

Bank keeps developer's plan alive

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For a while, Eugene developer Rob Bennett thought he might have to drop his ambitious plan to construct a five-story office building on a downtown eyesore.

His bank had just declined to make a construction loan for the \$10.6 million structure that Bennett wants to build on the Willamette Street excavated pit, near Broadway. That left him searching for another lender and it jeopardized the project, viewed as another step in downtown's revival.

But within the past two weeks, Bennett found another bank willing to make a loan. The \$6.9 million construction loan from Siuslaw Bank is not yet final, but Bennett hopes that it will be approved soon so he can start work on the building early next year as planned.

The news that the project remains likely is a relief to city officials, who agreed to invest heavily to make the building a reality and didn't want to see it slip away like so many previous downtown redevelopment plans.

"We are excited about having the project move forward," City Manager Jon Ruiz said. "It's part of our revitalization of downtown, and we're confident that (Bennett) can make this a go."

Bennett's building, with ground-floor retail and four upper floors of offices, would be built next to the Centre Court building at Broadway and Willamette Street. Beam Development of Portland is renovating the Centre Court building, another project financed with government help.

Four months ago, Bennett announced plans to construct a 50,000-square-foot office building on the site where a Woolworth's store was razed more than nine years ago.

City officials, with approval from the City Council, were eager to help. They agreed to lend city money to Bennett's firm, and help make it attractive for a bank to provide Bennett a low-interest construction loan.

City officials also gave Bennett 10 years to start paying for the land, and they agreed to lease up to 60 percent of the building if Bennett could not find enough tenants on his own. That lease pledge is key to the project because lenders in the present weak economy are reluctant to loan money for buildings without lease commitments from rent-paying tenants, Bennett and his banker said.

If the city had not agreed to rent up to 60 percent of the building's rentable space, "it would truly be a speculative project" that would be too risky for the bank to finance, said Jeff Gusinow, a Siuslaw Bank vice president.

Once started, Bennett predicts his building would take about a year to complete.

When his project was announced, Bennett figured Wells Fargo Bank would provide the construction financing for the building. Last month, however, the bank declined. Bennett thought his project might be sunk.

But Bennett said he was contacted by Siuslaw Bank executives who heard about his problem. The Florence-based bank eventually tentatively agreed to loan him the \$6.9 million. Its decision depends on the outcome of an appraisal of the proposed building, which is due Wednesday.

“It’s not a done deal until the appraisal is complete and the contracts are signed,” said Bennett, the developer of the Downtown Athletic Club and other properties. “But we are encouraged about where we are today.”

Bennett and his partners will contribute \$2.4 million in cash to the project. The city will provide Bennett \$1.3 million in downtown revitalization loan funds, charging him 3 percent annual interest.

As the project’s main lender, Siuslaw will use the tax breaks from a federal stimulus program that the city plans to tap for the project.

Under the program, the tax breaks will allow Siuslaw to make the construction loan to Bennett at lower-than-normal interest rates. However, Siuslaw executives declined to specify the interest rate.

Also, the city would rent 10,000 square feet in the building for 10 years. If Bennett cannot find enough tenants to satisfy Siuslaw’s 60 percent prelease requirement, the city would rent an additional 16,000 square feet for seven years, said Denny Braud, city senior development loan analyst.

If the city does not need the 16,000 square feet, it could sublease the space to another tenant or tenants, Braud said.

Ruiz, the city manager, said he’s unsure which city offices would occupy 10,000 square feet in Bennett’s building. That won’t be known until early 2011, after the City Council decides which offices will move out of City Hall and when.

Besides the city’s help, Siuslaw executives are reassured by Bennett’s plan to develop a quality office building — called Class A in the rental market — that will produce top rents, Gusinow said.

“There isn’t that much class A office space available” in Eugene, he said.

The bank has a history of financing downtown revitalization projects, including the Tiffany Building, the former Bon Marche conversion to offices, and the Campbell House bed and breakfast inn.

Beam Development still owns the 80-foot-by-160-foot pit that Bennett hopes to redevelop. Beam, which owes the city \$404,000 for the land, has agreed to give it to Bennett’s firm at no cost.

Under its proposed deal with the city, Bennett would not have to start making payments on the \$404,000 for 10 years, Bennett said.