

Public Lands Advisory (PLAC) Minutes

July 28, 2022

Location: Remove Via Microsoft Teams

Committee Attendees (Present unless otherwise noted):

Chair John Brown – Present
Representative Mark Meeks – Present
Sara King – Present
Brady Ricks – Present
Jen Blake – Present
Senator Bill Hansell – Absent

Presenters:

Kris Mitchell, OMD
Tracy Wilder, DOC
Richard Duncan, ODFW
Steven Eck, ODOT

Guests:

Gary Williamson, OMD
Eric Tenbrook, ODF
Michael Anderson, DPSST
Shannon Ryan, DAS
Kyle Hayes
Sis Marcus
Cuong Nguyen
Liz Beaty, DAS
Lisa Haver, DAS
Shawn Blevins

Staff:

Jennifer Potter
Nelly Wright Mader
Darrin Brightman
Elaine Schacher

Agenda Items:

A. Committee Administration

1. Opening Remarks

None.

2. Call for Public Comment

None.

3. Approval of Minutes from the July 2022 Meeting

Approved.

4. State Land Information System Update

Darrin Brightman: DSL will be taking the lead. Robert Underwood will be participating on behalf of DAS. Next meeting is mid-August.

B. Property Acquisitions & Dispositions

1. Oregon Military Department – Silverton and Lebanon Armory Dispositions

Kris Mitchell, OMD, Planning and Programming Branch Chief: First presents on Lebanon Armory.



Discusses lack of parking. Surrounded by the property is the City of Lebanon's property. The City of Lebanon is the interested purchaser. The offer amount is below the appraised value, but there is a lack of other buyers, and so ODFW is inclined to go with the low offer.

Chair John Brown: The City is refusing to rezone it from Public to something non-public, is that correct?

Kris Mitchell: Correct, they would currently put that on any potential buyer to do. So, it would be something a buyer would be responsible for.

Chair Brown: So, they are not denying the zone change, they just do not want to do it administratively. I know private sector can't own PL, the fact that you do not have any other offers is because if the City is reluctant to do it.... Discusses it is always rezoned when it is conveyed from a public agency to a private entity. To me it has the appearance that we have valid appraisal of \$330K and they are offering \$200K, and they are playing hard ball with us because they want it for storage. Have you tried selling it and putting a sign on it and saying \$300K for good storage or housing?

Kris Mitchell: No, but Randy Bentz has reached out to the school board in the area and possibly other public entities.

Chair Brown: I assume it is public entities because of zoning. The PL zone is for public use and not private. It is a little concerning for me. You may get the City's attention if you put a sign on it and they could lose that opportunity.

Sara King: Was also curious about the zoning. It sounds like the city would use this as storage. Have they justified why they would only be willing to spend \$200K? Also asks about the suitability for affordable housing.

Kris Mitchell: Affordable housing idea is derived from OMD federal property, which has to go through a formal process with the Department of Housing and Urban Development. Everything that we dispose of on the federal side has to be reviewed to see if it is suitable for public housing. There is a formal process on the federal side, but I am not sure what the formal process is on the state side. Have not explored that further.

Sara King: What is the zoning on this site?

Kris Mitchell: Public.

Sarah King: Notes that affordable housing is an intriguing idea and is also concerned about the City's offer. Interested in looking at other options rather than just selling it to the city because they are the only ones who have put in an offer.

Mitchell: We are certainly open to other options. We had expected to get more for it than \$200K. Notes OMD is open to other options and that there are physical limitations of the property (parking, the condition of the building itself). The building was designed for the Oregon National Guard to store trucks in; it is a motor vehicle storage building design that was put out by the National Guard. It does make sense for the city to store trucks in it. They may not be required to put in as much capital investment into it and it is adjacent to city property.

Representative Mark Meek: Had the same questions and concerns. Even with its limitations, somebody would see value in it. It is quite a large facility and has a lot of options. The one thing I always want to see as a steward on this committee is that we are doing our due diligence and going through the process, and also that we are taking the next step and making these offers to the public or to the general market. If we artificially limit our market, then we will artificially limit the value. I just want to make sure that we are the best stewards of these public dollars as possible. I would like to see a little more action on that, and making sure that we do not limit the market that we are trying to expose these properties to.

Kris Mitchell: Ok, thank you.

Chair Brown: Discusses high cost of shelter housing in the Eugene area. Notes it could also be a storage place for personal belongings or even pets for unhoused persons, and that this could be used for public good. Even if they do not change the zoning, we could use it for temporary housing if it is raining or try other options. The city is not going to go away...they will buy it in a year from now if it has not sold.

Sara King: Three options to explore. 1, You could put it on the market and it will need a zone change. That would be a condition before closing that somebody would want to make sure that zone change is done before closing. 2. Demo the building and put it on the market (notes it may trigger remediation or

other environmental issues). I think that first option of putting it on the market before demo would be my recommendation. 3. Exploring the feasibility of affordable housing or other types of shelter. I do not know much about the housing situation in Lebanon and who offers affordable housing (e.g. county, non-profits, etc.). Did you offer this to housing providers already?

Kris Mitchell: The school district is the one that I am aware of.

Sara King: Those are a couple of options. The strongest is put it on the market and see what interest you get, or this idea of exploring and selling it. Discusses experience in Portland and that affordable housing is not economically feasible when a housing developer has to pay market value for the land. Also there is a lot of money out there for shelters. Discusses Beaverton shelter development and raising \$9 million for that project alone.

Chair Brown: To sum up Lebanon, it sounds like the committee's preference is to go back and try some other options, and to see if we can put it to higher and better use and get it closer to \$300K-\$330K. Or if there is a St. Vincent DePaul or some other agency who could use that to even store unhoused people's stuff. You cannot get what you do not ask for. I think we recommend that you go back and find some other options of the property?

Sarah King: I agree. Thanks agency for being willing to ask for suggestions and being open to discussion.

Chair Brown: I do not think we need to make a motion to do that, since it is advisory.

Presentation on Silverton Armory.

Silverton Armory
.4 acres, 26,000 square feet
Built 1926, Listed on the Historical Registry



Silverton Armory is a historical building that was constructed in 1926.

This building also has a lack of parking (parking adjacent to the building is owned by the city). This is a really interesting old building. We would like to put it on the market and would like to see if we have interest. We currently have interest from the YMCA. They would like the property, but they are not interested in the building itself. They would prefer the vacant land. So for us to demolish it or they could purchase it and demolish it. We have one interested party, but we have not talked dollar amounts yet. We have a completed appraisal. It came in at over \$800K or so. We are going to try to put this on the market and see what interest we can generate there.

This is an armory that has not been used by the Oregon National Guard since 1992. We have no need for it. It has been a one dollar a year lease to the city since that time. The city has built a new facility, and no longer needs this property in their inventory.

Notes

- Leased to City of Silverton in 1992 for use as a community center
- City installed ADA access and elevator
- Zoned DC (downtown commercial), very desirable
- Appraisal in Mar 2022 values the property at \$880,000
- City no longer needs the building, has requested lease termination
- Legislature approved sale of property in Jun 2022
- YMCA has indicated interest in the site, City supports developing a community campus (YMCA, library, pool, city offices) in the area
- City owns adjacent parking lot, no on-site parking



Chair Brown: I am inclined to say just go ahead and put it on the market. For \$33/SF for a building, these things can be converted pretty well, too. I think we will have some pretty good interest in it.

Sara King: Agrees, advises to put it on the market. It is a beautiful building. Advises against taking on the demolition. Let potential buyer deal with any demolition. You never know what you find when you get into demolition. You can negotiate a discount for that when you sell the property. Would love to see someone save that building.

Kris Mitchell: Thank you, that is our inclination as well.

Chair Brown: The property itself is on the historic preservation list. [Demolition] can be contentious and political. Discusses adaptability for affordable housing may be an option given the price/SF. Armories have kitchens and big bathrooms.

Brady Ricks: Asks if the agency would employ a broker and if the agency will market the property nationally.

Kris Mitchell: The agency will reply on the new real estate program manager, who has experience as a principal broker. If there is an opportunity or need to go national or to get someone more aggressive, or who has more time to put into it, then we can look into that.

Brady Ricks: Discusses Hillcrest Youth Facility and the success of marketing the property nationally with a broker. By doing so, the State is able to reach people who develop historic properties and receive offers/options that might not have been otherwise available with a local reach.

Kris Mitchell: It would be interesting to see if we could partner with DAS for access to those brokers or if we are better off going forward by ourself, but we would be interested in a side-bar conversation about that.

Sara King: I think that is an excellent question. And a question for Darrin, I know you have Cushman Wakefield on retainer. Is that simply for DAS' work? Or is that available for other agencies?

Darrin Brightman: It is a DAS contract, but there may be a way to work it out.

Sara King: The downside of employing a broker is that customarily the seller pays the fee. Discusses that a broker has more time to work on projects like this and may be more motivated with a fee involved.

Chair Brown: I hope that because we have a couple of experienced people on OMD's staff that know how to do this. You put a sign up. Anyone can post anything on LoopNet, and it is national. Whether they employ a broker or not, personally, I like to keep things local if I can. One way or the other, I am not concerned how you do it, but I think you should test the market and maximize it. There has to be a housing agency. I know those buildings are old, but they have a kitchen, a gym, lots of restrooms and admin functions and things that can adapt fairly readily to accommodating living situation. It looks like the zoning situation may allow that too.

Sara King: Motion to approve the sale to approve the sale of armory subject to OMD's marketing efforts

Brady Ricks: Second.

Vote: Passes unanimously.

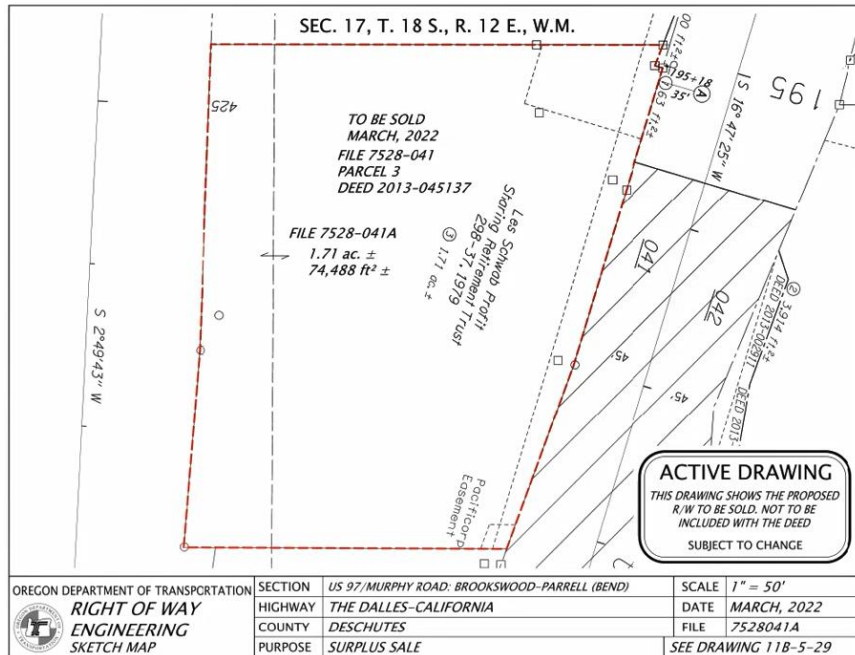
2. Oregon Department of Transportation – Third Street, Bend, Oregon

Steven Eck, Senior Property Agent, ODOT – The focus of our attention today is a 1.71-acre parcel located in Bend, Deschutes County.



It is located at the southern end of Bend at the intersection of US Hwy 97 and US Hwy 97 Business. It is 1.7 acres commercial zoned vacant land.

It has been retained by ODOT. Since our acquisition, it has not been used, as it has been scheduled to be used for a proposed interchange project in the coming years.



However, in the past six months, the City of Bend has been in discussion with Region 4 Management, and the City of Bend has a temporary use for this land. It will be at least several years before ODOT has a need of this property. Negotiations have resulted in the potential direct sale to the City of Bend for a proposed FMV purchase with a reversionary interest clause. We do reversionary clauses quite frequently, usually with government entities. This one is a little unusual. Basically, at any time that ODOT has a need for this property, the grantor (ODOT), will receive this property back. The city has agreed that they are interested in purchasing this property with the reversionary clause for the FMV purchase of \$45K.

The appraisal was done with the reversionary interest clause as an extraordinary assumption. It was a considerable deduction from the FMV had the reversionary interest not been included. I have been told that they intend to use the property for temporary homeless shelters. And that is why we are presenting it to this advisory committee for your input.

Sara King: Did you say that the city wants to use this for some sort of homeless sheltering situation?

Steven Eck: Yes, I believe so. I haven't been privy to those conversations, but that is what I have been told.

Sara King: I am trying to wrap my head around what they would do on a temporary basis. A tent or a tiny pod situation?

Steven Eck: Yes, it would have to be temporary. Because when we receive the property back, it cannot have any improvements on it. It has to be clean.

Sara King: Did you say when ODOT might need the property back?

Steven Eck: No one has given me a specific date. I know that it would be a minimum of three years. But there is a proposed interchange project that will utilize at least a portion of this property. That is my understanding. That is why we have retained it. But in the interim time, we believe that this might be a good win-win situation for this use.

Sara King: Yes, I have some comments about whether this is a good site for the homeless, but that is not really the purpose of this conversation.

Representative Mark Meek: I want to share that I appreciate the thoughtfulness of how to utilize this property. And I would be supportive of this, especially if the city felt or saw value in being able to house some folks on a temporary basis. The reason I state that is because we in the legislature have been working with cities and counties and zoning laws to allow for temporary housing. We did a similar project here in Clackamas County for our veterans. We put up pods and supportive services areas. In many cases on a temporary basis, it will allow for setting up some programs to help folks who are in the area to both have clean, safe housing, to get out of the elements, and then also while also allowing us a venue to provide these types of services. Thank you, Chair Brown, I would be supportive of this.

Chair Brown: Why sale and revert versus just rent it to them?

Steven Eck: Apparently the regulations regarding that type of use would not comply with ODOT's policies. But they would with the city's, and that is the reason.

Chair Brown: In two years, a four percent return on \$550K is \$22K/year. So, anything past two years is an economic benefit to the city, which is ok. Good for them for being creative. The other question is things change. Let's say that ODOT does not need this for an interchange. We have just conveyed a half a million-dollar asset for \$45K. The reversion only kicks in if ODOT needs this. So, if this is surplus, will there be the ability to get it back even if ODOT does not need it? Is there a concern there?

Steven Eck: We did try to cover that with our discussions with the city and in the documentation. In the event something does change, and they would like to keep it forever, and ODOT does not need it, they would have the possibility of purchasing that. They would need to get it appraised for FMV at the time and pay the difference. But in the event ODOT ever needs it, the way that this is written, it highly favors ODOT, and we could certainly pull it back into our interest and sell it at full FMV. We feel pretty well covered with that clause.

Chair Brown: Thank you. You have covered my concerns. Unless there are other concerns, I am ready to move forward with a recommendation for a motion.

Representative Meeks: Moves that ODOT conveys to the City of Bend the parcel discussed with the reversionary clause.

Sara King: Seconds.

Vote: Passes Unanimously.

3. Department of Corrections – Mill Creek

Tracy Wilder, Department of Corrections – Gives update on property. Had a revised appraisal performed on the property. Have worked through the state surplus property. 390.5 acres, located in south Salem.

PROPERTY



AUCTION

- DOC commenced eight-week marketing campaign on June 1, 2022.
- Sealed bids due August 2, 2022.

DOC received six letters of interest, but no offers. Hired an auction house out of California to help auction the property.

Revised appraisal came back. We had it revised to include a valuation method to reflect an 8-week marketing campaign. The revised appraisal comes in between \$9.5 and \$13.7 [million]. It had been \$12.5. We have one serious prospective buyer that is doing their own environmental assessment. We are hoping that they submit a bid next Tuesday. Questions?

Chair Brown: Will this come back before the committee after the bids?

Tracy Wilder: It is my understanding that as long as we have market value, we do not have to come back. If we get less than, then we need to seek approval.

Chair Brown: So the threshold is \$9.5?

Tracy Wilder: Yes.

Sara King: That was my question too (what becomes market value).

Chair Brown: Notes that it is an incredible property.

Sara King: Motion for PLAC to approve this transaction – to allow DOC to sell the price for a minimum of 9.5.

Representative Mark Meek: Second.

Sara King: Would like to know the outcome of the auction (who purchased, and history of the site if known).

Darrin Brightman: Will give an update.

Tracy Wilder: Would be happy to come back at a future meeting as well.

Vote: Passed unanimously.

4. ODFW Pendleton Acquisition

Richard Duncan, ODFW: ODFW has a regional office in Pendleton, which is in pretty bad shape. It is an old house on a couple of acres. We have been looking in Pendleton. Not a lot of property changes hands in Pendleton.

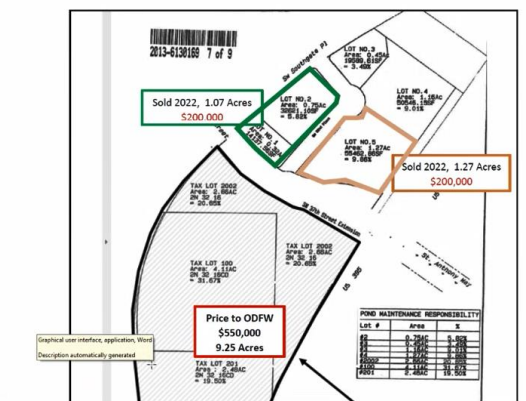
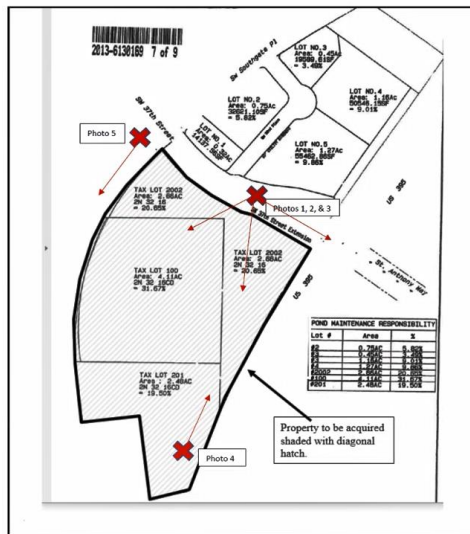
ODFW Purchase of land for new (replacement of physically and functionally obsolete) field office in Pendleton, Oregon

9.25 Acres

\$550,000

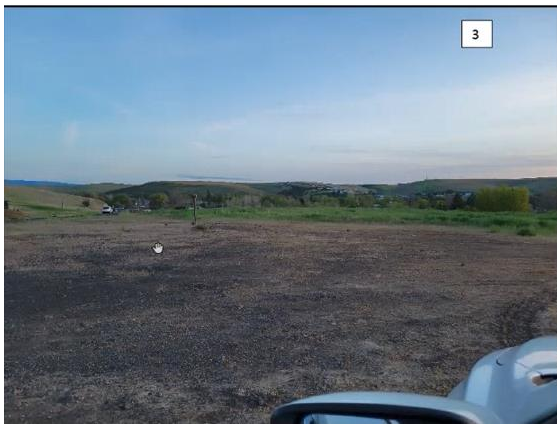
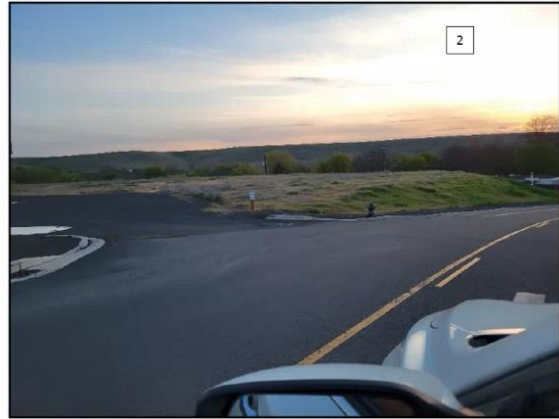
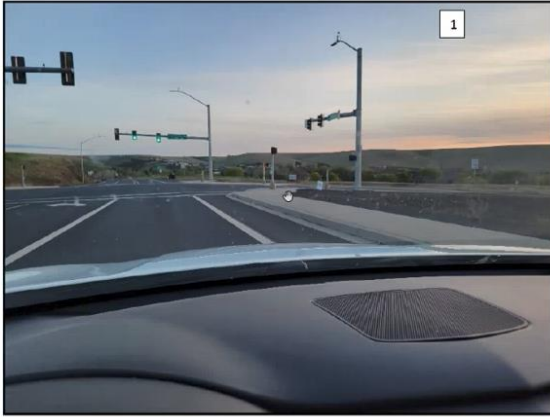


Discusses site that ODFW found and comps in the area.



The site was on the market for \$986K. The price was negotiated to \$550K provided ODFW included language about a tax deduction. Two adjacent properties sold for about \$200K. Ballpark estimate of the site is about \$750K-\$800K.

Discusses location of the property, shares the below photos of the area:



The site is flat and near an industrial area and highway.

- Transaction is scheduled to close on or before September 30th.
- Umatilla County's ASSESSED valuation of the property is \$1,002,840.
- Purchase price is \$550,000
- MAI APPRAISAL has been ordered and is due prior to September 1st.
 - Language in PSA states that if appraised value does not equal or exceed the purchase price, transaction will automatically terminate (see below).
 - A complete copy of the fully executed Purchase Agreement is attached hereto.

- Neither ODFW nor DOI have identified any significant issues with the property title (Copy of the Preliminary Title Report is attached).
- ODFW has hired an engineering firm to assess the subsurface conditions of the site (including load carrying capacity). Results will be available prior to PLAC meeting date.
- A Phase 1 Environmental Site Assessment was completed on June 30, 2022. No issues were noted. (Copy of the Environmental Site Assessment is attached)

Conclusions and Recommendations

This Phase I Environmental Site Assessment did not reveal evidence of Recognized Environmental Conditions in connection with the subject property.

- The entire site is zoned C-3 (Service Commercial), which specifically allows "Governmental...use or structures" (as well as "General Business and Personal Services" and "General Offices").
- Funding for the purchase is from state-issued deferred maintenance bonds. No federal funds are involved.
- Both the Oregon Department of Forestry and the Oregon Department of Water Resources have inquired about the potential to become tenants in a new office in Pendleton or to co-locate stand-alone buildings on a site that ODFW might acquire.
- ODFW is therefore requesting PLAC approval for this purchase contingent upon the appraised value being at, or in excess of, the purchase price.

Scheduled to close by September 30. An appraisal is scheduled to be done prior to September 1. Our question for the committee is: will you approve this acquisition provided that the appraisal comes in at or above our purchase price? We do have language in the language in our purchase and sale agreement that if the appraisal comes in under, then the agreement automatically terminates. It has a clean title. Received a report that there is about a foot of fill on the property, and under that is essentially bedrock (which may cost approximately less than \$20K more for trenching utilities).

Did a phase one Environmental Site Assessment, and it came back clean. Zoning is ok for ODFW purposes. Funding is coming from deferred maintenance bonds (no federal funds). It is correcting a deferred maintenance problem.

Also notes that this site may be big enough to add other state agencies in the future.

Chair Brown: Will call the question and then have follow up questions, as Representative Meek has another time commitment.

Any objection to me making a motion to recommend ODFW purchase of Pendleton acquisition site as presented?

Sara King: So moved.

Representative Meek: Second.

Vote: Passes unanimously.

Representative Meek: Commends agency on this acquisition and negotiations.

Chair Brown: Notes Representative Meek has left the meeting, and so we do not have a quorum, but the committee can still ask questions.

Sara King: What will ODFW do with the property that is not needed?

Richard Duncan: We will probably keep it open to see if anyone is interested in co-locating with us. If that does not come about, then we will probably do a lot line adjustment and create a second or third lot that we could sell with access (either access or access to 395). The two options are: co-locate or sell what we do not need.

Chair Brown: Discusses IRS regulation, seller may have to prepare the appraisal for the gift.

Richard Duncan: Notes DOJ looked at the language.

Brady Ricks: What are the timelines for build/design?

C. General Discussion

1. Discussion

Chair Brown: Voices the concern about OLCC in Canby. If we are going to be equitable, should we pay for money we did not make? That same philosophy would apply to every property that the State of Oregon sells or buys. To be equitable, are we now going to do that? If not, why not? The \$4 million was not real estate – it was lost opportunity. Why was it \$4 million and not \$3 million or \$5 million? Is this a new precedent? How was that \$4 million conveyed?

Darrin Brightman: Something we can look into. Notes staff can provide additional information.

Chair Brown: Want to make sure I understand the process going forward.

Darrin Brightman: Notes staff can get more information.

Sara King: Do we have any idea when the Governor's Office will fill the vacancy?

Darrin Brightman: Good question, staff will be working on that.

Brady Ricks: Notes challenges of new administration.

Chair Brown: Question if Senator Hansel will be able to participate and what to do if someone does not participate?

Darrin Brightman: Legislators are appointed by caucus heads. The President of the Senate would need to address that. The Speaker of the House appoints the representative in the committee.

2. Adjournment

Meeting adjourned.