

OLCC – REPORT ON 2021 LEGISLATIVE SESSION BUDGET NOTES

Steve Marks, Executive Director | January 26, 2023



OLCC VISION, MISSION, & VALUES

Vision: Safety and prosperity for Oregon residents.

Mission: Support businesses, public safety, and community livability through education and the enforcement of liquor and marijuana laws.

Values:

- *Inclusive*
- *Collaborative*
- *Bold and Innovative*



BUDGET NOTES FROM 2021 SESSION

Budget Note #1 (HB 5006): Report regarding sale/disposition of OLCC warehouses/HQ in Milwaukie and new warehouse/HQ property purchase.

Budget Note #2 (HB 5018): Report regarding an inventory of existing and anticipated marijuana regulatory efforts.

BUDGET NOTE #1: OLCC WAREHOUSE/HQ PROPERTY

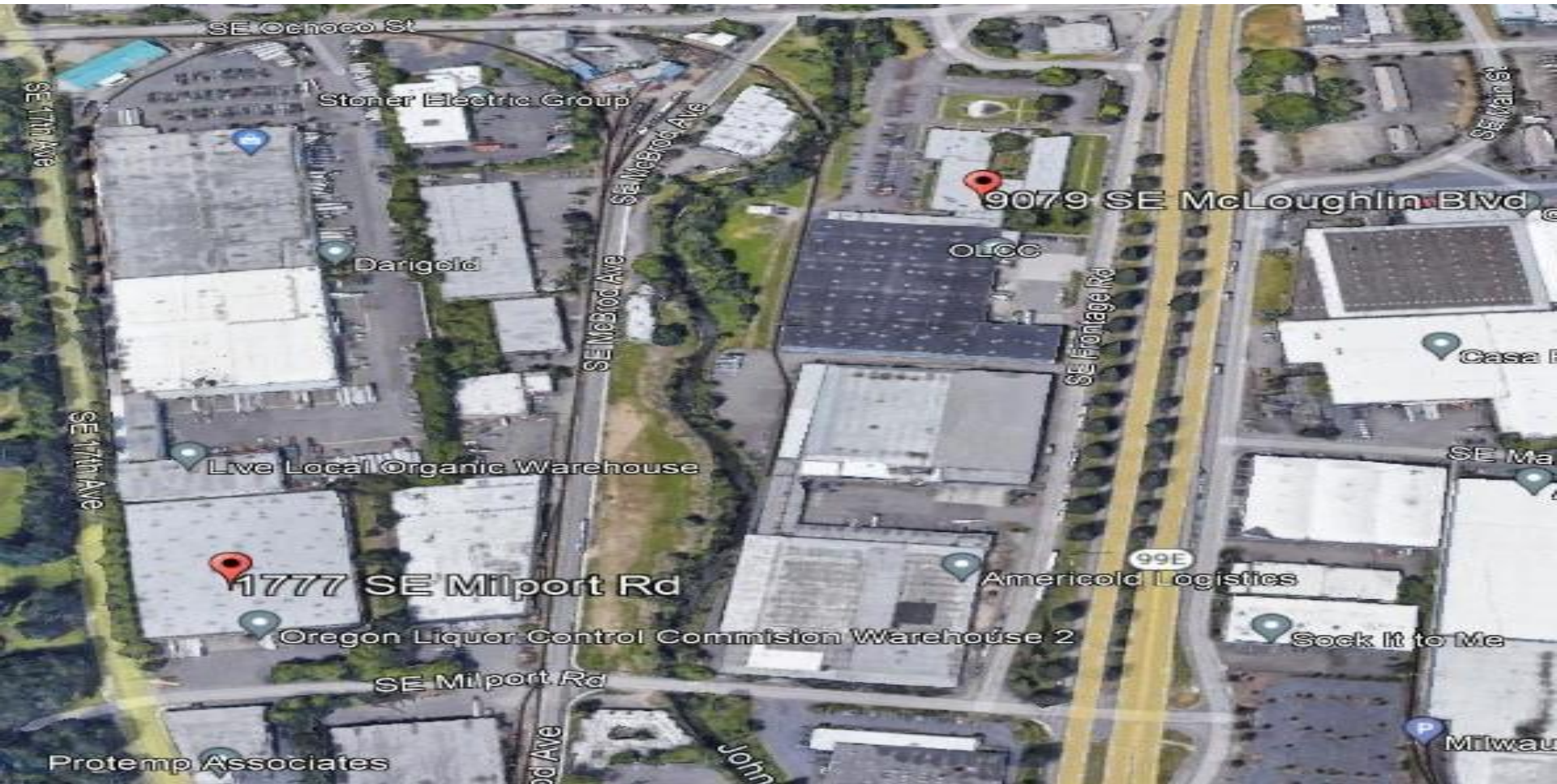
Prior to disposition of its existing properties adjacent to McLoughlin Boulevard in Milwaukie, the Oregon Liquor Control Commission is directed to report to the Joint Committee on Ways and Means on plans for the sale and disposition of its existing distribution center, office headquarters, and Milport Road warehouse. The report shall include information on the zoning of the properties, submitted offers, real estate fees and commissions paid to contractors and real estate professionals engaged, conditions of sale, and listing price of the properties.

In addition, the OLCC shall report on the new warehouse and headquarters location, purchase price, construction and relocation schedule; its interim operations plan including new leases and estimated costs; an overview of measures the agency will take to minimize disruption to licensees, contract liquor agents, and other stakeholders; and a summary of efforts to secure financial systems and data during the transition.

REAL ESTATE PROFESSIONALS ENGAGED

- BBG, Inc. – appraisers for current HQ/Warehouse and Milport warehouse properties
- Cushman & Wakefield – real estate firm used by the State on Canby property purchase and market analysis of HQ/Warehouse and Milport warehouse properties.
- DAS – Enterprise Asset Management, Real Estate Services

EXISTING MILWAUKIE WAREHOUSE/HQ & MILPORT WAREHOUSE – AERIAL VIEW



EXISTING MILWAUKIE WAREHOUSE/HQ – PARTNERSHIP WITH CLACKAMAS COUNTY



EXISTING MILWAUKIE WAREHOUSE/HQ – PROPERTY VALUATION & PARTNERSHIP WITH CLACKAMAS COUNTY

- 14.17 Acres Overall (~124,000 sq. feet of warehouse space)
 - HQ/Warehouse occupies 11.51 acres (outlined in red on previous slide), estimated value approximately \$19 M
 - Other 2.66 acres used by Clackamas County (outlined in blue on previous slide), estimated land value approximately \$560,000 (excluding county owned buildings)
- 53% of the 2.66 acres partitioned land is not buildable due to easements and setbacks
- OLCC and Clackamas County planning to date
 - OLCC would transfer the 2.66 acres to Clackamas County
 - Clackamas County would pay all costs associated with the transfer
 - OLCC and the County have agreed to a reversionary clause in a transfer agreement.
 - Key Point: If the County no longer uses the property for law enforcement purposes, or sells the property, then the County would pay OLCC the Fair Market Value (FMV) of the 2.66 acres at that time.

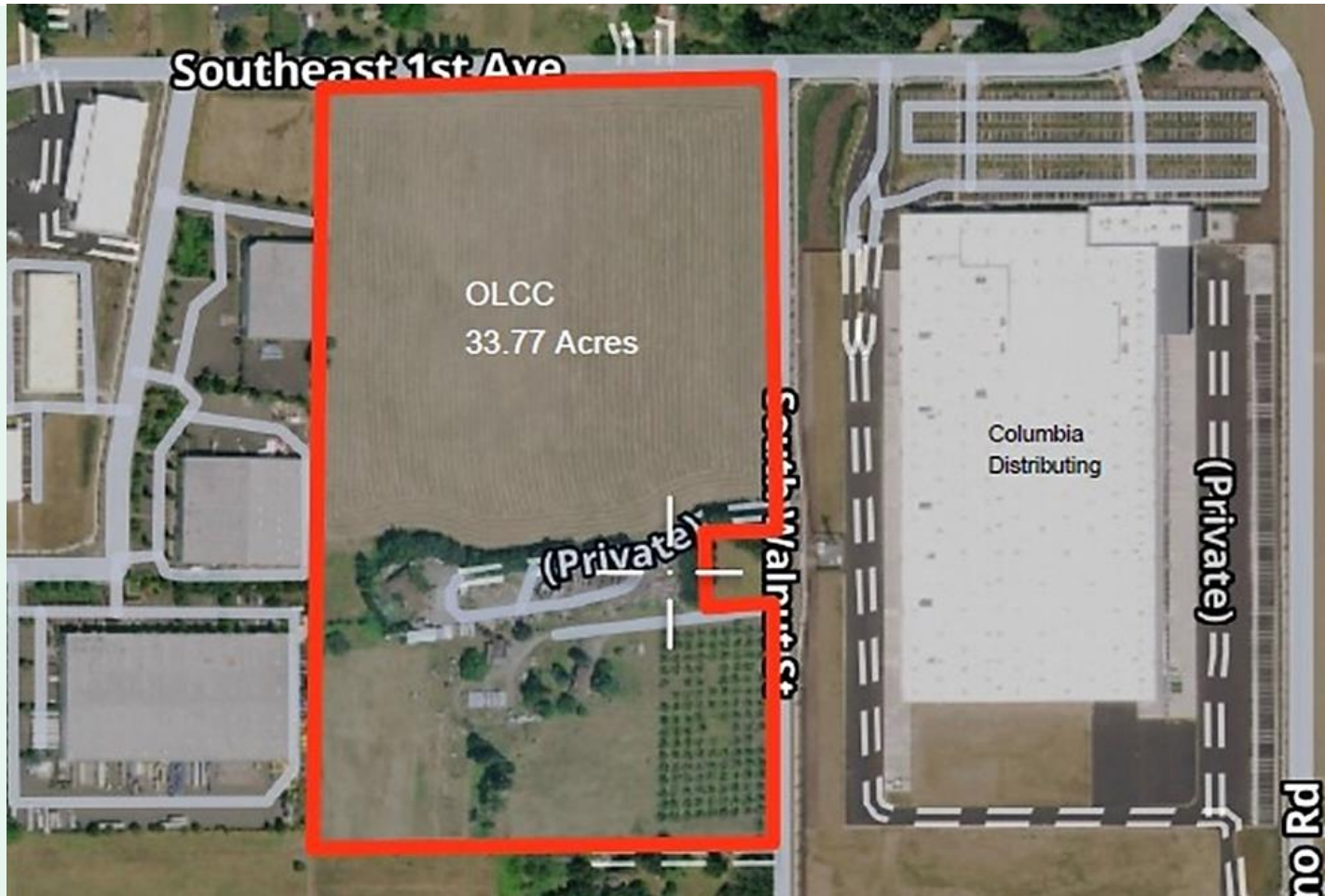
EXISTING MILPORT WAREHOUSE – PROPERTY VALUATION

- 3.97 acres overall (~107,000 sq. feet of warehouse space)
 - Estimated Milport Warehouse value, approximately \$10 M

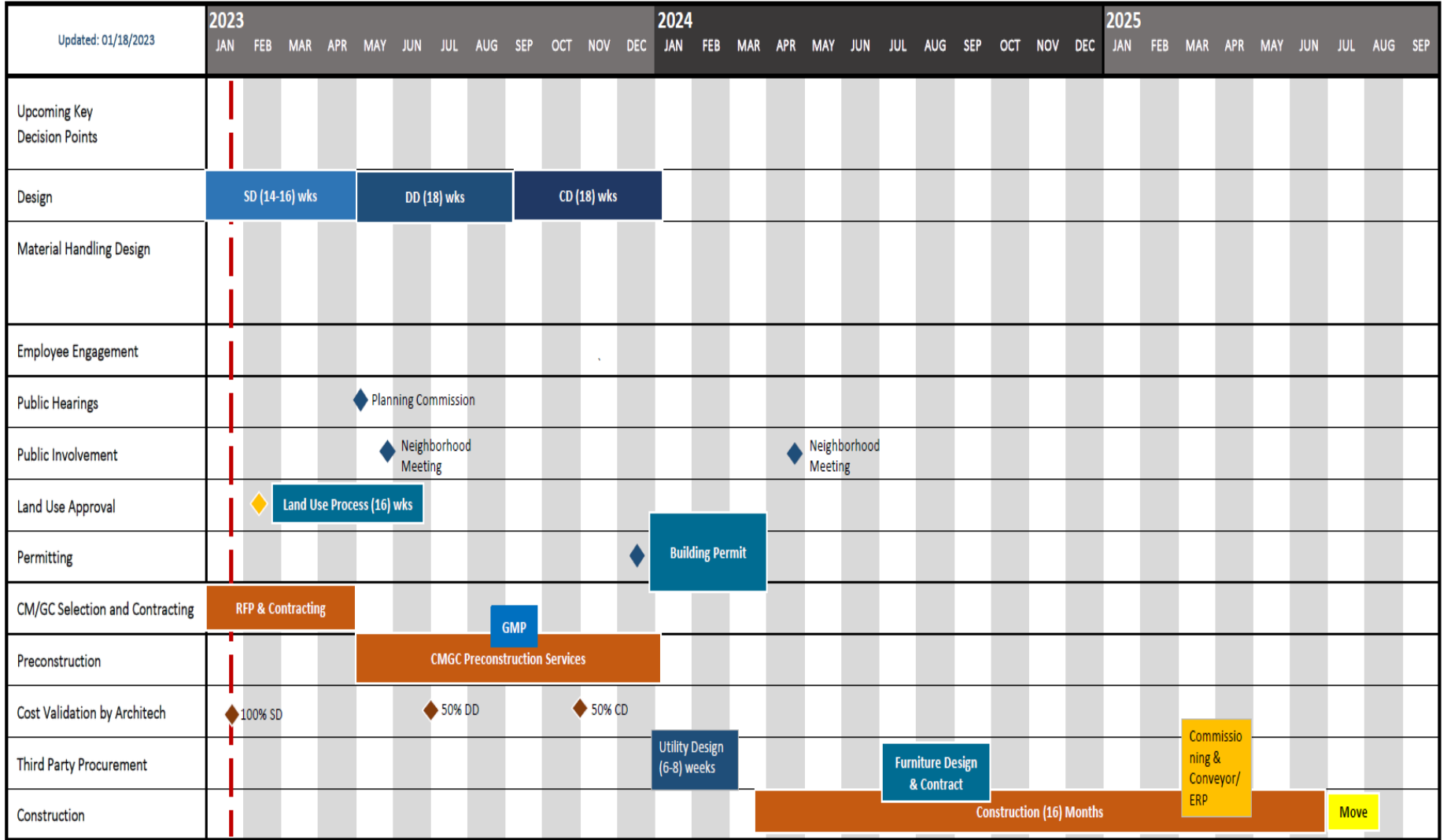
EXISTING HQ/WAREHOUSE & MILPORT WAREHOUSE – PROPERTY SALE ESTIMATES

- HQ/Warehouse estimated value: \$19 M
 - Milport Warehouse estimated value: \$10 M
 - Estimated sale commission costs (2-4%): \$(1)M
 - Net Estimated Sale Proceeds: **\$28 M***
- *Note: Other sale concessions could also impact the estimated sale proceeds (e.g. necessary repairs, etc.). This estimate could also change over time due to changing market conditions or other unforeseen factors.

NEW HQ/WAREHOUSE PROPERTY PURCHASED IN CANBY



NEW WAREHOUSE/HQ TIMELINE



NEW WAREHOUSE/HQ, CONVEYOR, IT PROJECT CONT.'D

- Estimated project cost: **\$172.5 M**
 - Warehouse/HQ (including land): \$130.5 M
 - Warehouse Management IT System*: \$ 27 M
 - Conveyor: \$15 M
- Estimated move-in date of 2025 (*tentative*)
 - Land purchased in Canby for \$40.5 M in July 2022
 - 33.77 Acres Overall (~400,000 sq. feet of warehouse space and ~35,000 sq. feet of office space)
 - ~73% larger warehouse space and ~17% smaller office space than current Milwaukie properties.
- Interim Operations Planning Items
 - Maintaining warehouse operations during move
 - Minimizing disruption to licensees, protecting financial & other agency data, etc.
- *Note: Warehouse Management IT System going through Stage Gate Process.

BUDGET NOTE #2: INVENTORY EXISTING & ANTICIPATED MARIJUANA REGULATORY EFFORTS

The Oregon Liquor Control Commission is directed to inventory existing and anticipated regulatory efforts and services involving recreational and medical marijuana licensees that are delivered cooperatively through other state agencies, but receive or request marijuana licensing revenue to fund costs. These efforts may include (but may not necessarily be limited to) agricultural and crop related policy development, pesticide labeling and investigation, lab testing of licensee products performed by state regulatory entities, enforcement activities, and public health-related issues. As part of its evaluation, the OLCC is expected to develop narrow criteria for what activities in other agencies have a direct correlation to cannabis licensees, and for which financial support may be sought.

OLCC will report to the Joint Committee on Ways and Means prior to the conclusion of the 2021-23 biennium describing the following:



BUDGET NOTE #2: INVENTORY EXISTING & ANTICIPATED MARIJUANA REGULATORY EFFORTS, CONT'D.

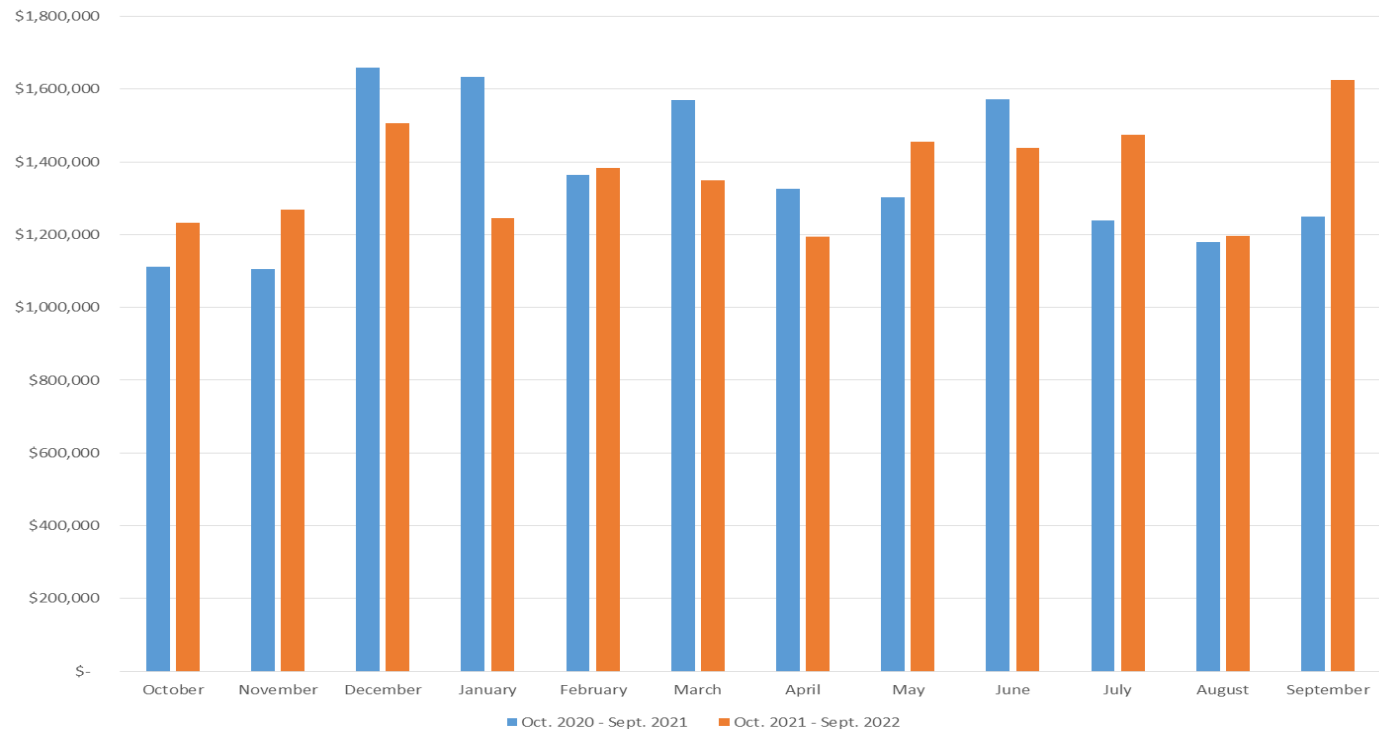
- All existing cross agency partnerships that are currently supported by OLCC marijuana licensee revenue, including the amount supported by licensees and recipient agency contributions to those efforts;
- Requested but as yet unfunded cross-agency initiatives to date (including contributions to those efforts by affected agency parties);
- The extent to which OLCC believes it would be helpful to designate some amount of licensee fees for such efforts;
- Options for identifying, with the assistance of licensee stakeholders, transparent funding mechanisms for existing and potentially future efforts, including suggested amounts; and
- Suggested criteria for inclusion of such activities in future agency budget requests.

The Joint Committee on Ways and Means recommends that the OLCC biennially review intergovernmental agreements with agencies and entities with which it transfers revenue or contracts for services supported by marijuana revenue, evaluate the extent to which those arrangements require ongoing support, and include this information in OLCC's budget request document.



MARIJUANA LICENSE FEES BIENNIAL REVENUES: \$32.3 MILLION PROJECTED IN 2023-25

Recreational Marijuana Revenue From License Fees



License counts as of June 30th of fiscal year	Active Marijuana Licenses	Active Marijuana worker Permits
2017	1,303	14,045
2018	1,933	30,530
2019	2,194	45,486
2020	2,259	57,352
2021	2,625	67,737
2022	2,797	63,604

OAR 845-025-1060 and OAR 845-025-1070



EXISTING & REQUESTED CROSS AGENCY PARTNERSHIPS THAT ARE CURRENTLY SUPPORTED BY OLCC MARIJUANA LICENSEE REVENUE

Regulatory efforts/services	Existing, Requested, or Both	2021-23 LAB	2023-25 CSL	2023-25 ARB	Not in 2023-25 ARB	Notes
Dept. of Agriculture - Pesticide Regulation	Existing	\$ 487,897			\$555,531	Not requested by OLCC at 2023-25 Agency Request since the funding transfer for these ODA positions were noted for the 2021-23 biennium only in OLCC's Legislatively Adopted Budget.
Dept. of Agriculture - Cannabis Policy Coordinator	Both Existing & Requested	\$ 305,175	\$ 317,992			
Dept. of Agriculture - Lab funding (OLCC legislative concept, POP 418 revenue transfer from OLCC to Ag.)	Requested			\$ 2,281,689		
2021 Hemp Crop Field Testing w/ODA in Jackson/Josephine Counties	Existing	N/A	N/A	N/A	N/A	Inter-agency partnership, but no monetary exchange occurred between OLCC and ODA.
Other Funds Total - Expenses		\$ 793,072	\$ 317,992	\$ 2,281,689	\$555,531	
OHA - Reimbursable Metrc contract	Both Existing & Requested	\$ 434,000	\$ 528,000			OLCC incurs expenses that are then reimbursed by OHA.
Other Funds Total - Revenues		\$ 434,000	\$ 528,000	\$ -	\$ -	



DESIGNATION OF MARIJUANA LICENSE FEES

- OLCC would not recommend designating marijuana license fees.
- OLCC would recommend developing and/or evaluating metrics to help provide data driven decision-making.



TRANSPARENT FUNDING MECHANISMS

- *OLCC collaborates with licensee stakeholders to glean information in many ways, we conduct formal rule advisory committee meetings, we hold a standing marijuana advisory group and we have conducted licensee surveys for additional stakeholder feedback on concepts/ issues.*
- *OLCC is required to collect licensing fees to administer the marijuana program, we have heard from many licensees and other groups over the past 5 years that additional oversight is needed for laboratory testing. Many licensees feel there are some businesses and possibly labs gaming the system, which in turn may hurt their brands and their ability to effectively market their products.*
- *Licensees and OLCC alike believe that using marijuana licensing fees to assist in funding a state reference lab would help to provide additional oversight.*



SUGGESTED CRITERIA FOR FUTURE BUDGET REQUESTS

- *As the legalized cannabis market in Oregon matures, regulating agencies face new obstacles that require collaboration, and possibly monetary resources. Because the OLCC marijuana funds are based on license fees it is important the funds support marijuana businesses, but also support consumer and public safety.*
- Suggested Criteria
 - Does budget request align with OLCC vision/mission/values?
 - Does budget request align with OLCC mission?
 - Does budget request align with OLCC values?
 - How will results be measured?
 - Utilize metrics/data to evaluate future budget requests and provide data driven decision-making.



Questions?

