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AGENDA COVER MEMORANDUM

Agenda Date: January 14, 2004

DATE: December 30, 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 A 3 YEAR LEASE AGREEMENT WITH AN ADDITONAL 3 YEAR COUNTY OPTION WITH LGR ASSOCIATES FOR PROPERTY LOCATED AT 1640 G STREET, SPRINGFIELD TO BE USED FOR A COUNTY OPERATED COMMUNITY HEALTH CENTER AT A LEASE EXPENSE OF \$575,817

1. **PROPOSED MOTION:** THE BOARD OF COUNTY COMMISSIONERS MOVES TO AUTHORIZE THE COUNTY ADMINISTRATOR TO EXECUTE A 3 YEAR LEASE AGREEMENT WITH AN ADDITONAL 3 YEAR COUNTY OPTION WITH LGR ASSOCIATES FOR PROPERTY LOCATED AT 1640 G STREET, SPRINGFIELD TO BE USED FOR A COUNTY OPERATED COMMUNITY HEALTH CENTER AT A LEASE EXPENSE OF \$575,817
2. **ISSUE/PROBLEM:** A lease agreement has been negotiated with LGR Associates for property located at 1640 G Street, Springfield to be used by the county for a Community Health Center. The lease agreement is beyond the authority of the CAO to execute without Board authorization.

3. **DISCUSSION:**

3.1 Background

The county, through the Human Service Commission, has obtained a Federal Grant to operate a Community Health Center which will provide comprehensive and integrated health care services to an estimated 5,000 low income residents of Lane County. Services will be delivered at 3 sites – the Safe & Sound Homeless Youth Clinic at Looking Glass; at Springfield High School and at the Metro Family Practice Clinic which is the subject property for the proposed lease agreement.

Pursuant to Order 3-11-5-9 issued on November 5, 2003, the Board approved an adjustment of \$728,680 to the Human Service Commission budget to provide funding for the clinics. The Order also authorized the addition of 19.25 FTE to staff the clinics.

The subject property for the lease agreement is located at 1640 “G” Street in Springfield. The property consists of a building with 7,044 leasable square feet residing on a .4 acre lot. The building was formerly occupied by practicing physicians.

The initial lease term is to be for 3 years (Feb. 15, 2004 – Jan. 30, 2007) with a county option to extend for an additional 3 year period . Monthly rent for the first year is \$7,418.33 (\$1.05/sq. ft.; \$89,019.96 annually). Rent is scheduled to increase 3% annually. Total rent for the initial 3 years will be \$275,151.79.

The county will be responsible for paying for all utilities and janitorial services. The county will also be responsible for all maintenance and repair of the interior of the building, including plumbing, and quarterly maintenance of the HVAC system and repairs of the system up to \$500 per year. The Lessor will be responsible for maintenance and repair of the roof, bearing walls, HVAC repairs exceeding \$500 and repair of interior components when damage is caused by neglect of Lessor’s maintenance responsibilities. The lessor will also make alterations to satisfy ADA accessibility requirements. The county will contribute \$3,500 towards these alterations.

The lease also contains a right of first refusal for the county to purchase the property during the first 2 years of the lease term.

3.2 Analysis

Other potential space for the clinic was investigated including use of the Heeran Center. The property at 1640 G Street was deemed to be the most appropriate as it is already set up to provide medical services thereby requiring minimal remodeling and alteration. The proposed location also provided the best access for public transportation.

3.3 Alternatives/Options

1. Authorize the County Administrator to execute the proposed lease agreement.
2. Direct staff to continue negotiation of lease terms desired by the Board.
3. Direct staff to pursue other possible locations for the clinic.
4. Refrain from entering into any lease agreement from the clinic.

3.4 Recommendation

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

3.5 Timing

The agreement calls for occupancy to begin Feb. 15, 2004.

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
 - Board Order 3-11-5-9
 - Lease Agreement
 - Plat Map

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO. ORDER/IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE A 3 YEAR LEASE AGREEMENT WITH AN ADDITONAL 3 YEAR COUNTY OPTION WITH LGR ASSOCIATES FOR PROPERTY LOCATED AT 1640 G STREET, SPRINGFIELD TO BE USED FOR A COUNTY OPERATED COMMUNITY HEALTH CENTER AT A LEASE EXPENSE OF \$575,817

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 LGR Associates (lessor) in order to provide space for a Community Health Clinic and

WHEREAS said Clinic will provide comprehensive medical services to low income citizens of Lane County and the Board has previously authorized funding and additional staff positions for the Clinic pursuant to Order 3-11-5-9 and

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

IT IS HEREBY ORDERED that the County Administrator is authorized to execute a lease agreement with LGR Associates substantially similar to attached Exhibit "A"

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 _____, 2004

Bobby Green, Chair
Lane County Board of Commissioners

IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE A 3 YEAR LEASE AGREEMENT WITH AN ADDITONAL 3 YEAR COUNTY OPTION WITH LGR ASSOCIATES FOR PROPERTY LOCATED AT 1640 G STREET, SPRINGFIELD TO BE USED FOR A COUNTY OPERATED COMMUNITY HEALTH CENTER AT A LEASE EXPENSE OF \$575,817

APPROVED AS TO FORM

Date 1-12-04 lane county

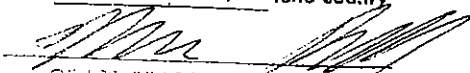

OFFICE OF LEGAL COUNSEL

EXHIBIT "A"

REAL PROPERTY LEASE AGREEMENT

PARTIES:

LGR Associates, a co-partnership consisting of
Jonathan S Levy, M.D., John H. Sharrer, M.D.
and Peter Patricelli, M.D.
1640 "G" Street, Springfield, OR 97477
(Lessor)

and

Lane County, a political subdivision of the State of Oregon
125 East 8th Avenue
Eugene, OR, 97401
(Lessee)

RECITALS:

Lessor owns the real property more fully described on Exhibit "A" attached hereto located at 1640 "G" Street, Springfield, Oregon, and the Building located thereon, referred to herein as the Leased Premises and/or the Building;

Lessor and Lessee desire that Lessee rent the Leased Premises from Lessor upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the foregoing Recitals, the parties agree as follows:

AGREEMENTS:

1. **TERM:** The term of this Lease shall commence on February 15, 2004, (the Possession Date) and terminate on January 31, 2007.

2. **EXTENSION OPTION.** Provided the Lessee is not in default of the Lease Agreement, Lessee shall be allowed the option of extending the lease term for one (1) period of three (3) years beginning at the end of the original lease term. Lease terms during the extension period shall be the same as during the original term of the Lease Agreement. The option may be exercised by written notice to the Lessor given not less than sixty (60) days prior to the last day of the original term.

3. **LEASED PROPERTY:** Lessor hereby leases to Lessee the real property more fully described on Exhibit "A" attached hereto and the Building located thereon. The Leased Premises

consists of approximately 5,824 square feet of leasable space on the first floor and 1,220 square feet of leasable space on the second floor.

4. **MONTHLY RENT:** The lessee shall pay monthly rent of \$7,418.33 per month during the term of this lease, commencing on the Possession date. Rent shall be payable in advance on or before the 1st day of each month without notice or demand from the Landlord. The monthly rent shall increase annually by an amount equal to three percent (3%) each February 1st, commencing February 1, 2005 and continuing during the original term of this lease and for any extension term.

5. **USE.** Lessee shall use the leased space for providing public health services, including a community health clinic. Lessee may also use the space to provide other services in its capacity as a local government body.

6. **PARKING:** Lessor shall provide parking for Lessee's clients and staff in the front of the Building.

7. **SIGNS:** No signs, awnings, antennas, or other apparatus shall be painted on or attached to the building or anything placed on any glass or woodwork of the Leased Premises or positioned as to be visible from the outside of the Leased Premises without Lessor's prior approval as to the design, size, location and color. Such permission shall not be unreasonably withheld. All signs installed by Lessee shall comply with Lessor's standards for signs and all applicable codes.

7 **UTILITIES AND SERVICES:** Lessee shall pay for all heat, light, power, water, sewer, garbage, telephone/communication and other services or utilities used on the Leased Premises during the term of this Lease. Lessee shall also provide its own janitorial services.

8. **MAINTENANCE AND REPAIR:**

8.1 Landlord's Obligations. The following shall be the responsibility of, and shall be paid by the Landlord and not the Lessee:

(A) Replacement and major repair of the roof and gutters. Repair and replacement of bearings walls, structural members, floor slabs, and foundations and major building renovations such as expansion of the building or remodeling the building facade. This shall not include maintenance of the operating condition of the doors and windows or replacement of glass or maintenance of the store front.

(B) Repair, maintenance or replacement of exterior water, sewage, gas and electrical services up to the point of entry to the Leased Premises.

(C) Repair of interior walls, ceilings, doors, windows, and floors when such repairs are made necessary because of failure of the Landlord to keep the structure in repair as above provided, except if Lessee fails to notify Landlord of roof leaks in a reasonable period of time.

(D) Replacement of the heating and air conditioning system and repairs of the same which exceed the Lessee's repair obligations under Section 8.2(C).

8.2 Lessee's Obligations. The following shall be the responsibility of, and shall be paid by, the Lessee:

(A) Repair and maintenance of interior walls (including painting), ceilings, floor coverings, doors, windows, glass and related hardware, fixtures, switches and wiring and plumbing within the Leased Premises.

(B) Any repairs necessitated by the negligence of Lessee, its agents, employees and invitees, except as provided in Section 13 dealing with waiver of subrogation, but including repairs that would otherwise be the responsibility of Landlord under Section 8.1.

(C) Quarterly maintenance of the heating and air conditioning system, repair of the same which does not exceed \$500 calendar year and any repair necessitated by Lessee's improper use.

(D) Maintain the landscaping, landscape irrigation, parking lot, walkways and sidewalks, and exterior lighting.

(E) Any repairs and maintenance to the Leased Premises which Landlord is not required to make under Section 8.1.

9 **ALTERATIONS:** Prior to the Possession Date, Landlord shall make the following alterations to the Leased Premises: (a) modification of the existing ramp in front of the building to include 5' x 5' landing areas at each end (b) installation of concrete ramp at the back door to ADA standards (c) making a portion of the front counter ADA accessible (d) remodel the south restrooms to ADA standard (e) removal and treatment of the source and all evidence of mold in the building. Lessee shall contribute \$3,500 toward the cost of these Lessor obligations, payable on the Possession Date. Lessee shall not make any alterations, additions, or improvements to the Leased Premises,

change the color of the interior, or install any wall or floor covering without Lessor's prior written consent. Any such additions, alterations, or improvements, except for removable machinery and unattached moveable trade fixtures, shall at once become part of the realty and belong to Lessor. Upon termination of this lease, Lessor may, at its option, require that Lessee remove any alterations and restore the Leased Premises to the original condition existing at the commencement of this Lease.

10. **INDEMNITY:** Each party shall indemnify and defend the other from any claim, liability, damage or loss occurring on the Leased Premises arising out of any activity by that party, its agents, Commissioners, employees or invitees. Lessee's obligations hereunder shall be limited by the Oregon Tort claims Act and the Oregon Constitution, Article XI, Section 10. Neither party will have any obligation to defend or indemnify the other party from any claim, liability, damage or loss resulting from or arising out of the negligence, or malfeasance of said other party, it's agents, Commissioners, or employees. Lessor shall have no liability to Lessee because of any loss or damage to the Leased Premises caused by the acts or omissions of the Lessee or third parties. Lessee shall not allow any lien to attach to the Leased Premises or the Building.

11. **INSURANCE:** It is understood that Lessee is self-insured for liability purposes under the laws of the State of Oregon, subject to the Oregon Constitution, Article XI, Section 10 and subject to the limits of the Oregon Tort Claims Act. Said self-insurance shall be sufficient for this Lease Agreement.

12. **MAJOR DAMAGE:** "Major Damage" means damage by fire or other casualty of the Building or the Leased Premises which renders any substantial portion of the Building to be unusable which will cost more than Twenty Five Percent (25%) of the pre-damage value of the building to repair, or which is not covered by insurance. In case of Major Damage, either party may elect to terminate this lease by notice in writing to the other party within thirty (30) days following the occurrence of such damage. If this Lease is not terminated following Major Damage, or if damage occurs which is not Major Damage, Lessor shall promptly restore the Premises to the condition existing just prior to the damage. Rent shall be reduced from the date of damage until the date restoration work being performed by Lessor is substantially complete, with the reduction to be in proportion to the area of the Premises not usable by Lessee.

13. **WAIVER OF SUBROGATION:** Lessee shall be responsible for insuring its personal property located on the Leased Premises and any alterations or Lessee improvements it has made to the Leased Premises. Neither Lessor nor Lessee shall be liable to the other

for any loss or damage caused by water damage, sprinkler leakage, or any of the risks that are or could be covered by a standard all risk insurance policy with an extended coverage endorsement, or for any business interruption, and there shall be no subrogated claims by one party's insurance carrier against the other party arising out of such loss.

14. **EMINENT DOMAIN:** If a condemnation authority takes title by eminent domain or by agreement in lieu thereof to the entire Building or a portion sufficient to render the Leased Premises unsuitable for Lessee's use, then either party may elect to terminate this lease effective on the date that possession is taken by the condemning authority. Rent shall be reduced for the remainder of the term in an amount proportionate to the reduction in area of the Premises caused by the taking. All condemnation proceeds shall belong to the Lessor and Lessee shall have no claim against Lessor or the condemnation award because of the taking.

15. **ASSIGNMENT AND SUBLETTING:** This lease shall bind and inure to the benefit of the parties, their respective heirs, successors and assigns, provided that Lessee shall not assign its interest under this Lease, or sublet all or any portion of the Premises without first obtaining Lessor's consent in writing. This provision shall apply to all transfers by operation of law, including, but not limited to, mergers and changes in control of Lessee. No assignment shall relieve Lessee of its obligation to pay rent or perform other obligations required by this Lease and no consent to one assignment or subletting shall be a consent to any further assignment or subletting. Lessor shall not unreasonably withhold its consent to any assignment, or to subletting providing the subrental rate or effective rental paid by the assignee is not less than the current scheduled rental rate of the Leased Premises for comparable space and the proposed Lessee is compatible with Lessor's normal standards for the Leased Premises. If Lessee proposes a subletting or assignment to which the Lessor is required to consent under this Paragraph, Lessor shall have the option of terminating this Lease and dealing directly with the proposed sublessee, or assignee, or any third party. If an assignment or subletting is permitted, any cash profit, or the net value of any other consideration received by the Lessee as a result of such transaction shall be paid to Lessor promptly following its receipt by Lessee. Lessee shall pay any costs incurred by Lessor in connection with a request for assignment or subletting, including reasonable attorneys fees, provided the total thereof does not exceed \$500.

16. **DEFAULT:**

(A) Any of the following shall constitute a

default by Lessee:

(1) Failure to pay rent or other charge under this lease with ten (10) days after it is due;

(2) Abandonment of the premises for more than thirty (30) days, unless the same is excused under other provisions of this Lease;

(3) Assignment or subletting in violation of Section 15.

(B) Any of the following shall constitute a default by either party to the Lease:

(1) Failure to comply with any term or condition or fulfill any obligation under the Lease (other than payment of rent or other charge by the Lessee) within twenty (20) days after written notice specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be reasonably remedied within such time, this provision shall be complied with if the party charged begins the correction of the default within said 20 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

(2) Insolvency, an assignment for the benefit of creditors; filing of a petition in bankruptcy, the filing of an involuntary bankruptcy petition and the failure to have the same dismissed within thirty (30) days of filing, the appointment of a receiver for the Leased Premises, or the attachment of or levying of execution against the Leased Premises.

17. **REMEDIES FOR DEFAULT:** Either party may terminate this Lease in the event of default by the other party. Lessor may retake the Leased Premises, and Lessee may vacate the same. Each party may be liable to the non-defaulting party for costs of cure, including, but not limited to, costs to relet, moving expenses to vacate, loss of income and increased rental expenses. Such remedies are intended to be cumulative and in addition to any other remedies provided by law. Lessee's obligations hereunder shall be limited to the extent required by the Oregon Tort Claims Act and the Oregon Constitution, Article XI, Section 10. Either party may make any payment or perform any obligation of the other due under this Lease, in which case, the party making payment or rendering performance shall be entitled to recover upon demand all amounts so expended, plus interest at the rate of one percent (1%) per month. Any such payment or performance shall not waive the default.

18. **SURRENDER:** On expiration or early termination of this Lease, Lessee shall deliver all keys to Lessor and surrender the Leased Premises broom clean and in the same condition as at the commencement of the term sufficient only to reasonable wear from ordinary use. Lessee shall remove all of its furnishings and trade fixtures that remain its property and restore all damage resulting from such removal. Failure to remove shall be an abandonment of the property and Lessor may dispose of it in any manner without liability. If Lessee fails to vacate the premises when required, including failure to remove all its personal property, Lessor may elect further: (i) to treat Lessee as a lessee from month to month, subject to the provisions of this Lease, or (ii) to eject Lessee from the Leased Premises and recover damages for wrongful holdover.

19. **NOTICES:** Notices between the parties relating to this Lease shall be in writing, effective when delivered, or if mailed, effective on the second day following mailing, postage paid, to the address for the party stated in this Lease or such other address as either party may specify by notice to the other. Notice to the Lessee may always be delivered to the Leased Premises. Rent shall be payable to Lessor at the same address and in the same manner, but shall be considered paid only when received.

20. **SUBORDINATION:** This Lease shall be subject and subordinate to any mortgages, deeds of trust, or land sale contracts (hereinafter collectively referred to as encumbrances) now existing against the Building. At Lessor's option, this Lease shall be subject and subordinate to any future encumbrance hereinafter placed against the Building (including the underlying land) or any modifications of existing encumbrances and Lessee shall execute such documents as may reasonably be required by Lessor or the holder of the encumbrance to evidence subordination.

21. **TRANSFER OF BUILDING:** If the Building is sold or otherwise transferred by Lessor or any successor, Lessee shall attorn to the purchaser or transferee and recognize it as the lessor under this Lease and, provided the purchaser assumes all obligations hereunder, the transferor shall have no further liability hereunder.

22. **ESTOPPELS:** Either party will within twenty (20) days after notice from the other execute, acknowledge and deliver to the other party a certificate certifying whether or not this lease has been modified and is in full force and effect; whether there are any modifications or alleged breaches by the other party; the dates to which rent has been paid in advance, and the amount of any security deposit or prepaid rent; and any other

facts that may reasonably be requested. Failure to deliver the certificate within the specified time shall be conclusive upon the party of whom the certificate was requested that the Lease is in full force and effect and has not been modified except as may be represented by the other party requesting the certificate. If requested by the holder of any encumbrance, or any ground lessor, Lessee will agree to give such holder or lessor notice of and an opportunity to cure any default by Lessor under this Lease.

23. **QUIET ENJOYMENT:** Lessor warrants that so long as Lessee complies with all the terms of this Lease, it shall be entitled to peaceable and undisturbed possession of the Leased Premises, free from any eviction or disturbance by Lessor.

24. **PROPERTY TAXES:** Lessee shall be responsible for payment of property taxes levied or assessed on the Leased Premises.

25. **FIRST RIGHT OF REFUSAL.** If during the first two (2) years of the original lease term, and so long as the Lease Agreement is in effect, Lessor receives a bona fide offer to sell the Leased Premises acceptable to the Lessor, Lessor shall provide Lessee with a copy of the offer. Lessee shall have a period of five (5) business days from receipt of said offer in which to notify Lessor in writing of Lessee's intent to purchase the Leased Premises for the same price and upon the same terms as set forth in the offer.

In the event Lessee gives written notice to Lessor of Lessee's desire the purchase the Leased Premises, then Lessor shall proceed to sell the Leased Premises to Lessee pursuant to the price and terms set forth in the offer.

In the event Lessee does not give written notice of Lessor within five (5) business days, or notifies Lessor that Lessee will not purchase the Leased Premises pursuant to the First Right of Refusal granted herein, then all rights accorded Lessee under this Section 25 of the Lease Agreement shall lapse and Lessor may proceed to sell the Leased Premises to the offeror. In the event the sale to offeror fails to close, then the First Right of Refusal granted herein shall be reinstated and apply to any future acceptable offer received by Lessor.

If the Lessor sell the Leased Premises to a buyer other than the Lessee, any such sale shall be subject to the leasehold interest of the Lessee pursuant to the terms of this Lease Agreement. This is to mean, if the Leased Premises are sold to a buyer other than the Lessee, the Lessee shall remain a tenant on the Leased Premises according to the terms of this Lease Agreement.

26 **COMPLETE AGREEMENT:** This lease and any attached exhibits and schedules constitute the entire agreement of the parties and supercedes all prior written and oral agreements or representations. Neither Lessor nor Lessee is relying on any representations other than those expressly set forth herein.

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IN WITNESS WHEREOF, the duly authorized representatives of the parties have executed this Lease as of the day and year written below

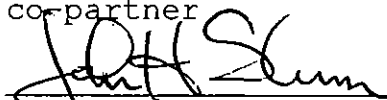
LESSOR:

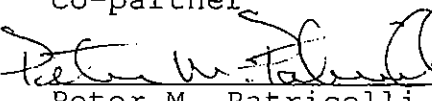
LESSEE: (Lane County)

LGR ASSOCIATES,
a co-partnership.

By: _____
William Van Vactor
County Administrator

Date: _____
Jonathan S. Levy, M.D.
co-partner


Date: 12/19/03
John H. Sharrer, M.D.
co-partner


Date: 12-19-03
Peter M. Patricelli, M.D.
co-partner

Notice:
1755 Coburg Rd. Space #3
Eugene, OR 97401

Notice: Lane County
Property Management
125 E. 8th Avenue
Eugene, OR 97401