

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: Disposition of 858 Pearl Street Property

Meeting Date: December 8, 2010
Department: Planning and Development
www.eugene-or.gov

Agenda Item: A
Staff Contact: Denny Braud
Contact Telephone Number: 541-682-5536

ISSUE STATEMENT

The council is being asked to approve the sale of the 858 Pearl Street surplus property to Master Development.

BACKGROUND

In June 2009, the City of Eugene declared the 858 Pearl Street real property as surplus, per Eugene Code 2.864. Legal notice of the surplus real property sale and request for offers to purchase was provided in July 2009. The notice indicated that the property would be sold at fair market value to the buyer whose offer was acceptable to the City Manager, with no other special conditions or evaluation criteria applied to the sale. Section 2.872 of the Eugene Code provides that a proposal for the sale of property that is acceptable to the City Manager shall be presented to council for its action.

In July 2009, the City received offers from Network Charter School and Master Development. On September 30, 2009, council authorized the City Manager to enter into an agreement with Network Charter School for a two-year lease with an option to purchase the property for \$1.5 million. An agreement with Network Charter School did not materialize following council action.

Master Development approached the City with an updated offer to purchase the property. The proposed purchase price is \$1 million (\$700,000 cash paid at closing and \$300,000 to be repaid from the net cash flow that is generated after the owner's target return on investment has been realized). A detailed outline of the proposed terms is included in Attachment A.

Master Development proposes to convert the upper floors to residential apartments and renovate the ground floor for retail and office uses. They anticipate creating approximately 15 new housing units.

The updated appraisal in May 2010 indicated a fair market value of \$1.2 million for 858 Pearl Street. The value conclusion was based on a commercial office use.

RELATED CITY POLICIES

Development of the vacant 858 Pearl building addresses many goals for Eugene and downtown, including promoting activity in the core and supporting sustainable development. This project is supported by the Downtown Plan; Downtown Vision; and Growth Management Policies. *Increased downtown development* is specifically identified as a *Sustainable Development* outcome in the 2010 Eugene City Council Vision, Goals and Outcomes.

COUNCIL OPTIONS

1. Authorize the City Manager to enter into a purchase and sale agreement with Master Development for the disposition of the 858 Pearl Street property consistent with the outline of terms included in Attachment A.
2. Modify the outline of terms included in Attachment A and authorize the City Manager to enter into a purchase and sale agreement with Master Development for the disposition of the 858 Pearl Street property consistent with the modified terms.
3. Do not approve the disposition of the 858 Pearl Street property at this time.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends the disposition of the 858 Pearl Street property to Master Development consistent with the outline of terms included in Attachment A.

SUGGESTED MOTIONS

Move to authorize the City Manager to enter into a purchase and sale agreement with Master Development for the disposition of the 858 Pearl Street property consistent with the terms and conditions included in Attachment A.

ATTACHMENTS

- A. Outline of Terms for Disposition of 858 Pearl – Master Development
- B. Map – 858 Pearl Property

FOR MORE INFORMATION

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Outline of Terms

Disposition of 858 Pearl Street – Master Development

Property: Land (approximately 4,560 sq. ft.) and building (approximately 18,240 sq. ft.) located at 858 Pearl Street (map and tax lot number 17-03-31-14-2700).

Purchase Price: \$1,000,000

Payment of Purchase Price: \$700,000 cash shall be paid in full at closing. The balance of \$300,000 shall be paid as follows:

- Annual payments equal to the annualized earnings (on the 858 Pearl property) in excess of 14%, total payments not to exceed \$300,000. Annualized earnings formula shall be defined and accepted by Buyer and Seller, and included in the Purchase and Sale Agreement.
- In the event that Buyer sells the property, the unpaid balance will be due and payable.
- In the event that Buyer refinances the property and cash is advanced in the transaction, the unpaid balance will be due and payable.

Due Diligence Period: Upon the execution of a Purchase and Sale Agreement, Buyer will have a period of 100 days in which to review property information and to conduct on site testing to determine the condition of the property.

Deposit: Once the Due Diligence Period has expired, Buyer shall deposit into escrow non-refundable earnest money in the amount of \$25,000. Earnest Money will be credited toward the Purchase Price at closing.

Environmental Condition: During the Due Diligence Period, Buyer will be able to perform environmental investigation to satisfy itself of the environmental condition of the property. The investigations must be scheduled with the Seller and the results provided to the Seller for review. Based on the information provided in the environmental assessment, Buyer may either move forward with the purchase of the site or rescind the offer to purchase the site.

Purchase and Sale Agreement: Following City Council’s approval of terms, Buyer and Seller shall enter into a formal Purchase and Sale Agreement.

Financing: Prior to the closing of the sale, Buyer shall demonstrate that all financing necessary for the project has been secured.

Closing Date: The closing of the sale shall occur no later than nine months after the signing of the Purchase and Sale Agreement.

Purpose: Buyer is proposing to reuse the existing building. The initial reuse of the building shall not include demolition unless a concurrent construction project is ready to proceed immediately following demolition.

Multi-Unit Property Tax Exemption (MUPTE). The property is within the MUPTE boundary. MUPTE tax exemptions must be approved by the Eugene City Council. If determined to be eligible under the MUPTE program requirements, Seller agrees to process a MUPTE application for City Council consideration.

Sidewalk Access During Construction. Seller has requested the use of the public sidewalk area for construction staging. Seller will work with Buyer to secure the necessary permits (at Buyer's expense) required to use public right-of-way during construction. Buyer will use its best efforts to retain pedestrian access along the sidewalk fronting Pearl Street.

Parking. Seller will provide 25 designated, reserved parking spaces within three blocks of the property, which would be paid for by Buyer.

Condition of Title: Seller shall deliver the Property to Buyer with clear title free of any and all encumbrances and exceptions except those as may have been approved by Buyer in its sole discretion. Seller, at Seller's cost, shall provide Buyer with standard form of owner's policy of title insurance in the face amount of the Purchase Price insuring clear title in Buyer's name subject only to the approved exceptions.

Condition of the Property at Closing: Buyer is purchasing the Property as is in its current condition. Buyer's expectations concerning the Property are to be based solely on the basis of Buyer's own inspection and investigation of the Property.

858 Pearl



0 25 50 ft

City of Eugene - November 18, 2010
Planning and Development Department - Community Development Division



Caution: This map is based on imprecise source data, subject to change, and for general reference only.