



Oregon

Kate Brown, Governor

Liquor and Cannabis Commission

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DATE: May 5, 2022

TO: Oregon Capital Projects Advisory Board (CPAB)

FROM: Jeff Samuels *JAS*
Administrative Services Division Director
Oregon Liquor & Cannabis Commission

SUBJECT: OLCC Cover Memo for CPAB

During the 2021-2023 biennium, the Oregon Liquor and Cannabis Commission (OLCC or Agency) has accomplished the following facility stewardship and planning projects:

- General maintenance and minor repairs
- Upgrades to the fire and security system at Milport Warehouse with cellular backup
- Partial flooring replacement
- McLoughlin Warehouse roof leak repair
- Emergency sewer repair at Headquarters totaling approximately \$200k

During the 2021-2023 biennium, OLCC experienced COVID 19 pandemic related impacts to our facilities. Maintenance operations included measures to protect staff, such as increased air filtration and cleaning measures. Additionally, staffing levels changed with the workforce moving towards a hybrid model of working remotely and in the office. This hybrid workforce model has shown to be effective and OLCC facilities will have the potential for more shared drop-in work areas and less square footage requirements per employee.

The OLCC's 2023-2025 facilities plan, otherwise known as our Capital Improvements Program, will accomplish anticipated facility maintenance and repair needs through a budget request for limitation and spending authority of \$539,000. By preparing for these potential facility maintenance and repair needs the Agency will address any risks to business operations should failures in systems occur during the biennium. The plan is designed to keep the current Warehouses and Headquarters buildings operational during the 2023-2025 biennium maintaining business continuity and ready for sale prior to the end of FY 2026. These buildings are aging, with the McLoughlin Warehouse and Headquarters building being 68 years old and the nearby Milport Warehouse is 45 years old. Facility maintenance, repair and the conditions of the buildings impact the OLCC's ability to generate revenue and protect the safety and security of the distilled liquor inventory. OLCC anticipates the following risks to business operations in the 2023-2025 biennium should failures occur or these potential repairs be required:

- Repair of Fire Post Indicator Valve (PIV)

- Roof leak repair as needed
- Warehouse apron, heater and awning replacement
- Plumbing repair in McLoughlin steam tunnels
- Boiler linkage repair
- Electrical failure repair

The OLCC focuses on producing and growing a stable revenue source for the benefit of public programs throughout the state of Oregon. Its stewardship of liquor sales and the collection of beer and wine privilege taxes are optimized to protect the long-term stability of this significant revenue stream for the state General Fund, cities and counties.

OLCC would like to provide an update on the major construction/acquisition project previously reported to CPAB, regarding the relocation and build of a new warehouse, conveyor system and headquarters building. OLCC has received funding for this project through Article XI-Q General Obligation Bonds (Article XI-Q of the Oregon Constitution and Oregon Revised Statutes Chapter 286A) during the June 2021 Legislative session for \$62.5 million. Limited site availability and escalating property and materials costs required OLCC to seek additional funds. During the February 2022 Legislative session OLCC received increased funding and spending authority totaling \$145.5 million for the project.

OLCC is currently requesting to solicit a Construction Manager as a General Contractor (CM/GC) to build the new facilities. The Agency has contracted professional services through the state's master agreements including a Construction Project Management Company, Inici, as well as an architectural firm, LRS Architects. Also included in this project is the purchase and installation of a new conveyor system for use in the new warehouse, which will be a subcontractor of the general contractor. The selected parcel of land is 33.77 acres located in Canby. The proposed build would include a warehouse of approximately 400,000 sq. ft. and an approximately 30,000 sq. ft. headquarters office building. Without relocation, the physical space constraints of the current distribution warehouses will impede the OLCC's ability to meet anticipated spirits demand. The 10-year projected liquor sales revenue at risk is \$1.5 billion, \$132.1 million of which is at risk during the current biennium. The warehouse management team is currently taking action to mitigate and eliminate this risk in the near term, however this is not sustainable long term.

The investment in a new facility will allow the OLCC to capture revenue that's currently at risk and continue growing for at least 30 years. Construction of the new facility is expected to take around 18 months from groundbreaking to being fully operational. In the interim, distribution center management will take steps to mitigate the impact of storage capacity limitations and aim to meet demand, therefore attempting to avoid loss of revenue. Given the amount of revenue at risk over the next decade this investment will pay for itself in a relatively short period of time. Following completion of the new facility, the entire project is estimated to pay for itself in approximately 18 months purely from capturing the revenue at risk during that time frame.

jas:jas



Oregon Liquor and Cannabis Commission

2023-25 Agency Facility Plan

Capital Projects Advisory Board

May 13, 2022

Agency Overview



- **Mission**

- The mission of the Oregon Liquor & Cannabis Commission (OLCC) is to support businesses, public safety, and community livability through education and the enforcement of liquor and marijuana laws

- **Business Needs**

- Receive, warehouse and ship over 7.9 million cases of distilled spirits to 282 liquor stores in the state annually
- Administration and regulation of Oregon alcohol and marijuana programs
 - Licensing of businesses that produce, sell and serve alcohol
 - Licensing of business that produce, process and sell marijuana
 - Public safety enforcement of state alcohol and marijuana laws



Agency Overview (Con't)

- **Portfolio Size (Facilities/Replacement Value)**
 - McLoughlin Warehouse and HQ Office - 176,470 square feet
 - 68 years old
 - Replacement Value - \$39,054,882
 - Milport Warehouse - 107,244 square feet
 - 45 years old
 - Replacement Value - \$23,724,309
- **Funding Type**
 - Other Funds (Liquor)
 - XIQ Bonds for New Construction

OLCC Headquarters & Distribution Center



OLCC Headquarters – McLoughlin Blvd.



Main Warehouse – McLoughlin Blvd.



Milport Warehouse

Planning Factors



- **Current/Future Demand**

- Currently warehousing and shipping 330,000 cases of liquor per month
- Demand for liquor is forecast to grow 4% per year over the next ten years
- OLCC staff has doubled over the last ten years and continues to grow at a rate of about 5% per biennium

- **Emergent Issues**

- Increasing demand for distilled spirits
- Increasing pressure on agency to expand regulatory mission



Planning Factors (Con't)

- **Business Trends**

- Businesses that support both alcohol and marijuana continue to grow within the state
- Demand for Oregon based distilled spirits continues to grow
- OLCC continues to take on additional responsibilities such as the tracking of medical marijuana production and hemp regulation

- **Strategic Opportunities**

- Current project to build a larger warehouse, along with HQ office
 - Provides continued growth and profitability of OLCC for at least 30 years

Facility Strategies



- **Master Plan Concepts**

- Maintain existing facility for continued service and sale within the next three years
- Relocate and build additional warehouse capacity to mitigate capacity issues and transportation congestion issues at current Distribution Center
- Look for opportunities to expand office lease space in the Portland Metro area for Regulatory and Licensing Divisions

- **Demand Management**

- Continue to meet the demand for Distilled Spirits in the state
- Accommodate future growth of agency staff while accommodating the hybrid work model

- **Program Delivery Changes**

- Flexibility to accommodate legislative additions to the agency mission



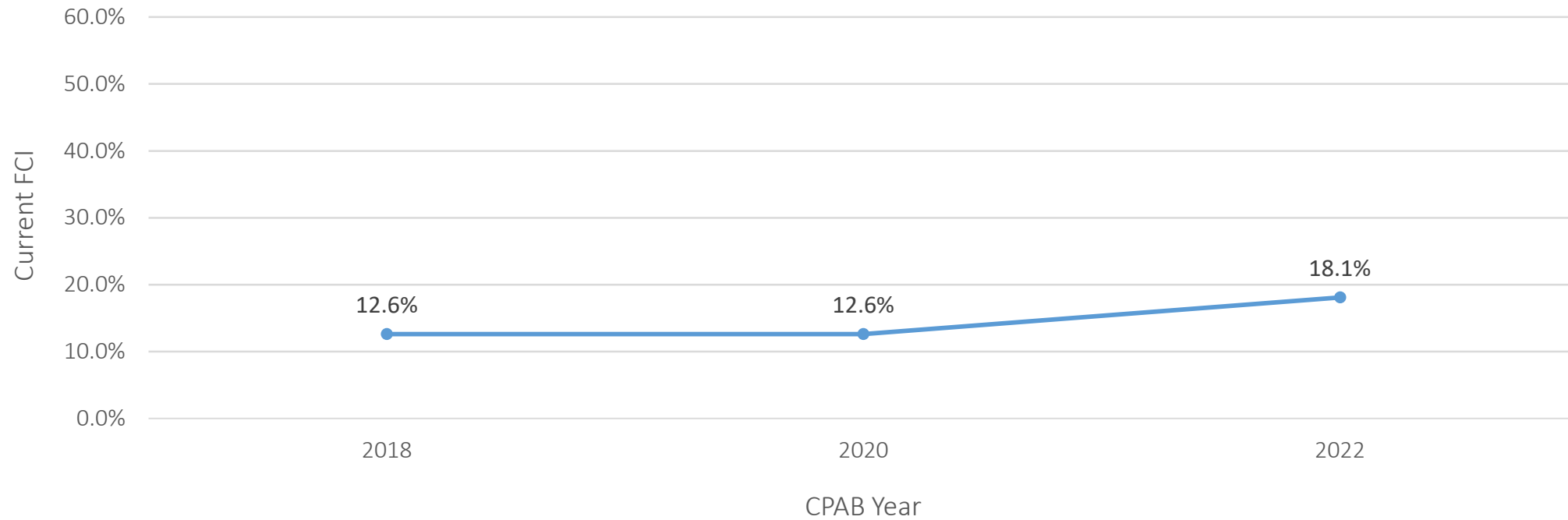
Facility Strategies (Con't)

- **Policy Implementation**
 - Governor's EO 17-20
 - Recent Legislative Action to increase agency mission
 - (e.g. Medical Marijuana Tracking and Hemp)
- **Risk/Climate Change Mitigation**
 - New construction implementing carbon neutral strategies and other sustainability measures
 - Agency fleet is looking to replace older vehicles with lower emission and electric vehicles – installation of electric charging stations

Facility Condition



Portfolio Facility Condition Index (FCI)



Facility Plan Summary



AGENCY PLAN SUMMARY	DM/LIFE SAFETY (PRIORITY 1)	CAPITAL RENEWAL (PRIORITY 2)	CAPITAL RENEWAL (PRIORITY 3)	SEISMIC/RISK (PRIORITY 4)	MODERNIZATION (NET PRIORITY 5)	TOTAL
DM/CR	\$539,000	\$0	\$0	\$0	\$0	\$539,000
Resilience/Risk	\$0	\$0	\$0	\$0	\$0	\$0
Modernization	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$539,000	\$0	\$0	\$0	\$0	\$539,000

Project Update



- **Legislatively Approved – XIQ Bonds**
 - \$145.5 Million
- **Purchase of land and new build**
 - 33.77 Acres
 - 400,000 sqft. Warehouse
 - Includes conveyor system
 - 30,000 sqft. Headquarters
- **Increased Capacity/Revenue**
 - 10-year projected liquor sales gross revenue is \$1.5 billion
 - Project pays for itself in less 2 years based solely on revenue at risk



Site: 33.77 Acres in Canby, corner of SE 1st Ave. & S. Walnut Rd

Agency Name Oregon Liquor and Cannabis Commission

Current Maintenance Priority 5¹ for Owned Assets Over \$1M CRV

iPlan Data (Incl Soft Costs)						Agency Input				
Campus	Building ID	Building Name	Construction Year ²	Gross Square Footage	Current (Calculated) Replacement Value ³	Modernization Estimate	Notes/Description	2021-23 LAB Approved	2023-25 Requested Budget	Remaining Need (Estimated) = Columns G-I-J
A	B	C	D	E	F	G	H	I	J	K
OLCC Group	5538	McLoughlin warehouse and office	1954	176,470	\$39,054,882	\$0		\$0	\$0	\$0
OLCC Group	5539	Milport Warehouse	1974	107,244	\$23,724,309	\$0		\$0	\$0	\$0
Subtotal Over \$1M CRV				283,714	\$62,779,191	\$0		\$0	\$0	\$0

Definitions

Priority Five: Modernization	1	From the Budget Instructions: Priority Five projects are alterations or replacement of facilities solely to implement new or higher standards to accommodate new functions, significantly improve existing functionality as well as replacement of building components that typically last more than 50 years (such as the building structure or foundations). These standards include system and aesthetic upgrades which represent sensible improvements to the existing condition. These projects improve the overall usability and reduce long-term maintenance requirements. Given the significant nature of these projects, the work typically addresses deficiencies that do not conform to current codes, but are 'grandfathered' in their existing condition to the extent feasible.
Construction Year	2	Original Construction Year
Current Replacement Value	3	Current Replacement Value Reported to Risk Management <i>or</i> Calculated Replacement Value Reported from Facility Conditions Assessment (FCA)

Facility Plan - Facilities Planning Narrative 107BF02

2023-25 Biennium

Agency Name **Oregon Liquor and Cannabis Commission**

1. What are the key drivers for your agency's facility needs, and how do you measure space/facility demand?
Construction of legislatively approved new warehouse and headquarters office facility south of Portland to accommodate demand for liquor growth. Maintain current facility and ready property for sale by the end of FY 2026.

2. What are the key facility-related challenges over the next 10-years? (Please answer in order of priority)
Maintain existing facility and keeping it operational through FY 2026. Challenges are: Repair of Fire Post Indicator Valve, roof repair for leaks, warehouse apron replacement, heater replacement, warehouse awning replacement, warehouse wall repair, plumbing repair in steam tunnel, boiler linkage repair, and electrical repair. All these are anticipated in the 2023-25 biennium and needed to maintain operations in 2023-2025.

3. What do you need to meet these challenge? *Increased budget limitation for capital improvement of approximately \$539,000.*

Facility Plan - Facility Summary Report 107BF16a
2023-25 Biennium

Agency Name

Oregon Liquor and Cannabis Commission

Table A: Owned Assets Over \$1M CRV		FY 2022 DATA			
Total Number of Facilities Over \$1M			2		
Current Replacement Value \$ (CRV)	1	\$62,779,191		Source	4 Risk Risk or FCA
Total Gross Square Feet (GSF)		283,714			
Office/Administrative Usable Square Feet (USF)	2	52,730		Estimate/Actual	5 19% % USF/GSF
Occupants Position Count (PC)	3	285		Office/Admin USF/PC	6 185
				or Agency Measure	7

Table B: Owned facilities under \$1M CRV	
Number of Facilities Under \$1M	N/A
CRV	1 N/A
Total Gross Square Feet (GSF)	N/A

Table C: Leased Facilities					
Total Rented SF	8	32,432			
Total 2021-23 Biennial Lease Cost		\$1,561,000			
Additional 2021-23 Costs for Lease Properties (O&M)	9	28128			
Office/Administrative Usable Square Feet (USF)	2	31,918		Estimate/Actual	5 98% % USF/GSF
Occupants Position Count (PC)	3	103		Office/Admin USF/PC	6 310

Definitions

CRV	1	Current Replacement Value Reported to Risk Management or Calculated Replacement Value Reported from iPlan Facility Conditions Assessment (FCA)
USF	2	Usable Square Feet per BOMA definition for office/administrative uses. Area of a floor occupiable by a tenant where personnel or furniture are normally housed plus building amenity areas that are convertible to occupant area and not required by code or for the operations of a building. If not known, estimate the percentage.
Occupant Position Count (PC)	3	Total Legislatively Approved Budget (LAB) Position Count within the buildings or leases as applicable.
Source	4	Enter Source of CRV as "Risk" or "FCA"
Estimate/Actual	5	Use actual USF % of USF to GSF, if available. If not known, estimate the percentage.
Office/Administrative USF/PC	6	Divide your USF by your position count. If office/admin space is a less than 10% of your space use, fill in N/A and fill in #7, "Agency Measure".
Agency Measure	7	If not using USF/PC, insert Agency Measure as defined in 107BF02 question #1.
RSF	8	Rentable SF per BOMA definition. The total usable area plus a pro-rated allocation of the floor and building common areas within a building.
O&M	9	Total Operations and Maintenance Costs for facilities including all maintenance, utilities and janitorial

Agency Name **Oregon Liquor and Cannabis Commission**

**Facilities Operations and Maintenance (O&M) Budget
excluding Capital Improvements and Deferred Maintenance**

	2019-21 Actual	2021-23 LAB	2023-25 Budgeted	2025-27 Budgeted
Personal Services (PS) Operations and Maintenance	\$474,192	\$490,312	\$510,905	\$532,363
Services and Supplies (S&S) Operations and Maintenance	\$1,170,758	\$1,221,101	\$1,272,387	\$1,325,828
Utilities not included in PS and S&S above	\$363,416	\$379,043	\$394,963	\$411,551
Total O&M	\$2,008,366	\$2,090,456	\$2,178,255	\$2,269,742
O&M \$/SF	7.08	7.37	7.68	8.00

Total O&M SF 283,714 Include only the SF for which your agency provides O&M funding.

O&M Estimated Fund Split Percentage %	General Fund	Lottery Fund	Other Funds	Federal Funds
2			100%	

Deferred Maintenance Funding In Current Budget Model

**Total Short and Long Term Deferred Maintenance Plan for
Facilities**

	2023-25 Biennium	Ongoing Budgeted (non POP)	Ongoing Budgeted (non POP)
	Current Costs 2021	Ten Year Projection	2023-25 Budgeted SB 1067 (2% CRV min.)
3			2025-27 Projected SB 1067 (2% CRV min.)
4,5,6	\$11,368,949	\$16,297,649	\$1,255,584
7	\$0	\$0	\$1,255,584
8	\$0	\$0	
9	\$11,368,949	\$16,297,649	
	18.109%	25.960%	16.109%

SB 1067 Guidance Below
If your allocation is <= 2%, replace with your value

(minus DM funding in current budget model)

Assets CRV \$62,779,191 Current Replacement Value Reported to Risk or Calculated Replacement Value Reported from Facility Conditions Assessment (FCA)

Process/Software for routine maintenance (O&M) OLCC uses spreadsheets to track building assests/components, maintenance requests & needs. Provide narrative

Process/Software for deferred maintenance/renewal OLCC uses spreadsheets to track building assests/components, maintenance requests & needs. Provide narrative

Process for funding facilities maintenance Facility maintenance is included as a separate item in the agency requested budget on a biennial basis. Provide narrative

From iPlan FCA

Definitions

Facilities Operations and Maintenance Budget	1	The Facilities Operations and Maintenance budget includes costs to operate and maintain facilities and keep them in repair including utilities, janitorial and maintenance costs. Maintenance costs are categorized as external building (roof, siding, windows, etc.); interior systems (electrical, mechanical, interior walls, doors, etc.); roads and ground (groundskeeper, parking lots, sidewalks, etc.) and centrally operated systems (electrical, mechanical, etc.). Agencies with significant facilities may include support staff if directly associated with facilities maintenance activities. Do not include other overhead costs such as accounting, central government charges, etc.
O&M Estimated Fund Split Percentage %	2	Show the fund split by percentage of fund source allocated to facility O&M for your agency
Total Short and Long Term Maintenance and Deferred Maintenance Plan for Facilities Value Over \$1M	3	All Maintenance excluding routine O&M costs. 23-25 and 25-27 auto-populates with 2% of the sum of your agency portfolio's CRV. Written to deliver on SB 1067: SECTION 9. (1) Each biennium, the Governor shall propose as part of the Governor's recommended budget an amount for deferred maintenance and capital improvements on existing state-owned buildings and infrastructure that is equivalent to at least two percent of the current replacement value of the state-owned buildings and infrastructure.
Priority One: Currently Critical	4	From the Budget Instruction: Priority One projects are conditions that require immediate action in order to address code and accessibility violations that affect life safety. Building envelope issues (roof, sides, windows and doors) that pose immediate safety concerns should be included in this category.
Priority Two: Potentially Critical	5	From the Budget Instruction: Priority Two projects are to be undertaken in the near future to maintain the integrity of the facility and accommodate current agency program requirements. Included are systems that are functioning improperly or at limited capacity, and if not addressed, will cause additional system deterioration and added repair costs. Also included are significant building envelope issues (roof, sides, windows and doors) that, if not addressed, will cause additional system deterioration and added repair costs.
Priority Three: Necessary - Not yet Critical	6	From the Budget Instructions: Priority Three projects could be undertaken in the near to mid-term future to maintain the integrity of a building and to address building systems, building components and site work that have reached or exceeded their useful life based on industry standards, but are still functioning in some capacity. These projects may require attention currently to avoid deterioration, potential downtime and consequently higher costs if corrective action is deferred.
Priority Four: Seismic and Natural Hazard Remediation	7	From the Budget Instructions: Priority Four projects improve seismic performance of buildings constructed prior to 1995 building code changes to protect occupants, minimize building damage and speed recovery after a major earthquake. Projects also include those that mitigate significant flood hazards.
Priority Five: Modernization	8	From the Budget Instructions: Priority Five projects are alterations or replacement of facilities solely to implement new or higher standards to accommodate new functions, significantly improve existing functionality as well as replacement of building components that typically last more than 50 years (such as the building structure or foundations). These standards include system and aesthetic upgrades which represent sensible improvements to the existing condition. These projects improve the overall usability and reduce long-term maintenance requirements. Given the significant nature of these projects, the work typically addresses deficiencies that do not conform to current codes, but are 'grandfathered' in their existing condition to the extent feasible.
Facility Condition Index	9	A calculated measure of facility condition relative to its current replacement value (expressed as a percentage)

Note: Complete a separate form for each project

Agency	Oregon Liquor and Cannabis Commission		Schedule		
Project Name		Cost Estimate	Cost Est. Date	Start Date	Est. Completion
Address /Location		GSF	# Stories	Land Use/Zoning Satisfied	
				Y	N

Funding Source/s: Show the distribution of dollars by funding source for the full project cost.	General Funds	Lottery	Other	Federal

Description of Agency Business/Master Plan and Project Purpose/Problem to be Corrected

Project Scope and Alternates Considered

Project Budget Estimate - Escalate to the mid-point of construction. Use 4.5% Annual Escalation.

DIRECT CONSTRUCTION COSTS	\$	% Project Cost	\$/GSF
1 Building Cost Estimate			
2 Site Cost Estimate (20 Ft beyond building footprint)			
3 TOTAL DIRECT CONSTRUCTION COSTS			

INDIRECT CONSTRUCTION COSTS	\$	% Project Cost	\$/GSF
4 Owner Equipment / Furnishings / Special Systems			
5 Construction Related Permits & Fees			
6 Other Indirect Construction Costs Including 1% Art, 1.5% Renewable Energy and other state requirements			
7 Architectural, Engineering Consultants			
8 Other Design and PM Costs			
9 Relocation/Swing Space Costs			
10 TOTAL SOFT COSTS			

11 **OWNER'S PROJECT CONTINGENCY**

TOTAL PROJECT COST	\$	% Project Cost	\$/GSF

Cost Estimate Source (EG Agency, Cost Estimator, A/E, etc.)

Project Image/Illustration (optional)

Facility Plan - 10 Year Space Needs Summary Report
2023-25 Biennium

Agency Name Oregon Liquor and Cannabis Commission

Note: List each project/lease or disposal separately.

Proposed New Construction or Acquisition - Complete for 5 Biennia

Biennium	Agency Priority	Concept/Project Name	Description	GSF	Position Count ¹	General Fund	Other Funds	Lottery Funds	Federal Funds	Estimated Cost/Total Funds
2023-25										
2025-27										
2027-29										
2029-31										
2031-33										

Proposed Lease Changes over 10,000 RSF - Complete for 3 Biennia

Biennium	Location	Description/Use	Term in Years	Total RSF ² +/- (added or eliminated)	USF ³	Position Count ¹	Biennial \$ Rent/RSF ²	Biennial \$ O&M ⁴ /RSF ² not included in base rent payment	Total Cost/Biennium
				A	B	C	D	E	(D+E) * A

Proposed Lease Changes over 10,000 RSF - Complete for 3 Biennia

Biennium	Location	Description/Use	Term in Years	Total RSF ² +/- (added or eliminated)	USF ³	Position Count ¹	Biennial \$ Rent/RSF ²	Biennial \$ O&M ⁴ /RSF ² not included in base rent payment	Total Cost/Biennium
				A	B	C	D	E	(D+E) * A

Planned Disposal of Owned Facility

Biennium	Facility Name	Description
2025-2027	1 HQ/Warehouse	Sale/Disposal of current facility
2025-2027	1 Milport Warehouse	Sale/Disposal of current facility

Definitions

Occupant Position Count (PC)	1	Estimated Position Count assigned to (home location) each building or lease as applicable
RSF	2	Rentable SF per BOMA definition. The total usable area plus a pro-rated allocation of the floor and building common areas within a building.
USF	3	Usable Square Feet per BOMA definition for office/administrative uses. Area of a floor occupiable by a tenant where personnel or furniture are normally housed plus building amenity areas that are convertible to occupant area and not required by code or for the operations of a building. If not known, estimate the percentage.
O&M	4	Total Operations and Maintenance Costs for facilities including all maintenance, utilities and janitorial