

Agenda Item Number 11.A.

Real Estate Purchase and Remodel

Presenter: Bob Swank

Action Recommended: None. Information Only

Background:

On January 3, 2008 Lane Council of Governments purchased the Park Place Building, formerly known as the Aster Building, on Willamette between 8th Avenue and Broadway. The building has five floors with about 57,000 square feet of rentable space and a price of \$6.34 million. The fourth and fifth floors are similar in size to the space that LCOG currently occupies in the Wells Fargo Building. LCOG plans to move its Wells Fargo offices to these floors when a replacement tenant is secured for the Wells Fargo space. The lower three floors are leased or available to lease for retail and office space.

After 62 years of leasing space LCOG will have a permanent home. The revenue from the retail and commercial leases in the Building will help pay the mortgage debt and ongoing operating expenses so that LCOG office space costs in the new offices will be very similar to the current lease expense in the Wells Fargo Building. Principal payments on the debt will start at about \$75,000 a year, so after ten years, instead of having just paid the expense to lease office space, LCOG will have increased its equity in the Building by almost \$1 million.

LCOG plans to spend about \$1,100,000 to improve the two floors for its occupancy. Improvements will include a larger meeting room on the fifth floor to accommodate public meetings and much more window space for offices. The overall Building design provides flexibility for different size offices, so LCOG will have space for future growth and space can be made available for other governments that need downtown office space.

The schedule for improvements for the new LCOG offices starts the week of February 18 with the issue of an RFP for a general contractor to manage the construction of the improvements. The improvements should be completed by the end of July so that LCOG can move into the new offices by September 1. However, this schedule requires that another entity will decide to occupy the LCOG WF space. If another tenant does not lease the WF space, this schedule will be delayed several months.

There are a couple of options for financing the improvements. Umpqua Bank is aware of the need to finance the improvements but did not want to include that money in the purchase financing. The plan with the Bank was to talk about financing the improvements when the cost and schedule was known. Another opportunity is to refinance the Springfield Building or both buildings with tax exempt financing through Wells Fargo Bank that would be less expensive than the existing loans.