

W. S. D. I.

AGENDA COVER MEMORANDUM

Agenda Date: June 7, 2006

DATE: May 23, 2006

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 FIVE YEAR LEASE RENEWAL AGREEMENT WITH MCKENZIE ENTERPRISES, INC. FOR AN EXPENSE OF \$345,600 FOR SPACE FOR THE CENTRAL LANE JUSTICE COURT LOCATED AT 220 FIFTH STREET, SPRINGFIELD

1. **PROPOSED MOTION:** THE BOARD OF COUNTY COMMISSIONERS MOVES TO AUTHORIZE THE COUNTY ADMINISTRATOR TO EXECUTE A FIVE YEAR LEASE RENEWAL AGREEMENT WITH MCKENZIE ENTERPRISES, INC. FOR AN EXPENSE OF \$345,600.00 FOR SPACE FOR THE CENTRAL LANE JUSTICE COURT LOCATED AT 220 FIFTH STREET, SPRINGFIELD
2. **ISSUE/PROBLEM:** The current five year lease agreement for space for the Central Lane Justice Court expires June 30, 2006. The lessor (Don Carter is the principal for McKenzie Enterprises) wishes to enter into a five year renewal for the period July 1, 2006 – June 30, 2011. The renewal is beyond the limits for execution by the County Administrator without the Board's authorization.

3. **DISCUSSION:**

3.1 Background

The leased premises are approximately 8,000 sq. feet with the Justice Court occupying 7,200 sq. ft. and the Sheriff's traffic team using 800 sq. ft.

Currently, monthly rent is \$4,960 (.62/sq. ft.). In addition, the Justice Court has been paying an additional \$150 monthly to the lessor to be responsible for HVAC maintenance and repair (this was the county's responsibility under the original lease). Under the proposed renewal, rent would increase to \$5,760 (.72/sq. ft) and remain at that rate for the 5 year term. Also, the county would again be responsible for HVAC maintenance and no longer pay the additional \$150/month (this was requested by the lessor). The lessor has also requested removal of the 90 day right of first refusal to purchase the building included in the previous renewal.

The County initially entered into a five-year lease agreement for the Justice Court space in January 1990. During the term of the initial agreement, in addition to the basic monthly rent, the County paid an additional monthly sum to the lessor for reimbursement of approximately \$200,000 for remodeling of the building. The remodeling included designing space in the building for use by the District Attorney (interview room for adolescents) and the traffic team

Under the terms of the original agreement, the County was responsible for payment of utilities, janitorial services (performed by a contractor) and all maintenance and repairs including the HVAC system. The lessor was responsible for repairs to the roof and exterior walls (it was essentially a triple net lease). Commencing with the first lease renewal in 1995, the lessor took over responsibility for the HVAC system for an additional \$150 in monthly rent. The lease also includes exclusive use of 35 parking spaces as well as non-exclusive use of the common parking area.

The agreement also provides for termination by the County upon one year's notice in the event legislative action no longer makes operation of the Justice Court feasible. The agreement can also be terminated in the event funds are not allocated by the Board to continue Justice Court operations. Termination for this event would be effective July 1st of the fiscal year for which funds were not allocated.

The State Watermaster occupies the space initially intended for use by the D.A.. No rent is paid by the Watermaster as State statute requires counties to provide them office space and associated services (phones, office equipment, etc.) at no charge (ORS 540.075).

3.2 Analysis

The lease rate offered to the County reflects the "triple net" lease agreement in which the lessee is responsible for most costs associated with building operations (utilities, maintenance and property taxes). Full service lease rates in downtown Springfield range from \$.95/ sq. ft. - \$1.25/ sq. ft. (other office space in the Justice Court building owned by the lessor are in this range).

A five year agreement would be beneficial in that rental costs over an extended period would be known for budgeting purposes at a rate that appears reasonable in the current market. The county will have the ability to discontinue the lease should legislative action dictate closure of the Justice Court.

Alternatives/Options

1. Enter into a 5 year lease renewal as proposed.
2. Negotiate different terms as dictated by the Board

3.4 Recommendation

It is recommended that the County Administrator be authorized to execute a lease renewal agreement with McKenzie Enterprises which is substantially similar to the attached agreement.

3.5 Timing

The current agreement expires June 30, 2006.

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
Renewal Agreement

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO. IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR
TO EXECUTE A FIVE YEAR LEASE RENEWAL AGREEMENT WITH
MCKENZIE ENTERPRISES, INC. FOR AN EXPENSE OF \$345,600 FOR
SPACE FOR THE CENTRAL LANE JUSTICE COURT LOCATED AT 220
FIFTH STREET, SPRINGFIELD

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 McKenzie Enterprises, Inc. (lessor) to provide space for the Central Lane Justice Court

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 5 yearh lease renewal with McKenzie Enterprises, Inc. for approximately 8,000 ft. of office space located at 220 Fifth St., Springfield, 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 _____, 20____.

Bill Dwyer, Chair
Lane County Board of Commissioners

APPROVED AS TRUSTEE

5-26-06

[Handwritten Signature]
OFFICE CLERK

IN THE MATTER OF AUTHORIZING THE COUNTY ADMINISTRATOR TO EXECUTE A FIVE YEAR
LEASE RENEWAL AGREEMENT WITH MCKENZIE ENTERPRISES, INC. FOR AN EXPENSE OF \$345,600
FOR SPACE FOR THE CENTRAL LANE JUSTICE COURT LOCATED AT 220 FIFTH STREET, SPRINGFIELD

EXHIBIT "A"

EXTENSION AND AMENDMENT OF LEASE

THIS AGREEMENT is made and entered into by and between MCKENZIE ENTERPRISES, INC., an Oregon corporation, hereinafter referred to as "Landlord", and LANE COUNTY, a political subdivision of the State of Oregon, hereinafter referred to as "Tenant", and

WHEREAS the parties hereto are the parties to that certain Commercial Lease dated November 20, 1989, as previously amended and extended, covering real property described therein, commonly known as the Justice Court Building located at 220 West 5th Street, Springfield, Oregon 97477, and

WHEREAS the extended term of said Lease expires on June 30, 2006, and

WHEREAS it is the intention of the parties to extend the term of said Lease for an additional five year period from July 1, 2006 to June 30, 2011, and

WHEREAS it is also the intention of the parties to amend the terms of said Lease as they relate to basic rent, responsibility for the HVAC system maintenance and repair, and right of first refusal.

NOW THEREFORE, it is hereby understood and agreed as follows:

1. Extension of Term. The term of that certain Lease dated November 20, 1989 between Landlord and Tenant as subsequently amended shall be extended for an additional five years commencing the 1st day of July, 2006 to and including through 30th day of June, 2011.

2. Basic Rent. Section 3.1 of said Lease shall be amended to provide as follows:

3.1 Basic Rent. Tenant shall pay to Landlord as basic rent the sum of \$5,760.00 per month, that sum being equal to approximately 72 cents per month per square foot for the approximate 8,000 square feet of the leased premises, commencing on the 1st day of July, 2006 and continuing to and including the 30th day of June, 2011.

3. HVAC SYSTEM. Except as may be specified in Section 6.2 of the Commercial Lease, this Amendment deletes any responsibility of landlord to pay for repairs and maintenance to the HVAC System. Tenant's obligations for the repairs and maintenance to the HVAC System are set forth in Section 6.1(a) of the Commercial Lease.

4. RIGHT OF FIRST REFUSAL DELETED. This Amendment specifically deletes the Right of First Refusal set forth in Section 3 of the June 29, 2001 Extension and Amendment of Lease.

5. CONTINUATION OF LEASE TERMS. Except as specifically modified herein, and as modified by previous amendments, the remaining terms of the existing Lease dated November 20, 1989 shall remain in full force and effect during the extension term.

LANDLORD: MCKENZIE ENTERPRISES, INC.

By: _____
President

Dated: _____

TENANT: LANE COUNTY

By: _____
County Administrator

Dated: _____