Public Lands Advisory Committee
Minutes
July 22, 2021
Location: Remote via Microsoft Teams and Telephone

**Committee Attendees (Present unless otherwise noted):**
- Chair John Brown
- Representative Mark Meek (note Rep. Meek had to leave early, see notes below)
- Sara King, Real Estate Management - *Absent*
- 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:**
- Richard Duncan, ODFW
- Michael Curran, ODFW
- Nick Myatt, ODFW
- David Stewart, ODF
- Michael Curran, ODF
- Matt Thomas, ODF
- Dustin Capri, Architect

**Guests:**
- Karen Tofte
- Tabitha Henricksen, OPRD
- Thom Martin, DOC
- Joseph Pfau, ODF
- David Stewart, ODF
- Thomas Matt, ODF
- Karen Tofte, ODFW
- Tracy Wilder, DOC
- Liz Beaty, DAS

**Staff:**
- Elaine Schacher, DAS
- Darrin Brightman, DAS
- Sarah Sanders, DAS
- Nelly Wright, DAS

**Agenda Items:**

A. **Committee Administration**

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1. Opening Remarks: None.
2. Approval of Minutes from the April 2021 meeting

Representative Mark Meet: Moves to admit minutes

VOTE: Minutes adopted.

B. Property Acquisition & Dispositions

1. Acquisition for Minam River

Richard Duncan, ODFW: We are here to request recommendation for ODFW's acquisition of first phase of Minam River Wildlife Area, which is 4,609 acres. This is mostly in Wallowa County and a little in Union County. ODFW has been working on this since the 1960s. There would be a second phase in 2023, which is about 2-3 times as big as the first phase. You have been provided copies of the appraisal, title, and relevant documents. The appraisal was done in 2019. That same appraiser is now doing an update and is onsite today. We will probably get the updated appraisal within the next 4 weeks, give or take. This first phase is slated to close around mid-December; we need to get it closed before the end of the year. With that, will pass it to Nick Myatt, who manages our fish and wildlife programs for the agency east of the Cascades.

(Map - left) The property is in pink, next to Eagle Cap Wilderness Area. It is unique to have private property that shares the boundary with the wilderness area. The property is almost entirely in Wallowa County, but there are 73 acres in Union County.

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(Map –right) Phase 1 is the light pink, phase two is the darker pink. Wallowa Whitman forest to the south, the darker blue value color is an existing 440-acre ODFW wildlife area, we have OPRD land – the popular high use Minam State Recreation Area, beige color is BLM federal lands. Unique property because it has the Minam River that flows for five miles through the property. The other notable feature: if you see the red dash line, that is the historic Minam River trail that was used by the public as a main trailhead for horseback riding, hiking, etc. through the Eagle Cap Wilderness. Through the year, access has been limited and the public is not able to use that. That is one of the features, to restore that historic use. More than five miles of the 51-mile river are in this property. In addition, there is more than 114 miles of streams, which are important habitat for chinook, steelhead, and bull trout. We also have an exciting project where the Nez Perce Tribe is reintroducing Pacific Lamprey to this particular stretch as well. Oregon has a conservation strategy where we prioritize the most important species that need conserving. On this property, we have seven of our highest priority habitats and 25 of the priority state species of wildlife and five of the priority fish species.

It is important for a conservation standpoint; it is important big game winter range. Majority of elk herd from Minam wildlife management unit spends the winter on this particular property. From a recreation standpoint, a very high demand and high use property that in the past has been open to public use for decades under private industrial timber ownership. That public use has been limited or not there in recent years.

From a scenic value, there is a lot of value because it is right by Hells Canyons Scenic Highway, Hwy 82, which connects Joseph and Enterprise. As you come down the Minam River grade and you have the big vista of Eagle Cap Mountains and River, everything that you see is this particular property of interest. It is known in Wallowa County as the welcome sign as you enter Wallowa County.

We also like to highlight the historic and cultural importance of the property dating back to the Nez Perce Tribal history as well as European settlement. As we proceed with this project, just the overwhelming support from the public and local governments. We hear a lot about the local cultural heritage of the property.

There are a lot of economic benefits of the property. Currently 47 million board feet of standing timber. It is still a productive forest; we plan to continue that forest management with the partnership that we have with ODF. We think continuing that will help support our struggling mill infrastructures in Eastern Oregon, particularly b/c this property is located right between two existing mills that are only two miles away or so. Even from non-forestry standpoint, there is significant tourism in Wallowa County. This effort will help with that. Some work from 2019 show that wildlife watching, hunting, fishing supported more than $20 million in economic benefit and supported 247 jobs in this low population county.

Funding: Phase one - we have generous donation from Rocky Mountain Elk Foundation of more than $1.8 million. The other private source is ODFW Pittman-Robertson funds ($3.1 million). We have $100K from Oregon Hunters Association as well as other contributions. Phase two - another generous donation of $3.5 million from the Rocky Mountain Elk Foundation...we are in the process of applying for a forest legacy grant through the USDA forest service administered in Oregon by the Oregon Department of Forestry (applying for $9.7 million through that program).
Due diligence: We completed an appraisal in 2019. It is currently being updated. The appraiser is out of the ground today, working on updating that. We will be updating it again in late 2022 or early 2023 to set that price for phase two. As far as the purchase and sales agreement, we would be doing simultaneous closing, taking place as the same time a closing as Rocky Mountain Elk Foundation (RMEF) and ODFW. Purchase and sale agreement has been signed between Hancock and RMEF, we are in the final stage between RMEF and ODFW, just working on minor tweaks in the language. DOJ is reviewing and involved in that sales agreement. We have done title search with no issues of concern at this point. We are also in the middle of doing the environmental assessment, but we are not expecting issues particularly because there is no development, agriculture, or industry on this project. We have also looked into the minerals determination. At this point, to our knowledge all of the mineral rights are intact and not severed by the deed.

Lastly, is a list of some of our supporters. In my time, have been involved in land use acquisition. A lot of times, we run into conflict or angst with taking land out of private ownership into public ownership. But, this is the first project I have worked with that we have pretty much unanimous support. Our local county commissioners have been supportive of our efforts. We held a public meeting last week and no negative comments. We have a lot of support for this project form local communities.

Lastly, our next step after this meeting, August 6, we will be going to Oregon Fish and Wildlife Commission for their final approval for us to move forward through a final process preparing to close on this phase I property. As part of that process, we do have opportunity for public input and testimony. I believe tomorrow we will be advertising and getting information out to the public.

Chair Brown: Opening it up to other members first for questions.
Brady Ricks: Looking through various attachments, attachment four said that there is still some remaining fundraising needed (approx. $658K). Is that still the case?

Nick Myatt: We have all of the funds that we need. We have a backup fund; but we are hoping to keep that backup fund for any unexpected phases as we move to Phase 1. We still are actively pursuing some fundraising. We have a unique problem; we have a lot of people who want to provide funding for this project. We are working out the best way to make that happen to pull it off for the time for close. Even if we did not have any additional fundraising, we have a backup fundraising that we have.

Brady Ricks: It appears that you have a continued revenue source for maintenance. Do you feel confident in those numbers?

Nick Myatt: Yes, we have worked out projecting out our next ten years of operations and maintenance. We have two other close by, within an hour or so, properties of a similar size and management. We have existing staff, infrastructure. We plan on utilizing that existing program with an additional $200K per year of funds that we have budgeted for the long-term operation and maintenance.

Chair Brown: I read everything, this is an excellent opportunity, this is a legacy project and it is incredible for the State of Oregon. I have read the appraisal and I think he did the correct methodology and I think he is right on in the way he is approaching it. So you take 15K acres off the tax rolls in Wallowa County that probably does not have a big tax base; is there any offset to fees and permits to make that up so the schools and other people do not have negative repercussions?

Nick Myatt: There is actually a statute that requires ODFW to pay in lieu of taxes on our property. Whatever we would have been taxed as a private landowner, the county tax assessor bills us each year for that amount. There is no loss of revenue for the county. The Dept. of Forestry bills private landowners, and we will continue to pay that as well, but we pay more than what a private landowner would.

VOTE:
Chair brown: Would everyone like to support the acquisition of Phase 1 of the Minam Property?
All in attendance vote aye, passes unanimously, without opposition.

2. Acquisition for Toledo Unit office relocation by Department of Forestry
David Stewart, ODF: provides an overview/summary on the district’s responsibility and introduces presenters.
Michael Curran, ODF: District Forester for ODF Western District. Our Toledo unit resides there and is responsible for ODF programs in Lincoln County. The two main programs that they administer is fire protection program (responsible for approximately 443K acres of wildland fire protection in Lincoln County, which is handled out of Toledo office). Second program is our private forest program, the administration of forest practices act, where we have two stewardship foresters that split the county in half and work with private landowners on ensuring that the forest practices act is upheld if timber harvest occurs. We also have administrative support.
David Stewart: Provides history of why we are here. Approved by 2017 legislative session by capital construction bill to relocate the entire facility to a new area. That is primarily because of the age of facilities and many of the constraints that we have of the current site. Notes that ODF buildings are built the first half of last century. In many cases, ODF vehicles are not able to park in the buildings. We are up against a sloping hillside (in Cascadia subduction area). Old design in construction does not meet current seismic standards.
This project was slated to be a co-locate facility with ODOT. We underwent three years of search and negotiations. We were a smaller footprint. Our overall acreage need is roughly 2-3 acres. The partnership did end due to budgeting constraints with ODOT. We had to move on our own. We had to reinitiate the entire project with the solicitation of new A&E services so we can have the professional services to move forward with site selection and investigable construction.

Fast forward to today, at this point we have done a comprehensive property search that started in August/September. We entered into an agreement via DAS mater agreement to get assistance by a brokerage firm to help us seek out properties in greater Toledo area. We have a list of properties. We developed a matrix that would give us a way to compare apples to apples if possible. We narrowed it down to three sites. The biggest challenge that we need to find a property that meets our needs. It is somewhat of a constraint out on the coast. Ultimately, we selected a site that ranked most favorable. We then proceeded with an appraisal. We did get a BOV (broker opinion of value) prior to, to get a ballpark idea of the value of the property. We were somewhat surprised because we have a large difference in both documents.
At this point, our objective is to get guidance from the committee on exactly how to proceed because for us based on the matrix and analysis, the Sturdevant property seems to be most favorable. We have requested the Brokers to continue searching, but we do have time constraints: we have two years to complete this project. There are constraints, but also there comes a point where we need to move forward. The guidance that we are seeking is how to proceed. In this case, we have quite a big range in the valuation. We believe that we are going to exceed the FMV (at ten percent above FMV) if we do enter negotiations. The second comment is that once we enter into negotiation, we have entered into a letter of intent, no price has been negotiated, but at that time, we could do our due diligence work. It is possible that the site could be deemed as constructible or non-constructible.

Representative Meek: (Notes he will have to leave in 3-4 minutes) My background is real estate. The great disparity in what the BOV and the actual assessed value brings me concerned to include the proximity to the sewer and water resources. I am concerned about that expense. Have we received any estimates of value of what that will cost? I am assuming that a completed project will include a certificate of occupancy. I see that being difficult with this property based on that issue.

Dustin Capri, Architect. We are early in the due diligence process. We do have AKS engineering, and they are planning to do an assessment for the septic design. That is still a question mark, still a part of our due diligence process. Chris mentioned on finding flat, developable land on the Oregon Coast is quite a challenge; it is an extensive challenge. Our firm is based in Newport. We struggle with any commercial project that requires any sizeable land. You are picking between various degrees of challenges, which is why our preferred site only scored an 82 percent. There are still a lot of question marks before anyone can move forward. At this point, this one appears the most viable.

Representative Meek: I understand the lack of inventory for replacement property. I totally appreciate the need and necessity for the new location. I want to support you on that. What I will do on my end in
the legislature to speak to leadership to get some sort of an extension. We may need to take legislative action, which would have to be in the 2022 short session, to get you an extension based on the mitigating circumstances of the break between ODOT and yourself. I do not want you to rush and get into a more difficult situation that seems viable but then can turn into a money pit or even more so could cost you time to get completed and/or loss of the commitment if we do not meet those timetables. Chair Brown, I am not sure if you wanted to make a decision today, but that would be my part of the discussion if that is ok.

Chair Brown: It is on the agenda today. I too have numerous questions about process. I would like to jump in while you are still here. My question is....last year we had three appraisals at $2 million and the owners at $4 million and we paid $4 million, and you were going to join ODOT. Why couldn’t you carve out two acres from that site? Why can’t you buy two acres from ODOT? Why is that site not desirable anymore?

Stewart: Are you speaking of the site that ODOT presented last year?

Chair Brown: Yes.

Stewart: They chose not to purchase that property. They moved on for that. Initially this was part of a relocate effort for them to move from Ona Beach that was outside of tsunami inundation zone. They chose to stay at that site and improve on it. That site unfortunately is not in the most location strategically, which is why we could not partner with them at that site.

Chair Brown: That is in the tsunami zone. The argument was previously that we have to get it out of there. How was ODOT allowed to stay in the tsunami zone because it was presented to us that it had to be moved? I am getting kind of mixed messages regarding necessity to move. Yours is a space requirement, correct?

Stewart: Correct.

Chair Brown: So you could locate in a tsunami zone?

Stewart: No, that is something that we would not do. Whether we are restricted legally, I cannot answer that question, and I cannot comment on ODOT’s decision and what policies they have to follow for their project. Ideally, for us we would of course not rebuild in a tsunami zone.

Representative Meek: I apologize I have to drop off. My recommendation would be to table this decision and not approve it at this time. I would be a no at this time, but I know I have to be present at this time.

Chair Brown: I will note that for the record. We are advisory, but I think staff has heard what you desire, so we will go from there.

Representative Meek: Thank you. I appreciate it. I want to help you make a really good decision.
Chair Brown: About process, because your background information indicates that the property owner has seen the BOV and is in agreement with it and thinks that is the correct number. Why would we give the property owner the BOV before you have the appraisal done?

Stewart: Good question. That was actually shared by the brokers, not us.

Chair Brown: They get paid by a percentage of what the price is, correct?

Stewart: Correct

Chair Brown: You see my concern? They double their fee....I would think that you would have instructions not to disclose that. You are the client, not the property owner. I would hope that procedurally we could do that. I just heard Representative Meek’s preference. The way we justified the ODOT deal is that we made a business decision. It was presented to us that they [ODOT] had no option, and that wasn’t true. Now I am having some credibility issues. Yours is a physical need and not a tsunami need. I am not going to question that. Hopefully you can understand my perspective that you have a BOV that used almost all improved sales to get to their number. If you take away the improved sale and use the land, they are less than the appraisal. I cannot understand the philology that they can say, “Here is five acres with a house that sold and indicates $2.00 per foot.” Does that mean none of the improvements had any value in all of those transactions? I appraised for 30 years. I have a problem with that. I do BOVs all the time. I try to use like kind properties. Those are my questions and comments. I am probably going to go on with what Representative Meek is proposing, but I want to hear from the Committee Members if they have input.

Brady Ricks: I think you all have annunciated some of the concerns that I have as well. I have concern about office and residential area. Another 1.4 acre spot was a challenge because of the proximity to residential. It looks like this whole thing will be zoned residential. Does that pose problems with what you want to do with big vehicles, machinery, etc.?

Michael Curran: We have worked with the City of Toledo and the current property owner is currently trying to get the tax lots annexed into the city, and that has already been approved. We have asked the city if they would support us in a conditional use permit, which they tentatively have, but they would need to go through the full process through the City Council. With the Sturdevant property, there are some homes nearby, but I would not call it residential. There is a BP substation to the north of it. It is surrounded by timber once you get outside the low laying areas. There is a small residential area to the south, but I would not call it residential like you would downtown.

Capri: Shows a letter from city of Toledo. Thinks this letter makes it clear that the City of Toledo is in support. For the residential area, it is zoned residential. It happens to be abutting a power transfer facility as well. It is intermixed with some more industrial uses, which I think is helpful.
Jennifer Blake: I was not on the committee last year when the other Newport location came up. There is such a big discrepancy it would be interested to see another appraisal.

Chair Brown: We had a total of four appraisals on the one by Central Lincoln PUD. This one we have BOV and appraisal. There have been some assumptions made, I am hearing conflicting information. The assumption is that it is fully served, but I heard staff say that they were engineering a septic tank. Septic tanks in the City? If an owner would subdivide it, you are not going to put septic tanks in it. I am not understanding the development potential of this property. We have the BOV and appraisal reviewed and see what reviewer says?

Capri: I can elaborate. There is city sewer available; it is a bit of an extension. We were able to speak with Toledo with the possibility of two options in serving the site. As you all know, sewer extensions can be incredibly expensive. Right now, the agreement that we have with City of Toledo and the county; whatever option is more cost beneficial to the program, they would except because the extension is such a length. So we have a bit of flexibility there....

Chair Brown: I think it was assumed in the BOV that it would be developable for subdivisions. That cost would remove from value, correct?

Capri: Certainly. I think to that effect, there is a lot of due diligence which could affect the value of the property. I think forestry is in a challenge...how much money do you do on due diligence that could potentially impact the valuation of the property without wasting money on due diligence. I think the geological aspect is an interesting project. If you have certain elements come up that make developing the property cost prohibitive, then the value goes down.

Chair Brown: I think that is probably what happened to ODOT. They assumed it had been filled, but then in hindsight it required 8000 yards of fill. By making assumptions, that can be the fatal flaw. I would hate
to see you lose other opportunities. Other than that, are there any other comments? Now we do not have a quorum. I received a text from Sarah that she will not be coming. I think technically we become a subcommittee, and whatever we say becomes part of a record, and not of PLAC but of a subcommittee because we do not have a quorum. I will poll everyone to see where we are. We know where Representative Meek’s desires are. Brady?

Ricks: I do not know that I would approve this right now. It sounds like there is more to happen. It sounds like ODF is saying they are looking for recommendations and not looking for PLAC approval. I do not know what the technical act is: either tabling or come back to us after a later time after something else comes up in the market that is maybe a better fit.

Blake: What is the date when you want some sort of direction or answer by?

Stewart: Ten years to complete the project, the challenge for us where we would like to start negotiating. The letter of intent was clear that we did not put a dollar value...it had to be validated based on the appraisal of fair market value that we received. So at this point because of the way the rules are written, we need to provide some sort of justification to PLAC to move forward. At this point, you would need additional information to make a decision from us, correct?

Chair Brown: I personally would not need additional information. Time kills deals. I would entertain moving forward with the appraised price and not the BOV and draw hard line. I will not support twice the appraised price. My recommendation would be to go with Rep. Meek and table this because he is going to try to get an extension of the timeline. I know construction costs have gone up. The land is probably 25 percent of the total project cost. I want to help and be a good steward of the public’s money. I would move forward with saying that I give direction to pay the appraised price, but not the BOV. If he does not like it, then oh well. Somebody has a pretty extensive cost of extending sewer if he is trying to do single family residential. Because you are not going to get sewer with single family residential. Brady and Jennifer?

Blake: I think what I am hearing is that there is such a big discrepancy. I think it would be nice to have a review of those. The BOV is so inflated over the appraised value that I could not support that either. I didn’t know if you were under a time constraint....I can support the appraised value but not the BOV. I was thinking if there is a way to have a review or another valuation option is out there?

Stewart: Would we have to wait until the next PLAC meeting (in October), or can this be done in the interim?

Chair Brown: I think if Darrin said, “We need to have a meeting to approve this,” then I am ok with that. I don’t want you to incur any more inflation than you have already incurred. I want you to move forward. A quarter of a million dollars is a lot of money. That can go a long way towards your budget. We are advisory. But, you do have a decision maker and he has expressed his desire. I think you have the gist of what we would like and you could answer some of those questions (like reviewing the appraisal and BOV). Representative Meek can try to get extension time because you are already under the gun.
Stewart: Appreciate that; thank you.

Chair Brown: We will reconvene at ODF’s convenience or request subject to ours, and I can bring Sara King up to speed if she participates. You guys can get the differences reviewed by third party....not do another appraisal, but which one carries the most weight? And also just do that, then you can complete your process and negotiations with the owners. If that takes 2-3 weeks, you may have more cost on providing infrastructure. If you do not have to extend sewer, that will save a lot. I do not want you to pay retail value for property on the assumption that sewer is there and it will cost you hundreds of thousands to get you there. (Discussion of what, if any, motion may be needed.)

Darrin Brightman: It sounds like ODF has enough direction. Do you want something formal to take to your leadership?

Stewart: I believe we have enough to move forward.

Chair Brown: Our goal is not to be a hindrance. You have this huge discrepancy that makes your job much more difficult. I am in the real estate business...once property owners hear the higher number; they will not hear anything else. It is unfortunately you have to fight that value, but the numbers are the numbers. If this is the only site, that does not make this site more valuable. With that, we do not need to take any more action on B2. Any discussion?

Darrin, if there is any way you can have the individuals assisting you doing these site locations to not disclose the amounts. It is pretty challenging to go outside the parameters of a full-blown appraisal and to have such a discrepancy.

Darrin Brightman: Since they are a contractor to DAS, there is going to be a conversation about that.

Chair Brown: I know the rules; I don to know why they would disclose that to the property owners.

C. General Discussion
   1. Discussion
      Darrin, if there is any way you can get the individuals to not disclose the amounts...it is challenging to go outside the parameters of a full-blown appraisal and to have such a discrepancy.

Darrin Brightman: Since they are a contractor to DAS, there is going to be a conversation about that.

Chair Brown: I know the rules; I don to know why they would disclose that to the property owners. Sounds like we will have a meeting in the interim.

2. Adjournment
D. Meeting ends at approximately 2:37 pm