Chusal LLC
495 State Street, Suite 500
Salem, Oregon 97301

Oregon Department of Administrative Services
Darrin Brightman, Real Estate Project Manager
1225 Ferry Street SE, U-100
Salem OR 97301

RESPONSE TO Oregon DAS Request for Proposal
Date of Issue: September 30, 2016
Closing Date: September 30, 2016
Oregon State Hospital North Campus – Salem, Oregon

SECTIONS:

1. ....Cover Letter

2. ....RFP Response

3. ....Collaborative Team

4. ....Site Plan(s)

5. ....Interested Tenants

6. ....Letters of Interest

September 30, 2016
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Oregon Department of Administrative Services
Darrin Brightman, Real Estate Project Manager
1225 Ferry Street SE, U-100
Salem, OR 97301

RE: Oregon State Hospital North Campus
RFP from Oregon Department of Administrative Services

Dear Mr. Brightman:

We appreciate the opportunity to respond to Request for Proposal (RFP) regarding the Oregon State Hospital North Campus in Salem, Oregon, with the attached Proposal. This is an exciting project that has the potential to make a significant contribution to Salem as we move into the next phase of Salem’s future.

We applaud the State of Oregon Department of Administrative Services for its diligent efforts and disciplined approach to finding the best transactional match for the State and its ongoing stewardship of the Salem community.

We are very pleased to present to DAS our Plan, our Response to the RFP and the highly experienced team that has assembled to pursue the purchase of the subject Campus from the State with the objectives to repurpose it and to save it from demolition by mindful redevelopment. Our approach is collaborative and we welcome questions on this journey.

An overview of the highlights of our plan:

A. Acquire the site and solidify our plan while conducting a mindful due diligence.
B. Redevelop the Campus using the existing buildings and creating new facilities that will benefit the surrounding community, the City of Salem, the State of Oregon and the stakeholders of the new ownership.
C. Create an incubator for economic development with higher education occupants providing technical skills to students, which will result in new job opportunities.
D. Create a campus with a mix of classrooms, offices, housing, and retail on site.
E. Plan for housing over 110 single residents.
F. Have a mix of student housing, apartments, and affordable housing apartments.

G. Have an area designated for 55 and older senior housing.

H. Incorporate a retail site along Center Street to support campus life, as well as the surrounding community.

I. We would like to have the opportunity to include both the Dome Building and Yaquina Hall, even though they have been excluded from this present RFP.

We appreciate the opportunity to present this information and look forward to proceeding to the next phase of this process.

Sincerely,
Coldwell Banker Commercial Mountain West Real Estate

Alex Rhoten
Principal Broker / Owner
The State of Oregon’s Department of Administrative Services (DAS) has requested proposals for the purchase and redevelopment of the Oregon State Hospital North Campus property in Salem, Oregon.

Property
- **37.8-40.5 acres available**

This proposal includes the entire 47 acres, including the Dome and Yaquina Hall buildings. To be consistent with the RFP outline, if these two assets are not included, we have made a price adjustment (1) near the top of page 3.

- Located on high-frequency transit route.
- Central Salem location.
- Within 1 mile of 2 full-service grocers.
- Within 1.5 miles of major employers.
- Flat land with no floodplain or wetland considerations.

Entitlements
- Currently zoned Public and Private Health; DAS will cooperate with Buyer in rezoning.

This proposal will require, and is subject to, DAS cooperating with Buyer to rezone the property to a mixed use zone and/or zones consistent with the attached Master Plan.

- DAS is working with City of Salem to streamline entitlements, including:
  - Phased subdivision application and trip generation analysis.
  - Development District – City SDCs to apply to this property, not entire system.
  - City SDC credits (water, sewer, transportation, stormwater) available for pre-existing development.

The plan contemplated by this proposal will require, and is subject to, DAS cooperating with Buyer to continue working with the City of Salem on these items.

Buildings
- Seven buildings currently on property, connected with tunnel system/connected basements.
All buildings on 47-acre site shall be included, subject to (1) price adjustment.

- Full hazardous material abatement is scheduled for 6 of the 7 buildings (all except Dome Building – basement only) and all tunnels/connected basements.

This is an "As-Is" proposal and would not require DAS to abate any hazardous materials.

- Demolition presently planned for all buildings east of 25th Street beginning fall 2016. Demolition will include structural fill of basements and tunnels.

This is an “As-Is” proposal and would not require DAS to proceed with the proposed demolition plans.

- Dome Building and Yaquina Hall will remain.

Included, subject to price adjustment (1).

Proposal Parameters
DAS wishes to sell the entire North Campus property, except for the Dome Building and its grounds (approximately 7.0 acres). **DAS is currently in negotiations with a third party for sale of Yaquina Hall and grounds (approximately 2.7 acres).** Considerations for proposals:

- Demolition of the buildings east of 25th Street is funded and scheduled, but not yet contracted. DAS will consider not demolishing one or several of the buildings east of 25th Street.

Property will be purchased “As-Is” with no demolition necessary.

- Hazardous materials abatement of buildings to remain may include VCT flooring removal or not, as Buyer desires. VCT flooring removal constitutes half of the total expected abatement cost.

Yes, the Property will be purchased “As-Is” with no demolition necessary.

- DAS is willing to remain engaged in the transaction until final settlement (comprehensive plan amendment and zoning change) decisions are made. DAS will cooperate with Buyer in signing applications as owner until closing.

Yes, this proposal is subject to completing all entitlements and rezoning prior to closing.

- **Proposals may, but need not, include backup offers for Yaquina Hall.**

Yes, this proposal includes Yaquina Hall building and property.

- DAS will consider a phased sale of the property.

Yes, this proposal is based upon and assumes that there will be one single closing of the entire property.
Submittal Requirements
Submittals may be in electronic or hard copy format, and should include the following:

- Price proposal

for the entire 47 acres, including Dome building and Yaquina Hall.

(1) If Dome is not included, deduct a base amount of [Name of amount].

If Yaquina Hall is not included, deduct an additional base amount of [Name of amount]. The amount of ground associated with one or both facilities needs to be clarified; and if excluded, may become subject to further economic adjustment based upon Master Plan.

Deal points to be discussed and/or included in negotiating final Purchase and Sale Agreements (PSA):

1. Once selected, both parties will have 30 days to finalize a PSA.
2. This is an all cash offer and “As-Is.” No hazardous material abatement or demolition will be required by DAS.
3. Buyer will deposit $50,000 into escrow upon signing PSA. Buyer will deposit an additional $50,000 at the conclusion of due diligence. All deposits shall be refundable until all contingencies are removed and entitlements and rezoning are completed.
4. A 90-day due diligence for the Buyer will begin upon receipt of all Seller’s documents.
5. The PSA will be subject to Buyer obtaining all entitlements necessary, including, but not limited to, rezoning. Timing shall be subject to City of Salem process.
6. Price to include 3% real estate fee due to Coldwell Banker Commercial at closing.

- Proposed development team bio/CVs

Please refer to the “Collaborative Team” Section 3

- Project timeline, including any proposed phased breakdowns

A. We request a response from DAS regarding this RFP within 30 days.
B. 30 days to negotiate PSA.
C. Buyer to have 90 days from receipt of all of Seller’s documents for due diligence.
D. Rezoning and entitlement process is subject to City of Salem timeline.
E. Closing shall be 45 days after removal of all contingencies and entitlement process completed.

- Proposed land development, including uses and approximate square footages per use, development densities, and entitlement requirements

Please refer to the Master Site Plan(s) Section 4

- Evidence of ability to perform; past projects, letters of credit, team references, etc.
Please refer to our Collaborative Team – Section 3

- Confidential financial information is not required as part of this submittal

Understood.

Process

Understood. Subject to receipt of all Seller’s documents.

- A tour of buildings may be scheduled by contacting Darrin Brightman at DAS. The grounds are generally open and accessible for self-guided outdoor tours.

Understood.

- Proposals are due by 3:00 PM, September 30, 2016. Hard copy, e-mail, or fax accepted.

Understood.

- All proposals will be reviewed by DAS in consultation with City of Salem staff and other stakeholders.

Understood.

- Following consultation, DAS will select the proposal that best meets the State’s interest. Selection will be based upon a combination of price, ability to perform, development team references, community considerations, and stakeholder input.

Would request a response from DAS within 30 days.

- DAS will negotiate terms with the proposer. If DAS is unable to agree to terms with the proposer, DAS reserves the right to rescind selection of that proposer and engage other proposers in DAS’s sole discretion.

Understood. Would request that completed negotiations of PSA occur within 30 days.

Considerations
Please take these community interests into account when exploring uses for the property.

- **Relationship to context.** Development to the north and east of the site is primarily single-family residential. To the west and south are large scale, densely-developed medical uses.
Understood. This has been taken into account with preliminary site plan. Site plan has not been finalized and is in concept format at this time.

- **Multifamily.** The City of Salem lacks multifamily land, has historically-low vacancy, and is experiencing rising rents (15% year-over-year increase).

This plan contemplated by this proposal anticipates providing:

A. Student housing  
B. Market rate apartments and duplexes  
C. Subsidized housing  
D. Senior housing  

- **Need for open space.** Appraiser recommends approximately 5 acres of contiguous park space, fronting on D Street. Other has suggested more.

This plan contemplated by this proposal includes selling or trading for a market value 5 to 7 acres to the City of Salem for a park.

- **Impact to D Street.** Neighbors like the low-traffic nature of D Street; directing most traffic to Center, Park, and 23rd will be better received than driveways on D Street.

Understood, agreed and will be considered in the Master Plan.

- **Employment.** Jobs are always welcome.

Understood and agreed. Kindly refer to cover letter.

- **Neighborhood-Scale Retail.** Despite the major employer across the street, the vicinity is essentially devoid of restaurant/retail options and lacks commercial-use land.

Currently, the Concept Plan calls for retail along Center Street.

**Please refer to Interested Tenants, Section 5, and Letters of Interest, Section 6**

**Contact Information**

Please direct questions and submit proposals to:

Oregon Department of Administrative Services  
Darrin Brightman, Real Estate Project Manager  
1225 Ferry Street SE, U-100  
Salem, OR 97301

Darrin.W.Brightman@oregon.gov  
Tel: 503-373-7065  
FAX: 503-373-7210
Center Street North Campus
Collaborative Team

**Architect / Planner** – Salem based Mr. Leonard Lodder and his team at Studio 3 Architecture. Leonard’s qualifications and experience are listed on this link:
http://www.studio3architecture.com/

**General Contractor** – Salem based Mr. Dave Hays and his team at LCG Pence Construction. Dave’s qualifications and experience are listed on this link:
https://lcgpence.com

**Leasing and Project Analytics** - Salem based Mr. Alex Rhoten and Ms. Tiffany Jones, and their team, at Coldwell Banker Commercial Mountain West Real Estate. Alex and Tiffany’s qualifications and experience are listed on this link:
http://www.cbcworldwide.com/professionals/profile/37D26862-35B8-11D7-A2C7-00B0D0494558#h-Z2tQcKe-1

**Leasing** - Retail Leasing – Portland based Mr. Michael Heerman and his team at HSM Pacific Realty. Michael’s qualifications and experience are listed on this link:
http://www.hsmpacific.com/

**Leasing** – Educational Leasing / Consultation – Sisters based Dr. Larry Large.

**Financing Service Provider**
Dougherty Mortgage Company – Is a Minnesota based financial services company that provides short and long term financing. Mr. Chuck Patenaude is the Sr. Vice President and Production Manager. Chuck’s qualifications and experience are listed on this link:
https://www.linkedin.com/in/chuck-patenaude-4177278

**Financing Service Provider**
Federal National Finance Corp. – Colorado Based financial service company that provides short and long term financing. Mr. Jay Belk is the principal and his qualifications and experience is listed on this link:
http://www.federalnatl.com/staff.html
**Financing Service Provider**
Portland based Morgan Smith and his team at Sortis Capital. Information for Sortis Capital can be found at this link:
http://sortiscapital.com

**Lead Equity Investor and Developer Entity Managing Member** – Salem based United Front Operations, L.L.C. is a privately held domestic limited liability company registered in Oregon.

**Developer Entity and Managing Member** – Portland Based Lewis Moeller of LMK Real Estate Services P.C.

Lewis's qualifications and experience are listed on this link:
https://www.linkedin.com/in/lewis-moller-69191117

**Developer Entity and Managing Member** – Salem Based John Miller of Courthouse Fitness Centers

John’s qualifications and experience are on this link:
https://www.linkedin.com/in/john-miller-3286221b

**Developer Entity, Managing Member and Consultant to the Project** – Neskowin based Larry Glickman

Larry's qualifications and experience are listed on this link:

**Developer Entity, Managing Member, Asset Manager** – Salem Based Tyler Clark of Clark Commercial Real Estate

Tyler’s qualifications and experience are on this link:
Interested Tenants:

- RN Certification Provider
- McMenamin’s
- Robotic Surgery Trainer School
- Substance Abuse Therapy
- 55+ Residential Community
- Assisted Living Facility
- Adult Dorms
- Apartments
- Coding College
- Art College

Retail Tenants:

- Credit Union
- Specialty Coffee
- Poultry Fast Food
- Burger Joint
- Mexican Restaurant
- Health Food Store
- Cell Phone Provider
There are five active potential educational entities to be tenants for the North Campus property. Caveat: until the property committed it is not possible to confirm the interest and/or commitment of each of the entities.

1. Satellite location for a private college program: Currently the College is using leased property but is considering relocating its facilities to the Salem location. The President has visited the property and toured the facility most likely to meet their physical, pedagogical, and external needs and has written to the buyers confirming his interest and potential commitment. Note: the timing of the sale of the property is significant because the current lease will expire in less than one year. The school would have up to 300 students, with approximately half of those being residential on the site.

2. Satellite location for a second private college program: Last month two previously fully independent entities were granted special experimental status with the United States Department of Education to collaborate on the country's "EQUIP" program through which students at one of the entities will become eligible for federal student aid. The mission of the program is to develop opportunities for students to improve their employment probabilities once the program of study is complete. The program intensely trains students needed skills to enter the computer industry and has an outstanding record of successfully placing graduates in Oregon companies.

What is the potential connection with North Campus? After a preliminary discussion with the two presidents they would use a limited amount of space on the campus from which it could be possible to collaborate with the State of Oregon Correction Division to provide educational services to some or all of the institutions in Marion County. The goal would be to improve recidivism metrics for some limited number of inmates incarcerated in the area.

3. Potential branch campus: The President of an Oregon college toured the North Campus site last week and is actively interested in creating a presence on the site for a branch campus, one that would focus on a two-year degree program and serve the students from the mid-Willamette Valley communities and the industries in the area who need graduates from Industrial Arts curricula. The College has a model program with Nike that is successfully addressing industry needs. Estimated number of students: between 25 and 50 within three years of initiating the program.

The institution may also want to commit some space for a "residency" program and to develop some gallery and studio spaces for its students and potentially other students and graduates from other public and private colleges in the region.

4. Center for Faculty Development (focused on preparing faculty to optimize on-line instruction): Present-day students (both traditional and non-traditional) want
at least limited experience in their undergraduate curriculum with on-line course delivery. The implicit assumption is they will have continuing professional education that will be delivered largely on line.

Traditional faculty often need special training to be effective in this pedagogy and colleges and universities face unscalable costs to provide the necessary training. Hence the concept is to create (likely with a particular campus host) a center where faculty would come from multiple campuses for limited duration and be trained to be expert teachers in on-line delivery. Further details available on request.

5. Pacific Center for Educational Sustainability (PCES); (name is preliminary): In simple terms, this would be a "Think Tank" for higher education primarily but not limited to postsecondary policies or issues. There are extensive details available on request, including plans for governance and charitable status.

The higher education industry is undergoing extensive change--some would say it is in the middle of a revolution regarding quality and cost effectiveness. Presently there are multiple think tanks centered on major research university campuses, including Harvard University, Oxford University, and numerous others. However the underlying difference for PCES is that the intellectual capital would be derived primarily from current and active faculty members, faculty from local, national and international institutions. The center would be electronically structured sufficiently to allow the faculty to be on site for limited periods but to continue their teaching on their home campuses while connecting synchronously over the entire academic year with others who are engaged in providing the intellectual capital for the Center.

Several months ago this concept was informally reviewed with a major NW foundation and they suggested an initial interest in seeing a preliminary proposal once a "home" was found for the PCES concept.

The Goal: Increase the quality of the educational outcomes and reduce the costs. One researcher calls this the 80/120 rule meaning improve the quality by 20% and reduce the costs by 20%. When undertaken correctly, a fully achievable goal.

L.D. LARGE CONSULTING, LLC

LARRY D. LARGE, PHD
PRINCIPAL

L.D. Large Consulting, LLC
69767 Pine Ridge Rd.
Sisters, OR 97759
September 23, 2016

My name is John Miller. My company, Courthouse, is a Salem original, which turns 40 in December of next year. Courthouse has evolved over the years. Our success today is centered on lifestyle. We help people embrace lifestyle habits they’ll need to avoid disease, and live long, vibrant, adventuresome lives.

The Center Street North Campus (CSNC) will include in its design lifestyle features and attributes, making CSNC a model development.

A rapidly growing number of physicians are embracing what is known as lifestyle medicine. This growth is fueled by overwhelming evidence that lifestyle is the most powerful curative force we have available to us. Lifestyle can effectively prevent or treat heart disease, diabetes, cancer, arthritis, and more.

At inception, the vision of CSNC is to utilize both indoor and open spaces, conveniently accessible by residents and occupants, to breathe, stretch, exercise and grow locally in their CSNC environment.

I am very pleased to be a part of the CSNC design team and a partner. I am personally and corporately dedicated to advancing Salem and the lifestyle of Salemites.

Let me know your thoughts and questions.

John K. Miller
President, Courthouse – A Lifestyle Company
john@courthousefit.com
September 26th, 2016

Dr. Larry Large
69767 Pines Ridge Road
Sisters, OR 97759

Dear Dr. Large,

Thank you for the work you are engaged in to create a cultural and educational “hub” in the state hospital. I find the proposal exhilarating in concept and wish to convey my appreciation for the state’s interest in enhancing our state Capitol’s cultural and educational vitality.

More specifically, I have a keen interest in exploring the possibility of Marylhurst’s inclusion in the project. As you know, the Department of Education has recently extended an exception to Marylhurst (just one of 8 institutions in the nation) to allow us to access federal financial aid for a partnership with a non-traditional educational entity. Our regional partner, Epicodus, is a coding school. As one of the region’s fastest-growing coding schools, and one of the only coding schools explicitly dedicated to instruction of non-traditional students, Marylhurst is embarking on shared curricula that would culminate in a certificate that will be financial aid-eligible. While we await approval by NWCCU for this experiment, we are already dreaming of ways to expand our reach. The possibility of having a Salem site for delivery of this certificate through the corrections division is appealing and mission-appropriate to both Epicodus and Marylhurst University.

Please keep us posted as your conversations at the state evolve. We remain interested in the possibilities, and hopeful that our state will see this creative concept as meeting a serious need through innovation.

All the best,

Melody Rose, Ph.D.
President
September 26, 2016
Dr. Larry D. Large

Dear Dr. Large:

The potential project at the State hospital poses exciting possibilities for networking with other organizations and educational institutions. Envisioning the project as an innovative space - both figuratively and programmatically -- could help meet the needs of our State’s population in terms of making college degrees attainable and career preparation more accessible. Particularly appealing is the prospect of partnering with other educational institutions that offer science, engineering and business to create new paths for the careers of the future in such developing fields as wearable technology and digital manufacturing.

To provide degree and certificate programming on the college level to the students in the Salem area, and across the State, would clearly benefit those populations. Further, the model of multiple educational institutions and professional organizations collaborating on a two-year degree program could, in addition to serving our regional population, provide an impetus to other states to better meet the needs of their populations.

We, at OCAC, have genuine interest in such models, and we would have potential interest in pursuing the conversation should the project develop.

Thank you for your foresight in developing a proposal that makes maximum use of available resources to serve our State’s residents.

Sincerely,

Denise Mullen
President