

Public Lands Advisory Committee
Minutes
January 27, 2022
Location: Remote via Microsoft Teams and Telephone

Committee Attendees (Present unless otherwise noted):

Chair John Brown
Representative Mark Meek
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:

Tracy Wilder, Department of Corrections (DOC)
Randall (Randy) Bentz, Oregon Military Department (OMD)
Kris Mitchell, OMD

Guests:

Liz Beaty, DAS
Thom Martin, DOC
Jeremy Miller, DAS
Lisa Haver, DAS
Paul Ehenger, Oregon Youth Authority

Staff:

Elaine Schacher, DAS
Darrin Brightman, DAS
Nelly Wright, DAS

Agenda Items:

A. Committee Administration

1. Opening Remarks

Chair John Brown: Thanks Staff and Committee Members

2. Approval of Minutes from the July 2021 meeting

Brady Ricks: Moves to adopt minutes.

Jen Blake: Seconds

Vote: Passes unanimously (Note: Sara King abstains from voting due to being absent at the last meeting)

3. HB 2992 requirements

Darrin Brightman: Last session, legislature passed HB 2992, intended to increase accessibility in participation in boards and committees. Allows those who meet certain income requirements to be

reimbursed at the same rate as at the legislature. FAQ and related form disseminated to committee members already. Submit whether you are qualified. Send them to Darrin, who will upload to Workday.

Regarding training: There will be training for some members (may be only Chair Brown and Sara King who will receive emails). One training is information security and one is harassment in the workplace, which are required annually. Members Blake and Brady have already completed them as State Employees, as have the Representative and Senator. You should receive an email regarding these trainings in March.

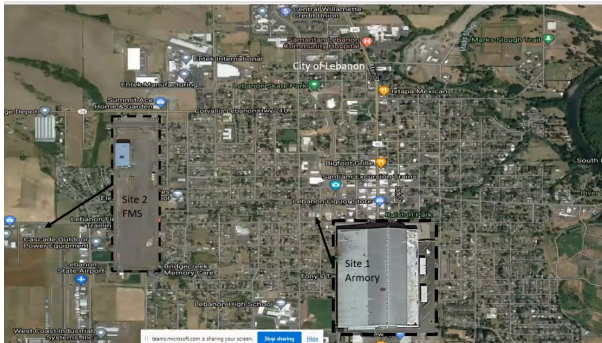
4. State Land Information Systems Update

Brightman: Discusses state land system, which is maintained by Department of State Lands and is a GIS database which shows all the property owned by various state agencies. We are looking at an update to that. Wanted to make sure that you are aware of that, and contribute any ideas that you might have as we move forward (e.g. what kind of information would be useful to you).

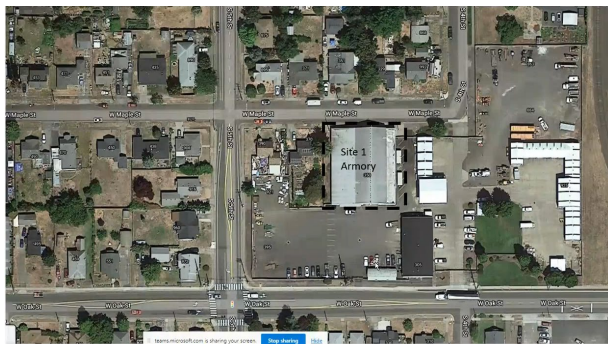
B. Property Acquisitions and Dispositions

1. Disposition of Lebanon Armory and Additional Building by Oregon Military Department

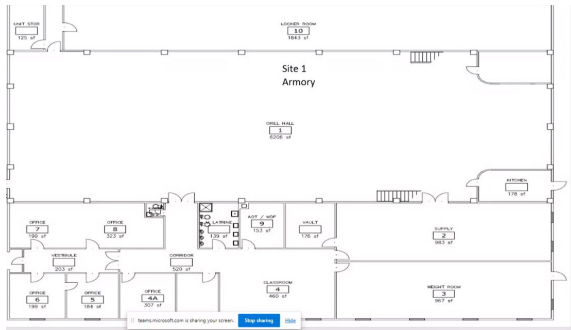
Randall (Randy) Bentz, Oregon Military Department, Master Planner: The Lebanon armory has been in OMD since early 1950s. The field maintenance shop (FMS) by Lebanon airport has been there since the 1960s.



The Armory is closer to downtown. The FMS is by the airport, farther to the West. The Armory is essentially just the building. The parking is owned by City of Lebanon (used by public works vehicles and storage), which is the main reason the city is interested in obtaining the building.



The Armory is a standard mid-century armory.



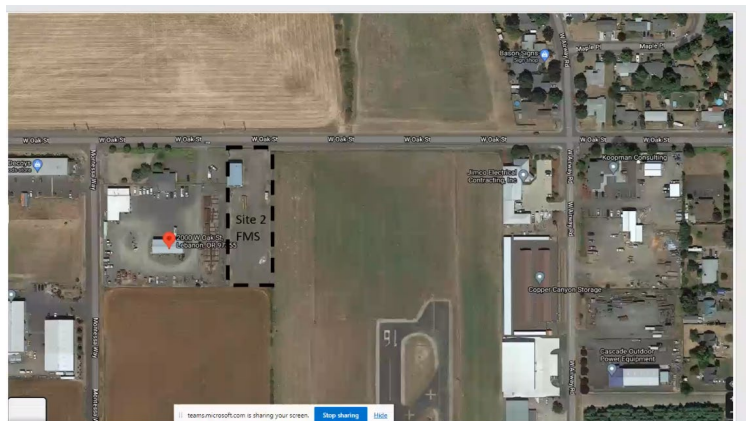
Here is a picture of the outside of the building, nothing particularly architecturally outstanding about it.



Tax lot:



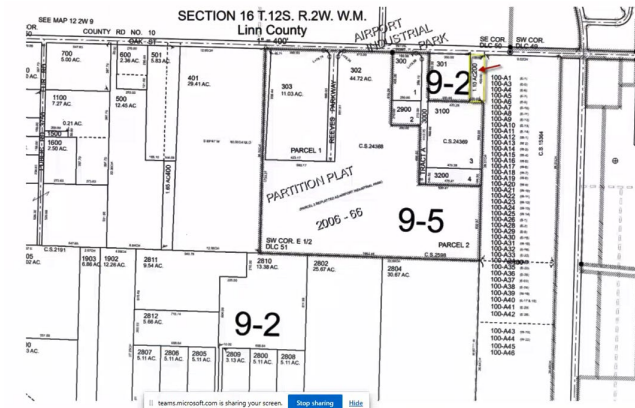
The FMS is off the end of the airport. Consists of a small building and a one-acre open gravel parking area. The building was used as a vehicle maintenance shop, essentially a big garage with small office and bathroom.



View from outside of the building:



Tax Lot:



Both buildings are in generally decent repair. We have not spent a lot of time maintaining them as the units were drawn down. The Armory has been essentially empty. We have one operations and maintenance that is split between Lebanon, Albany, and Corvallis.

We had this appraised by back in November by Jackson Group out of Portland. They have done several appraisals for us; we have been happy with their work. It appraised for \$430K. He said it would have been worth more, but there is no parking. There is no government vehicle parking, there is private parking on the street, the adjoining lots are owned by Lebanon public works. City of Lebanon has expressed interest.

Notes

- Armory .45 acres, zoned PU Public Use
 - Appraised at \$430,000.00 (11/4/2021)
 - Street only POV parking
 - No GOV parking
 - Adjoining lots owned by City of Lebanon Public Works
 - No major issues with the building, other than age and deferred maintenance
 - City of Lebanon has expressed interest in purchasing
- FMS 1.1 acres, zoned IND Industrial
 - Appraised at \$300,000 (11/4/2021)
 - No potable water onsite (well water contains lead)
 - No city water connection
 - Currently leased to Peak Internet (\$2,300/mo), who has expressed interest in purchasing
 - City of Lebanon has expressed interest in purchasing

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For the FMS, it is 1.1 acres and zoned industrial. It was appraised at \$300K. It is supplied by on site well, not connected to city water, a year ago when we tested the well, we found elevated levels of lead in the water. It was declared non-potable. This is an issue for selling it mainly because there is no potable water source for that facility. The city water main is at the street next to the building, and so it can be connected to city water. We just abandoned the well. It will cost us money, but it is money we have not spent because we do not plan on holding on to the building. The building is leased to a private company, Peak Internet. They own the property next door. They are using it for their vehicles and storage. We are renting it to them for \$2,300/month. They have expressed an interest in the building because it provides additional parking and vehicle space. City of Lebanon has also expressed interest in purchasing this facility. At this point, our actions have been to prep the facility, clean it out, do the appraisal, and then wait for your advice.

Brightman: If it goes to private ownership, has there been a historical assessment? That would be required for all buildings older than 50 years that are owned by the state.

Bentz: Does not believe that has been done.

Brightman: As long as it stays in public ownership, then there wouldn't be any mitigation, and so it would not be an issue. The city is a public owner.

Sara King: Darrin, can you remind us of the state policy around disposition of state property regarding if properties need to be offered to other state agencies and/or are there any preferences or policies around offering property to public versus private entities?

Brightman: Yes, both parcels did go through the surplus public clearing house notice system. When a state agency has property that is surplus to their needs, they send a notice to DAS describing property, the zoning, map, etc. DAS then sends notice to landowning state agencies, to the local political subdivisions (any taxing district such as library district, school district, etc.) and then also through Housing Community Services it goes to nonprofit developers of affordable housing. It is also sent by DAS to the native tribes in the area. The tribes and nonprofit housing developers have an opportunity to bid if they intend to use it to construct affordable housing. Order: State agencies, potential builders of affordable housing, political subdivisions. The state agency must negotiate in that order but does not have to accept offer if it is not in the interest of the state. After that process, then it can be offered to the general public.

King: When you say it is offered and a political entity, do they express interest....do they express interest and not necessarily make an offer? That is a subsequent process.

Brightman: Yes, they just need to express interest. It can be as little as an email. The city manager can write us a letter. It is not binding; it is just putting their hat in the ring basically.

King: In terms of an agency's ability to dispose of the property, they have a variety of mechanisms to their advantage (e.g. direct negotiation, ask for offers, they could put it out in the general market, put it out for bid)?

Brightman: Once they go through discussions with any respondents to the surplus notice, if they do not have a successful transaction from that, they can use any commercially reasonable option. It has to be

some sort of public process. That could be listing through a broker, putting a sign out, working with an auctioneer. DOC is looking at an auction process, and that is one of the acceptable processes.

Rep Mark Meek: What is the parcel of land appraised for?

Bentz: The armory in town is appraised for \$430K, the small acre is appraised at \$300K.

Chair Brown: The armory seems like a very low number for \$30 per SF compared to housing at \$300K for a one-bedroom apartment. In Lane County, they are considering the armory for housing for the unhoused. Regarding process, do we let other people know what our appraisals are?

Brightman: Legally, we can. It depends on the circumstances.

Chair Brown: There is nothing to keep a private sector person from buying that and flipping it? They could flip it for \$600K or \$700K, and there is nothing we could do to prevent that?

Brightman: Correct. If the city bought it at the appraised value, the city could flip it.

Chair Brown: Are we going to engage private brokers?

Bentz: We have done both in the past depending on the market and buyer. Elsewhere in the state, we are looking at a seller finance process where we are holding a note for the buyer. There is no restriction on whether we have to go through a certified broker or manage it ourselves.

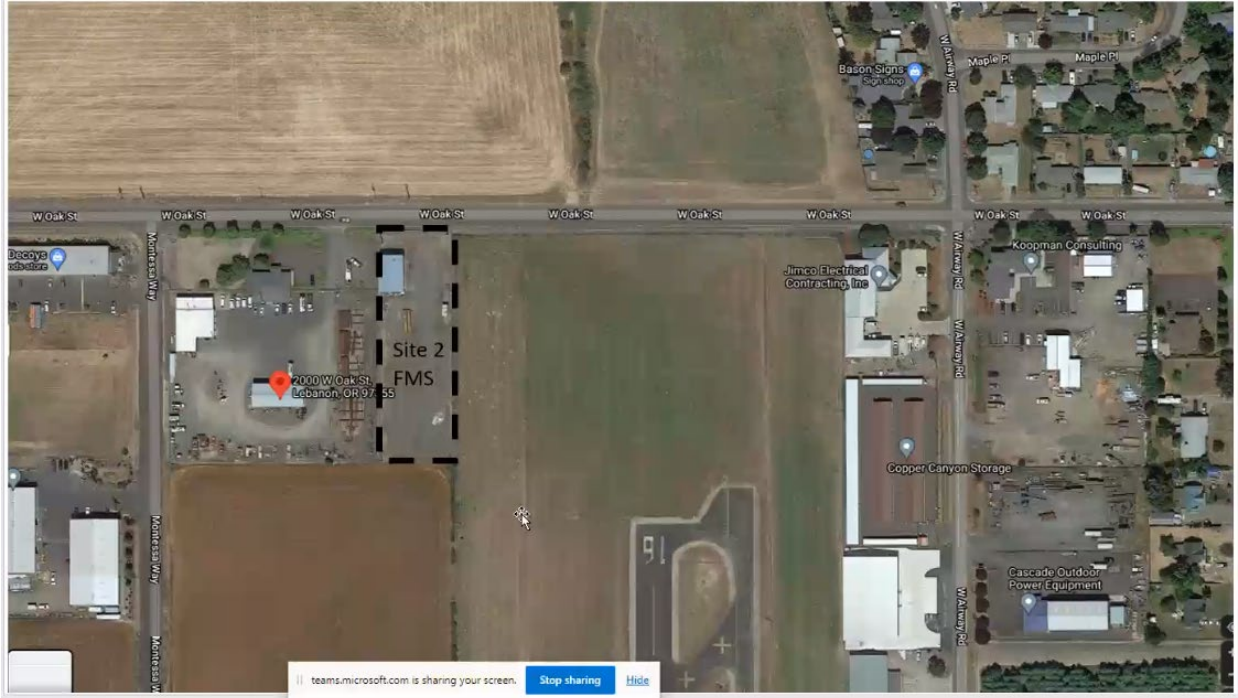
Chair Brown: I would think if you are going to hire a broker, I would hope that they could do their own internal analysis, and get that number, because I know that this group has relied on brokers before. Just trying to make sure that we get as much money as we can. Twenty Five cents/SF rent is about a third of what that would rent for in other communities. Same as \$30/SF for land and building. Most I know are selling for \$100.00. That aside, I am not going to second guess an appraiser. If OMD is comfortable with it, I will support it, but I would ask to make an offer, and they may offer more than the appraisal price.

Bentz: I am all for getting as much as possible.

Chair Brown: You can always go down, either ask for the best and final offer, or I would throw some more money on it. That is up to you. Other questions/comments?

King: There is nothing preventing us from getting more than appraised value. On the field site, we have two interested parties, one private and one public. I can understand why the current tenant would want the site. What are your thoughts on how to navigate two interested parties? Are you going to ask for bids from both of them?

Bentz: I have to ask the city first because of the rules. Would ask the company to submit a bid as well. If neither are willing to pay market value, I may take it to public sale. There were other people who were interested in the properties.



King: If you sell using a broker, you may incur a broker fee, but it may be offset by the amount you get by offering it to the general market.

Bentz: Notes Lebanon is not too far away, but is not the center of commerce, either. It is a growing area. We may have some good luck there.

Rep. Meek: Thank you, I really appreciate the conversation. Right now, we are in a hot real estate market for all real estate. I would not want to approach this like we are having a fire sale. I do think we have a good asset, and I think we can maximize our public dollars by being judicious and getting competitive offers if necessary or at least a competitive offer if the city wants to have a chance to purchase it.

Chair Brown: Would someone like to move to approve this disposition of Lebanon armory and the additional building by OMD?

King: So moved.

Chair Brown: Seconds (no discussion)

Vote: all vote aye, passes unanimously.

Chair Brown: Asks about how to follow up on past issues that come up, mentions the Toledo ODF presentation that occurred previously.

Brightman: We get follow up if the people have to come back. DAS director would have to approve a sale by less than ten percent below fair market value. If there is that request, they would have to come back.

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2. Disposition of Mill Creek Correctional Facility by Department of Corrections

Chari Brown: Notes this is informational only.

Tracy Wilder, DOC: We are here to present our plans to dispose of Mill Creek correctional facility in South Salem, which consists of 390.5 public acres. It is within the urban boundary of City of Salem. We started this process about a year ago. We have made a lot of progress and hope we are close to the end. There is a creek that goes through the center of the property, and so there is a considerable amount of wetlands area. There is a road that divides. About 110 acres that is separated of the acres that is separated by the creek and outside the flood zone.

In December 2020, the Governor recommended closing Mill Creek Facility. Closed in July 2021. We transferred people to other locations in Oregon. We worked with DAS to declare the property a surplus. Received six letters of interest during clearinghouse process, and it was from a wide variety of divisions including political subdivisions, nonprofits, and tribes. All six entities were given the opportunity to make an offer, all declined. We have completed a stage one environmental assessment and have had no concerns indicated in the report. We performed an appraisal of March last year, property appraised for \$12.5 million. We are prepared to get an update because the market has changed. I have provided a historical study, working with State Historical Preservation Office. DOC has signed a memorandum of agreement with SHPO to mitigate impact from public hands into private hands.

The six letters of interest from ODOT, Confederated Tribes of Grande Ronde, three nonprofits, and the City of Salem. All declined to make an offer. We are continuing to work with SHPO and an archeological firm outside of Portland to complete the activities associated with memorandum of agreement, and we are in the final stages of issuing an RFP to try to auction the property with a goal of sale of the property no later than July 2022.

Rep. Meek: Thank you for the opportunity to ask the question. If we were to go to auction, would there be a minimum bid?

Wilder: We are hoping to get the appraised value of the property. (Discusses needing money from the proceeds of the sale to maintain/improve other properties.) We have never done an auction in the past. Historically DOC buys property. We have sold some, but this is the first time that we are selling anything of this size.

Rep. Meek: What is the current zoning? Would it be able to subdivided or partitioned to sell in phases? (Notes he had to depart for another meeting)

Wilder: It is currently zoned as public health. My understanding that the City of Salem has been eager to rezone the area either to industrial, they also expressed interest in low income housing. I think that there is an opportunity for a mixture, especially if partitioned. There is a main road that divides. The upper part could be low income, the bottom portion that is in the flood zone could maintain pastureland or something that is mixed use.

King: The appraisal talked about the ability to do a master plan. It is huge and a great opportunity in the City of Salem. Tell me about the agreement with SHPO and the restrictions, if any, on maintaining the historical 1920s building.

Wilder: We worked long and hard with SHPO to come to that agreement. The institution itself was built in 1929, there was a fire, it was partially rebuilt. It is eligible on national register of historic places. We are doing a state level documentation, a history of the institution. We are doing oral history where we are trying to find former adults in custody that lived there when they were incarcerated. Historically, it was a farming institution that supplied most of the food until the mid-1980s. We are doing an encyclopedia entry and filing some documents with the museum of history in Eugene. Several activities to document that historical value.

King: So SHPO is not requiring the building to be there, they are requiring documentation in case it gets demolished, correct?

Wilder: Correct.

King: Of the six entities that expressed interest, do you know why they declined to make an offer?

Wilder: ODOT has been attempting to purchase that property for several years, then the budget did not come about, and nothing evolved from those negotiations. So, when they got up there, there had been a transition in ODOT, they forgot to get the funding to purchase it. So, they took a step back, develop a master plan. They do have a contract in place to develop the master plan. They hope to have a better plan in the next two years in terms of what they need to build or buy. The other entities did not indicate why they did not submit an offer.

Ricks: You mentioned getting an updated appraisal, are you going to do a new firm or the same?

Wilder: We used BBG originally, were going to ask for an update.

Ricks: The reason I ask that, DAS has expressed some concerns about the assumptions in the appraisal. Has there been some conversations around the assumptions?

Wilder: We did. We sent Darrin's comments, they responded accordingly. We felt comfortable with their response and planned to reach back out to get an appraisal. (after RFP)

Chair Brown: Having been involved in big properties like this that usually require PUDs, are you concerned about taking lesser amounts? If all of those uncertainties are not resolved, usually that takes due diligence. Nobody wants to spend \$12 million with unknown. If they do not have those uncertainties addressed, they will offer you less. They do not know their density, etc. To me it is an incredible opportunity to put in workforce housing, community gardens, etc. It sounds like master plan to me and a year to 18 months at least. Have you thought about that with the auction process as opposed to traditional sale process?

Wilder: We have, we based this decision based on our assistant director's experience at auctioning when he was at the Department of State Land. We had discussions with them.

Chair Brown: Nobody wants to spend \$200K in engineering until they know they have a deal. Are you going to grant them any latitude past the gavel?

Wilder: We haven't discussed that; we would have to assess that and do what is best for all parties. I am making a note of that that we need to have a plan if that comes up.

Chair Brown: You may want to go to the City of Salem and ask what is a reasonable timeline? I think they will require a plan unit development on a parcel that big. Master plans take a little while. I know you need the money and you want to get this into production, but I would hope you are able to meet your timelines. July is a very aggressive timeline.

King: I think you raised an extremely important issue that I agree with. I really would hope/ask that Tracy think about John's comments. Unless we are willing to give people flexibility or long lead times between notice and the auction, I think John is right on. Did we talk about whether you will have a minimum bid for this auction?

Wilder: Yes, we want full market appraised value of this property.

Chair Brown: Thank you, I guess we will be talking to you in the future?

Wilder: Absolutely.

C. General Discussion

1. Discussion

Darrin: Training email probably in March. There are a couple of possible discussions in April.

Chair Brown: Umatilla airport where we had pretty big discrepancy. Are we going to discuss that?

Brightman: I believe that they are in the process of an appraisal to figure out what the discrepancy is and why.

Chair Brown: Thank you, that is a very big swing; hopefully they will get that straightened out.

2. Adjournment

Committee adjourns at approximately 2:21 pm