

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Surplus Property

Meeting Date: June 17, 2013
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: B
Staff Contact: Mike Sullivan
Contact Telephone Number: 541-682-5448

ISSUE STATEMENT

To facilitate development of The Hub project located at Broadway and Ferry Street, Core Campus has requested consideration of a lease of City-owned surplus real property located at 901 Franklin Blvd. The property would be used by The Hub to provide off-site parking for residents of the proposed multi-unit housing project. The council is being asked to approve the lease of the property. (This action item is subject to council's prior action on the Multiple-Unit Property Tax Exemption (MUPTE) application for The Hub project).

BACKGROUND

The City of Eugene owns the commercial (C-2) property located at 901 Franklin Blvd. (see Attachment A map) which is no longer needed for public purpose and is therefore eligible to become surplus. 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's intended use is 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.

The property has been actively marketed since 2011 through the City's real estate management contractor, Pacific Real Estate. The appraised value of the property has been determined to be \$900,000. City Council approved the sale of the property at \$715,000 for a fast-food restaurant use in late 2011. The purchaser did not move forward with the purchase following a determination during the due diligence period that the site's access issues did not meet the needs of the proposed project.

Core Campus has proposed leasing all or portions both the west and east parcels for up to 50 years, with the option of purchasing the property at market value (to be determined at the time of purchase). Although the final configuration of the parking for the site has not been finalized, their desire is to secure approximately 50,000 square feet under the lease. This will allow The Hub project to meet the parking requirements in the City Code.

Based on the industry standard methodology for pricing land leases, the proposed property lease would be priced to provide a 6% annual return to the City. The annual lease payment would be calculated at 6% of the property value. A property value of \$17.31/sq.ft. (the last purchase offer approved by council) would be used as the basis for the calculation and would yield an annual lease payment of approximately \$50,000 for the lease of 49,000 square feet. The City would lease the property as-is, with Core Campus financially responsible for any improvements to the property.

RELATED CITY POLICIES

The proposed property transaction would help stimulate new multi-unit housing development, which addresses many goals for Eugene and downtown, including:

Eugene Downtown Plan

- Stimulate multi-unit housing in the downtown core and on the edges of downtown for a variety of income levels and ownership opportunities.
- Downtown development shall support the urban qualities of density, vitality, livability and diversity to create a downtown, urban environment.
- Actively pursue public/private development opportunities to achieve the vision for an active, vital, growing downtown.
- Use downtown development tools and incentives to encourage development that provides character and density downtown.
- Facilitate dense development in the courthouse area and other sites between the core of the downtown and the river.

Envision Eugene Pillars

- Promote compact urban development and efficient transportation options.
 - Integrate new development and redevelopment in the downtown, in key transit corridors and in core commercial areas.
 - Meet the 20-year multi-family housing need within the existing Urban Growth Boundary.
 - Make compact urban development easier in the downtown, on key transit corridors, and in core commercial areas.
- Protect, Repair and Enhance Neighborhood Livability.
 - Implement the Opportunity Siting (OS) goal to facilitate higher density residential development on sites that are compatible with and have the support of nearby residents. Implement a toolbox of incentives that support the achievement of OS outcomes.

Regional Prosperity Economic Development Plan

- Strategy 5: Identify as a Place to Thrive - Priority Next Step - Urban Vitality
As we foster a creative economy, dynamic urban centers are an important asset. Eugene, Springfield and many of the smaller communities in the region recognize the importance of supporting and enhancing vitality in their city centers. Building downtowns as places to live, work and play will support the retention and expansion of the existing business community and be a significant asset to attract new investment. The Cities of Eugene and

Springfield will continue to enhance their efforts to promote downtown vitality through development and redevelopment.

City Council Goal of Sustainable Development
Increased downtown development

COUNCIL OPTIONS

1. Authorize the City Manager to finalize negotiations and enter into a lease/purchase option agreement with Core Campus for the City-owned Franklin Blvd. property consistent with the terms described above.
2. Disapprove the proposed lease/purchase option of the Franklin Blvd. property.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approval of the lease/purchase option with Core Campus consistent with the terms described above.

SUGGESTED MOTION

Move to authorize the City Manager to negotiate and enter into a lease, with an option to purchase, the 901 Franklin Blvd. property to Core Campus consistent with the terms outlined in the Agenda Item Summary.

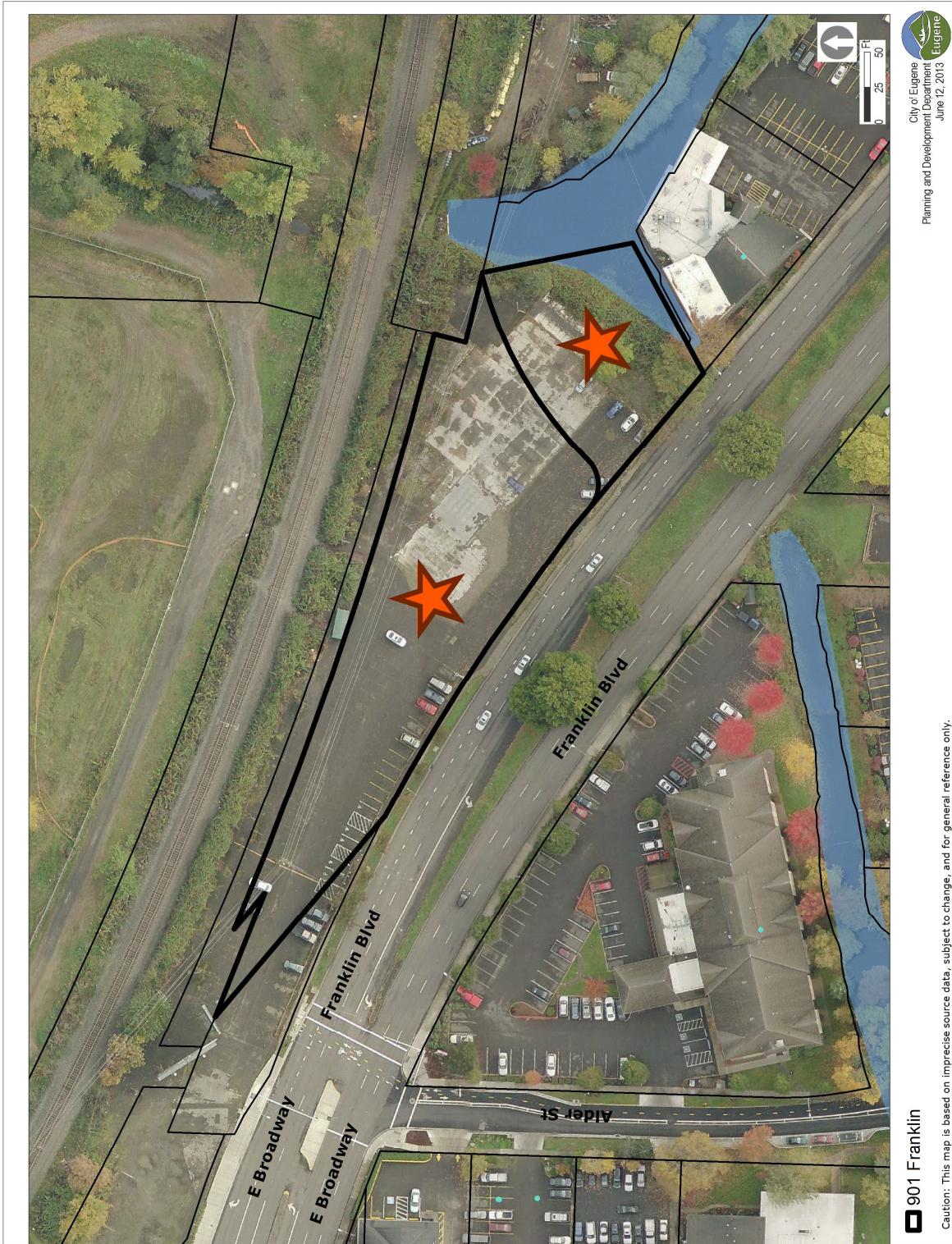
ATTACHMENTS

- A. Franklin Blvd. Property Map

FOR MORE INFORMATION

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ATTACHMENT A



City of Eugene
Planning and Development Department
June 12, 2013

901 Franklin

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