



# Oregon

Tina Kotek, Governor

## Liquor & Cannabis Commission

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February 16, 2024

Senator Fred Girod, Co-Chair  
Representative Paul Holvey, Co-Chair  
Joint Committee on Ways and Means Subcommittee on Capital Construction  
900 Court Street NE  
H-178 State Capitol  
Salem OR, 97301-4048

Dear Co Chairs:

### **Nature of the Request:**

The Oregon Liquor and Cannabis Commission (OLCC) respectfully requests to move \$9,000,000 in Other Funds limitation from OLCC's Warehouse/Headquarters capital project to the agency's Conveyor capital project. If granted, the total combined Warehouse and Conveyor capital project budgets will remain at \$145,455,048 as originally approved in SB 5702 (2022).

### **Agency Action:**

The OLCC also presented to the Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development regarding this request on February 6, 2024.

In SB 5702 (2022), OLCC had \$130,455,048 approved for the agency's Warehouse/Headquarters capital project and \$15,000,000 approved as a separate capital project for the Conveyor system that would go in the new warehouse. In total, these two related capital projects equal \$145,455,048. The agency has been working with the Department of Administrative Services-Chief Financial Office (DAS-CFO), Department of Administrative Services-Capital Finance & Facilities Planning, Department of Administrative Services-Enterprise Asset Management (DAS-EAM), and the Legislative Fiscal Office (LFO) regarding the agency's need to shift \$9.0 million in project funding between the Warehouse/HQ project and the Conveyor project. This shift is needed to address an updated Conveyor cost estimate of \$23.1 million. It also takes advantage of OLCC's ability to value engineer the warehouse plan to the greatest extent possible, whereas the value engineering options can be more limited with the conveyor system.

During the summer of 2023, the agency initiated a review of the need to build a new agency headquarters (HQ) next to the new warehouse in Canby. The purpose of that review was three-fold.

1. Analyze current headquarters office space needs due to the changes in remote work that have occurred over the past few years.
2. Determine if leasing an office space would be more cost effective than building a new one.
3. Assess if authorized capital project funds could be shifted between the Warehouse/HQ project and the Conveyor project to address an updated Conveyor cost estimate of \$23.1 million. This updated cost estimate for both aspects of these projects came from the ongoing value engineering work current agency leadership has been conducting. That work has been done in collaboration with the contracted project management firm, the architects, the material handling system (conveyor) sub-contractor, and other agency partners across the enterprise.
  - a. In 2023, the agency conducted a headquarters space analysis which showed that approximately 50% or more of agency administrative/professional staff were working remotely on any given week. Because of this, the agency was also able to determine that our initial HQ office space estimates could be revised significantly downward from an initial office space estimate of 36,000 square feet, to 16,000 square feet. The agency further worked with the Department of Administrative Services-Enterprise Asset Management (DAS-EAM) to analyze the ability to lease 16,000 square feet rather than build it next to the warehouse. As a result of that analysis, the OLCC determined it would be more cost effective to lease from existing office space than build a new HQ administrative office space. Leveraging remote work aligns the agency with a number of Governor Executive Orders and state policies (EOs 17-21, EO 20-04, 22-11 along with policies 10.030.01, 40.10.00, 40.010.02, and 50.050.01). In addition, the ability to work remotely will also help to mitigate the impact of moving the agency headquarters for agency staff. Lastly, by removing the agency HQ from the warehouse capital project it enables the agency to request a shift in these capital project funds from the Warehouse/HQ project to the Conveyor system that goes in the warehouse.

<b>Capital Project*</b>	<b>2022 Session, Other Funds Limitation Approved in SB 5702</b>	<b>Requested Shift Amongst Related Capital Projects</b>	<b>Capital Project Budgets (if request is approved)</b>
Liquor Warehouse Conveyor System	\$ 15,000,000	\$ 9,000,000	\$ 24,000,000
Liquor Warehouse Land & Building	\$ 130,455,048	\$ (9,000,000)	\$ 121,455,048

\*Note: No additional bonding and/or limitation was requested during the 2023 session.

**Action Requested:**

The Oregon Liquor and Cannabis Commission respectfully asks for approval of the agency's request to shift \$9.0 million from the OLCC Warehouse/HQ capital project to the Conveyor capital project.

**Legislation Affected:**

Chapter 659, 2021 Oregon Laws 2021, Section 1(13)(a), Liquor Warehouse Conveyor System.  
Chapter 659, 2021 Oregon Laws 2021, Section 1(13)(b), Liquor Warehouse Land and Building.

Thank you for your consideration.

Sincerely,



Kailean Kneeland  
Chief Financial Officer  
Oregon Liquor and Cannabis Commission

CC:   Michelle Deister       Legislative Fiscal Office  
      Stacey Chase         DAS-Chief Financial Office  
      Craig Prins         OLCC, Executive Director  
      Tara Wasiak         OLCC, Deputy Director