

Department of Administrative Services

Budget Note Report

Joint Committee on Ways and Means

General Government Subcommittee –
February 8

2022 Legislative Session



Budget Note – HB 5002

DAS shall report to the appropriate subcommittee of the Joint Committee on Ways and Means on the DAS Real Estate Program during the 2022 Regular Legislative Session. The report shall include, but not be limited to:

- a look back at over the last 3 biennia, including the number of transactions, whether the transactions were purchases, sales, or leases;
- number of transactions commercial brokers were involved in,
- what commissions are paid by the state,
- a description of how commission rates are determined in different transaction types and which party in the transaction pays the commission,
- a comparison of the DAS Real Estate program's usage of commercial brokers to the same practices of State real estate programs in neighboring states and how much Oregon would have paid in commissions if they had used that state's practices, and
- how often DAS contracts with real estate brokers are renewed.

Background

- DAS Real Estate Services (DAS RES) is responsible for relocating and acquiring leased commercial real estate for most executive branch agencies and assists non-executive branch agencies upon request.
- DAS RES uses commercial brokers in some instances to:
 - Use the brokers' proprietary knowledge, contacts, and in-depth market analysis capabilities
 - Act as mediators in difficult negotiations and when working with landlords who historically have been unable to perform contractual duties.
 - Locate unlisted build-to-suit opportunities, such as properties that a landlord would be willing to adapt to the tenant's needs
- Broker commissions are paid by the seller or landlord
- 11 states (including Oregon) have regular contracts with brokers

Broker Involvement

- Including Oregon at least 11 states have regular contracts with brokers
- Brokers contracts began in 2013, are five years in length with a single five-year renewal option, and they expire in 2023.
- Commission rates on commercial real estate purchase and sale transactions typically range from 3-5% of the full value of the transacted property, paid by the seller.
 - DAS typically pays 3-4% on sale transactions and does not pay commissions on purchase transactions per industry standard

Lookback: Lease Transactions



Lease Transactions	2013-15	2015-17	2017-19	2019-21
Number of Transactions	272	291	232	177
Number of Transactions with a Broker	14	20	27	12
Percent of Total Transactions with a Broker	5.15%	6.87%	11.64%	6.78%
Commissions Paid by DAS	\$0	\$0	\$0	\$0

Lookback: Sale Transactions



Sale Transactions	2013-15	2015-17	2017-19	2019-21
Number of Transactions	0	1	2	5
Transactions with a DAS Broker and Buyer Broker	0	0	0	1
Transactions with DAS broker only	0	0	0	0
Transactions with Buyer broker only	0	0	2	1
Transactions with no broker	0	1	0	3
Commissions Paid by DAS	\$0	\$0	\$293,365.90	\$261,333.40

Lookback: Purchase Transactions



Purchase Transactions	2013-15	2015-17	2017-19	2019-21
Number of Transactions	0	0	0	2
Transactions with a DAS Broker and Seller Broker	0	0	0	2
Transactions with DAS broker only	0	0	0	0
Transactions with Seller broker only	0	0	0	0
Transactions with no broker	0	0	0	0
Commissions Paid by DAS	\$0	\$0	\$0	\$0

Results

