

# 2006 PUBLIC LANDS ADVISORY COMMITTEE REPORT

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## 1. EXECUTIVE SUMMARY

The Legislature and Governor both initiated inquiries into how much land was owned by the State, and how much might be surplus and available for disposal, and asked DAS to investigate. This report summarizes the results of our investigation.

The State of Oregon owns and manages approximately 1.9 million acres of land, as well as 800,000 acres of submerged and submersible land underlying state navigable waterways and the Territorial Sea. Nineteen agencies have statutory authority to own land, and there are 14 separate statutes pertaining to State land sales.

State policy requires that:

*The State of Oregon will hold in state ownership no more real property than is necessary to conduct official business, with allowance for reasonable foreseeable demand of the future.*

### Background

More than two years ago, this process commenced with an assumption that the State of Oregon owned large amounts of excess or surplus land which, if sold, could provide revenue to the General Fund. That assumption has not been shown to be correct. There is in fact no 'surplus' land currently identified which would result in revenue that would go back to the general fund. When State owned land is sold, it generates revenues that go, for the most part, to specified statutory funds, or back to the original provider of funds.

It was at the suggestion of the Legislative Assembly as well as DAS Executive Staff to engage the Public Lands Advisory Board in an investigation to discover how much land is owned by the state and how much of that land is surplus. A review process was initiated by asking the major land-owning agencies to respond to a series of questions to attempt to discover the land management practices, land sale practices and processes for determining what lands are declared as surplus

### Discoveries

The majority of all State land is owned by six (6) agencies.

Department of State Lands - 770,000 acres (not including their underwater acreage).

Department of Forestry - 658,000 acres.

Department of Transportation – 167,380 acres (not including the right of way for I-5 and I-84).

Department of Fish & Wildlife - 150,000 acres.

Department of Parks & Recreation and State Fair and Expo - 96,000 acres.

Oregon University System - 51,000 acres.

The remaining 14 agencies, including DAS, control about 9,500 acres.

- The State of Oregon has a large and diverse inventory of state-owned lands supporting a wide variety of state provided programs and services and managed by Agencies with very different and specific missions.
- Current law is not a particular problem. While there are 14 different statutes pertaining to State land sales, they don't prevent or hinder State land sales. A long term goal, however, would be to harmonize those statutes.

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- There can be improvements in the process of identifying surplus parcels, the land sales process and methodology itself, dealing with lower value lands, uneconomic lands, and more.
- There are small and large fixes. These are, for the most part, not in statute or rule, but in procedure within the various agencies.
- In the future there will be increased pressure on all land owning agencies to evaluate land assets and to dispose of property that is not needed.
- State land sales have resulted in a large number of parcels, both large and small, being returned to private ownership and thus to the property tax rolls. There has been slow but steady progress, which is having a positive impact on County revenues.

### Recommendations – Land Management Practices

- **Training.** Implementation of employee training opportunities in property and real estate management; membership in professional organizations and certification of land managers, e.g SRWA, CPM, CCIM, MAI, or other, especially for larger land owning agencies and those with active land transactions departments.<sup>i</sup> Further, experienced property management professionals in each agency should be encouraged to share their knowledge and experience with other agencies, possibly through the Statewide Land Managers forum.
- **Identify unused portions of ‘in-use’ property.** Implementation of a standardized land unit system may also assist in identifying smaller portions within large ‘in use’ tracts that may be available for disposition. An example of this is when an agency has a 40 or 100 acre tract, but only occupies and uses 10 or 20 percent of the parcel. All of it is called ‘in use’, but in actuality a large percentage might be disposable. What can assist agencies in identifying and targeting those parcels?<sup>ii</sup>
- **Biennial query of underutilized parcels.** Identify those parcels held for future use or other underutilized parcels thru the State Land Inventory database (SLI). By regularly and consistently requesting info from agencies on their ongoing plans for such parcels, during the biennial reporting process to the Public Lands Advisory Committee, agencies can be encouraged to look at their own intentions, and suggestions can be made for possible interim uses. An example of an interim use would be leasing unused property to a private entity or another agency.
- **Generate revenue from underutilized parcels.** The individual agency may qualify to earn revenue off the parcel by leasing it out to a lessee or tenant. Leasing out State owned land puts it back into the tax base. It also gets an oversight function on the land, and reduces trespass, as well as reducing staff administrative costs for land management. This example was demonstrated by DoC in the two parcels held for future prisons in White City and Junction City..<sup>iii</sup>

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### Recommendations – Land Sales

- **Sales of low value parcels.** Through the State Land Inventory database (SLI) and in cooperation with the agencies, develop a method to identify those parcels that are, for whatever reason, too expensive to sell or have no economic market, for which non-traditional buyers might be sought. Examples of an interested party might be: a trust such as the McKenzie Trust, Nature Conservancy, Trust for Public Lands, etc., or a quasi-public body.
- **Using outside brokers to market a parcel.** Establish a point at which an Agency can and should use the services of a professional real estate broker to handle their real estate issues. Just as a point of note, the State of Colorado requires all state agencies when leasing or purchasing, with limited exceptions, to utilize contracted real estate brokerage services in nine Colorado counties, including the seven-county Denver area. See details in CRS 24-30-1303 or web site: [www.colorado.gov/dpa/dfp/sbrep/rephome](http://www.colorado.gov/dpa/dfp/sbrep/rephome). The contracted brokers are Grubb & Ellis, and the Staubach Company.

### Recommendations – Process

- **Revive the Statewide Land Managers meetings and hold regular meetings:** Many of these recommendations can be addressed in that forum and can be coordinated with all land-owning agencies. This group has a very different orientation from the Central Facilities Planning Committee, although most agencies, due to small size, combine both land and facilities functions in one person. This is where ideas can be exchanged; ‘thinking outside the box’ can be encouraged, etc., and does not require legislative action.
- **Streamline the process of identifying and valuing low value parcels.** Look at identifying ways to quickly and effectively valuing and processing ‘slivers’ of land – those parcels which, by themselves, are not a legal lot size, or are inaccessible, or landlocked, or have other features giving them little or no market value. We want to reduce the administrative and staff costs of identifying and valuing these parcels, and get them off the books at the lowest cost to the agency. This may mean modifying agency rules and even statutes and may be an agency by agency issue. What professional real estate methodologies might apply here?
- **Establishing a value.** Establishing a value on small, low value parcels has always been an issue. It’s very difficult to justify spending an appraiser’s fee to establish value on a low value parcel. The costs of the sale often exceed the return and don’t make a good business case. Investigate statutory change to allow using County Assessor’s values instead, or a broker’s opinion of value, to meet requirements of ORS 270.100(1)(c). County Assessors don’t often put assessed values on public lands. If they did, agencies could use those values to expedite the sale of small parcels.
- **Sales on the internet.** Investigate the feasibility of using the DAS Surplus Property methodology, which uses EBay to market and sell small (value \$500 - \$1,500) items.
- **Update the definitions for lands – surplus, in use, & in reserve** to accommodate better reporting of lands to DAS for the Statewide Lands Inventory database (SLI), and thereby more rapidly zero in on disposable parcels. Utilize the reconvened Statewide Land Managers

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forum to develop this discussion – it impacts on their internal definitions as well as the DAS definitions in OAR 125-045-0205, which we use for the SLI program.

- **Standardize data reporting by Agencies.** Revise the data reporting structure for all agencies. Initiate this discussion within the Statewide Lands Managers forum.
- **Define a standardized land unit compatible with GEO standards.** Revise the land unit used by agencies to report the parcels that they own. Initiate this discussion within the Statewide Lands Managers forum.
- **Sales agent / trainer resource to agencies.** Investigate ways to assist smaller agencies to sell surplus parcels (Silverton example<sup>iv</sup>) or a team approach to build efficiencies and pass on what has been learned from one agency to another.
- **Transaction fee for administration of outside inquiries.** Investigate the feasibility of charging an administrative or transaction fee when an outside party asks an agency if a parcel is available for sale to recover part of the administrative costs of going through the evaluation process. An agency can spend up to 100 hours processing an inquiry to determine if the land is salable and needs assurance of the serious intention of the buyer. What would be reasonable? In what circumstances would it apply? Initiate this discussion within the Statewide Land Managers forum. There is nothing in OAR 125-045 that prevents this. Naturally, once negotiations have commenced to the point of a contract, an earnest money deposit can be considered as part of the deal. However, that is not the same as getting money up front to cover a portion of the in-house processing costs, and to ‘pre-qualify’ the client.
- **Time limit for Agency or Political Subdivision purchase decision.** ORS 270.100 gives agencies and political subdivisions the first opportunity to acquire State land being sold. A time limit is being recommended (as practiced in the private sector) for the interested party to begin realistic negotiations, make an earnest money offer or step aside. Currently, land sits idle while public entities with tepid, indecisive interest stall the land sale process for years in many cases.

### In the future

- The Public Lands Advisory Committee will continue
  - Working with agencies to track surplus lands and report findings and recommendations to the legislature.
- The Department of Administrative Services, Facilities Division will continue to:
  - Update the data in the Statewide Land Inventory database.
  - Manage the Surplus Land Clearing House function.
  - Coordinate the preparation of long-range plans.
  - Provide recommendations and information to elected leaders on issues of state government.

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### Short Term Objectives:

- Create an accurate, “user friendly” statewide inventory, managed by DAS, that is in accordance with state statute (ORS 270.180) that is an effective resource for analysis and responding to questions from the public.
- Add the following data fields to existing database:
  - Use (ie. farm, urban, forest, park, etc)
  - Value (\$)
  - Within Urban Growth Boundary (Y/N)
  - Location (common identifier)

### Long Term Objectives

- Combine the Statewide Land Inventory database with the Statewide Facilities database.
- Partner with State Data Center or host agency to move data onto a server that will allow linkages to a GIS platform.

The data in this report will improve over the next few biennia as the State learns to refine and make use of this management tool. This first report cannot answer all questions, but it will serve as a benchmark against future planning and decisions.

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### Footnotes:

<sup>i</sup> **Training.** In years past, both ODOT and DAS encouraged and paid for membership and training in various organizations. ODOT specifically encouraged membership in IRWA, and ODOT Right of Way Agents were active in training and leadership in the Portland chapter of IRWA. At DAS, Real Estate Section personnel were members of BOMA, took classes with IREM, and developed biennial training schedules toward real estate education.

<sup>ii</sup> **Use of a small section of 'in-use' land.** DAS, the Burns Paiute Indian Tribe, Lottery, and OYA have been working for the past year to determine the feasibility of transferring ownership of the Burns Warm Site and Archival Center (Burns Site) to the Tribe. The Burns Site is located on the 35 acre OYA Eastern Oregon Youth Corrections land. The four acre Burns Site sits in the southwest corner and is leased by DAS and Lottery from OYA. OYA has determined that operation of the Burns Site by the Tribe would not conflict with their mission, and in particular not conflict with their need for adequate barrier, so long as the legal description of the site is drawn away from the OYA intake entrance, and that a separate access road is built and used for future access to the Burns Site. DAS, Lottery and OYA are now negotiating a lease and sale to the Tribe.

**Use of a small section of 'in-use' land.** DOC has reviewed its needs for the Turner-Eastland Triangle adjacent to their Mill Creek Correctional Institute property in Salem through the Area Plan process, and has been able to determine that this small parcel is no longer needed or useful to the DOC mission. The parcel is physically isolated from the prison itself by Mill Creek. The parcel abuts an existing commercial-light industrial area, and the adjacent owner has offered to buy it to expand his business and add more employees.

While the initial contact was made by the business owner, the Area Plan review process was instrumental in providing the appropriate methodology for handling the review of this sensitive site. This allowed for review by both CPAB and PLAC.

**Long term large scale land development project.** Sale of the Mill Creek Industrial Park lands (formerly part of the DOC Salem area prisons complex) by DAS will have an immediate impact on jobs and revenue, and in the longer term, property taxes, for the Salem and Marion County areas.

<sup>iii</sup> **Lease opportunities.** A group of interested farmers have proposed a creative use of land at the Mill Creek Correctional Institute in Salem. The group intends to lease the wetland area south and west of the prison for this project. The land is not good farmland, and is within the Mill Creek flood way and floodplain. Their plan will have an immediate impact on opportunities for prisoner training in a new skills area, restoration of wetlands and wetlands retention, and maintenance of the existing buffer around the prison. Another benefit is that anytime State land is leased back to the private sector, it goes back onto the property tax rolls of the county.

<sup>iv</sup> **Contract Real Estate Services.** DAS Facilities, Real Estate Services section is often contracted by other agencies to handle specific real estate needs. One example is the Silverton facility, picked up by OECDD when the borrower defaulted on an OECDD loan. That agency then turned to DAS to market, negotiate and sell the property.