

September 6, 2007

To: LCOG Executive Committee
From: Bob Swank, Associate Director
Subject: Office Building Purchase

At this month's Board meeting in Oakridge, approval will be sought for the purchase of an office building in downtown Eugene. Under this agenda item, the Committee is asked to discuss the proposal, ask questions of staff and make a recommendation to the Board.

At the June meeting of the Board of Directors, a proposal to purchase 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 consider other arrangements, including the purchase of a building. The purchase option generated support, so LCOG staff has 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 negotiated purchase agreement 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.

Staff is prepared to recommend that the Board adopt Resolution 07-05 authorizing the purchase of the Park Place Building. The Committee's recommendation on this issue would be welcomed by the Board.