Background:

In 2012, the Oregon Health Authority vacated the North Campus. This property was transferred into the ownership of the Oregon Department of Administrative Services (DAS).

In 2013, DAS contracted with the Leland Consulting Group for an analysis of the property. Leland indicated that the buildings on the campus, with the exception of the Dome Building, were functionally obsolete and of zero economic value, and recommended demolition of all buildings except the Dome Building.

The community indicated a desire to find productive uses for both the Dome Building and neighboring Yaquina Hall.

In 2013, DAS issued a Request for Prequalification for developers (RFPQ), which was developed in partnership with the City of Salem and advertised regionally and nationally. This RFPQ sought developers interested in the site with or without buildings. The one response received was a proposal to create a community land bank. The proposers were unable to demonstrate access to necessary capital resources or tenant partners, and the proposal was deemed not viable.

There was no other interest in the buildings. Developers who did not formally respond to the RFPQ, when queried, indicated that the existing buildings contained too many unknowns which increase risk.

During the 2015 Session, the Oregon State Legislature directed DAS to spend up to $8.3M from its existing capital construction and repair budget to remove hazardous materials (asbestos, lead paint, etc.) from the tunnels and all buildings except for the occupied office space (floors 1-3) in the Dome Building, and to demolish all buildings and tunnels except for the Dome Building and Yaquina Hall. The Legislature’s instruction to DAS is to prepare the property for sale for redevelopment, and use sale proceeds to fund the $8.3 million of capital construction and repair projects on State-owned buildings in Salem, Portland, Eugene, and Pendleton which have been postponed.

Recent Proposals:

DAS received an unsolicited offer this summer from a development group that wanted to reuse the buildings east of 25th Street—something they couldn’t do if we were in the process of demolition. So, consistent with ORS 270.130, requiring us to publicly offer State real estate for sale, we sought proposals on the developable property (everything except the Dome Building, Yaquina Hall, and their grounds).

DAS received two proposals. The first, from the previous proposer, included the entirety of the North Campus.

The preliminary site plan provided by the development group did preserve and repurpose the existing buildings. It also intensely developed the surrounding property, including multiple features inconsistent with requirements of the Oregon State Hospital National Historic District or with specific requests made to the Legislature by the North East Salem Community Association in 2014:

- A row of eight retail-commercial buildings and parking lots separating the Dome and Breitenbush buildings from Center Street;
- Back-to-back drive-through restaurants, 89-space parking lot, and a dozen rowhouses on the western grounds of the Dome Building, a protected historic landscape; and
- Four rows of duplexes, including a row fronting on D Street and introducing 22 driveways along D.

The site plan is attached to this fact sheet.

DAS conferred with the City of Salem Departments of Urban Development, Public Works, and Community Development and then we determined that the proposed development was far from buildable given the regulatory requirements of the site. Further, when the Dome Building (which
was not offered for sale but was part of the proposal) and Yaquina Hall were removed from the proposal, the offer price was well below what DAS had already expended on hazardous materials testing, abatement and demolition design, and the beginning of hazmat abatement. The proposal simply was not viable.

The second proposal required demolition of buildings as a condition of closing, and the proposal reflected developer uncertainty regarding development cost for the site.

DAS exercised its right under OAR 125-045-0235(11) to reject all offers.

DAS will proceed with demolition of the buildings east of 25th Street. We will continue working with the City of Salem to streamline the development of the site through a traffic impact analysis, phased subdivision, and establishment of a development district. DAS will also be gearing up for a more extensive marketing effort in partnership with the City of Salem in early 2017.

Both proposals, with financial information redacted, were released to the Statesman Journal in response to a public records request on Wednesday, November 2. They were also provided to the Salem Weekly on Thursday, November 3.

Yaquina Hall Status:

DAS is in the process of selling Yaquina Hall to Salem Housing Authority.

Following the failure of efforts to find a developer interested in the entire property in 2013-14 with buildings intact, DAS reached out to Salem Housing Authority (under authority granted by ORS 270.140) to determine whether they could put the building to productive use. Salem Housing Authority inspected the building and conducted research, and returned with a positive response.

Demolition Status:

The Legislature provided $8.3M in limitation (permission to spend existing funds for a specific purpose) in 2015. This limitation was to cover in-depth hazardous materials testing, hazmat abatement design, demolition design, hazmat abatement, and demolition. The first three steps have been completed, and hazmat abatement is well past halfway complete. More than half of the $8.3M has already been spent.

As of this writing, hazardous material abatement is nearing completion, and the demolition contractor has taken control of the site. Demolition work is scheduled to begin in January 2017, and should be complete by June 30, 2017.

Park Use:

The City of Salem, Representative Brian Clem, and the NESCA neighborhood association have all expressed interest in acquiring a portion of the North Campus for park use. DAS remains engaged in conversations with them on this matter. While additional park space in this location is not part of the City of Salem Parks Master Plan, we recognize that redevelopment of the North Campus will increase the need for open space in the neighborhood, and are committed to working with the City to ensure that a park of appropriate size is included on the site.

Further Information:

Statutes governing the sale of State property are in ORS (Oregon Revised Statutes) Chapter 270, and administrative rules (which give more detail) are in OAR (Oregon Administrative Rules) Chapter 125, Division 45. All are available online at Oregon.gov.

Information about the North Campus, including the appraisals, the Leland study, the 2016 Request for Proposals, and property due diligence information, may be found at Http://northcampus.oregon.gov.