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Memorandum Date: March 7, 2007

Order Date: March 14, 2007

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**TO:** Board of County Commissioners

**DEPARTMENT:** Management Services

**PRESENTED BY:** David Suchart, Director

**AGENDA ITEM TITLE:** ORDER/IN THE MATTER of Acquisition of Property for Initial Use by Health & Human Services at 151 West 7<sup>th</sup> Avenue, Eugene.

RESOLUTION AND ORDER/IN THE MATTER of Authorizing the Reimbursement of Expenditures with Reimbursement Obligation Proceeds.

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**I. MOTION**

Move Approval of Order Number 07-3-14- in the matter of acquisition of property for initial use by Health & Human Services at 151 West 7<sup>th</sup> Avenue, Eugene.

Move Approval of Resolution and Order Number 07-3-14- in the matter of Authorizing the Reimbursement of Expenditures with Reimbursement Obligation Proceeds.

**II. AGENDA ITEM SUMMARY**

The Board is being asked to authorize the acquisition of property at 151 West 7<sup>th</sup> Avenue in Eugene for the purpose of housing functions of the Department of Health & Human Services.

**III. BACKGROUND/IMPLICATIONS OF ACTION**

**A. Board Action and Other History**

The Board has previously authorized Management Services to work with Health & Human Services to replace the County Annex at 131 East 6<sup>th</sup> Avenue. Since February 2006 an Operations Team, composed of the Management Services Director, key staff from affected divisions in Health & Human Services, and PIVOT Architecture, has been working on a Public Health Building Master Plan. This process would have as a product an architectural program, site selection, and resource requirements. That program was 90% complete when it was brought to

the County's attention that the property at 151 West 7<sup>th</sup> Avenue (Charmelton Place) was for sale.

Management Services was directed by the Board to investigate the fit of that building with the criteria in the draft master plan. At a later date, Management Services was directed to make an offer on the property and to perform due diligence procedures for acquisition.

**B. Policy Issues**

The policy objective being pursued is the efficient and effective delivery of services to the public. The current location in the County Annex for Public Health has been deemed unacceptable due to the condition and functionality of that structure. Remodeling is not a cost effective measure. Functions located in the Annex also have close ties to other organizational functions which are located in rental space (WIC, for example).

**C. Board Goals**

The County's Strategic Plan adopted as one of its three objectives to:

"Safeguard delivery of public health services by the construction of a new public health building."

**D. Financial and/or Resource Considerations**

At the time the Charmelton Place building became available, the Operations Team was struggling with the cost implications of the construction of a new facility. In evaluating new construction versus the opportunities of purchasing Charmelton Place, it was obvious that the County could not construct an equivalent building with available funds using all new construction because the cost would be prohibitive. The reason: international pressures on building materials are driving new construction costs up; specifically, metals and concrete (core building products). Additionally, regulatory costs like System Development charges and storm water management costs are driving new construction costs up in our local area. While new construction hard and soft costs are estimated at \$376 per square foot, the cost of acquisition is \$107 per square foot.

The purchase price for the building is \$7.9 million. The purchase price consists of a \$1,155,000 cash down payment, and the assumption of the current mortgage loan with an outstanding balance of approximately \$6,350,000. Payments on the mortgage loan are approximately \$50,000 per month, with a balloon payment due in January 2010. Adequate funding for the down payment, assumption costs, closing costs, a building remodel trust (required by lender), and mortgage loan payments currently exists in the budget.

When the County assumes the mortgage loan payment, the County will be legally and unconditionally obligated to pay all future loan payments from any legally available funds in the County.

A new architectural planning process that takes into consideration the status of current tenants and the future requirements of proposed tenants is required to determine funding requirements for remodeling the building. That cost figure plus the balloon payment must be financed prior to January 2010. The \$1.5 million annual payment currently budgeted in the General Fund should be adequate to finance the requirements of the loan. Offsets to this are current rent payments for Parole and Probation and WIC, and the use of the current Annex property as a financing mechanism. Due to the financial uncertainty surrounding renewal of Secure Rural Schools, the building will be remodeled in phases, fulfilling the requirements of the lenders, considering the needs of the existing tenants, and matching resources as they become available.

The second order in this agenda item allows that current expenditures can be financed at a later date if necessary.

#### **E. Analysis**

There are a number of points on top of cost implications that argue for acquisition versus new construction. These include:

- The County could occupy with phased move in because there are currently two empty floors.
- Charnelton Place is located close to Lane County Adult Corrections, a benefit to Supervision Services.
- The building is located on a major public thoroughfare, close to LTD Transit Station and multiple Public Parking facilities.
- While the building is further from PSB/Courthouse than the Annex site, it is no further away than the new Elections Building; that has proved not to be problematic.
- Charnelton Place is a relatively modern building with many existing amenities that include meeting current seismic codes and accessibility guidelines, and it was originally designed as a quasi-public building. The building has an existing security infrastructure that can be enhanced to meet requirements of new county occupants. Public restrooms, utility infrastructure, and employee facilities can be reused almost as is, further reducing new development costs.
- The building was designed for future expansion of the second and third floors. Taking advantage of that new area and enclosing the existing ground

floor parking area will provide the total square footage necessary to meet the needs of the identified H&HS Programs, and still allow us to meet the accelerated schedule.

- Steel frame construction with tall floor to floor space lends itself to ease of remodeling and comfortable office and public spaces.
- The building has an existing energy efficient HVAC system and adequate electrical service with an emergency generator.
- Acquisition opens up current 6<sup>th</sup> Avenue Annex site for future public development or sale.
- The WIC program serves more than 8,000 women and children (many in strollers) each month. The new building will provide adequate waiting room space, more efficient work flow, and a location more accessible to the downtown bus station. Additionally, it will co-locate WIC with the rest of public health and provide easy access to other critical health services (immunizations, prenatal services, and primary care).
- In addition, the building provides future space that could be utilized for a downtown Eugene satellite of the Community Health Centers of Lane County. This presents an opportunity to partner with the City of Eugene and others to provide critical medical services in a central location, and to co-locate this with other H&HS services where clients need access to low-cost medical care.

#### **F. Alternatives/Options**

Alternatives to this purchase are limited. New construction, given the high cost and limited resources, is not an option in the near future. The current physical condition of the Annex is not an acceptable service delivery option for the citizens who currently use or may require the services of Public Health in the future. There are also pressures on Parole & Probation to leave the State Office Building.

#### **IV. TIMING/IMPLEMENTATION**

If the Board accepts the recommendation, closing on the building would occur approximately April 1, 2007.

#### **V. RECOMMENDATION**

It is recommended that the Board of Commissioners accept the recommendation and approve the acquisition of the Charnelton Place Building and future financing mechanisms.

**VI. FOLLOW-UP**

Upon taking ownership, Management Services will meet with current tenants to accommodate their needs and concerns. Management Services/Facilities will work with the current Building Manager to transition current operation functions. The Operations Team will meet with the architect on preparing an architectural plan for vacant space in the building. An RFP for Construction Manager/General Contractor will be prepared. A supplemental budget request will be made to properly allocate the current budget to meet the requirements of the purchase and loan assumption.

**VII. ATTACHMENTS**

Board Order  
Resolution and Board Order

**IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON**

**Order No. 07-3-14-**        ) IN THE MATTER OF ACQUISITION OF PROPERTY  
                                 ) FOR INITIAL USE BY HEALTH & HUMAN SERVICES  
                                 ) AT 151 WEST 7<sup>TH</sup> AVENUE, EUGENE

**WHEREAS**, the Board of Commissioners has determined it is in the public interest to acquire property to provide a new site for Health & Human Services functions; and

**WHEREAS**, the Board of Commissioners, as a further statement of the County's Strategic Plan, adopted as one of its objectives to: "Safeguard delivery of public health services by the construction of a new public health building"; and

**WHEREAS**, ORS 271.350 provides for purchase of property by the County; and

**WHEREAS**, Lane County has negotiated with the owners, Oregon Development I LLC, to acquire property at 151 West Seventh Avenue, Eugene, OR, for the Department of Health & Human Services; and

**WHEREAS**, the County and owners have agreed upon a price not to exceed \$7,900,000; and

**WHEREAS**, a portion of the purchase price consists of the assumption of an existing loan, and the County must commit its full faith and credit to pay amounts due under the loan; now, therefore,

**IT IS HEREBY ORDERED** that the County Administrator or designee is hereby authorized to execute such documents as are necessary to acquire the property at 151 West Seventh Avenue from Oregon Development I LLC at a price not to exceed \$7,900,000, and close the purchase of the property, in due course; and thus authorizes the down payment of \$1,155,000, and it is further

**ORDERED** that the County Administrator or designee is hereby authorized to execute any documents necessary to assume the existing mortgage loan on the property, to pledge the County's full faith and credit to pay that assumed loan, and to make the assumed loan as a "limited tax bonded indebtedness" as defined by ORS 287.053.

DATED this 14th day of March, 2007.

APPROVED AS TO FORM

Date 3/7/07 lane county

  
OFFICE OF LEGAL COUNSEL

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Faye Stewart, Chair  
Lane County Board of Commissioners

**IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON**

**Resolution and  
Order No. 07-3-14-**

) IN THE MATTER OF AUTHORIZING THE  
) REIMBURSEMENT OF EXPENDITURES WITH  
) REIMBURSEMENT OBLIGATION PROCEEDS.

**WHEREAS**, the Board of County Commissioners (the "Board") of Lane County, Oregon (the "County") finds:

A. The County has made and expects to make expenditures from its available funds to finance the acquisition of Charnelton Place, and related costs (the "Project").

B. The County reasonably expects to issue bonds, bond anticipation notes, or other obligations (the "Reimbursement Obligations") and to use the proceeds of the Reimbursement Obligations to reimburse the County for the expenditures it makes from its available funds for the Project.

C. To permit interest on the Reimbursement Obligations to be excludable from gross income, the Internal Revenue Code of the United States requires that the County declare its intent to reimburse itself from Reimbursement Obligation proceeds within 60 days after the expenditures are made.

D. The County expects that the principal amount of the Reimbursement Obligations will not exceed fifteen million dollars (\$15,000,000).

E. The County understands that the use of proceeds of the Reimbursement Obligations to reimburse an expenditure may occur no later than the later of (a) 18 months after the date of such expenditure, or (b) 18 months after completion of the projects to which such expenditure relates, and in any event no later than three years after the date of such expenditure; and may occur no earlier than sixty (60) days prior to the date of the adoption of this resolution. Preliminary expenditures in an amount not exceeding 20% of the Reimbursement Obligation proceeds are not subject to these limitations. Preliminary expenditures include: architectural, engineering, surveying, soil testing and similar costs incurred prior to commencement of acquisition, construction or rehabilitation of the projects, other than land acquisition, site preparation and similar costs incident to commencement of construction. In addition, de minimus expenditures (the smaller of \$100,000 or five percent of the Reimbursement Obligation proceeds) of any kind are not subject to the reimbursement rules.

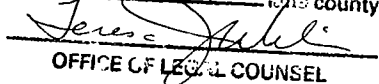
**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Board, that the County hereby declares its official intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse itself for expenditures it makes for the Project with the proceeds of the Reimbursement Obligations.

**BE IT FURTHER RESOLVED AND ORDERED** that the County Administrator or County Treasurer, or the designee of either the County Administrator or the County Treasurer, is hereby authorized to make future declarations of intent to reimburse under Section 1.150-2 of the Federal Income Tax Regulations, on behalf of the County and without further action by the Board. All such future declarations shall be in writing and the original or a certified copy of each declaration shall be maintained in the public records of the County.

DATED this 14th day of March, 2007

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Faye Stewart, Chair  
Lane County Board of Commissioners

APPROVED AS TO FORM  
Date 3/7/07 lane county  
  
OFFICE OF LEGAL COUNSEL