

Agenda Item Summary

BACKGROUND

In 2002, ODFW moved its headquarters from Portland to a leased building in Salem pursuant to Senate Bill 50. The lease of the ODFW headquarters building at 3406 Cherry Avenue NE, Salem ends on August 31, 2013. Senate Bill 50 allowed for a temporary location while ODFW worked with the Department of Administration Services (DAS) to develop "a permanent headquarters in Salem." In keeping with the requirements of SB 50 and given the terms of the current lease, the department initiated efforts to acquire a permanent location in Salem.

In conjunction with DAS, the department completed two solicitations for existing buildings for sale in the Salem metropolitan area. The department ranked the properties based on location, building size and configuration, parking, adaptability and flexibility, and cost. Based on this analysis, the K2D Building at 4030 Fairview Industrial Drive was recommended for acquisition.

The department signed a Purchase and Sale Agreement (PSA) with the owners, K2D Development LLC, a local Salem company on February 2, 2012 (Attachment 2: PSA). The agreement requires K2D, in conjunction with their affiliated construction company, Dalke Construction, to renovate the building to ODFW's specifications and within ODFW's budget, and deliver the finished building by June 30, 2013. Upon completion of construction, ODFW will close on the property and pay K2D. No public funds are at risk during the construction period, and K2D will finance the project. ODFW will pay a pre-determined price upon completion.

The Commission approved the acquisition of the K2D building as a new headquarters for the Department on January 6, 2012. The Commission's approval was conditioned on Commission review and approval of the due diligence items under Phase I Preconditions of the PSA. Phase I pre-conditions are identified under Section 4 of the PSA and include 1) title review; 2) seller's document review; 3) buyer inspection and assessment of the property; and 4) zone change, other governmental approvals and financing.

PUBLIC INVOLVEMENT

- Issued Hot Sheets through DAS to the real estate community seeking a suitable site to acquire in the Salem-Keizer area.
- Made a presentation to the Public Lands Advisory Committee (PLAC) as required by OAR 125-045-0250 regarding its plan to acquire a building on October 28, 2010.
- Conducted meetings with and outreach to local government officials including the City of Salem and City of Keizer.
- In conjunction with DAS, held a hearing on December 29, 2011 on the exception request to competitive bidding requirements.
- Public comment opportunity at the January 2012 Commission consideration of the acquisition.
- Public comment opportunity as part of presentations to the Capital Planning Commission (CPC) on February 9, 2012 and Capital Projects Advisory Board (CPAB) on February 10, 2012.
- Seeking public testimony regarding acquisition at the March 9, 2012 Commission Meeting.

ISSUE

HEADQUARTERS ACQUISITION

The Department seeks Commission approval of Phase I Pre-conditions as outlined in the Purchase and Sale Agreement for the K2D Building.

ANALYSIS

A description of the due diligence items as outlined in the Phase I Preconditions of the Purchase and Sale Agreement.

Title Review: Pursuant to Section 4.2 of the PSA, the title report was received on October 28, 2011 and updated on February 14, 2012. The report was reviewed by ODFW Realty Section and Department of Justice (DOJ). The listed exceptions were deemed acceptable or will be removed prior to closing, and there were no issues or concerns that would prevent delivery of a clear title.

Sellers Documents Review: Pursuant to Section 4.3 of the PSA, the Seller, K2D Development LLC provided ODFW with all applicable documents for the property. Documents included all contracts, leases, tax statements, plans, surveys, easements, certificate of occupancy, permits, deed, warranties, manuals, etc. These documents were reviewed by the Realty Section, staff Engineer, and Contract Services Manager. All documents were deemed acceptable.

Buyer Inspection: Pursuant to Section 4.4 of PSA, the department initiated a number of investigations of the property. PBS Engineering and Environmental was retained to perform a Level I Environmental Site Assessment (ESA). The ESA was received January 31, 2012. Based on the findings of the study, no recognized environmental conditions are associated with the property and further investigation is not recommended. The Department contracted with CB|2 Architects LLC for conceptual design and "test fit" of the building. As part of this contract, CB|2 retained a structural engineer to inspect the building. The resulting inspection approved the structure as sound and confirmed the suitability of adding another floor to the warehouse portion, adding skylights and cutting or removing tilt-up concrete panels and replacing with windows. An ODFW Facilities Engineer reviewed the reports, the "as-built" plans and inspected the interior and exterior of the building, and the site. No unforeseen issues were discovered during his review. The building appears to be in good condition and should accommodate the required modifications.

Additionally, the Seller provided surveys and previous reports on soil and foundation certifications that are satisfactory for the proposed project.

Zone Change, other Governmental Approvals and Financing: The City of Salem approved a zone change for the property to Industrial Commercial (IC) in October 2011. Pursuant to Section 4.5 (a), zoning of the property allows for government offices.

Section 4.5(b) of the PSA includes all government approvals, specifically identifying approval by the Oregon Fish and Wildlife Commission. The Commission approved the acquisition on January 6, 2012.

Section 4.5(c) requires sufficient funds to make the acquisition feasible. The 2011 Legislature approved \$16 million in bonding authority for the acquisition of the new headquarters building. The department has had multiple meetings with the Capital Investment Section of the DAS Budget and Management Division to analyze and plan for bond sales to acquire the property. The debt

service on the bonds results in stabilizing the department's cost of occupancy for 25 years. Bond sales would be scheduled to coincide with completion of the project and final payment to the property owner (May/June 2013).

Section 4.5(d) requires DAS approval of an exemption from competitive bidding requirement as required by Oregon Revised Statutes (ORS) 279A-279C. The exemption from competitive bidding requirements was approved by DAS on January 4, 2012.

Section 4.5(d) requires approval of the Director of DAS after reviewing recommendations of the Capitol Project Advisory Board (CPAB) and the Capitol Planning Commission (CPC). ODFW made a presentation to the CPC on February 9. The CPC voted to delay action until its March 9th meeting to allow time for the City of Salem to identify other options for the Department. ODFW made a presentation to the CPAB on February 10th. The CPAB voted to delay action until its March 10th meeting to allow a recommendation from the CPC to be finalized; Action by these advisory committees will be presented at the March 9, 2012 Commission meeting. The approval of the Director of DAS is pending the recommendations of the CPAB and CPC.

OPTIONS

1. Approve staff proposal.
2. Modify staff proposal.
3. Reject staff proposal

**STAFF
RECOMMENDATION**

1. Option 1

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| DRAFT MOTION | I move to approve Phase I Pre-conditions outlined in the Purchase and Sale Agreement for the K2D Building. |
| EFFECTIVE DATE | Upon Commission approval. |