



Oregon

Kate Brown, Governor

Liquor and Cannabis Commission

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Legislative Testimony

Oregon Liquor Control Commission

February 11, 2022

The Honorable Senator Akasha Lawrence-Spencer

The Honorable Representative David Gomberg

Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development

900 Court Street NE

State Capitol

Salem, OR 97301-4048

RE: Construction Funding for OLCC Liquor Warehouse and Headquarters

Dear Co-Chairs Senator Lawrence-Spence and Representative Gomberg,

Thank you again for the opportunity to discuss the Oregon Liquor and Cannabis Commission (OLCC) Capital Construction project. This email is in response to two questions: one question relating to the cost-benefit analysis of the buildout to include a turn-key ready building, and the other question related to the potential expense associated with retail agent buyout in the event of privatization.

Design-Build:

As represented to the committee, the OLCC intended to pursue a turn-key project on design-build. This project development process was the approach OLCC conveyed to DAS and the Legislature when the warehouse project was advanced during the 2021 Legislative session. Upon Oregon Department of Justice (DOJ) legal review and analysis of the specific Request for Proposal (RFP), it was determined that the OLCC was not eligible to use the existing exemption to pursue a design-build approach for project development. The Department of Administrative Services (DAS) subsequently confirmed that the OLCC should approach the development of the project through traditional procurement methods in the interest of providing equitable procurement opportunities that support Oregon's diversity, equity, and inclusion values.

While testimony at the committee hearing on February 10 was "conceptually" correct, the result of moving away from the design-build was more involved than a simple "denial" by DOJ.

OLCC's mission is to support businesses, public safety and community livability through education and the enforcement of liquor and marijuana laws.

The combination of legal analysis and DAS policy decisions support economic opportunity for companies to compete for elements of project development. The OLCC appreciates the expertise DOJ and DAS have contributed to the project's direction. As reflected in testimony, the OLCC is pursuing a construction manager as a general contractor (CM/GC) through RFP in alignment with that legal review and policy direction.

Retail Agent Buy-out:

The statute is ORS 471.473, requiring the state to pay agents 4% of the annual average sales over the most recent five-year period. If that were the case now, that amount would be about \$27.6 million if system change results from a law that prohibits the commission from purchasing or selling distilled liquor.

Please feel free to reach out with any additional questions.

Sincerely,



Chris Mayton

Distilled Spirits Program Director

Interim Chief Financial Officer

Oregon Liquor and Cannabis Commission

Transportation & Economic Development Response

Final Audit Report

2022-02-12

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