

## Lake Oswego eyes future of Kruse Way building

Lake Oswego City Council will tackle issue of what to do with \$20 million West End Building



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BY SAM BENNETT

Nearly three years after purchasing a large commercial property on Kruse Way, the city of Lake Oswego is preparing to make a decision on the building's future.

The Lake Oswego City Council early next year will take up the matter of what to do with the former Safeco Building at 4101 Kruse Way.

The city purchased the, 89,000-square-foot building in 2006 for \$20 million, and re-named it the West End Building. The building is on 14 acres.

The purchase sparked a citywide debate about the wisdom of buying the building near the peak of the real estate bubble and what should be done with the property after it was bought, according to City Councilor Donna Jordan, who wasn't on the council when the city made the purchase.

"It has been one of the major controversies this city has seen, and it continues to fester because we haven't figured out how to best get our arms around it and deal with it," she said.

"We know this real estate market is not going to be the kind of market in which we would be able to sell or lease it out completely for the long term, so the council will look at all options."

To further complicate matters, voters have sent the council mixed messages about what they would like to see done with the building. The city originally purchased the building with the hopes of remodeling it into a community center, but some residents fought that idea, saying it was too expensive.

In fall of 2007, a group of residents brought the issue of the building purchase to a vote by asking voters whether the building should be kept or sold. A majority of voters said they thought the city should keep the building. But in a May 2008 vote, a majority said they did not want to fund the purchase of the building through general obligation bonds. Because the May bond measure failed, the city continues to purchase the property through an interest-only bank loan, which the city may have to extend next year. Jordan said the city preferred paying for the building through a bond, and may return to voters with another bond proposal.

"The reason they didn't pass it was that too many people weren't sure what we were going to do with the property," said Jordan.

Since the 2006 purchase, the city has moved the Parks and Recreation program into the West End Building, taking 23,300 square feet of space. The city has also moved its interceptor sewer project team into the building.

The building has large assembly rooms for public meetings and a teen center and dance studio.

But the city has its eye on using the property for much more: possibly including a temporary city hall, while the current city hall is renovated, and a 911 dispatch center.

In November, an advisory team coordinated by the Oregon/Southwest Washington Urban Land Institute recommended that the building be used as a civic center at the west end of Lake Oswego. The advisory team also concluded that, if the council goes ahead with a major renovation or replacement of its downtown city hall, the city hall could be temporarily headquartered in the West End Building. The team was adamant about not attempting to sell the building in a down market.

“Due to the current negative real estate market, there is little or no opportunity to attract single or multiple tenants within a time frame and lease/rent range that benefit the city,” the report said. “Selling the West End Building is even less attractive in a declining market, when the value is at or near a low point in the real estate cycle.”

Jordan said the city would lose money if it tried to sell. “The option to put it on the market is always there, but we know we would end up with is what the real estate market calls vultures, so that is not something we’re interested in at this point,” she said, referring to buyers who swoop in for bargain-basement prices in a down economy. “It’s a viable building. The property is good and there is a lot of room for expanding.”

A planning analysis by SERA Architects concluded that a seismic upgrade for essential facilities in the West End Building would cost between \$1.3 million and \$1.6 million.

Jane Heisler, director of public affairs for the city of Lake Oswego, said the city doesn’t have many options other than keeping the building.

“I don’t expect we would be able to sell it for three or four years because there’s not a market for single-tenant buildings that cost a lot of money,” said Heisler. “We would take a pretty good loss if we sold now and it would be tough to find a buyer.”