

Analysis

Item 46: Department of Administrative Services

Mill Creek Corporate Center

Analyst: Paul Siebert

Request: Increase the Other Funds expenditure limitation by \$2,300,000 for infrastructure improvements at the Mill Creek Corporate Center.

Analysis: The Department of Administrative Services (DAS) is requesting an Other Funds expenditure limitation increase of \$2,300,000 for infrastructure improvements at the Mill Creek Corporate Center. Infrastructure improvements at the Corporate Center are necessary for parcels to be sold and developed. DAS previously reached an agreement with the City of Salem to provide infrastructure and roads at the Center to serve parcels as they are developed. These improvements are paid for with proceeds from land sales at the Corporate Center and City of Salem resources. The Mill Creek Corporate Center has seen increasing interest from potential buyers. The requested increase in expenditure limitation will allow DAS to complete a road that they had previously only planned to partially complete, which will result in overall savings. The Department has sufficient cash from previous sales of parcels at the Corporate Center to fund the project.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$2,300,000 in the Other Funds expenditure limitation for the Department of Administrative Services in a budget reconciliation bill during the 2020 legislative session for infrastructure improvements at the Mill Creek Corporate Center.

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Department of Administrative Services
Ball

Request: Increase Other Funds expenditure limitation by \$2,300,000 for infrastructure at the Mill Creek Corporate Center.

Recommendation: Approve the request during the 2020 Legislative Session.

Discussion: The Department of Administrative Services (DAS) Enterprise Asset Management (EAM) is requesting \$2,300,000 Other Funds expenditure limitation to fund the construction of a street at the Mill Creek Corporate Center. The anticipated timeline for this construction is June to September 2020.

Pursuant to House Bill 2488 and House Bill 2923 (2001), the Legislature directed the sale of approximately 646 acres of property located near the Oregon State Correctional Institution and the Santiam Correctional Institution, now commonly known as the “Mill Creek Corporate Center.” The DAS EAM is in the process of selling property at the site, which includes providing certain site improvements and infrastructure to facilitate the development of the property.

Agreements with the City of Salem provide for “just-in-time” infrastructure, funded in part from proceeds from land sales and City resources. Currently, DAS has cash available from a prior sale of land to PacTrust, which will be used to fund this request. There is more than 315 acres remaining unsold at the site, with an estimated value of between \$25 and \$30 million over the next 8-10 years.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 518, section 2(6), Oregon laws 2019, for the Department of Administrative Services, Enterprise Asset Management, by \$2,300,000 for the 2019-21 biennium.



Oregon

Kate Brown, Governor

Department of Administrative Services

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December 6, 2019

The Honorable Senator Betsy Johnson
The Honorable Senator Elizabeth Steiner Hayward
The Honorable Representative Dan Rayfield
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Department of Administrative Services requests an increase of \$2,300,000 expenditure authority to fund infrastructure improvements at Mill Creek Corporate Center.

Agency Action

The Mill Creek Corporate Center project is anticipated to provide a thirty-year supply of industrial land for the Salem Metro area. Agreements with the City of Salem provide for "just-in-time" infrastructure, funded in part from land sales proceeds and City resources. Roads and utilities are installed to serve parcels as they develop. This avoids making a large up-front investment in infrastructure that may not be needed for some time.

While DAS does its best to forecast which parcels are most likely to sell in which order, and request appropriate limitation in advance, we are not able to anticipate all outcomes. In this case, DAS has an opportunity to leverage economies of scale by completing the totality of a needed road instead of the previously planned partial road. DAS has the cash from land sales proceeds to fund this project.

Action Requested

DAS requests an increase of 2,300,000 in expenditure authority for infrastructure improvements at Mill Creek Corporate Center. No positions are requested.

Legislation Affected

Increase the Other Funds expenditure limitation established by chapter 518, section 2(6), Oregon Laws 2019, for the Department of Administrative Services, Enterprise Asset Management Division, by \$2,300,000 for the 2019-21 biennium.

Sincerely,

Katy Coba
DAS Director | Chief Operating Officer

CC: Dustin Ball, Department of Administrative Services
Paul Siebert, Legislative Fiscal Office

