

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Disposition of Surplus Real Property

Meeting Date: January 23, 2012
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 7
Staff Contact: Denny Braud
Contact Telephone Number: 541-682-5536

ISSUE STATEMENT

An offer to purchase the City-owned surplus real property located at 901 Franklin Boulevard has been received. The council is being asked to approve the disposition of the property

BACKGROUND

The City of Eugene owns the commercial (C-2) property located at 901 Franklin Boulevard (see Attachment A map) which is no longer needed for public purpose and is therefore eligible to become surplus and sold. The property (approximately 0.95 acres) was acquired in 1992 for the planned access right-of-way for the Riverfront Research Park. The property was partitioned in 2006, to create two parcels. The east parcel is being retained for future right-of-way. The west parcel is surplus property that is not needed. The property improvements were demolished in 2009, following a fire that resulted in significant damage to the structures. The property is currently used as a surface parking lot.

Based on interest that was being expressed for the purchase of the property in early 2011, the property was actively marketed through the City's real estate management contractor, Pacific Real Estate, to gauge and broaden interest in the site. The market value of the property has been determined to be \$900,000. The primary objective for selling the property is maximization of the sales price relative to market value.

The City has received a formal, signed Purchase and Sale Agreement offer in the amount of \$715,000 (\$17.31/sqft) from Thomas Fox Properties, LLC, a developer of retail properties with offices in Medford, Oregon and Salt Lake City, Utah. (The original offer of \$677,000 was rejected and a counter offer of \$715,000 has been accepted subject to council approval). They have indicated plans to construct two retail restaurants on the site. The Purchase and Sale Agreement requires a \$10,000 earnest money deposit due upon City Council approval of the sale, and includes a 120-day due diligence period prior to closing. The due diligence period can be extended an additional 60 days if the buyer has submitted for building permits. The Purchase and Sale Agreement includes a seller contingency that the council must approve the sale of the property. 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 the council for approval. The proposed sale would net approximately \$700,000 after closing costs.

Interest in the property has been limited to-date. One other offer was received in February 2011, but it was subsequently withdrawn. The property is irregularly shaped with a tapered end point that provides limited depth for new construction. The immediate adjacency to the actively used railroad also negatively impacts the redevelopment potential and property value. The proposed purchase offer appears to be the only prospective buyer and the maximum achievable price at this time. (An adjacent unimproved parcel previously owned by Peace Health immediately west of the property recently sold for \$15.94/sqft). The property's proximity to the University of Oregon and Northwest Christian University, and high traffic counts, make it well suited and more valuable for a retail use. Additionally, redevelopment of the vacant parcel for a commercial retail use would create construction employment and permanent employment to support the City's economic development goals. A higher price might be achievable in the long-run if the City chooses to leave the property on the market for an extended time, allowing for overall real estate market conditions to approve.

RELATED CITY POLICIES

Eugene City Council *Vision, Goals and Outcomes* includes "fair, stable, and adequate financial resources." The sale of surplus property that is not needed for a public purpose generates financial resources that can be used for public purposes.

COUNCIL OPTIONS

1. Authorize the City Manager to sell the surplus Franklin Boulevard property as proposed.
2. Disapprove the sale of the surplus Franklin Boulevard property and direct the City Manager to continue marketing the site.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the sale of the surplus Franklin Boulevard property to Thomas Fox Properties, LLC as proposed.

SUGGESTED MOTION

Move to authorize the City Manager to sell the Franklin Boulevard surplus property to Thomas Fox Properties, LLC consistent with the terms outlined in the Agenda Item Summary.

ATTACHMENTS

- A. Franklin Boulevard Property Map

FOR MORE INFORMATION

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