



Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services

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February 19, 2015

Senator Steiner Hayward, Co-Chair
Representative Smith, Co-Chair
Ways & Means General Government Subcommittee
900 Court Street NE
Salem, OR 97301

Dear Senator Steiner Hayward, Representative Smith, and the Ways & Means General Government Subcommittee;

Below, please find follow-up information as requested during the February 18, 2015 subcommittee meeting.

Representative Smith requested an executive summary of the North Campus project.

Attached are two documents regarding the North Campus; the first, our summary of the project and the other the executive summary from the Powell Valuation appraisal done in 2014.

Senator Johnson requested a status report regarding the School for the Blind and School for the Deaf property demolition and the relationships between property owner, city and state.

School for the Blind: DAS sold the campus to Salem Hospital for \$6 million in August of 2010 and has no enduring interest in the same. Salem Hospital's business office number is 503.561.5150.

School for the Deaf: Owned and operated by the Department of Education. DAS has been working with the School for the Deaf and Department of Education staff over the past year to identify highest and best use scenarios for the school's unused acreage, pursuant to its 2013-2015 budget note. DAS is currently in the act of declaring this unused acreage surplus pursuant to ORS 270 on behalf of the School for the Deaf. There was no governmental/political subdivision interest through this process, however, DAS is aware of potential private sector investment and will pursue accordingly.

February 19, 2015

Page 2

Senator Whitsett asked how many times we have changed our Key Performance Measures.

Although we have done tweaks or removals in the past, this is the first time we are suggesting to 'change' our measures to this degree. The highlighted column of the attached KPM changes spreadsheet shows the history of each measure over time.

I would also like to clarify when I spoke about the bonding for the DAS Mill Creek Industrial Park being a 5 year term. This was in fact \$5M, issued in 2010 for a term of 20 years.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Jordan". The signature is fluid and cursive, with a large, stylized initial "M".

Michael Jordan, COO
DAS Director

Attachments

CC: Paul Siebert, Legislative Fiscal Office

Executive Summary

North Campus 2600 NE Center Street, Salem, OR

<http://www.oregon.gov/DAS/EAM/oshnc/Pages/index.aspx>

In April of 2012, DHS/OHA let DAS know it intended to transfer the North Campus of the Oregon State Hospital to DAS for disposal at the end of the 2011-13 biennium. DAS asked for \$1.1 million in 2013-15 to secure and minimally maintain the largely vacant buildings as well as to pursue disposition strategy due diligence.

Relevant facts about this property:

- 47.37 acres (ALTA survey)
 - 504,080 square feet of buildings
 - Dome Building 66,957 square feet (remains on site)
 - Dome Building is on the National and State Registers of Historic Places
 - Zoned Public Health w/Historic District Overlay
 - Future zoning unknown, working with City to accommodate the eventual re-development scheme.
 - Demolition of 437,123 square feet (excludes Dome Building) \$6-\$8 million (includes asbestos & lead remediation)
 - No known ground contamination on site (19+ areas sampled)
 - MAI Appraisal says as-is value = \$1.6M, \$13M post demo, Net value +/- \$5M
 - Ongoing maintenance costs for site = \$45-\$50,000/month (utilities, maintenance, security, fire alarm monitoring, landscaping, etc.)
 - All buildings except the Dome building are functionally obsolete, remodeling costs exceed new construction, housing development is of greater value.
 - Leland Consulting and Cushman & Wakefield performed highest and best use analysis for future redevelopment. The greatest economic value for the site involves a mix of uses, including multi-generational and mixed income housing, neighborhood retail, possibly lodging, and other supportive uses.
- <http://www.oregon.gov/DAS/EAM/Statewide/docs/VisionStratDevProg.pdf>
- Salem Council approved code amendments to Historic Code, State Hospital Historic District; updates Chapter 230 to include a process and criteria for how historic structures can be demolished if completed by governmental entity. More stringent requirements for private entity. Salem great partner in process of disposal for highest and best use.
 - Request for Qualifications for interested developers advertised regionally and nationally, 4th quarter 2013. No interest. Developer feedback was that too many unknowns made investment risk too high. Demolition removes many unknowns.
 - Demolition of buildings recommended to reduce potential developer risks, increase market demand, develop modern use for the site, and increase net proceeds to state \$5M vs. \$1.6M.

Please call Eric Grindy at 503.428.3808 with questions, comments or concerns.

EXECUTIVE SUMMARY

| PROPERTY INFORMATION | |
|--|--|
| Property Name: | OREGON STATE HOSPITAL NORTH CAMPUS |
| Address: | 2600 Center Street NE Salem, Oregon 97301 |
| Tax ID: | R76562 |
| Property Type: | 073W24C 00100 |
| Prior Use: | Oregon State Hospital |
| Current Use: | Dome Building – Occupied by Department of Corrections Remainder of site is vacant |
| Proposed Use: | Future mixed-use master planned development |
| Owner of Record: | State of Oregon |
| BUILDING CHARACTERISTICS | |
| Number of Buildings: | 6 |
| Gross Building Area: | 504,080 square feet |
| Year Built: | 1912 to 1955 / Average |
| Condition: | Poor to average |
| Substantial Deferred Maintenance: | See narrative |
| SITE CHARACTERISTICS | |
| Land Area: | 47.37 acres (2,063,437 Square Feet) |
| Zoning Designation: | PH – Public & Private Health Services City of Salem |
| Conforming Use: | Yes |
| HIGHEST AND BEST USE | |
| As if Vacant: | Mixed-use master planned development w/commercial & residential components |
| As Improved: | Demolition and redevelopment of the site. The Dome Building is a historic landmark and should be refurbished |
| Excess Land: | 42.12 Acres |
| VALUATION INFORMATION | |
| Site Valuation (excess land) : | \$8,465,000 |
| Cost Approach: | Not Presented |
| Income Approach: | Not Presented |
| Sales Comparison Approach (Dome Building & Supporting Land Area): | \$5,160,000 (not including Dome Building abatement) |

EXECUTIVE SUMMARY (continued)

| VALUE CONCLUSION | |
|--|-----------------------------------|
| Date of Value: | October 17, 2013 |
| "As Is" Market Value – Fee Simple: | \$1,655,000 |
| Dome Building on 47.31 acres (assumed level, clean, and "shovel ready"): | \$13,625,000 |
| Market Value under the zoning that best reflects the highest and best use of the site: | \$1,760,000 to \$9,365,000 |
| Allocation for Furniture, Fixtures and Equipment | None |

| 2007-09 KPM# | 2009-10 KPM# | 2010-11 KPM# | 2011-12 KPM# | 2012-13 KPM# | 2013-14 KPM# | 2014-15 KPM# | # Seq | CURRENT 2007-09 Key Performance Measures (KPMs) |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|-------|--|
| 1 | 1 | 1 | 1 | 1 | 1 | No Change, keep measure as is | 1 | CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information. |
| 2 | 2 | 2 | 2 | 2 | 2 | Keep measure/replace calculation methodology | 2 | FORECAST RELIABILITY – Percent of Advisory Committee and Council Members who rank the reliability of the Office of Economic Analysis' forecasts as good to excellent. |
| 3 | 3 | 3 | 3 | 3 | 3 | Keep measure/replace calculation methodology | 3 | FINANCIAL REPORTING – Number of years out of the last five that State Controller's Division wins GFOA Certificate of Achievement for Excellence in Financial Reporting. |
| 4 | 4 | 4 | 4 | 4 | 4 | Technical Adjustment - Keep measure and methodology, but change measure ownership from EHRS to CHRO | 4 | STATE WORKFORCE TURNOVER – Annual turnover rate for the state workforce. |
| 5 | 5 | 5 | 5 | 5 | 5 | Technical Adjustment - Keep measure and methodology, but change measure ownership from EHRS to CHRO | 5 | STATE WORKFORCE DIVERSITY – Racial/ethnic diversity in the state workforce as a percentage of the total civilian labor force. |
| | | | | | | Add proposed new measure | 6 | DAS WORKFORCE TURNOVER - Annual turnover rate for the DAS workforce. |
| | | | | | | Add proposed new measure | 7 | DAS WORKFORCE DIVERSITY - Racial/ethnic diversity in the DAS workforce as a percentage of the total civilian labor forc |
| 6 | 6 | 6 | 6 | 6 | 6 | Keep measure/replace calculation methodology | 8 | FLEET ADMINISTRATION – Statewide Fleet Administration evaluated as effective by independent party. |
| 7 | 7 | 7 | 7 | 7 | 7 | Keep measure/replace calculation methodology | 9 | RENT COSTS – Uniform rent costs per square foot as a percent of private market rates. |
| 8 | 8 | 8 | 8 | 8 | 8 | Remove | 10 | IT GOVERNANCE – Percent of the state's major IT projects with a budget or schedule variance of plus 5% as reported in the quarterly major IT project portfolio report for which a mitigation plan is submitted in response to a DAS requirement. |
| | 9 | 9 | 9 | 9 | 9 | No Change, keep measure as is | 11 | INFORMATION SECURITY - Overall information security maturity rating based on a sample of state agencies. Rating achieved using a compilation and aggregate score based on the ISO 27002 standard and assigning a rating using the Carnegie-Mellon Capability Maturity Model. (3rd party conducting information security business risk assessments) |
| 9 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | | | E-GOVERNMENT – Percent of agency business process that have been automated: a) customer to agency; b) customer to agency to accounting system (end-to-end). |
| 10 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | | | INFORMATION SECURITY – Percentage of actions identified in HB 3145, or the resulting Enterprise Security Office Strategic Plan, completed on time. |
| 11 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | | | INFORMATION SECURITY BUSINESS RISK– Percentage of identified business risk that is remediated. |
| 12 | 12 | 12 | 12 | 12 | 12 | No Change, keep measure as is | 12 | PROCUREMENT EFFECTIVENESS – Estimated savings resulting from price agreement pricing compared to prices that would be paid without the benefit of a price agreement. |
| 13 | 13 | 13 | 13 | 13 | 13 | Keep measure/replace calculation methodology | 13 | RISK MANAGEMENT – Annual number of: a) workers' compensation; b) liability; c) property; and, d) total claims per 100 FTE. |
| 14 | 14 | 14 | 14 | 14 | 14 | Keep measure/replace calculation methodology | 14 | SUSTAINABILITY – Percentage reduction in greenhouse gas emissions. |
| 15 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | Deleted by 2009 | | | HEALTH POLICY – Percent of key healthcare policy stakeholders who rate the a) usefulness, b) objectivity, c) reliability of healthcare data provided by Office for Health Policy and Research (OHPR) as good or excellent. |
| 16 | 16 | 16 | 16 | 16 | 16 | 16 | 15 | DATA CENTER – Percentage of time systems are available. |