

Agenda Item Number 11.A.

Real Estate Purchase

Presenter: Bob Swank

Action Recommended: Adopt Resolution 07-05 Authorizing the Purchase of an LCOG Office Building

Background:

At the June meeting of the LCOG Board of Directors the idea of LCOG purchasing an office building in downtown Eugene was discussed. The topic was timely because LCOG needs to decide whether to renew its lease in the Wells Fargo Building or to purchase an office building. The purchase option generated support so LCOG staff have proceeded to locate a building, negotiate a purchase price, and pursue funding for the purchase.

The proposed building is the Park Place Building, formerly known as the Aster Building. It has about 60,000 square feet of space on five floors with a negotiated price of \$6,340,000. The first three floors are leased as retail and office space. These floors provide future flexibility for additional office space for LCOG or other local governments. LCOG would occupy the fourth and fifth floors, which are slightly smaller than the space that LCOG leases in the WF Building.

LCOG currently pays about \$300,000 a year for the WF space. The annual cost for the LCOG office space in the Park Place Building would be between \$250,000 and \$340,000 per year, fairly comparable to the cost of the WF Building space. The lower annual cost can be achieved by a good interest rate on the loan, which is expected, and limited tenant vacancy.

There are some transition costs that will be incurred over the next two years, primarily improvements costs in the new building and the two years remaining on the WF lease. These costs are small compared to the long term financial benefits of LCOG ownership of the building. There are various options for planning the transition, but the LCOG offices would probably move sometime between the fall of 2008 and the fall of 2009.

The purchase is contingent upon receiving an appraisal for at least the purchase price of the building, obtaining acceptable financing and the approval of the LCOG Board. It is recommended that the Board adopt Resolution 07-05 authorizing the purchase of the Park Place Building.