

**SUBJECT:** EDA Grant and Broadband Update  
Attachment(s)  
• EDA Grant 07-79-07789

## **BACKGROUND**

This memo updates the board on the status of the EDA grant and the next steps to take.

The Grant has two components: the fiber optic broadband buildout of John Day (Component 1) and the CyberMill building in John Day (Component 2). Component 1 is funded by a combination of grants and dark fiber lease revenues totaling \$1,774,475. A combination of grants funds component 2, which total \$1,635,545. The two components combined will net \$3.5M in assets for the City of John Day. Based on its planned expenditure of \$216,823 in matching funds, this is an equity multiplier of 16x the City's net investment.

Both projects are John Day-sponsored and funded. GC Digital implemented them, but the City of John Day made the application, building purchase, grant acceptance, and grant amendments.

- EDA Grant Application submitted on October 14, 2020
- Revisions made at EDA's request on November 6, November 24, December 1, and January 7
- Carry Forward response from EDA requesting additional information on March 18, 2021
- Preliminary Engineering Report (Sisul) Revised 11-25-2020, 1-6-2021, and 6-16-2021
- Letter of Further Consideration received from EDA on April 29, 2021
- 241 W. Main Street (CyberMill) building purchased on June 18, 2021
- The FY20 CARES Act grant award of \$1,804,475 for project construction as authorized under EDA Grant Agreement No. 07-79-07789 was awarded on April 20, 2022 (18 months post-application)
- Opinion of Legal Counsel provided to EDA March 16, 2023
- City Council approved Resolution No. 23-903-03 authorizing additional funding applications at their April 25, 2023 council meeting
- City Council approved Amendment No. 1 at their May 9, 2023 council meeting

## **COMPONENT 1 - BROADBAND**

**Design.** LS Networks has provided bid packages for the three segments of this buildout – County Court building, Airport/Industrial Park, and Innovation Gateway/Valley View Drive. These components are located in city rights of way or on OTEC poles for which the City has a joint-use pole attachment agreement.

Note: The Innovation Gateway/Valley View Drive design plan did not include the Gateway Business Park but should have, as this was included in the original application and all PER revisions. This segment should be added per the preliminary plat approved by the city council (Figure 1).

Once the design of the Gateway project has been finalized, the City needs to have the project's extent legally described with their metes and bounds. The City's engineer and attorney can then certify the project as required by the site certificate Special Award Conditions (SAC)s.

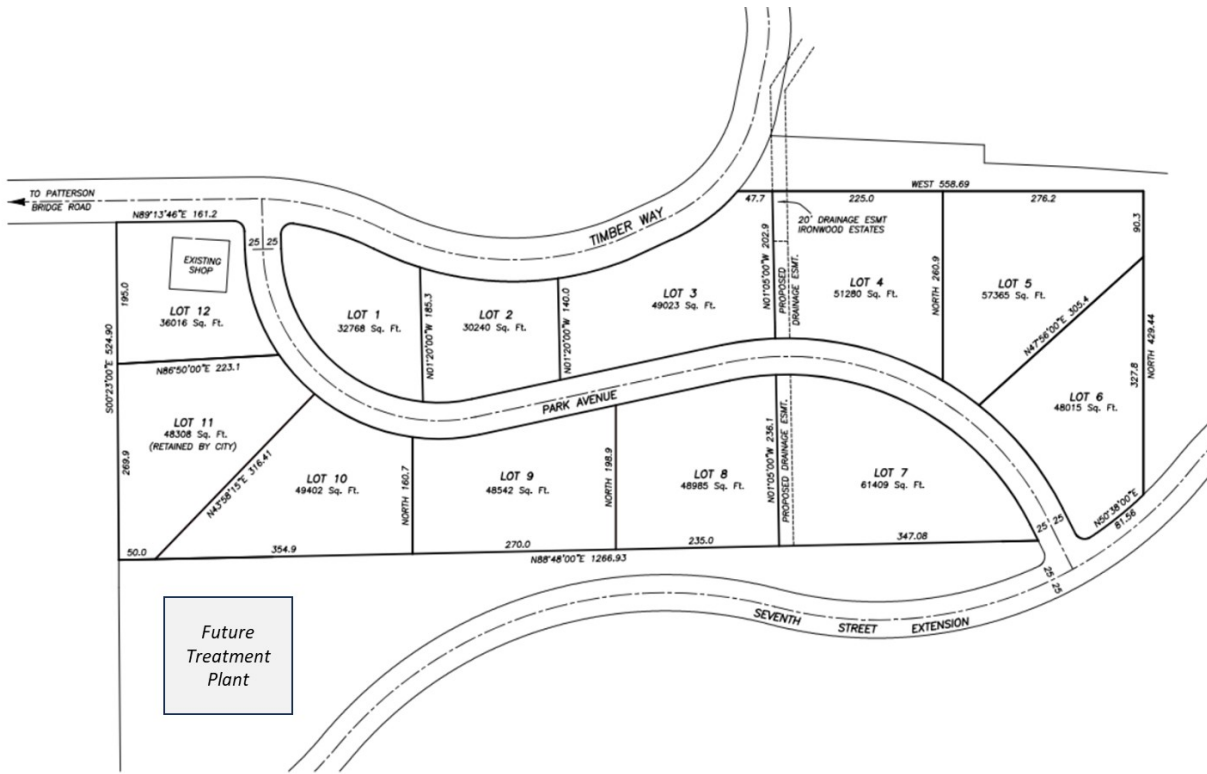


Figure 1. Preliminary Plat for Gateway Business Park

**Grant Funding.** EDA’s contribution toward this component is \$1,624,475 for the construction of the network. City passed Resolution No. 23-903-03 to authorize additional technical assistance funds through the USDA and Business Oregon BTAP programs to cover design. USDA’s program has lapsed. The Oregon BTAP has not been opened. The City can request pre-agreement costs in its application subject to approval by the Oregon Broadband Office. The Oregon Broadband Advisory Council (OBAC) oversees rulemaking for the Oregon Broadband Office and recently recommended an increase in funds for BTAP to \$150,000 per project. The City still needs to apply to receive these funds.

**Dark Fiber Lease Proceeds.** The City originally applied to the EDA with Rally as a co-applicant, but EDA would not accept this. The application was later revised to include Rally as a beneficiary. SACs 16 and 32 require a satisfactory long-term lease for network operations to complete the project, which EDA must approve. The proposed lease terms are:

- 20-year Dark Fiber Lease Agreement
- \$150,000 pre-paid by Rally to City
- Option for Rally to buy the network at fair market value after year 15 (post-EDA obligations)
- If the lease is terminated early or not renewed, refund of pro-rated drop costs to Rally
- Rally to review design plans pre-construction
- Rally to certify and inspect fiber post-construction, pre-agreement
- EDA must approve the terms and lease operating agreement per SAC 32

A proforma showing revenues and expenditures for both parties to the agreement is included in this memo. There are 60 current customers within the proposed network and 93 additional customers that may be added to the network over its lease period, for a total of 153. Based on the current customers, the City can anticipate \$3,226 in annual franchise fees (\$64,512 for the lease term) in addition to the \$150,000 pre-paid lease for a total gross income of \$214,512 for the lease term (Figure 2).

Innovation Gateway/ Valley View		
Customer Type	Current	Planned
Residences	35	4
Assisted Living Facility	1	0
State/ Fed Gov't Agencies	3	0
Businesses (Gateway Industrial Park)	2	11
<b>Total</b>	<b>41</b>	<b>15</b>
SW 4th Ave/ Skyline		
Customer Type	Current	Planned
Residences	16	0
Group Homes	0	0
State/ Fed Gov't Agencies	0	0
Businesses	0	0
<b>Total</b>	<b>16</b>	<b>0</b>
Airport/ Industrial Park		
Customer Type	Current	Planned
Residences	1	0
Group Homes	0	0
State/ Fed Gov't Agencies	0	0
Businesses	2	22
<b>Total</b>	<b>3</b>	<b>22</b>
Ironwood Estates Ph. 2/ 3		
Customer Type	Current	Planned
Residences (Phase 2)	0	17
Residences (Phase 3)	0	39
<b>Total</b>	<b>0</b>	<b>56</b>
Grand Total		
Customer Type	Current	Planned
<b>Total</b>	<b>60</b>	<b>93</b>
<b>Grand Total</b>	<b>153</b>	

Figure 2. Lease Proforma

Fee Structure	Rate
Avg. Monthly Rate	\$80.00
Franchise Fee	7%
Take Rate	80%

Total Cost Details	
Dark Fiber Lease Costs Per Year	16.3%
Monthly Lease Costs/ Subscriber	\$10
Annual Lease Costs/ Subscriber	\$125
Total Lease Costs Per Year	\$7,500
Drop Cost per Unit	\$1,750
Lease Term	20 Years

Return Metrics (Rally)	Current	Planned
Gross Sales Per Month	\$3,840	\$9,792
Gross Sales Per Year	\$46,080	\$117,504
Estimate Drop Costs	\$105,000	\$267,750
Total (Lease Term) Gross Sales	\$921,600	\$2,350,080
<b>Total (Lease Term) Net Sales</b>	<b>\$816,600</b>	<b>\$2,082,330</b>
<b>Unlevered Equity Multiple</b>	<b>8.78x</b>	<b>7.78x</b>

Return Metrics (John Day)	Current	Planned
Franchise Fees (Annual)	\$3,226	\$8,225
Franchise Fees (Term)	\$64,512	\$164,506
Lease Income (Annual)	\$7,500	\$19,125
<b>Lease Income (Term)</b>	<b>\$150,000</b>	<b>\$382,500</b>
<b>Gross Income (Term)</b>	<b>\$214,512</b>	<b>\$547,006</b>

**Broadband Component Summary.** If the City receives the \$150,000 from Oregon BTAP, its current expenditures will be recovered without selling any additional assets, and it will receive an additional \$242,000 in profits from the dark fiber lease. If it does not receive the grant, the City's net profits from the project will be reduced to \$92,000. In either scenario, the City exits with a positive fund balance.

## COMPONENT 2 – CYBERMILL

**Design.** The City awarded a design contract to Urban Patterns for \$25,000 on June 7, 2022, to design the building renovation for 241 W. Main Street. We later approved STRUX engineering for the structural improvements for a \$7,800 fixed fee. Work sessions were held on June 30, July 14th, and August 9th 2022 to review designs. Urban Patterns submitted an initial plan set on September 26, 2022.

Based on additional grant funding received, the Urban Patterns agreement was amended to increase their fee by \$17,373.75 (Amendment No. 1). Urban Patterns delivered the revised plan set with updated structural calcs on August 18, 2023. This project is now construction-ready, pending EDA approval of the plans and specifications and approval of a structural permit.

**Grant Funding.** The EDA grant awarded \$180,000 for the CyberMill project. The City contributed \$105,633 as matching funds from the building purchase, which was retained in the "Land, Structure, and ROW" line item of Amendment No. 1. In addition, the City awarded \$30,000 to the CyberMill for renovation from its Main Street improvements grant and \$13,162.31 was contributed for roof repairs, which can also be used as match.

Several external grantors (in addition to EDA) have committed \$1.3M in grant funds for the project:

- FY24 Congressionally Directed Spending request to R3 included \$750,000 for the CyberMill
- FY24 Senate agriculture funding bill included \$113,000 for the CyberMill

- Oregon Health Authority awarded \$93,750 for the CyberMill
- Roundhouse awarded \$100,000 for the CyberMill
- \$250,000 requested from the Ford Family Foundation (pending approval of these other funds)

With the EDA, local contributions, and these external grantors, the total funding for the CyberMill project is \$1,635,545.

**CyberMill Summary.** SAC 17 (Evidence of Good Title) must be completed and confirmed by EDA along with the lease agreement with the CyberMill nonprofit (SAC 32) and approval of the design plans pre-solicitation. SAC 27 (Recorded Statement of Federal Share) must also be completed.

#### **NEXT STEPS**

Clear SACs 16, 17, and 27 so the City can go out for bid, and SAC 32 prior to approving the lease agreements with Rally (Component 1) and the GC CyberMill nonprofit (Component 2).