

PUBLIC LANDS ADVISORY COMMITTEE (PLAC)

Property Transaction Review Summary

June 2, 2022 Meeting

***Oregon Liquor and Cannabis Commission
Baker Center Land Acquisition***

Transaction Type (check one): Acquisition Disposal

I. Proposed Real Property Transaction (if the transaction is an acquisition please include a description of the intended use of the property):

- The Oregon Liquor and Cannabis Commission (OLCC) is seeking to acquire/purchase 33.77 acres of land located in Canby, Clackamas County, Oregon, to build and relocate a new liquor warehouse and headquarters building. The current OLCC Headquarters and Liquor Distribution Center is outdated and has reached capacity.
- The OLCC, utilizing DAS Real Estate Services and broker services of Cushman & Wakefield, has entered into a Purchase and Sales Agreement (PSA) with a closing date on or before December 15, 2022, to purchase the 33.77 acres of bare land termed Baker Center, zoned light industrial and consisting of three tax lots located in Canby at the corner of SE 1st Avenue and S. Walnut Street. The land is offered for sale at \$25 per square foot and the total purchase price including a development fee offset is \$40,775,530.00.
- This land will provide OLCC the available space to have built an approximately 400,000 square foot liquor warehouse and 30,000 square foot headquarters building, along with availability for future expansion. This investment in land and a new facility will allow the OLCC to capture revenue that's currently at risk and continue growing for at least 30 years. The 10-year projected liquor sales revenue at risk is \$1.5 billion without relocation. Following completion of the new facility estimated in early 2025, the entire project is estimated to pay for itself in approximately 18 months purely from capturing the revenue at risk during that time frame.

II. Reason for PLAC Review (include what the agency is requesting from the PLAC):

- In compliance with ORS 270.120 (6), the PLAC shall advise Agency and DAS on the acquisition of this property.

III. Background Information

- OLCC's need to relocate from its current location in Milwaukie, Oregon, is driven by the increasingly limited space available to stock spirits inventory and the age and condition of the current facility. Although the OLCC has added on to the current facility and added additional warehouse space with the acquisition of the Milport facility, almost 98% of the current warehouse space is being utilized throughout the year. The current warehouse and headquarters facilities are more than 65 years old. The warehouse requires significant near-term seismic and roofing upgrades. The plumbing and boiler in the Headquarters require a major overhaul. Therefore, time is of the essence to construct a new facility to meet the demand of the economic benefit to the State of Oregon. OLCC will keep the current facility operational in the interim with the intent to dispose/sale these properties in 2025-2026, which will be the subject of a future PLAC presentation.

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- A capacity study of Warehouse/HQ was performed for OLCC by Deloitte Development
 - Jan. 2020 recommendation was relocation of Warehouse/HQ in Northern Oregon
 - Relocation area of central Portland to Salem
 - Support future capacity needs and growth
 - Minimize transportation costs and lead time to Agents
- OLCC secured DAS Real Estate Services and broker Cushman and Wakefield
- RFI criteria was for 20 to 35 acre properties within 10 miles east and west of the I-5 Corridor from South Tigard to Brooks. There were 9 responses to the RFI of which 4 properties were identified as meeting criteria which commenced into an RFP revealing one property that wasn't large enough to fit the need, one property had sold, and the third is now pending; Baker Center is the only remaining property and was the agency's top contender.
- Baker Center in Canby, 33.77 acres met all the agency criteria
- On March 8, 2022 the OLCC Board of Commissioners approved an "Intent to Purchase" sales agreement for Baker Center
- On April 11, 2022 OLCC entered into a PSA with the seller to purchase the Baker Center 33.77 acres
- A State Land Inventory System search had revealed no properties that fit within or beyond the RFI criteria, as such a Futile Act request regarding a real property acquisition notice was submitted by OLCC and approved by DAS
- OLCC received funding and limitation for this project (land, headquarters, warehouse and conveyor system), through Article XI-Q General Obligation Bonds during the June 2021 legislative session for \$62.5 million. Limited site availability and escalating property and materials costs required OLCC to seek addition funds. During the February 2022 legislative session OLCC received an increase in funding and spending authority totaling \$145.5 million for this project.
- During the survey in 2019 land costs were approximately \$10.00 PSF with construction cost at around \$100.00 PSF. Currently in 2022 the developer owned land is now approximately \$19.00 to \$25.00 PSF and construction has increase up to \$130.00 PSF.
- An appraisal of the Baker Center 33.77 acres is being finalized and will be submitted to PLAC as soon as possible
- A Phase I Environmental Assessment is also being updated and the executive summary will be submitted to PLAC as soon as possible

IV. Topics for PLAC Consideration.

- General review of agency plan.

V. Staff Comments (agency comments that are not already included and DAS staff comments):

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VI. PLAC Findings (Summary of Committee findings, to be completed by DAS Staff):

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