

OREGON BOARD OF OPTOMETRY

PUBLIC SESSION MINUTES

August 16, 2002

Present - Joan Miller, O.D., President
Candace Hamel, O.D., Vice President
John Reslock, O.D.
Scott Walters, O.D.
John Doneth, Public Member

David Plunkett, Executive Director
Kathleen Hanson, Administrative Assistant

CALL TO ORDER -

Dr. Miller called the meeting to order by conference call at 8:02 a.m. in the office of Executive Director, David Plunkett at 3218 Pringle RD., SE, Salem, Oregon.

Attendance was taken by Kathleen Hanson by roll call. All board members were present.

BOARD BUILDING PROJECT:

Mr. Plunkett briefed the Board members about the building project, beginning with discussions by the Board approximately a year earlier regarding ownership of property that the office and staff could be housed in order to reduce the cost of facilities and to potentially generate a revenue stream for the Board. He pointed out the plans currently before the Board would accomplish these goals. He stated that ownership in this project would bring financial stability over the next few years. The Board would have reduced rent over the next four years from the current cost, and then, potentially, the Board would be rent free. The Board would stand to realize a profit of approximately two million dollars over thirty years. This does not include the value of not paying rent for approximately 26 years. At the end of thirty years, the Board of Optometry would have forty percent equity in a class A property in downtown Salem, which would be quite valuable. He reviewed the site plan with the Board, noting that the property is the old PGE building which is currently a shell. The project proposes to add three new stories on top of the existing building and a five story addition on the back. The end result would be a five story building with a basement. Mr. Plunkett disclosed that since elevations have been updated at the site, it has been discovered that the basement will not be suitable for office, so the proposal is to add six stories instead of five and to use the basement for storage. In order to account for the water level in the hundred year flood plane, the floor level of the basement must be raised five feet, which reduces the ceiling height such that the area is not suitable for office space. Mr. Plunkett noted that to the south of the current building, there are two apartment buildings which are designated by the City of Salem as derelict. These buildings will be purchased and removed. The property on which they stand will be developed as a parking structure for the building.

Dr. Hamel asked what motivation is for the developer by way of profit. The contract doesn't clearly

state what the developer will be gaining from the project. Mr. Plunkett explained that the developer will be charging a development fee and that they will profit from the sale of the property that the building is situated on. Mr. Plunkett noted he knows Chuck Sides. He does not personally know Ken Roberts, although he has spoken to him several times. Mr. Roberts has in the past been the owner of a fast food chain which he sold and subsequently started Figaro's Pizza, which he has now sold also. The developers own other properties, including the Robertson Building which houses part of the Department of Justice. They see this project as being to their benefit down the road to sell this concept to other agencies. Mr. Sides believes that this sort of arrangement would save state agencies millions of dollars. Mr. Plunkett explained that the administrators have tried to incorporate things that will reduce the risk to the Boards. The developers have guaranteed to assume half the building if the Boards are unable to lease it for the life of the project, which is thirty years, thus cutting the potential liability to the Boards substantially. This provision will be personally guaranteed by the individual developers rather than their L.L.C. The development agreement was proposed by the developers and then was reviewed at the Department of Justice by Eric Iverson, who handles state property transactions for D.O.J. The administrators have met with Mr. Iverson and further developed the agreement. There are some additional details which will be added to the contract, for example, specifying that the developers guarantee 21,000 square feet for the life of the contract. Mr. Plunkett will be acquiring lease agreements with the agencies that have indicated that they would like to move to the building. The agreements will be for twenty years, with the ability to get out of the lease at five year intervals with one year notice. Mr. Plunkett noted that because of the nature of Boards, there will not be a strong motivation to move as long as a nice, functional space is provided. Boards like to co-locate in order to allow administrators and staff to network and pool resources. Dr. Miller was concerned that leasing Boards may eventually want to leave the building when it becomes evident that the owner Boards are realizing a profit. The leasing boards may decide that they want to be owners themselves. Mr. Plunkett said that many of the boards do not have the ability to own a building because they are not semi-independent. Dr. Miller asked whether the developers could be barred from drawing tenants away to develop other buildings. Mr. Plunkett will explore that point.

Mr. Plunkett reviewed the Cost/Revenue Analysis that he had prepared for the Board. The revenue is projected from the 38,000 sq. ft which will be leased by tenants other than the owner Boards. Dr. Reslock queried Mr. Plunkett about the escalation factor which is built in on an annual basis. The rate for the owner Boards will be fixed maximum rate of \$1.18 per sq. ft. Dr. Walters pointed out that the owner Boards will agree to cover the cost for 21,000 sq. ft. of the 42,000 sq. ft. should there be unoccupied space.

The Board discussed the location of the building, it's proximity to the capitol and situation near downtown. Mr. Plunkett noted that the reason the developers were willing to guarantee half the space is that they don't expect occupancy to ever be a problem in this building.

Dr. Reslock asked what the ramifications will be if sometime in the future the Board of Optometry ceases to be an entity. Mr. Plunkett explained a document that the three owner Boards have been working on in which they have outlined what will happen if one of the Board's pulls out of the partnership. That Board would lose everything which has been invested. The remaining two Board's would carry on and get the equity. It is in the best interest of the Board's to stay in unless there is an action on the part of the Legislature.

Dr. Reslock inquired about the cost to build the parking lot, including the cost to purchase the property. He also wondered about the provision for wheelchair accessible spaces. The parking structure will have a ramp instead of an elevator. In addition, there will be spaces outside the structure near the building which will be ADA compliant. Dr. Reslock asked for clarification about the financing during the construction phase. Mr. Plunkett explained that there will be interim construction financing after which the project will be financed through the issuance of bonds. Bonds are much cheaper than ordinary financing. The bonds being considered are estimated to be at 6%. Regular financing is at 8% and above. The bonds will be thirty year bonds. Mr. Plunkett showed that at some point the Board will be realizing a large profit from this project. Mr. Doneth noted that according to the projections, the Board of Optometry will only be paying lease payments for five years, which will be less than the current payments. After that, the Board will have free rent if the building remains full. Dr. Reslock mentioned that at the sixth year, the owner Boards will have an income of \$1,000 per month. Mr. Plunkett explained that of the \$1,000, Optometry will reap 40%, Architects will receive 40%, and Geologists will get 20%. The Board further discussed the financial projections. Mr. Plunkett explained that while the project is not risk free, the partners had tried to keep the risk to a minimum. He reiterated that there will be binding agreements from the leasing agencies with twenty year duration.

Mr. Doneth explained that the building is in an area that will be experiencing an infusion of quite a bit of urban renewal money. The developers have met with the Salem City Planning Department to review the plans. The comments from the City representatives were that they will try to expedite and facilitate the project. Mr. Doneth noted that the Architects Board favors this site over the Keizer Station site that was previously considered. He also mentioned that if the contractor, Pence/Kelley, is on the project that the building will be first class. Mr. Doneth is concerned that the project will take longer than the June 30 deadline, otherwise, he thinks this is a pretty good project. Mr. Plunkett said that OBO has a two month leeway on the current lease agreement. He will start planning for a contingency in the event the building isn't done. Mr. Sides is determined that the building will be done, to prove to the State that things can be done quickly.

Dr. Hamel asked who will manage the building after the project is complete and everyone is moved in. Mr. Plunkett said that the owner Boards are working on an agreement in which the three administrators will manage the building. Maintenance and repairs will be contracted out.

Dr. Reslock asked whether the Board should approve of any cost over runs that might occur because of modifications or plan changes. Mr. Plunkett assured him that the Board would be consulted if the costs rise. The agreement is set up that the administrators all have to agree to any changes, but they would not make any major changes without consulting their Boards. Mr. Plunkett said each of the partners are aware of the responsibilities. Mr. Doneth noted that the comments and concerns of the other Boards that he has heard at the meetings he has attended regarding the building project were very productive. He mentioned also that the Boards will benefit from the low interest rate and the exemption from property tax.

Dr. Reslock discussed the Cost/Revenue statement with Mr. Plunkett, inquiring about how the figures were arrived at. Dr. Reslock noted that he felt better about the project after the discussion. He commended Mr. Plunkett for a nice job in putting the project together. Mr. Doneth noted that Mr. Plunkett has been the leader in the project and has well represented the Board in trying to keep

costs down and looking to the future. He said that Mr. Plunkett has done an excellent. Dr. Miller mentioned that the Board would have much greater concerns if they were not aware of how conservative Mr. Plunkett is. He has provided great leadership at the Board and is not inclined to wild gambling schemes. Mr. Plunkett thanked the Board for the opportunity to be creative.

Dr. Miller asked for a motion regarding the building project. Mr. Doneth moved that the Board proceed with the signing of the development agreement. Mr. Plunkett reassured the Board that any changes made to the agreement on the recommendation of the attorney would be forwarded to the Board. Mr. Doneth restated the motion to say that Mr. Plunkett would be authorized to sign the development agreement with amendments recommended by the Attorney General's office. Dr. Hamel seconded the motion. There was no additional discussion. Kathleen Hanson took the vote by roll call. The motion carried unanimously.

Mr. Plunkett reminded the Board about the next scheduled Board meeting on September 13. He suggested that if the agenda is not too full, the Board may want to go to the building site and have lunch in the area. The idea met with the approval of the Board members.

Dr. Hamel noted that the education for the non-topical therapeutic certification will begin at GWCO in October with the laboratory component, and be completed in February.

ADJOURNMENT -

There was no further business before the Board and President Miller adjourned the meeting to at 9:12 a.m.

Prepared by,

Reviewed by:

**Catherine M. Boudreau
Administrative Assistant**

**David W. Plunkett
Executive Director**