

Public Lands Advisory Committee
Minutes
January 28, 2021
Location: Remote via Microsoft Teams and Telephone

Committee Attendees (Present unless otherwise noted):

Chair John Brown
Representative Mark Meek – (Audio Only)
Sara King, Real Estate Management
Brady Ricks, Department of Administrative Services (DAS) Enterprise Asset Management (EAM),
Real Estate Services Manager
Senator Bill Hansel –Absent
Jennifer Blake, DAS Leasing & Property Agent

Presenters

Shannon Ryan, DAS EAM Administrator

Guests:

Brian DeForest, DAS
Liz Beaty, DAS
Tracy Wilder, DOC
Lisa Haver, DAS

Staff:

Darrin Brightman, DAS
Sarah Sanders, DAS
Nelly Wright Mader, DAS

Agenda Items:

A. Committee Administration

1. Opening Remarks:

Chair John Brown: Has been on the committee since 2008 or 2009 and has received this position by default several years ago...First order of business is a round of introductions.

Darrin Brightman: With DAS and is the Public Lands Advisory Committee (PLAC) Staff person.

Representative Mark Meek: From House District 40, has been serving on this committee for a couple of years.

Sarah King: Represents property management interests, has been on the committee a long time.

Jennifer Blake: Works with DAS Real Estate Services.

2. Approval of Minutes from the October 2020 meeting:

Sarah King: Asks if the minutes were distributed?

Darrin Brightman: Minutes were not sent, apologies. Will get them out right away.

Chair John Brown: Notes that there was nothing time sensitive; this agenda item can wait until next time.

3. Member Introduction – Jennifer Blake

Jennifer Blake: I started my career as a property appraiser with Washington County. I worked for them for almost five years and then I moved to Department of Revenue and worked doing industrial property appraisal litigation, and now I am with DAS doing leasing and real estate services.

Chair John Brown: Welcomes Jennifer Blake.

B. Property Acquisitions & Dispositions

1. Acquisition of Industrial Land, Redmond, Oregon

Shannon Ryan – Administrator for Department of Administrative Services, Enterprise Asset Management Division

Begins discussion with a disclaimer: this is not the State's emergency response plan. This is one small piece of the large pie around the State's entire emergency management response preparedness. This is directly in response to the unprecedented year we had in 2020, and to position the State to be more prepared, at least from a warehousing standpoint.

How we got here/background: 2020 was an unprecedented years in terms of COVID and wildfire. COVID highlighted the fact that we are lacking in terms of warehousing capability. As it just so happened, when COVID hit, we had recently purchased a building in Wilsonville intended for other purposes (intended for statewide labs). It is a huge warehouse that was empty, and when COVID hit, it became a hub for FEMA supplies and the National Guard operations. To this day it is still full of PPE and it is at capacity at this point with more PPE coming in all of the time, some trickling out. This property is destined to be redeveloped. This property cannot be the long-term solutions for the State's PPE supply, though there will be a diminished, permanent footprint for emergency supplies. And then with the wildfires, FEMA was present. It was difficult to find warehouse distribution services further down in the Willamette Valley and into Medford where we were seeing those fires. There is not a lot of inventory available, and nothing that we could operationalize on a dime. These are some of the driving factors that made us look at this particular property now. If we were hit with Cascadia, we would be sorely on our heels.

What we have learned so far: 2020 was a year of learning. We did come to understand that in working with FEMA, they need certain staging areas or landing areas in order to assist us most completely and most rapidly. We also learned with all of the PPE and other supplies what is sourced from what direction, and where we are expending those resources. Eight percent is consumed west of the cascades, and twenty percent east of the cascades. We also learned that we do need more than one spot to really service the state and its citizens for this PPE and other emergency supplies needs to be

geographically dispersed across the state for the best accessibility to the agencies/state. This was called out in the After Action Report - to expand the capacity of the Wilsonville warehouse and to diversify that out geographically. Wilsonville will be slated for redevelopment, and it is not particularly handy to the east side. In 2023, the Office of Emergency Management plans to embark on a plan that addresses the notion of network statewide staging areas for FEMA and emergency response. This is an example of what this could look like. We are focusing in right now on Redmond because Redmond certainly is a strategic spot for FEMA and emergency response. There are some other state agencies as well as partnerships with municipalities and counties. Also projects that are going on around the Redmond airport. The other places we have highlighted because these are areas where we have needed supplies and did not have facilities for. In thinking that through, this is something that it could look like. Ideally they would be scalable and resilient solutions on the Westside and would serve a dual purpose like Wilsonville wherein it has emergency response component, but the rest of the building serves the everyday need of the enterprise.

Our approach: the Redmond airport fits all of these categories well and would position us to be able to collaborate with other emergency response efforts in the area as well. [Shows photo of the property.] Notes that the industrial market is very tight right now with a very low vacancy rate (approximately a 4.83 percent vacancy rate). We found this property and executed on a purchase and sale because of its proximity to Roberts field. We have the appraisal done, the environmental phase I and the survey. The contract price of \$1.92 million is just about on par with the appraisal. The due diligence expires on the 27, and we will go from there. We have 60 days. What we are doing in the 60 days, aside from the surveys and reports that we have ordered and reviewed, we are also in conversation with the Oregon State Police, Oregon Health Authority, and Office of Emergency Management to talk through what are the needs on the east side, or do they have needs on the east side. This is bit of a cart and a horse thing, but this is the opportunity in front of us, and there are very few opportunities over there. I would love to get your thoughts around that. Our thought would be to hang on [to the property] until we understand exactly what that particular building or facility would need to look like as those conversations with the other agencies are going on.

Chair John Brown: Questions? [None]

C. General Discussion

1. Discussion

Chair John Brown: Opens the meeting for General Discussion.

Sarah King: I do have any questions. I do think that given the tight real estate market, it makes sense to get the property under contract even though you do not have the programming yet for the building. I would support that move given....(inaudible). No questions at this time.

Chair John Brown: Has some significant questions about process. First, the property that we considered that did not make the seismic assessment...the minute the State dropped it, the price dropped by a quarter of a million dollars. I noticed that on this one, we are paying above the list price on 85 percent of the land there. We are paying \$6.50 a foot... I looked at the history, the price from 2018 to 2020 was less. A month before this goes under contract, it goes up. Those things ring bells for me about that.

The last comment I have is that the first appraisal came up with the first number, but a significant portion of those two lots are adversely impacted and not developable because of the storm drain easement. If the state imposes easements on property to ODOT, you cannot build on them. A setback now is 30 feet. It is hard for me to comprehend how there was no diminution of value for the easements, and I question why the price went up right before contract. Is there any way that we can get that? Those questions ring bells for me.

Shannon Ryan: Thank you. Those are both really good questions, and they should give you pause to note. The answer to both of those is generally, it is reflective of the incredible competition in the market. There was an existing offer on this property on a couple of parcels already when we approached the ownership. To summarize, it is a symptom of trying to secure the property (such as if there are multiple offers on a property).

Chair John Brown: I was wondering. They were on the market in 2018 and it is 2021 or 2020 now. It does say in the appraisal that there were no other offers or anything. I was just wondering...that is good information to have because we are at \$6.00 SF range on three of them and \$8.00 on one of them.

Shannon Ryan: There were no other accepted offers prior to us coming to the table...there was a lot of interest to two of the parcels (had to elbow through).

Representative Mark Meek: Thank you for bringing up that point. I am in the real estate business myself, and I know that in any case where the State or big pockets come to purchase something, the price will go up. But I think more importantly with this transaction, knowing that there was an existing offer or that we were competing, one or the other, makes a little more sense. I think more importantly, the fact that, part of my work (was on the Clackamas Co. Planning Commission where he worked on zoning and rezoning and comprehensive plans), I do know that unfortunately location is one of the big factors. Also the fact that you have any sizeable parcels available within the proximity of the airport is going to be very valuable. I agree Mr. Chair that we want to be good stewards of the state's dollars, but it seems like based on the information we have presented, this could be a good investment for us.

Chair John Brown: Thank you. Any questions? If not, we will probably get a positive recommendation. Our job is not to rubber stamp, but to question it and bring these things up so that we can all do better at what we do in the future. It is not to find something wrong; it is that if you see something that does not sit well with you or if you have questions, to bring it up.

Shannon Ryan: We will give you more of the back-story on those two lots if that would help.

Chair John Brown: No, that is fine. I have done a lot of appraising in my career. I know that when you impose huge easements like that on a property and make it not buildable, that affects the value. To say it doesn't, that is an opinion. All of this is an opinion. Not going to second the appraiser, but I probably would think that it affects the value. That said, if there are no other questions or comments, I will ask for a motion from committee members to approve the acquisition of the Redmond Airport Industrial Site.

Sarah King: So moved.

Representative Mark Meeks: I second.

Chair John Brown: Any Discussion? [No further discussion]

Vote: Everyone votes aye, no opposition.

Chair John Brown: Vote carries unanimously.

Chair John Brown: Thanks Shannon Ryan. Notes that we will get the minutes next time.

Darrin Brightman: Anything you would like to discuss before adjournment?

Sarah King: Where are we in filling our land use position and is there anything I can do to help?

Darrin: Let me put you into contact with Adam Crawford. He liaises with the Governor's Office for us. He is the best person to speak to. The person you recommended awhile back did not complete the paperwork. Yes, we do need to get that position filled. If folks have anyone they would like to commend, let me know, and I can pass that information to Adam as well.

2. Adjournment

Chair John Brown: Thank you very much. Everyone stay safe.