

Analysis

Item 13: Military Department

Redmond Property Purchase

Analyst: Julie Neburka

Request: Increase Other Funds Capital Construction expenditure limitation by \$1,439,700 for the Military Department, Future Readiness Sites, to purchase property to replace the Redmond Armory.

Analysis: The National Guard Bureau's cooperative relationship between the federal government and state governments requires states to maintain and support facilities and installations for National Guard units to use to recruit and train Guard service members, and to station National Guard units and equipment. The Oregon Military Department (OMD) operates and maintains 37 armories and readiness centers throughout the state, and refurbishes or rebuilds armories as they become functionally obsolete. The agency's Capital Construction program benefits from a dedicated Military Department Construction Account (ORS 396.525), which receives proceeds from OMD property sales and makes those proceeds available for future property purchases, which cannot be made with federal funds.

OMD requests approval for \$1,439,700 Other Funds Capital Construction expenditure limitation to use available Military Department Construction Account funds to purchase land in Deschutes County for a new readiness center. The new readiness center will occupy a 20-acre parcel adjacent to the agency's Biak Training Center and will house the 41st Infantry Brigade Combat Team "B" Troop, which was recently converted to a Stryker unit that requires more space for its larger vehicles. It will replace the current 65-year-old Redmond Armory, a 12,182 square foot facility on a 1.92 acre site within the City of Redmond. Construction costs for the new readiness center are currently estimated at \$25 million; the agency plans to seek federal construction funding from the National Guard Bureau in March 2021. If approved for federal funding, construction would begin during the 2027-29 biennium.

The purchase price of this parcel is \$1,669,700. Proceeds from the sale will accrue to the Common School Fund, as the property is currently owned by the state and managed by the State Land Board as an asset of the Common School Fund. In 2017, the Legislature approved Other Funds Capital Construction expenditure limitation of \$230,000 for this property (section 1(2)(c), chapter 747, Oregon Laws 2017), prior to its subdivision, improvement, and annexation to the City of Redmond. Those activities - including the provision of utilities and roads to the site - required a subsequent appraisal that increased the value of the property and thereby increased the sales price.

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Other Funds Capital Construction expenditure limitation by \$1,439,700 for the Military Department, Future Readiness Sites, to purchase property to replace the Redmond Armory.

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Oregon Military Department
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Request: Increase Other Funds Capital Construction expenditure limitation by \$1,439,700 for the Military Department to purchase land in Redmond, Oregon, from the Department of State Lands.

Recommendation: Approve the request.

Discussion: The Oregon Military Department (OMD) is requesting to purchase 20 acres of land from the Department of State Lands (DSL), which is adjacent to the Deschutes County Fairgrounds. The land is also adjacent to land leased by the U.S. Bureau of Land Management and utilized as one of the National Guard training grounds.

This land purchase will allow OMD to move their Redmond Armory from its current location (1.9 acres) in a commercial area within Redmond's city limits, to the new 20-acre site. This land purchase is included in OMD's 10-year capital construction plan. The 2017 Legislative Session increased OMD's Other Funds Capital Construction expenditure limitation by \$230,000 for this purchase. DSL initially approved the sale of the land in August 2018. During the contract process, it was discovered that improvements made to the land have caused the estimate to be under fair market value, resulting in a delay of the sale until now. Due to the land improvements, the fair market value assessed at \$1.7 million. OMD is requesting \$1.4 million, which is the difference between the sale price and the \$230,000 appropriated during the 2017 Legislative Session.

OMD plans to relocate the Redmond Armory and to build a Readiness Center on the new site. A new Readiness Center is estimated to cost around \$25.0 million. In March 2021, OMD will submit their application for federal construction funding on the Future Years Defense Program. If the plan to build the Redmond Readiness Center is approved by the National Guard Bureau, construction would commence during the 2027-29 biennium. The majority of the construction costs would be federally funded and the state would be responsible for non-federally approved items. Historically, the state match has been minimal in comparison to the project costs. The one requirement is for OMD to own the land prior to submitting their application. Additionally, if the application is approved, this would give Oregon the opportunity to have a Readiness Center built outside the Cascadia Earthquake Zone.

Legal Reference: Increase the Capital Construction Other Funds expenditure limitation established by Chapter 747, section 1 (2) c, Oregon Laws 2017, for the Oregon Military Department, by \$1,439,700 for the 2019-21 biennium.



OREGON MILITARY DEPARTMENT
JOINT FORCE HEADQUARTERS, OREGON NATIONAL GUARD
DEPUTY DIRECTOR STATE AFFAIRS
230 GEER DRIVE NE
P.O. BOX 14350
SALEM, OREGON 97309-5047

November 4, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Oregon Military Department (OMD) requests a \$1,439,700 increase in Future Readiness Sites Other Funds Capital Construction limitation to purchase 20 acres of land in Redmond from the Department of State Lands (DSL). This property will be the site of a new Readiness Center to replace the existing Redmond Armory. OMD must show ownership of the parcel to be able to compete for federal construction funding at the national level in March 2021.

Agency Action

The Redmond Armory was constructed in 1955 and consists of 12,182 square feet situated on 1.92 acres in a busy commercial area within the city of Redmond. The armory is inadequate to meet the assigned unit's need for administrative, equipment maintenance, and equipment storage space. The small land parcel of the current site does not comply with anti-terrorism and force protection (ATFP) standards. Once no longer used by the Oregon Army National Guard, the existing armory property reverts to the City of Redmond and it is not anticipated OMD will gain any value from the site.

The new shovel ready 20-acre parcel is situated on DSL land adjacent to the Deschutes County Fairgrounds and is contiguous to land leased from the U.S. Bureau of Land Management (BLM) and utilized by the Guard as training lands (Biak Training Center). This site will provide adequate space to construct a new Readiness Center, meet all National Guard Bureau (NGB) standards (including ATFP), and accommodates the requirements of the assigned unit that has been transformed to a Stryker troop.

In March 2021, OMD plans to compete this project nationally for federal construction funding on the Future Years Defense Program. However, prior to submitting the plan to NGB, the agency must show ownership of the land. If approved by NGB, funding would be programmed (reserved) on the Future Years Defense Program for Federal Fiscal Year 2028, when construction could commence. This project is included in OMD's 10-year Construction Plan for construction during the 2027-29 biennium. The project is estimated at \$25 million, the vast majority of which will be financed with

federal funds, but there will be a need for state investment to cover costs that the federal funds will not cover.

The 20 acres is part of the 940 acre South Redmond Tract owned by the State of Oregon (DSL) as an asset of the Common School Fund (CSF). It is one of many properties throughout the state which are managed by the State Land Board (through DSL) to benefit the Common School Fund, with revenues dedicated to the support of K-12 public education in Oregon. CSF lands are managed by the State Land Board as a “trust.” As the trustee, the State Land Board has a duty to maximize the value of, and revenue from CSF lands over the long-term, and is required to seek full fair market value for land sales. Proceeds from the sale of this 20 acre property would be deposited into the revolving fund of the Common School Fund. The State Land Board approved this sale on August 14, 2018.

Funding for this purchase is available in the Capital Construction Cash account, authorized by ORS 396.525. Federal funds cannot be used to purchase land.

The 2017 Legislature approved \$230,000 Other Funds Capital Construction limitation in Senate Bill 5506. At the time, the land was unimproved with no utilities. The subsequent installation of a road, electricity, water and sewer connections have increased the value to \$1,662,700. Closing costs are estimated at \$7,000, bringing the total cost to \$1,669,700. The increase in cost from the original \$230,000 is \$1,439,700.

Action Requested

Increase Other Funds limitation for Future Readiness Sites by \$1,439,700.

Legislation Affected

Future Readiness Sites Other Funds Capital Construction Limitation: Section 1(2)(c), Chapter 747, Oregon Laws 2017.

Thank you for your consideration of this request.

Sincerely,



David A. Stuckey
Deputy Director
Oregon Military Department

Attachment (DSL site map)