



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson

FROM: Frank Lawson, General Manager  
Susan Ackerman, Chief Energy Officer  
Mike McCann, Electric Generation Manager  
Lisa McLaughlin, Environmental and Property Supervisor

DATE: August 24, 2018

SUBJECT: Property Management Program

OBJECTIVE: Information

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## **Issue**

This memo provides an overview of EWEB's Property Management Program and updates on specific items that may be relevant to the Board.

## **Background**

EWEB's Property Department manages a diverse array of property-related issues. We are responsible for easement acquisition and conveyance, entry permits, land use concurrences, property tax processing and notification, lease negotiation and maintenance, property nuisance issues (ex. illegal camping, trash, graffiti), property acquisitions, and surplus property identification and disposition, amongst other items. The group consists of three Right-of-Way Agents and one Administrative Assistant whose time is split between the Environmental and Property departments.

## **Discussion**

Below are additional details and updates on property topics that may be of specific interest to the Board.

### Easements –

The majority of EWEB's electric and water transmission and distribution lines cross property that is not owned by EWEB. Much of it is privately owned and, therefore, EWEB must retain property rights in order to install and maintain the necessary infrastructure. These rights are most often acquired in the form of easements.

EWEB has acquired approximately 8,000 easements since its inception over one hundred years ago. Prior to 2015, these "legacy" easements were documented in paper format, usually hand drawn on velum overlay. This antiquated system made it difficult to easily ascertain which rights EWEB had already attained and which were needed to install and maintain service, and led to delays in getting this critical information to EWEB Engineering and Operations groups.

In 2015, EWEB executed an Intergovernmental Agreement with the Lane Council of Governments

(LCOG) to modernize the Property Management System. The work consisted of developing a Geographical Information System (GIS) database to map easements in a way that is georeferenced and easily searchable. Because many of the easements are old and not clearly described, LCOG has also needed to research many of EWEB's property rights, through deed searches and verification of legal descriptions, so that they may be accurately mapped. This "legacy" work is nearly complete, with only the most complicated easements still outstanding. EWEB continues to acquire scores of easements each year. Therefore, in order for the system to remain viable and accurate, we have elected to contract with LCOG to digitize new easements, as they are acquired, and map other property related issues, such as encroachments. This work brings EWEB's Property Management System into the modern age and greatly increases our effectiveness in both quickly and accurately identifying property rights.

#### Property Nuisance Program –

EWEB owns approximately 1,470 acres of land in Lane County. With this number of acres comes a myriad of property "nuisance" problems that need to be managed, such as illegal camping, trash, and graffiti. Prior to 2016, EWEB did not have a standard procedure for dealing with property nuisances. Since then, in coordination with EWEB's Security and Facilities Departments, the Property Department has developed a centralized process for identifying and responding to property nuisance issues. Development of this process has greatly improved the timeliness with which we remedy issues, enabled us to track related expenses, and increased safety for EWEB staff. For the majority of clean-ups, especially those with the potential for biohazardous waste, we contract with Belfor Property Restoration for response and clean-up.

In addition to our internal process for identifying nuisances, we are notified of all incidents of illegal camping and trash in Lane County that are reported to the public entity partnership managed by LCOG. When we receive notification of issues on EWEB property, we follow our internal procedure to respond. Additionally, if EWEB staff identify issues on property owned by other agencies, we report that either to LCOG or directly to the relevant agency.

In 2017, 75 instances of illegal camping and trash were reported, most of which were on substation properties, and 50 instances of graffiti were found. The cost of clean-up was approximately \$30,000, not including EWEB labor for reporting, tracking, inspections, etc.

#### Encroachment Program –

Occasionally, adjacent property owners encroach on EWEB owned land or easements. Depending on the type of encroachment, this can lead to issues maintaining, replacing, or inspecting infrastructure. EWEB has not historically had a process for identifying and remedying encroachments and, due to staffing constraints, has done little to consistently manage these issues in the past. With the guidance of legal counsel, we are currently developing the specifics of program to deal with encroachments. The timing of program implementation, however, will depend on available staffing resources to conduct the work. The program will require property inspections to identify encroachments and working with the party to remedy the issue.

#### Lease Agreements –

EWEB has 26 active leases where we are the landlord. These consist of one building tenant, EGI/Phillips (further described below), eleven employee occupied homes, five cell tower leases, three billboards, and six miscellaneous land leases (e.g., farming, storage, parking). EWEB's Property Department manages the negotiation and execution of lease agreements, in addition to

ongoing invoicing and serving as a point of contact for the tenant if issues arise.

*Philips/EGI Lease of Headquarters Building –*

In 2013, EWEB entered into a lease agreement with Electric Geodesics, Inc. (EGI), now Philips, for approximately 28,000 square feet of the HQ North and South Buildings. The lease was amended in 2017, extending the term to November 20, 2018 and incorporating an 18-month termination period. We are in the final stages of negotiating an amendment to the lease that is expected to include a total of approximately 32,000 square feet and a minimum 3 year term.

Property Acquisition –

*Thurston Substation Expansion Project –*

At the August 2, 2016 Board meeting, the Board approved Resolution No. 1625 authorizing acquisition of property for the Thurston Substation Expansion Project. The primary purpose of the purchase, enabling expansion of the substation, would allow EWEB to access and tap into Bonneville Power Association power lines, thus facilitating the removal of an old EWEB transmission line river crossing and providing additional reliability to EWEB system users.

EWEB entered into a now-expired Purchase and Sale Agreement (PSA) with Weyerhaeuser Company, the property owner, for the purchase of the entire 184-acre parcel that abuts the Thurston Substation. For a number of reasons, we have since reevaluated our approach with respect to the property purchase and have determined it is in our customer's best interests to acquire only a portion of the 184-acre parcel.

EWEB approached Weyerhaeuser earlier this year to gauge their interest in two options: 1) acquiring only the portion of property needed for substation expansion, estimated at approximately 8-acres, and 2) purchasing the approximately 148-acres that encompass the substation expansion area and includes key floodway and riparian acreage along the McKenzie River immediately upstream of the Hayden Bridge intake. Given that the additional acreage not needed for the substation expansion includes the confluence with Cedar Creek that receives runoff from three City of Springfield stormwater outfalls, option two would enable EWEB to place this area under conservation and manage it for drinking water source protection purposes.

Either option requires land use action, such as a property line adjustment or partition, a boundary survey, and the negotiation of a new PSA. Weyerhaeuser has indicated they are amenable to selling EWEB the 148-acre portion, but are not interested in entertaining a proposal for the substation expansion area only. EWEB intends to move forward with negotiations. If an agreement in principle can be reached, we would ask the Board to rescind Resolution No. 1625 and approve a new Resolution that authorizes the purchase and accurately describes the property.

Surplus Property and Disposition –

*HQ Pre-Declaration of Surplus –* EWEB Management has explored the legal implications of pre-declaring real property as surplus, and there could be some risk in having a present Board express or seek to bind a future Board to a predictive surplus. However, the present Board could state that certain real property will not be needed for utility purposes, that it is declared surplus and that it shall begin the process for preparing the real property for disposition on a future date. This could get the disposition process moving forward and this Board (or a future Board) could rescind that resolution if it sought to change course or unanticipated need becomes apparent. Essentially, there are two

concepts implicated by a pre-declaration: (1) does the Board find that the property is surplus to anticipated future utility needs, and (2) if so, when may the property be ready for disposal? Generally, state law and the provisions of Eugene Code 2.196 provide for the surplus of property.

*Riverfront Park Conveyance –*

We continue to work with the City of Eugene on finalizing documents for the conveyance of the Riverfront Park parcel, including reservation of property rights for EWEB's (and future HQ tenant/owner's) ongoing needs. EWEB has proposed limited reserved easements beyond those which were identified through the conveyance of the Riverfront property. We don't expect any substantive issues to arise during this closing process.

*Properties Declared as Surplus –*

At the January 9, 2018 Board meeting, the Board approved Resolutions No. 1804, 1805, 1806, and 1807, declaring four EWEB owned properties as surplus. These are commonly known as the River Loop Substation Site, Hillaire Substation Site, Shasta 1150 Pump Station Site, and Potter Lane Rock Pit. Following the formal declarations, the City of Eugene (City) was notified of our intent to sell and given the required 30-day window to express interest. The City did not respond within the 30-day time frame, however, they have since expressed interest in the River Loop Substation Site. We will continue to engage in discussions with them about this property. Additionally, we are currently working with a real estate broker to clear land use/title issues and develop marketing strategies for the remaining three properties. Work on this topic has been somewhat delayed due to staffing constraints.

*Properties Identified as Surplus –*

We have identified an additional four properties that contain areas both essential to EWEB's needs and areas that are non-essential. In each case, because only a portion of the property is identified as surplus, additional work (surveys, descriptions, land use actions) are needed before bringing surplus declarations to the Board for approval. We are working with a real estate broker to determine if the value of the property warrants the cost and effort of undertaking the actions needed to create sellable parcels, and if the proposed lot partitions (or lot line adjustments) are legally feasible. Work on this topic has been somewhat delayed due to staffing constraints.

Policies and Procedures –

Property staff have been working on a full update to EWEB's Property Management Policies and Procedures to ensure that the document is up to date and aligned with current practices. Additionally, we are further refining and clarifying processes (ex. easement acquisition, property disposal, property acquisition, and the granting of permits, leases, and other contracts by EWEB) in an effort to better manage risk and create consistency. We are working with legal counsel to update and revise contract templates and reference documents (ex. lease agreements, entry permits, revocable permits, encroachment permits) and develop an encroachment management program. This work will improve the services we offer, both internally and externally, and better ensure that we are taking a consistent approach with customers.

**Recommendation**

This memo is for informational purposes only.

**Requested Board Action**

No Board action is requested at this time.