

THE CONFEDERATED TRIBES OF THE WARM SPRINGS RESERVATION OF OREGON



Warm Springs, Oregon 97761 / 541 553-1161

May 14, 2015

Representative John Huffman
H-477
900 Court St NE
Salem, OR 97301

Representative Greg Smith
H-482
900 Court St NE
Salem, OR 97301

Dear Representative Huffman and Smith,

On behalf of the Confederated Tribes of Warm Springs, I would like to submit the following request for funding to assist the Tribes in building much needed facilities and infrastructure that will allow us to move forward with two critical economic development projects:

- 1) *The Warm Springs Unmanned Aerial Systems (UAS) Test Range and*
- 2) *The Warm Springs Outdoor Recreation-Tourism Gateway project.*

Background

Over the past several decades the Confederated Tribes of Warm Springs has struggled to develop a healthy, balanced, and sustainable economy. At the Tribal Government level, a few viable enterprises have been created that provide jobs for the community and some revenues for governmental operations. While important to the economy, these enterprises collectively do not provide an adequate level of jobs and lately have observed an overall decline in revenues, largely due to diminished timber harvesting. These issues are very evident in a key economic indicators and an observation – unemployment levels are over 50% and the Tribes have over \$200,000,000¹ in infrastructure needs. The Tribes cannot provide enough jobs for the community and have been unable to generate enough revenue to create and/or maintain necessary levels of infrastructure, both critical components to a healthy economy.

¹ Tribes Strategic Infrastructure Improvement Plan (SIIP)

1. The Warm Springs Unmanned Aircraft Systems (UAS) Test Range

Oregon has a once-in-a-century chance to lead and guide a new industry, civilian unmanned aircraft systems (UAS or “commercial drones,”) from inception to significant growth. These systems are tools for new data-intensive industries such as precision agriculture, forest, wildfire, fish & wildlife management, infrastructure maintenance, and communications. The impact for Oregon is that UAS can drive innovation and cluster development within many of the state’s existing priority and focus areas, including the aforementioned areas as well as high tech, software, data analytics, robotics, and precision manufacturing.

On December 28, 2013, the Federal Aviation Administration (FAA) announced its selection of the six UAS (unmanned aircraft systems) test sites mandated by Congress. Twenty-four states submitted applications for the FAA designations, investing over \$100 million to compete for the coveted test sites. The selection of the application submitted for Alaskan Pan-Pacific, which includes three Oregon locations, was one of the sites selected by the FAA. The three Oregon locations are Pendleton, Tillamook, and Warm Springs. With this designation, Oregon now possesses the only three FAA-approved test ranges on the U.S. west coast.

The test sites mandated by Congress and selected by FAA have changed the UAS industry, as companies are now required to test in one of the newly designated test ranges, like Warm Springs. These test ranges are expected to open the gateway for rapid growth of the UAS industry which, according to a June 2014 report issued by the Association for Unmanned Vehicle Systems International, is expected to grow from the current \$11 billion annual economic impact to about \$80 billion in 2025. A March 2013 report, issued by the same organization, also projects the economic impact of integrating UAS into the National Air Space to total over \$2.2 billion in 2015 and reach nearly \$10.1 billion in 2025. An economic analysis conducted by Economic Development for Central Oregon for the Alaska Pan-Pacific application to FAA indicates that, by 2017, 424 new jobs will be created in Oregon as a result of the three test sites, with most of those jobs being manufacturing jobs.

The Confederated Tribes of Warm Springs believes being one of three test ranges in Oregon is a tremendous economic development opportunity because there is a significant need for companies who manufacture and operate systems to have a dedicated facility where verification and validation of their products can occur to meet FAA safety and integration mandates. There are very few locations to achieve these requirements and the Warm Springs Test Range not only is designated as an approved test site it is the only site with the unique terrain and climatic diversity that support operations in high mountainous terrain and desert climates. In addition, it is the only FAA approved Test Range on a U.S. Indian reservation.

The Confederated Tribes of Warm Springs have already invested over four years and over \$500,000 toward the goal of establishing the reservation as a UAS test center and were the original partner in helping to establish the Oregon UAS test ranges. The Tribe has supported the entire burden of this effort to include hiring of the subcontractor VDOS Global who have managed the standing and initial operations. Among the users of the range Oregon State University has been operating successfully on tribal lands at no cost to the University which adds value to Oregon and the students who have gained from having access to such property and test facilities.

The *Tribe recently committed another \$206,000 of Tribal funding* via a tribal loan to Ventures, the Tribe's Economic Development Corporation, which is managing the WS UAS Test Range. This loan provides funding for a contracted Test Range Manager (VDOS Global) in the short-term and a full time Business Development and Marketing Manager to recruit and retain UAS clients to utilize the Test Range and establish UAS manufacturing operations on the reservation. However, there is a need to secure three years of start-up operational support (\$600,000) for the Test Range at Warm Springs. *The Tribe has also contributed Tribal industrial lands, five test range site lands, telecommunication infrastructure and facilities valued at over \$1,000,000.*

Total Tribal contribution exceeds \$1,706,000 to date

The Warm Springs Tribe has also partnered with Business Oregon Infrastructure Finance Authority and the Oregon Strategic Reserve Fund and are expected to receive \$500,000 from each entity to contribute to the UAS Test Range infrastructure. These agencies are currently finalizing contract terms for this contribution. Combined, the current Tribal (\$1.7M) and State funding (\$1M) to the WS UAS Test Range is advancing this as the lead UAS Test Range project on the west coast.

Currently the range has seven approved Certificates of Authorization (COA) from FAA for flight operations. Two of the clients are from multi-billion dollar corporations who are going through operational approvals to fly on the test range. They expect to initiate flights within 2-4 months. One will use their own systems and fly from within the range boundaries and the second will utilize a manned aircraft that is being converted to an unmanned platform to operate from the Madras Airport. The city of Madras and the Madras airport are key partners in this project. Additionally Warm Springs is working to establish the range as a Firefighting Center of Excellence working with the U.S. Department of Interior (DOI) and U.S. Forest Service to support the testing and integration of UAS in support of Firefighting activities which occur annually on the reservation and throughout the United States. We are currently investigating DOI Bureau of Indian Affairs funds to support the project.

Funding Request

The Tribes would like to request funding for commercial manufacturing and warehouse buildings/office space and for water and sewer infrastructure to the Warm Springs Industrial site. **The total request is for \$2,660,300.** The funds will be used to establish the support infrastructure for sustained operations. There are no current facilities or operating locations that can support long-term clients or year round operations. The ultimate goal for the tribe is to generate jobs and revenue through the expansion of services in support of the operations. This is achieved with sustained year round flight testing. To achieve this capability the following is a summary of what has been identified to enable this capability:

- **Launch and Recovery Sites:** These will enable year round operations through the construction of access roads, storage, shelter, concrete pads, and power. These sites are ideal from the remote nature of their location and will support activities for multiple size and classes of UASs. Currently there are no facilities to support operations other than a client setting up in a field putting their equipment and operations at great risk during transit and having to set up and break down each night.

- **Fiber Extension:** UASs produce data and information. By expanding the fiber network the ability to support clients and pass larger amounts of data to offsite engineers and testing teams will enable a greater marketing and support infrastructure for clients to use.
- **Industrial Park Office & UAS Repair Buildings:** For long-term clients there is a need to support operations within a sheltered and controlled environment where modifications and testing can occur. The range needs a location for a company to set up “shop” and have access to office and space that can be their engineering facility and storage for equipment. Two office and shop buildings will be constructed, with additional expansion capacity as demand grows.
- **Kah-Nee-Ta Renovations:** Our largest client currently is looking to rent rooms at the resort because there is no office or lab space available. The renovations will create flight simulation training; a lab and briefing spaces necessary to support flight operations and provide for computers and other testing requirements supporting flight operations. It is also scheduled to be the hub for operations management and safety briefings for operations when they occur. Currently there are no facilities to use that can support these needs.
- **UAS Manufacturing Buildings:** In addition to Industrial Park office/shop buildings to support operations, the near-term goal is to provide UAS manufacturing and warehouse buildings in order to bring long-term, stable manufacturing, maintenance, and research and development operations to the reservation. As an example, Insitu, located in Hood River/Bingen area, has one of the world’s leading UAS platforms with more than 800,000 hours flown. Other global market leaders include HoodTech, SageTech, and Cloud Cap Technologies. Insitu has spawned two generations of startups (e.g. Insitu- CloudCap-Trillium and Insitu-CloudCap – Power4Flight). Together Insitu and CloudCap have already spun off more than 120 local Oregon companies in 2013, of which 95% were small businesses; over half of Insitu purchases went to socially diverse small businesses. One large manufacturing building would be developed which can be segmented and expanded based upon demand of the UAS manufacturer.
- **Warm Springs Industrial Park Sewer Improvements:** The current WS Industrial Park along Holiday Street is currently not served by a public sewage system. Although the area is served by the WS water system, the individual buildings are dependent on septic tank/drain fields. It is critical that the Industrial park increase the capacity of the sewage system by connecting it to the existing WS Wastewater Treatment Facility. The extension of the sewage system to the Industrial park will provide the needed capacity to bring in UAS manufacturing facilities, office and repair shops, and sewer services to additional business and industrial properties in the area. This cost estimate is based upon the most recently approved Strategic Infrastructure Improvement Plan (SIIP).
- **Test Range Operational Support: If funding is available,** the Tribe would seek operational support and will allow us to continue with our contract with VDOS Global which provides technical support for getting the test site up and running as well as bring in UAS customers. In addition to the existing Business Development and Marketing Manager, we will need to hire the following critical positions for operations:
 - Permanent Test Range Manager

- Flight Engineer/Project Manager;
- Test Range Safety Officer.

Over the course of the next year we will need to hire as many as seven staff. The funding will support our operations team for the first three years. We will earmark funds (via scholarships, stipends, internships, etc.) to train five Warm Springs tribal members in UAS technical skills through classes at Central Oregon Community College’s UAS program. We will work with the Tribe’s HR Department in implementing this training and internship program.

Use of Funds

Launch & Recover Sites	\$ 250,000
Fiber Extension	250,000
Industrial Park Office and UAS Repair Buildings	422,500
Kah-Nee-Ta Renovations	347,800
UAS Manufacturing Buildings	800,000
WS Industrial Site Wastewater System Connection	<u>1,590,000</u>
Total Need	\$ 3,660,300

Sources of Funds

Business Oregon Infrastructure Finance Authority	\$500,000
Strategic Reserve Fund	<u>500,000</u>
Total Secured	\$ 1,000,000

WS Tribe Cash and In-kind Contribution to-date = \$ 1,706,000

Funding Request **\$ 2,660,300**

2. The Warm Springs Outdoor Recreation-Tourism Gateway Improvement Project

Central Oregon is known as the State’s largest outdoor recreation and tourism area. Over 4,000 visitors travel daily on Highway 26 through the Warm Springs Reservation. This represents a great potential for tourism and outdoor recreational opportunities on the reservation and surrounding communities.

Funding Request

The Outdoor Recreation-Tourism Gateway Improvement Project includes two components.

A. Gateway Improvements: The principal location for reservation gateway improvements is on the west and east side of the Highway 26 bridge on the Deschutes River. This is the border of the Warm Springs Reservation and Jefferson County. Currently there are two Tribal properties in major disrepair (Deschutes Crossing restaurant/rafting shop) or that have been abandoned (Shell Station). These properties reflects poorly on the tourism and entrepreneurial opportunities and activities as tourists enter and leave the reservation. A portion of the funding requested will renovate, clean up, and improve the exterior of these properties, clean up the surrounding areas including professional

landscaping, and build a gateway façade and entrance to the Warm Springs reservation. This will greatly improve the image, access, and marketability of these three businesses and the reservation overall. The second component is an outdoor recreational tourism project.

B. Outdoor Recreation and Tourism Project: The Tribe has a unique property (known as the Morrison property) on the Deschutes River across from the WS Mill site and adjacent to the gateway properties on the east side of the Deschutes bridge on Highway 26. It is considered a Blue Ribbon fly fishing site on the Deschutes River with easy access from the Portland, Bend, and regional tourism markets. The Tribe has conducted an initial feasibility study and is preparing a business plans for an outdoor recreational facility to include in the first phase:

- The renovation of two existing houses into a fishing lodge/retreat center with bed and breakfast services,
- Four small modular cabin rentals,
- A small 10 unit RV park, and
- Extend water, sewer, and three phase electric power to site

This proposal seeks funding for extending water, sewer, and three phase power to the site, renovation of the two houses, and building the small RV Park and four rental units.

Background

Property on the Deschutes River is increasingly difficult to find and highly valuable. The proximity of this location between Portland and Bend makes it an excellent candidate for a fishing lodge combined with a bed and breakfast. Of particular interest is that these historic homes were designed by a world renowned architect. The plan is to restore the Belluschi homes to their original design (with modern amenities). This would garner national publicity and additional value to the marketing of the property as a destination fishing lodge/retreat center.

The Tribe purchased real estate from Duke Morrison / Duke Properties Corp, referred to as the “Morrison Property” in 1990 and is valued at over \$325,000. The property consists of approximately 35 acres on the east bank of the Deschutes River two miles from Warm Springs. The property is located outside the eastern boundary of the reservation and is accessible by a private road. The two houses on the property were designed and built in 1947 by Pietro Belluschi. Pietro Belluschi born in Italy, designed over 1,000 homes and massive iconic structures such as the Pan Am building over New York’s Grant Central Station and the Julliard School of Performing Arts in the Lincoln Center during the 1950-60’s. Belluschi is credited for numerous outstanding projects in Oregon; the Portland Art Museum (1938), Portland’s Equitable -now Commonwealth-building (1948) and the Zion Lutheran Church in Portland which are on the National Registry of Historic Buildings. In 1972 he was awarded the American Institute of Arts gold medal. In 1991 he was awarded the National Medal of Arts in a White House ceremony. The Tribe truly owns a piece of noteworthy state and national architectural history. These renovated houses will be the centerpiece of the fishing lodge/retreat facility and combined with blue ribbon fly fishing, will help promote regional and national marketing of this recreational facility.

Use of Funds

A. Gateway Improvement Project

Renovate exterior two properties, clean up, landscaping,
and gateway façade \$ 150,000

B. Outdoor Recreation and Tourism Project

Renovate two existing houses \$ 300,000
Construct 10 unit RV Park \$ 100,000
Purchase and install four small modular cabin rentals \$ 120,000
Extend water, sewer, and electrical to site \$ 80,000
\$ 750,000

WS Tribe Cash and In-kind Contribution to date = \$ 325,000

<u>Funding Request</u>	<u>\$ 750,000</u>
<u>Combined Total Requests</u>	<u>\$ 3,410,300</u>

Funding Impact

The funding would be very impactful in key areas:

Improve Economic Equity and Lives

As mentioned above the Tribes have an unemployment rate of over 50% and have been unable to create enough jobs with governmental enterprises to adequately support our community. We are also facing a potential shut down of our mill and could lose another 100+ jobs. These two project will bring critically important jobs (total of 63 new jobs) and revenues to the Tribe and surrounding communities (Madras and Bend).

Long-term High Technology Testing, Manufacturing, and Research and Development Jobs in Rural Oregon and Tribal Revenues

This request will help place the Warm Springs Tribe and the state of Oregon in the forefront of the emerging UAS industry; strengthening the state’s position as a center for UAS testing and also UAS supply, design, and manufacturing companies; and acting as a springboard for further UAS supply chain business start-ups and business recruitment. In addition, the Tribe is working with eight UAS design and manufacturing companies that are located throughout the United States. At present, these companies are interested in using the Warm Springs test site for their products, but the Tribe is striving to provide facilities to encourage these companies to establish their permanent facilities within the Warm Springs test range. The location of these companies would result in approximately 50 new local jobs being created, with average wages that are projected to well exceed the Jefferson County average wage of \$34,194.

Increased Outdoor Recreation and Tourism Jobs and Tribal Revenues

This request will greatly improve the image and business marketability of existing Tribal business properties and build a new outdoor recreational facility on the reservation. It is expected that 13 additional family wage jobs will be created, as well as enhance the tourism opportunities at the Warm Springs Museum, Indian Head Casino, Kah-Nee-Ta Resort, and tribally owned arts and crafts business at the Plaza in Warm Springs (next to the casino). The WS Tribe currently has an application for a \$1.89M Sustainable Employment and Economic Development grant application to the Administration for Native Americans – HHS Department, to support the development of outdoor recreation tourism and cultural education on the Warm Springs reservation in cooperation with the Mt. Hood National Forests, and three Mt. Hood Ski Resorts (Skibowl, Mt. Hood Meadows, and Timberline) to bring additional outdoor recreation tourists to the reservation. This project will further promote and support the Warm Springs Outdoor Recreation-Tourism Gateway Improvement Project described here.

The Confederated Tribes of Warm Springs would like to thank you for your consideration of this critical funding request. As both tribal peoples and Oregonians we feel as though we have a stake in the continued economic viability of our State as a whole and appreciate working collaboratively to ensure that our local economy is healthy, strong, and well-positioned to contribute to Oregon's overall economic success.

Please do not hesitate to contact me via email at kahseuss.jackson@wstribes.org or by phone at (541) 325-3355 if you need additional information.

Sincerely,



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