

September 8, 2005

**To:** LCOG Executive Committee

**From:** George Kloeppe

**Subject:** Agenda Item 6, Agency Owned Real Estate

LCOG owns two office buildings, the Schaefers Building on the corner of 10<sup>th</sup> and Willamette in Eugene and the former Washington Mutual Bank Building on “A” Street in downtown Springfield. Each of the buildings was acquired to provide necessary work space for staff members in our Senior and Disabled Services Division. In addition, both buildings have had some commercial rental, the income from which has helped to meet operating and capital costs. The buildings have appreciated in value since they were purchased and each has provided needed office space for public service. Two factors now prompt some consideration of the future of these facilities.

First, the funding for S&DS programs comes to us through the appropriation process of the State. After substantial funding cutbacks by the Legislature in the 2003 Session, we were forced to significantly reduce staff. With a smaller staff to serve the (growing) needs of the public, we concluded that it was no longer feasible to keep S&DS staff in the Springfield building. (We continue to maintain division staff in leased facilities in Oakridge, Florence and Cottage Grove, as well as in the Schaefers Building in Eugene). In response to the funding reductions, we consolidated the Springfield staff into the other facilities and have left half of the “A” Street building vacant (available for lease). The other half of the building is leased to the Oregon Department of Transportation. It has been our hope (and in the long-run and reasonable expectation) that funding for S&DS services will be brought back up; but with respect to Medicaid funding (the largest S&DS program), such was not the case in the 2005 Session. So, LCOG does not have an immediate need for the space, nor has a tenant been found.

A second factor that prompts this agenda item is the 3<sup>rd</sup> floor vacancy in the Schaefers Building in Eugene. Since LCOG has owned the building, there has

been a tenant on the 3<sup>rd</sup> floor. For the past decade, that tenant has been Brown and Caldwell Engineers. Now the company has relocated its Eugene staff to Portland and the 3<sup>rd</sup> floor space (11,960 square feet) has been marketed for lease. Thus far, our agent, Pacific Real Estate Services, Inc., has not been successful in placing a tenant in either available space.

On the other hand, there have been periodic expressions of interest regarding the possible purchase of one building or the other. The prospect of selling either building carries significant implications, and the insights of the Committee will be valuable, as we move into the future. If ultimately a sale did seem the best option, the Committee might want to recommend that it be charged by the Board as the approval body.

This agenda item, however, is intended as an opportunity for the Committee to explore the issues with the management staff.