer's interest was recently appraised at \$9.3 million, and another's is estimated at \$7.1 million. These figures do not include the value of the university's fee simple interest and reversionary interest in the improvements.

PUBLIC AND GOVERNMENT AFFAIRS

1292 University of Oregon, Eugene OR 97403-1292 T (541) 346-5020 F (541) 346-6251 www.uoregon.edu

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Preliminary title reports for some of the parcels indicate numerous special exceptions ranging from easements to various land use permits and unrecorded agreements. We have not concluded our research regarding potential deed restrictions on use of the parcels or on federal funding or public finance issues that may limit our ability to convey the property or defease or retire bonds used to finance acquisitions or construction.

Replacement Property and Facilities

The area between Onyx Street and Garden Avenue encompasses 111,000 square feet of Research Park facilities and 111,870 square feet of university research, academic and administrative facilities, so the potential loss of acreage south of the railroad tracks would generate an immediate need for replacement property and facilities, as well as raise the question of the utility of the remainder of the Research Park north of the railroad tracks.

The existing Research Park facilities are located in close proximity to university facilities south of Franklin Boulevard that house the physical and biological science departments and research institutes, the science library, and various specialized facilities, including the recently completed Lokey Laboratories and the soon to be constructed Integrative Science Complex II. The university would require acreage and facilities equivalent in size and quality and similar in proximity to the science-related facilities west of Agate Street and south of Franklin. It is not clear where this acreage might be, and one must consider the scarcity of undeveloped land in proximity to campus. Most property meeting the criteria are privately developed with housing, service/retail, and parking, so making this land available would require additional dislocation and replacement.

In the Research Park there are twenty-six entities, with more than 400 employees and an annual payroll exceeding \$20 million. These organizations include companies such as Electrical Geodesics, MitoSciences, Marker Gene Technologies, On-Time Systems, Dune Sciences, Pacific Institutes for Research, and Floragenex. The majority of Research Park tenants develop intellectual property licensed by the

university and have close ties to campus, making proximity paramount. The companies would have to be sustained during any relocation.

It is also important to note that the university has adhered to a strategy of maintaining a true research park (as opposed to development of properties typically found in an office park) that has allowed the university to grow the research park as needed. The research park is typically leased to its full capacity with a range of businesses growing out of our facilities and expanding into the community. Electrical Geodesics, for example, moved its manufacturing facilities to Chad Drive last year. Sequential Biofuels graduated from the research park technology incubator after first establishing its business for over five years in the Research Park. Last month Avant Assessment, formerly known as Language Learning Solutions, graduated from the incubator into a downtown office suite after its workforce grew from five in 2003 to more than 45 today. Last year, the Legislature allocated over \$33 million in bonding authority to provide continuing development of the Research Park. The capacity to manage growth in response to economic and research opportunities is a tangible public benefit that the university seeks to preserve.

The facilities west of Riverfront Parkway and north of Franklin present similar concerns and demonstrate the added complexity of relocating scientific facilities. For example, the \$5+ million, 10,000 square foot Zebrafish International Resource Center houses 80-100,000 zebrafish, a model laboratory organism whose use was pioneered by the university, in more than 5,000 aquaria. Before the first zebrafish could be introduced—even after the complexities of planning and constructing the facility—it took more than a year to balance the water filtration systems, eliminate bacteria, and regulate other highly sensitive conditions.

Facilities like the zebrafish center support millions of dollars of federal research and represent years—even decades—of effort both here and at many other universities. Combined with the presence of start-up and established businesses that support hundreds of private and public sector research park jobs, effort to relocate these activities will require planning to minimize disruption. Any relocation would have to

preserve, if not enhance, the intellectual and economic contributions of these research enterprises.

The bulk of the buildings west of Riverfront Parkway and north of Franklin house programs related to the School of Architecture and Allied Arts. Most of the School is located across Franklin on campus in Lawrence and Pacific Halls. It is essential to the viability of the School as a whole that the programs not be separated further. An appropriate solution might be the creation of a new structure to house the entire School under one roof on land acquired for the university by the City. The land would need to be of sufficient size to also accommodate the School's outdoor activities, the most significant in size being the Urban Farm.

University Processes

Until there is a specific proposal before the university, it is impossible to determine all procedures and processes that might be applicable, but we can provide a general outline. The university would work diligently to obtain all required approvals and authorizations. However, as part of a university system and as a state agency, we cannot guarantee all necessary approvals can be secured. Oregon law requires certain construction-related activities to be authorized by the Legislative Assembly. Expenditures must also have the requisite legislatively-approved authority. The State Board of Higher Education and the Oregon Legislature must approve certain construction-related activities.

Internal processes exist to ensure the involvement of all appropriate campus constituencies in order to ensure careful decision-making. There are a host of campus constituencies who need to be involved in this matter.

It is also impossible to know how long this process might take. But considering all of the issues outlined here, it is clear that such a transition would take multiple years.

Other Potential Issues

In "brainstorming" this matter, we have thought of other issues to consider:

