



**Agenda Item Number
7.
Refinance Park Place Building**

Date: January 26, 2023

Presenter: Brenda Wilson

Action Recommended: Approve

Background:

LCOG owns the Park Place Building on Willamette Street. LCOG occupies the fourth and fifth floors of the building as well as several other spaces in the building. All other spaces are rented to tenants. Expenses for the building are paid out of proceeds from rent collected from tenants and occupancy costs from LCOG. Currently, rental income is approximately \$1 million and expenses are approximately \$800,000.

The Capital Contingency Account, started in 2014 with funds leftover from the sale of the Schaefers and Springfield Buildings, the refinancing of the Park Place Building in 2016, and carryover each year, is now at \$1 million. The only funds approved to be removed from this Contingency Account since its establishment has been to pay for the replacement of the elevators at a cost of approximately \$550,000 and approximately \$372,000 for HVAC upgrades.

In 2016, LCOG refinanced the loan on the Park Place Building. The amount refinanced was \$4.825 million at 4.25% interest until June 30, 2023, with a variable interest rate starting July 1, 2023, and a balloon payment on July 1, 2026 of the remaining amount. A provision in the Note restricted a refinance until July 1, 2022. Looking at current interest rate trends, we estimate the variable interest to be 7.75% or higher.

While we explored other lenders, we decided to work with our current lender, Key Bank, on refinancing. We have an established relationship with this bank and believe the refinance would have a shorter timeline. With interest rates changing so quickly, we

viewed this as an essential point. Key Bank is offering a refinance of the remaining mortgage of \$4,232,000 at a fixed rate of 7.24% for the term of the loan and refinance after 5 years with no penalty.

Suggested Motion: Approve refinancing the Park Place Building per the terms discussed.