

**AGENDA COVER MEMORANDUM****Agenda Date: June 18, 2003**

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**DATE:** June 3, 2003

**TO:** Board of County Commissioners

**DEPARTMENT:** Management Services

**PRESENTED BY:** Jeff Turk, Property Management Officer 2

**SUBJECT:** ORDER/IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE UP TO A 24 MONTH LEASE AGREEMENT WITH THE STATE OF OREGON FOR APPROXIMATELY 10,536 SQUARE FEET OF STATE OWNED OFFICE SPACE LOCATED AT 165 EAST SEVENTH AVENUE EUGENE FOR THE PAROLE AND PROBATION AND VETERAN'S SERVICES PROGRAMS FOR AN EXPENSE NOT TO EXCEED \$296,000 PROVIDED SAID AGREEMENT ALLOWS THE COUNTY TO CANCEL THE AGREEMENT ANYTIME PRIOR TO OCTOBER 29<sup>TH</sup> 2003

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1. **PROPOSED MOTION:** THE BOARD OF COUNTY COMMISSIONERS MOVES TO AUTHORIZE THE COUNTY ADMINISTRATOR TO EXECUTE UP TO A 24 MONTH LEASE AGREEMENT WITH THE STATE OF OREGON FOR APPROXIMATELY 10,536 SQUARE FEET OF STATE OWNED OFFICE SPACE LOCATED AT 165 EAST SEVENTH AVENUE EUGENE FOR THE PAROLE AND PROBATION AND VETERAN'S SERVICES PROGRAMS FOR AN EXPENSE NOT TO EXCEED \$296,000 PROVIDED SAID AGREEMENT ALLOWS THE COUNTY TO CANCEL THE AGREEMENT ANYTIME PRIOR TO OCTOBER 29<sup>TH</sup> 2003
2. **ISSUE/PROBLEM:** The lease extension with the State of Oregon for space used by the county's Parole and Probation division and Veteran's Services expires June 30, 2003 and needs to be extended.

The county is currently considering returning P&P services to the State. The decision will be finalized by October 28, 2003. The county will need the ability to cancel any lease with minimal or no notice up until that time.

A related issue has to do with maintaining the property tax exemption. Current Dept. of Assessment & Taxation interpretation of ORS and administrative rules requires that a lease agreement be for a minimum of 12 months – even if it provides for sooner termination.

In order to satisfy A&T requirements a lease with a minimum 12 month term with the ability to cancel if the county no longer provides P&P services should be negotiated with the State (through its dept. of Administrative Services).

The State has initially proposed a one year agreement with a county option for a second year. The lease rate would be \$1.16 per square foot.

### 3. **DISCUSSION:**

#### 3.1 Background

The county has been leasing office space in the State Office Building since January 1997 when the county assumed responsibility for delivering Parole and Probation services. The State is proposing a lease rate of \$1.16 per sq. ft for the office space (\$1.11 is the current rate) There is also 186 sq. ft of storage space with a proposed rate of \$.42 per sq. ft. (vs. \$.37 currently). These rates are below the uniform rate of \$1.30/sq. ft. that the State charges all of its divisions occupying State owned buildings throughout the state. Total annual rent would be \$147,620.88 (\$12,301.74 monthly). P&P's share is \$130,065.60, the Vets is \$17,555.28. The lease is a full service lease with the State responsible for maintenance, repair, utilities and janitorial service.

As with the prior lease renewal, a clause for early termination upon 60 days notice will be included (this would be in addition to the ability to cancel the lease if P&P services are returned to the State). Sixty day notice is also required if the county wishes to extend the lease for an additional year (the lease rate would remain the same).

#### 3.2 Analysis

The status of the P&P program is uncertain with respect to whether the provision of the service will be returned to the State. Approval for the County Administrator to execute a lease extension with the ability to cancel it if P&P services are returned to the State is being requested so the lease agreement can be executed by June 30<sup>th</sup>. Executing the lease by June 30<sup>th</sup> is necessary to retain tax-exempt status for the property.

Should the county retain P&P services, an agreement for up to two years will be in place with lease rates locked in.

In the event the county does not retain the P&P program, the Vet's program will likely relocate to the Mental Health building or find other suitable space.

### 3.3 Alternatives/Options

1. Authorize the County Administrator to execute up to a 24 month agreement that allows it to be canceled in the event the county no longer provides P&P services.
2. Execute an agreement only through October 27, 2003 when the status of P&P should be finalized. This does present a risk of losing tax exempt status for the property under current A&T policy for granting tax exemptions.
3. Negotiate an agreement under other terms as determined by the Board.

### 3.4 Recommendation

It is recommended that the County Administrator be authorized to execute a lease agreement with the State of Oregon pursuant to option 1.

### 3.5 Timing

The agreement should be executed prior to July 1, 2003 to retain the property tax exemption.

4. IMPLEMENTATION/FOLLOW-UP: Upon approval by the Board of County Commissioners, the County Administrator will execute a lease agreement within the given parameters.
5. ATTACHMENTS:  
Board Order

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO. ORDER/ IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE UP TO A 24 MONTH LEASE AGREEMENT WITH THE STATE OF OREGON FOR APPROXIMATELY 10,536 SQUARE FEET OF STATE OWNED OFFICE SPACE LOCATED AT 165 EAST SEVENTH AVENUE EUGENE FOR THE PAROLE AND PROBATION AND VETERAN'S SERVICES PROGRAMS FOR AN EXPENSE NOT TO EXCEED \$296,000 PROVIDED SAID AGREEMENT ALLOWS THE COUNTY TO CANCEL THE AGREEMENT ANYTIME PRIOR TO OCTOBER 29<sup>TH</sup> 2003

WHEREAS this matter now coming before the Lane County Board of Commissioners and said Board deeming it in the best interest of Lane County to enter into a lease agreement with the State of Oregon (lessor) in order to provide space for the county's Parole and Probation program and Veteran's Services program and

WHEREAS said lease agreement is beyond the authority of the County Administrator to execute without the Board's authorization and

WHEREAS the provision of Parole and Probation services may be returned to the State of Oregon

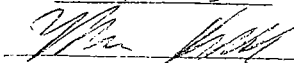
IT IS HEREBY ORDERED that the County Administrator is authorized to execute up to a 24 month lease with an expense not to exceed \$296,000, with the State of Oregon for approximately 10,536 square feet of State owned office space located at 165 East Seventh Avenue Eugene, for the Parole and Probation and Veteran's Services programs with said lease allowing the county to cancel it anytime prior to October 29, 2003.

IT IS FURTHER ORDERED, that this Order shall be entered into the records of the Board of Commissioners of the County.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2003

APPROVED AS TO FORM

Date 5-10-03 lane county,

  
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OFFICE OF LEGAL COUNSEL

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Peter Sorenson, Chair  
Lane County Board of Commissioners

IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE UP TO A 24 MONTH LEASE AGREEMENT WITH THE STATE OF OREGON FOR APPROXIMATELY 10,536 SQUARE FEET OF STATE OWNED OFFICE SPACE LOCATED AT 165 EAST SEVENTH AVENUE EUGENE FOR THE PAROLE AND PROBATION AND VETERAN'S SERVICES PROGRAMS FOR AN EXPENSE NOT TO EXCEED \$296,000 PROVIDED SAID AGREEMENT ALLOWS THE COUNTY TO CANCEL THE AGREEMENT ANYTIME PRIOR TO OCTOBER 29<sup>TH</sup> 2003