



**Agenda Item Number
8.
Real Estate Update**

Date: February 28, 2019

Presenter: Brenda Wilson

Action Recommended: None. Information Only

Background:

LCOG owns the Park Place Building (PPB) and leases out space. Currently, there are no vacant spaces in the Park Place Building. The expected rental income for FY19 totals about \$633,000, up from about \$560,000 in FY18. This does not include Occupancy Costs paid by LCOG in the amount of \$287,400.

PPB expenses for FY18 totaled about \$660,000, which included routine maintenance. With rental income, including Occupancy costs, for FY19 totaling about \$920,000, the PPB should have carryover revenue in excess of \$200,000 for FY19. It is estimated that excess revenue available for preservation and maintenance costs should be at least \$200,000 per Fiscal Year for at least the next five years. Rental income is continuing to increase due to the Broadband service available in the building as well as increased economic development activity downtown, so this amount could increase.

Because the PPB is a significant source of revenue for LCOG, LCOG must keep the tenant spaces full and leased; and with the MMWIX housed in the building, preserve and maintain the property. With that in mind, last year LCOG began to look at a long-term strategy to preserve the Park Place Building.

In FY17-18, the lobby and the outside of the building were updated, leaks on the third-floor balcony and windows were repaired. The door key card system was also updated. These were quick and short-term maintenance and preservation actions; the building, however, needs a long-term strategy. This began with an evaluation of the building and analysis of long-term needs. After going through an RFP process, EMG was chosen to conduct the building assessment.

EMG issued a report with findings and recommendations noting the current general physical condition of the PPB. While the property has been well maintained since it was first occupied by LCOG and is in good overall condition, the report identifies significant maintenance issues, existing deficiencies, and building systems or components that have realized or exceeded their typical expected useful lives.

The following bullet points highlight the most significant short term and modernization recommendations:

1. Patio, Terrace, and Balcony - Application of elastomeric coating to balconies.
2. Building Elevators and Conveying Systems - Modernization of traction elevators.
3. Building Heating, Ventilating, and Air Conditioning (HVAC) - Replacement of condensing units.
4. Exterior Windows and Doors - Replacement of storefront glazing.
5. Interior Finishes - New carpeting.

We are currently seeking bids for the replacement of the elevators. Once we have the costs for this project, a recommended strategy will be developed and will be brought back to the Executive Committee for review and direction.