



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Steve Newcomb, Environmental and Property Manager  
DATE: July 3, 2013  
SUBJECT: Headquarters Building Lease  
OBJECTIVE: Approval of Resolution No. 1317

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At your July 16 meeting, the Board will be asked to approve key deal points for a five-year full-service lease with Electrical Geodesics, Inc. (EGI) for space in the downtown headquarters buildings. Upon Board approval of these deal points (as a consent calendar item), the General Manager will be authorized to execute a lease agreement with EGI.

## **Issue**

Staff requests Board approval of key deal points for a lease agreement between EWEB and EGI for approximately 28,500 square feet of our main headquarters building and portions of the North Building. Negotiation of terms has taken place during the past three months and a contract has been written by a commercial property manager. The contract has been reviewed by a local real estate attorney. EWEB is finalizing the contract with EGI at this time, and staff expects a fully reviewed contract to be ready within the next week.

EGI is interested in moving a small group (15-20) of its employees into the South building immediately following Board approval of these deal points. Pending a final lease agreement, an additional 80 to 90 EGI employees will follow in phases concluding in December of this year.

## **Background**

Since the migration of half our employees to the Roosevelt Operations Center in 2010, downtown headquarters buildings have been underutilized. The cafeteria in the North building was closed in late 2010 due to diminished staffing downtown. In 2012, utilization of the South Building ran at about 80% of capacity.

In response to an April Request for Information (RFI) by EWEB, EGI expressed interest in leasing space in the North and South Headquarters buildings.

EWEB has undertaken the move of additional personnel to ROC to make more of the South Building available for lease. As of the end of June, 114 additional employees have relocated to ROC. Some EWEB staff previously on the second floor have also been relocated to the first and third floors of the main headquarters building. This has made possible the leasing of about 75% of the second floor of the South Building. EWEB staff would remain on the first and third floors for the foreseeable future.

Both organizations have invested considerable time and money in preparation of the lease.

## **Discussion**

### **Key Deal Points**

- 1) The Leased Premises is deemed to be a total floor area of 28,557 square feet as described below:
  - a. Approximately 6,958 Square Feet of HQ North Building second floor, inclusive of appurtenant common areas, for office/assembly/ancillary use.
  - b. Approximately 2,100 Square Feet of HQ North Building first floor for assembly operations, inventory/ancillary use, inclusive of appurtenant common areas.
  - c. Approximately 19,499 Square Feet of HQ South Building second floor for office/ancillary use, inclusive of appurtenant common areas, to be occupied in three phases. The first (Northeast) phase is 8,521 Square Feet, the second (Southeast) phase is 4,640 Square Feet and the third (Southwest) phase is 6,338 Square Feet.
- 2) The proposed lease is considered full-service. EWEB will pay insurance, all utilities, maintenance, housekeeping and property taxes. Furthermore, the tenant will not be obligated to pay for common areas, shared use with EWEB of the North Building Training and Community Rooms, Terrace, Skybridge, up to 100 parking spaces, main building lobby area, or use of Herman Miller partitions and components.
- 3) The Board Room will be moved to the Training Room.
- 4) The lease is for a five-year term.
- 5) EGI will be paying a rate that will result in annualized gross revenue for EWEB of about \$479,758 with an escalation of 2.5% per year.
- 6) EWEB's short-term lease preparation expenses are expected at approximately \$110,000 to provide necessary security and IT infrastructure equipment. There will be ongoing expenses associated with the lease that will be tracked with the revenue.

### **TBL Assessment**

- Improves EWEB asset and resource utilization both at HQ and ROC
- Supports clean technology and market-wage jobs in the downtown core
- Supports a growth industry that advances the local economy
- Brings more people to our site, which in turn attracts developers to other portions of the site
- Increases net revenue for EWEB while retaining future flexibility with respect to the location of our administration and customer services
- Provides EWEB with a significant source of added revenue to help mitigate potential rate impacts for customers

**Recommendation**

Management recommends that the EWEB Board approve the key deal points for a lease agreement with EGI. The deal points are reflected as a consent calendar item on your agenda

**Requested Board Action**

Approval of key deal points for lease agreement with EGI and authorization for the General Manager to execute a lease agreement that conforms with the key deal points above.

**RESOLUTION 1317  
JULY 2013**

**RESOLUTION APPROVING AND AUTHORIZING LEASE AGREEMENT  
BETWEEN THE EUGENE WATER & ELECTRIC BOARD  
AND ELECTRICAL GEODESICS, INCORPORATED  
EUGENE WATER & ELECTRIC BOARD**

**WHEREAS**, EWEB has space available in its Headquarters Buildings; and

**WHEREAS**, In response to an April Request for Information (RFI) by EWEB, EGI expressed interest in leasing space in the North and South Headquarters buildings; and

**WHEREAS**, EWEB and Electrical Geodesics, Inc. have reached a common understanding concerning the key terms and conditions to be included in a lease; and

**WHEREAS**, EWEB and EGI are preparing a formal Lease Agreement document for consideration and subject to such revisions as may be deemed necessary during final legal review by the parties; and

**WHEREAS**, the EWEB Commissioners have reviewed the proposed key deal points and find the terms and conditions contained therein to be appropriate and consistent with the interests of the utility and its customers.

**NOW, THEREFORE, BE IT RESOLVED** that:

- (i) The EWEB General Manager is hereby authorized to enter into a Lease Agreement with Electrical Geodesics, Inc. upon final approval by EWEB staff and legal counsel; and
- (ii) The final lease agreement shall reflect the key deal points outlined in the EWEB Board Backgrounder dated July 3, 2013 with such changes as the EWEB General Manager, with the advice of legal counsel, shall approve.

Adopted at a meeting of the Eugene Water & Electric Board on July 16, 2013.

**THE CITY OF EUGENE, OREGON  
Acting by and through the  
EUGENE WATER & ELECTRIC BOARD**

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President

I, TARYN M. JOHNSON the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 16, 2013 Regular Board Meeting.

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Assistant Secretary