



## Oregon Department of Administrative Services

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# News Release

For Immediate Release

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## State signs pact to develop Mill Creek property in Salem

Capstone Partners will serve as 'master developer' for first phase of 650-acre business park

Salem, Oregon—The state of Oregon has concluded an agreement with Capstone Partners LLC, who will serve as “master developer” for the first phase of Salem’s Mill Creek Corporate Center, the Oregon Department of Administrative Services (DAS) announced Thursday.

“This agreement is a milestone in our ongoing effort to make the best possible use of a large parcel of land, both for the citizens of Oregon and the people of Salem,” said DAS Director Scott Harra. “Our goal is to create jobs and prosperity through smart growth and a development that all Oregonians can be proud of. I’m confident that Capstone, with its strong record of success, can help us achieve that goal.”

The state’s agreement with Capstone—called a “disposition and development agreement” (DDA)—covers the future development of 180 acres of the property. After the first 42-acre acquisition, Capstone will develop the remaining property as the real estate market allows.

“We’re very excited to have reached this significant landmark with our partners at the state and the city of Salem,” said Jeff Sackett, a principal with Capstone Partners. “We’re very bullish on the opportunities for Mill Creek Corporate Center, not just for the city of Salem but for the I-5 corridor and the entire region.”

Capstone Partners plans to begin building 600,000 square feet of buildings in the summer of 2009 toward creation of a high-quality business park, investing as much as \$50 million. The company will also build \$5 million-worth of new streets and other infrastructure. Capstone expects tenants to begin occupying space in 2010.

Salem Mayor Janet Taylor expressed her support of the agreement. “After many months of hard negotiations, we are pleased the DDA is signed and that the master developer for the Mill Creek Corporate Center is in place,” Mayor Taylor said. “Capstone Partners brings a highly experienced development team and will be making a significant investment in the site in the coming years. We welcome Capstone to Salem and the prospect of bringing new family wage jobs to our community.”

The project is a joint effort by DAS and the city of Salem to convert the property from farmland (formerly run by the state Department of Corrections) into industrial and commercial uses. The Mill Creek Corporate Center is in southeast Salem, east of Kuebler Boulevard., between Hwy 22 and Turner Road.

The legislature, the Department of Corrections and DAS began looking at strategies for disposing of the Mill Creek property in 1998. At that time, the “public health” zoning allowed siting for prisons and farming. The city of Salem later rezoned the property as an “employment zone” with an “urban renewal designation.”

In 2003, the legislature approved the current strategy for development. After Capstone Partners emerged as the winner of a competitive bid process in 2007, the state negotiated with the company to conclude the details of the disposition and development agreement, which makes Capstone the “master developer.” In January of this year, DAS sold an eight-acre parcel of the property to Jones Development of Kansas City, which built a 50,000-square-foot facility for FedEx Ground, who moved into the facility and started operating this week.

Capstone Partners has an option on 47 acres of “shovel-ready” land along Aumsville Highway in another phase of the Mill Creek project. The company foresees beginning the final 167-acre phase on the eastern side of Mill Creek Corporate Center in 10 to 20 years.

Capstone has retained the Portland office of Colliers International as its brokers, who in turn has partnered with the Salem office of Coldwell Banker Commercial Mountain West Real Estate to market the project. It will offer business park/flex space, manufacturing, and large logistics space, in addition to smaller retail/service buildings and retail pads. Their marketing plan includes the ability to both lease or sell buildings, as well as to sell land to owner-users, all of which will be offered to local, regional, and international users.

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