



CITY OF JOHN DAY

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March 18, 2021

Kerstin Millius
Acting Regional Director
Seattle Regional Office

Re: EDA Control No. 116772

Dear Director Millius,

We appreciate the opportunity to respond to the EDA's Carry Forward Letter dated February 9, 2021 with regard to our Community Broadband grant application.

We have worked diligently to address the EDA's questions and concerns with our application and hope these answers will suffice to receive a Letter of Further Consideration. Each bullet from the Carry Forward Letter is addressed following a brief background on our project.

BACKGROUND

The City of John Day began working on an EDA grant application in the fall of 2019 following the EDA-supported Regional Economic Diversification Summit held in June of that year. This landmark event was attended by 45 participants from more than 20 federal, state and local agencies to assist in our economic recovery (figure 1).

Finishing our broadband network access to the existing industrial park, acquiring additional buildable lands for economic expansion, and connecting our businesses and residents to the Internet were among the top investment priorities identified during the Summit. These initiatives were captured in our Comprehensive Economic Development Strategy approved by the EDA, specifically the following actions:

- Identify targeted areas for infrastructure to support new housing development and adopt a housing plan;
- Develop a broadband plan to connect each premise in John Day to fiber;
- Create a community accessible space with 24/7 access to high-speed internet; and
- Partner with organizations to seek opportunities to leverage new high-speed broadband.



Figure 1. Participants at the June 11, 2019 Regional Economic Diversification Summit in John Day, OR

Our application attempts to achieve the top priorities in our CEDS by extending broadband to every premise that currently lacks access and creating the community space needed to facilitate Internet access as well as business expansion.

Much of our buildable land was previously occupied by mill properties that are now abandoned. The City purchased and began reclaiming these sites through brownfield remediation grants in 2017. We have invested over \$2 million in local funding to restore these locations for public access, including the development of new streets, bridges, trails, parks and other public amenities. Much of our proposed broadband expansion in this grant is designed to extend into these currently unutilized lands.

This proposal will open an additional 15 acres of buildable industrial lands for business expansion in a mixed use commercial/industrial district purchased by the City last June. It will also activate existing industrial lands at our regional airport by extending fiber optic internet to this underserved location.

We recognize the amount of investment we are requesting from the EDA is significant considering the relatively small number of businesses that will benefit today. However, this infrastructure investment is crucial to opening these former brownfield properties for future redevelopment. Without it, we will be unable to complete the objectives we set out in our CEDS. Our hope is that we can continue to partner with EDA to spur our economy recovery and overcome decades of decline in our community.

OUR RESPONSES

- **Consult with FirstNet (<https://firstnet.gov/>) and coordinate all project components;**

City staff coordinated with FirstNet program managers for our region. They provided a coverage map for our area and details on the FirstNet program. The majority of Grant County is covered by FirstNet's cellular network and three new towers are scheduled for installation in Grant County in 2021. FirstNet program managers Kyle Abernethy and Jake Westlund reviewed our proposed purchase of three Avtec Scout consoles for emergency communications and determined they are FirstNet compatible with the addition of an external modem, one for each console. The Cradlepoint IBR600 modem allows the Scout console to connect directly to FirstNet's cellular network in the event local connectivity is lost or a unit is needed for remote operations. The quote for the modems is a one-time cost of \$756.27 with a monthly service charge of \$110.40. This external equipment would be purchased post-award (Enclosure 1).

- **Provide additional information on how all 9-1-1 emergency usages are compliant with Federal Communications Commission (FCC) communications requirements;**

The proposed equipment is designed to operate on our existing licenses using spectrum approved for public safety communications. We have seven fixed locations licensed by the FCC to operate in Grant County, including from our 9-1-1 Center (Enclosure 2).

- **Oregon Telephone Corporation must bid openly for operation of the lines and installation;**

OTC has agreed to compete for the contract should EDA choose to award our grant application. They anticipate the same number of jobs will be created as proposed in the original application. A letter from OTC's Vice President and their intent to compete for this work is provided (Enclosure 3).

Note: Grant County and neighboring Wheeler County to our west are unique in being the only counties in Eastern Oregon that lack a long-haul internet service provider (Figure 2, John Day indicated by the blue arrow).

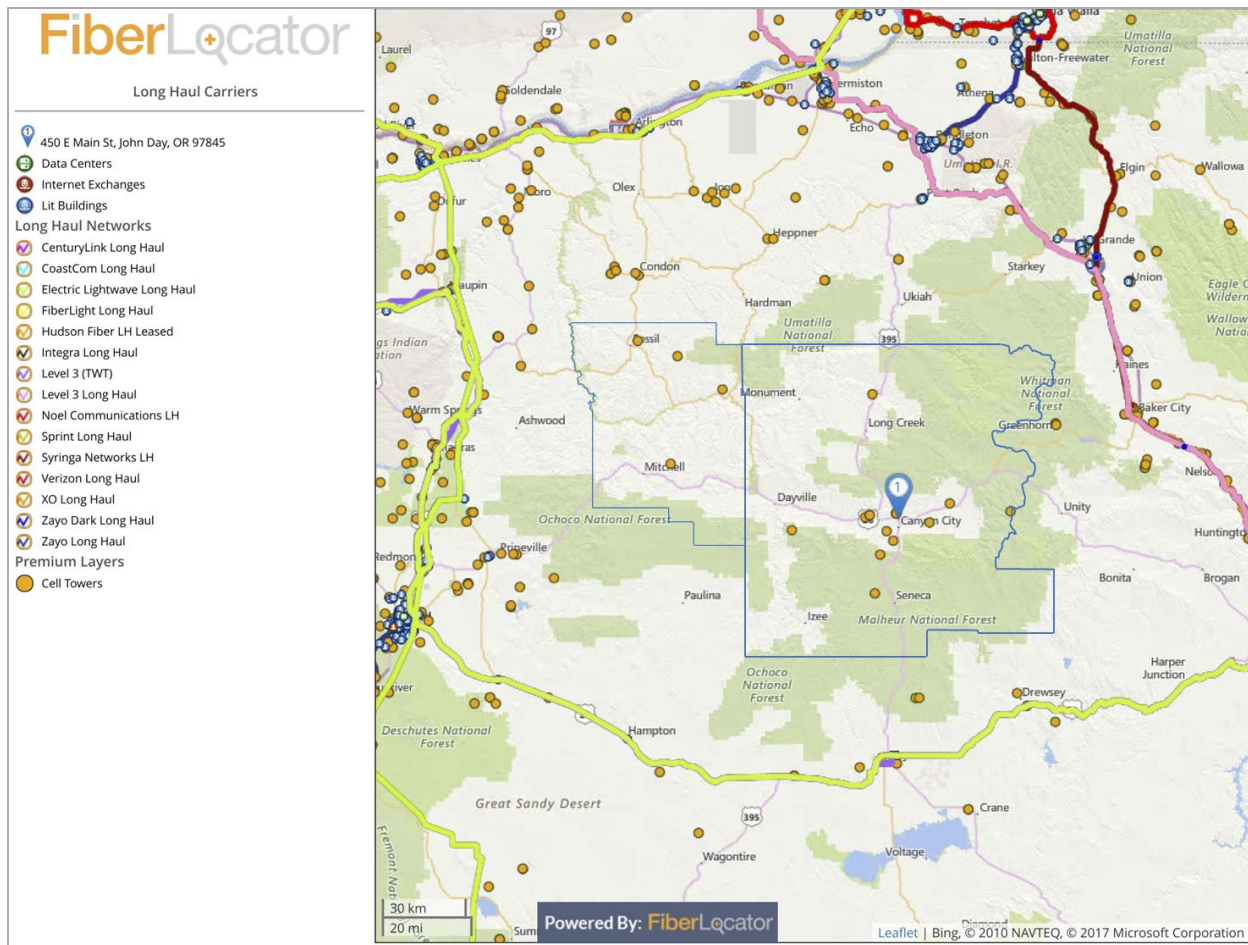


Figure 2. Long-haul internet providers around Grant County, OR

The lack of a long-haul provider adds additional cost and complexity to complete middle mile and last mile broadband installations in our community because of the distance, mountainous terrain and over two million acres of federally-owned lands that separate us from these providers. Middle mile infrastructure is severely underdeveloped in Grant County and several communities, including Monument and Seneca, still lack cell phone coverage and broadband Internet access to their homes and businesses.

OTC is the only fiber optic Internet firm that has invested in our region, and as a result, they are the only Internet service provider capable of serving our proposed network expansion. OTC's current fiber optic network is shown in figure 3.

EDA requested we remove OTC as a partner prior to application, and as a result, we lost the \$272,087.50 private sector match they were planning to contribute toward the capital cost of this project. If we are awarded this grant, we expect to receive a large portion of this cost over the life of an indefeasible right to use (IRU) lease agreement to manage the network and its operations, which should help to defer future operations and maintenance costs for this proposal. However, the exact value of the IRU cannot be determined until we complete the competitive solicitation process, so there is no revenue programmed toward cost recovery in our application at this time.

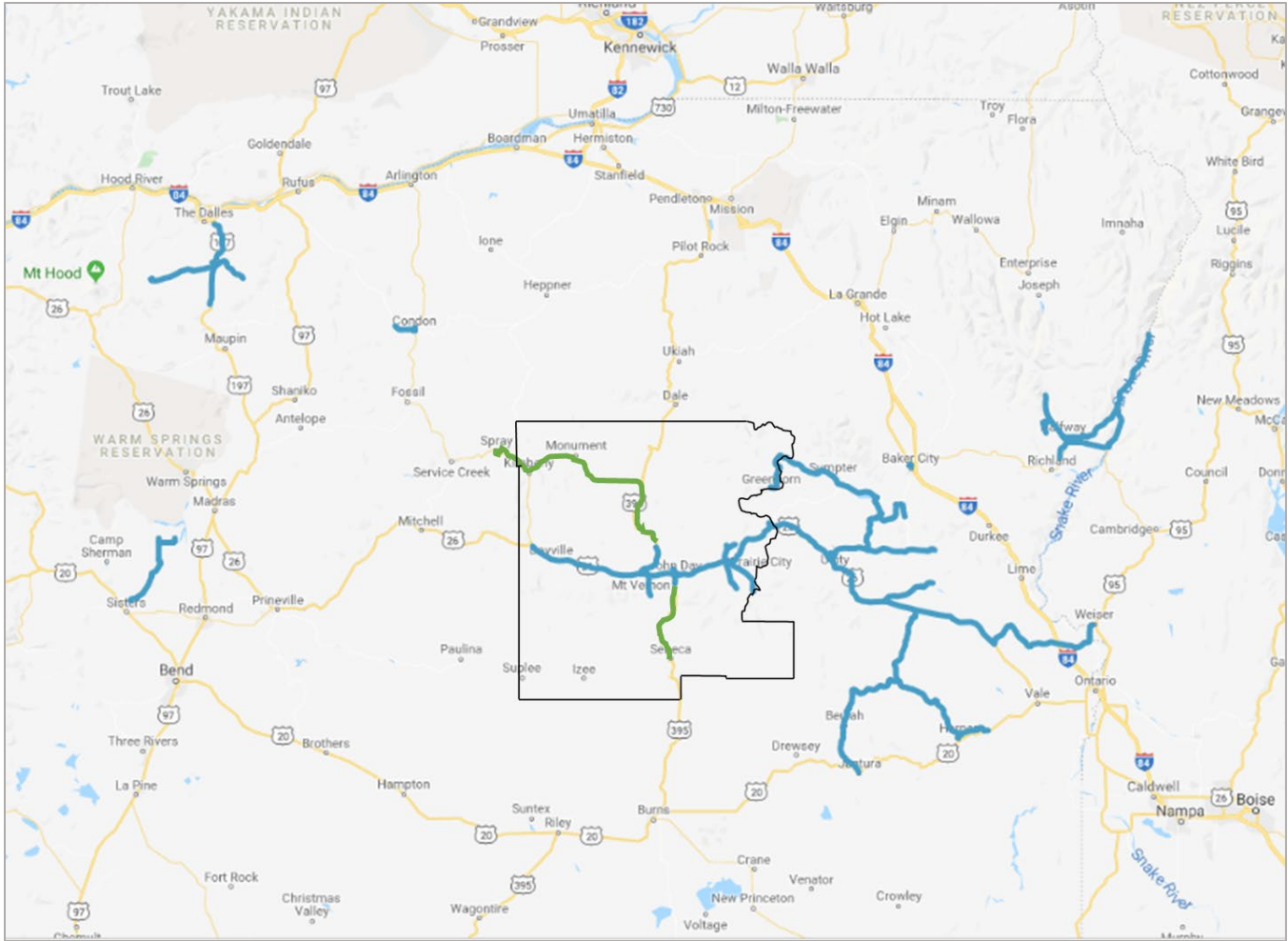


Figure 3. OTC fiber optic network coverage in Grant County, OR (Blue = Existing; Green = USDA ReConnect Grant Expansion)

• Provide evidence that the City has exhausted their bonding/taxing authority to support the 90% grant rate request;

In discussions with our bond counsel, we learned that Oregon does not place limits on the bonding authority or debt capacity of its incorporated cities. As a result, it is not possible to exhaust our bonding/taxing *authority*. However, we have exhausted our *capacity* because we do not have enough broadband funding or general funds remaining to service new debt, and given our socioeconomic conditions, we do not believe we can raise additional funds through increased taxation without further harming our low-to-moderate income households, which make up over half the City’s population (Enclosure 4). We have, however, requested an additional \$200,000 in matching funds from the Oregon State Broadband Office, through a program called the Industry Competitiveness Fund (ICF). We have submitted an application to this program but they will need time to evaluate our request.

In terms of debt capacity, the City of John Day was awarded \$1.836 million in state funding in 2017 to assist with our broadband expansion. We invested \$400,000 on current assets, including design, funding applications, permits, network construction and co-location facility acquisition in John Day and Seneca. An additional \$1,000,000 was committed as matching funds for the USDA ReConnect application. John Day partnered with OTC to secure \$6 million in federal funding under the 2019 USDA ReConnect grant to build over 80 miles of fiber from Mt. Vernon to Long Creek, Monument, Kimberly and Spray in the northwest of Grant County and from John Day to Seneca in the south (shown in green

in figure 2). As a result, a high speed fiber optic backbone will be constructed beginning this year to service these outlying communities. An additional \$188,028.04 is committed for this application as match, with the remaining funding held in reserve for future operations, maintenance and replacement of the network.

• Provide additional evidence of anticipated job creation and private sector investment that will result from the EDA investment;

Grant County's economy has been in continuous decline since the timber wars of the 1990s. We've faced repetitive losses due to the loss of our timber economy, the Great Recession, back-to-back natural disasters, and COVID-19. More importantly, we have failed to adapt effectively in response to these changes. The City of John Day is now actively investing in new areas to help diversify our economy, including brownfield revitalization of our former mill sites, restoration of the John Day Riverfront, completing our local street networks to allow for additional housing, and the adoption of a new outdoor recreation strategy to promote destination tourism and recreation startup businesses. We have raised \$13.5 million in external funding in the past four years toward these projects.

We estimate fourteen (14) new jobs will be created and twelve (12) retained as a result of this grant award, with approximately six million in private investment. Additional investment is likely once these locations have access to the internet. Specific beneficiaries of this grant include:

- **HECS LLC.** EDA's award of this application will allow us to complete broadband internet service to our existing industrial park, which currently lacks access, allowing the retention of an HECS LLC, outdoor apparel manufacturer who proposes to invest \$5 million in John Day over the next ten years to create eight (8) new jobs and retain six (6) existing positions (Enclosure 5).
- **Ironwood Estates.** The new housing at Ironwood Estates will create three (3) new jobs and retain six (6) existing jobs and will result in \$750,000 in private sector investment on land developments and new housing. EDA requested we remove the fiber optic build to Ironwood Estates from our original submission, which we have done. However, we still plan to construct the fiber along Valley View Drive adjacent to this development and will use a portion of our existing utility funds for water and sewer to facilitate the expansion of this housing project to create 76 new homes in John Day as market rate workforce housing that can be used by digital teleworkers upon approval of this award (Enclosure 6).
- **OTC Connections.** If OTC competes and is awarded the network operations grant, they anticipate creating three (3) new jobs and investing \$272,087.50 in private equity over the life of the network operations contract (Enclosure 7).
- **John Day Innovation Gateway & Airport Industrial Park.** We have 12 one-acre mixed use lots available at the John Day Innovation Gateway Business Park and an additional 20 lots at the Airport Industrial Park that will be served by this expansion. The majority of these lots currently lack tenants, but we are beginning to see development interest due to COVID-19 as businesses look for greener pastures outside of major urban centers. Our first land sales in the Airport Industrial Park in 15 years are scheduled to close this month, with the potential for new business development. The City is also actively rezoning these areas to remove development restrictions and encourage more land sales and increased development activity. We estimate up to three jobs per acre could be created here, for a total of 96 jobs, as a result of activating these spaces – jobs that will not materialize if we cannot provide secure, reliable, high speed internet to these sites.

• **Provide a stronger COVID nexus narrative.**

The benefits of expanded broadband access for rural communities were self-evident before COVID-19. What we have learned post-COVID is that the negative aspects of lack of Internet access put us at risk of being left further behind in our efforts to recover. Lack of access to broadband has affected our residents' ability to file for unemployment benefits and apply for new jobs, sell their products, and connect virtually with family and loved ones, especially the elderly who were cut off in resident homes without high speed Internet.

Workers mandated to work from home were unable to do so due to inadequate Internet connections. Our school district shut down without the ability for teachers to instruct remotely from home due to slow Internet connections for them and students, forcing parents to pick up hand written packets and make alternative arrangements to teach their children at home. As a result, homebound students have struggled to keep up with their school curriculum.

After our initial application, the Grant County Co-works team that is investing in the shared office space (Task 3) conducted a survey of over 300 local residents (4.5 percent of the county population responded). Of these respondents, 40 percent indicated they lack quality Internet, nearly half lack access to printing, scanning and copying equipment, two-thirds indicated this was a need, and 85 percent support investing funds in this project (Enclosure 8).

At the March 9, 2021 city council meeting the John Day city council committed to purchasing the Main Street building for the shared office space, should EDA choose to award, and we have a commitment from the building owner to sell the building to the City for \$80,000 upon award.

The Grant Count Co-works team has adopted the name CyberMill to describe this investment in honor of our heritage as a timber community. Their initial logo and brand design is shown in figure 4 and the full design package is provided (Enclosure 9).



Figure 4. CyberMill logo and brand design

SUMMARY

We have spent the past twelve months conducting preliminary engineering, field surveys and data gathering to refine and submit this application. Our project is now shovel ready and simply lacks funding. We strongly encourage EDA to fund this project so we can proceed with construction and close the digital divide in our rural-frontier community.

Sincerely,



Nicholas Green
City Manager