Downtown Decision

Should city pursue shopping mall or local diversity on Broadway?

By Alan Pittman

Should the city try to save downtown Eugene by giving $50 million in subsidies to a mall-like megaproject by a single developer or go with more local, incremental and smaller scale redevelopment and retenanting?

That's the big question the city council and community are facing with two competing proposals for downtown. The megaproject approach is favored by the business community and city planning staff establishment, while progressive critics favor the local, incremental approach.

The Eugene City Council could decide the direction for downtown as early as April 25. Here's a look at the costs and benefits of the competing approaches.

Megaproject

The megaproject was proposed to the city by KWG Development Partners of Portland. KWG proposes to redevelop more than two full city blocks of downtown along Broadway and across from the library into a mix of housing, retail, large grocery store, restaurant, nightclub, high-end hotel and 12-screen cinema uses in three- to five-story buildings.

The development will "transform a blighted West Broadway into a hot spot of activity with restaurants, retail, nightclubs, and a variety of housing types, creating a 24 hour community," KWG writes in its proposal.

City staff and the downtown business establishment back the project as providing the necessary "critical mass."

The "critical mass" approach of the massive redevelopment is the key to success, argues city development manager Denny Braud. "It would be hard to do it one building at a time."

Jack Roberts, head of the local Metropolitan Partnership business recruitment group and owner of the Taco Time building downtown, and Rob Bennett, owner of the Downtown Athletic Club, agree with the critical mass approach. Without the critical mass, developers and retailers don't want to take the risk, Roberts said. "I just don't think you can get that incrementally."

But on March 12, the City Council balked at immediately committing the city to the megaproject approach, voting 5-4 to demand more cost and other information before deciding.

The biggest uncertainty is cost. The staff and the developer haven't provided a comprehensive estimate, but the subsidy tab to taxpayers for the KWG approach could top an estimated $50 million or more.

KWG wants the city to pay for four underground garages for the project, with a total of 700 parking spaces. KWG principal Thomas Kemper said that "could well cost $15 to $20 million."

KWG also wants the city to pay for the land for the project to the extent necessary to provide KWG a 13 percent profit on the development. That could cost the city a total of about $20 million.

Here's how that land cost breaks down: The city has purchased options to buy eight of the existing properties downtown for a total of $14 million. But KWG also wants seven more properties that the city doesn't have options on. If the owners of that property demand similar prices, taxpayers would have to pay about $5 million more. The total land cost also doesn't include the cost of tearing down all the existing buildings, which could cost the city several million more dollars.

KWG is also demanding 10-year property tax breaks worth about $10 million and several million more dollars in utility relocation, road improvements and possible affordable housing subsidies.

Good deal?

Is $50 million for what KWG proposes a good deal?

Normally, government bodies make sure they are getting a good deal through a competitive bidding process. But despite the large amounts of money involved, Eugene city staff decided against such an approach in favor of requesting qualifications for a "public-private partnership" with a developer.

"This is absolutely corrupt in my opinion," said Paul Nicholson, a local bike shop chain owner and former city councilor. "There's a reason why we have private entities and public entities, and I don't think the two should be mixed."

In negotiating a partnership with KWG, the public appears to be at a disadvantage. In contrast to city staff, KWG officers, some with law degrees or a Harvard MBA, have decades of experience in tough-nosed real estate deals.

Rob Bennett, owner of the Downtown Athletic Club, said the city should be very careful it's not getting ripped off, "absolutely not."

Bennett said the city should hire widely respected outside experts, perhaps from ECONorthwest consultants, to crunch the numbers. "If it's public money, what does the community actually get back?" he asked.

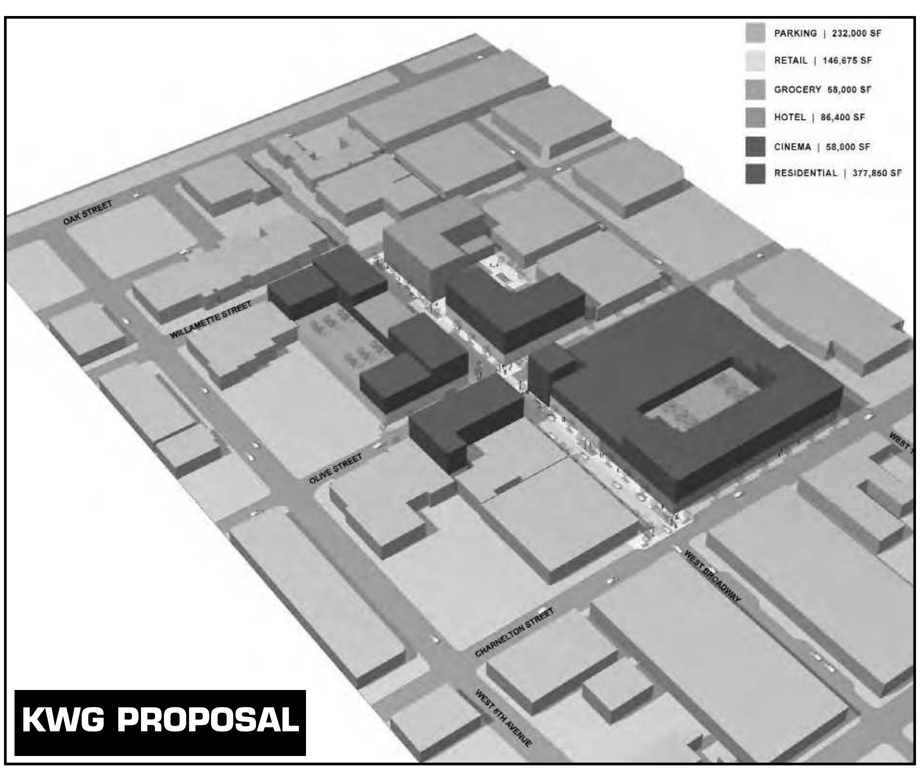
City development manager Denny Braud said the city plans to "do a cost-benefit analysis" of the project — but only after big decisions on selecting the developer, project concept and development approach are already decided.

"Our city has not done due diligence," Councilor Bonny Bettman said. "A lot of the claims they [staff] have made are based solely on what the developer has said."

Critics also question whether the city is getting a good deal on the property purchase options KWG wants the city to buy for them. For the eight properties the city has options on, the city would pay a markup of about 58 percent, or $5 million over real market value, based on assessor valuations.

Local developers Tom Connor and Don Woolley stand to make the largest profit. They own the entire south side of Broadway from Willamette to Charnelton streets. The $7.9 million price they are demanding for the property is 77 percent, or $3.4 million, more than the tax assessor's real market value.

Last year, Connor/Woolley abandoned a



KWG PROPOSAL

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—KWG