

Bobbie Walthall

To: David L. Corliss
Subject: RE: 4950 Research Parkway

-----Original Message-----

From: McClure, Kirk [mailto:mcclure@ku.edu]
Sent: Saturday, November 14, 2009 8:42 AM
To: David L. Corliss; Roger Zalneraitis
Subject: 4950 Research Parkway

David and Roger -

I would like to explore a different form of financing for the purchase and sale of 4950 Research Parkway.

Wrong Form of Financing

Did you examine an alternative where the building would be purchased by the Lawrence Douglas County Bioscience Authority (LDCBA) using revenue bonds?

The current proposal calls for the taxpayers to absorb all of the risk on this building as the purchase will be financed by general revenue bonds. These bonds would be backed by city taxes. If revenue bonds could be used the revenue from the building would be the backing.

The LDCBA projects 89% occupancy; history suggests that this is wildly optimistic.

Revenue bonds would spare the taxpayers from the risk of this project and place the LDCBA under some pressure to perform on its promises, both of which seem desirable.

Surely there is some mechanism that would finance this deal without passing all of the risk to the taxpayers.

Price too High

Why are we overpaying for this building?

The City is being asked by the LDCBA to buy the building at 4950 Research Parkway for \$2.3 million and invest another \$600,000 in it.

The tax assessor values the building at \$1.5 million. At an 8% capitalization rate, this corresponds to 55% occupancy.

Even if it can attain the 89% occupancy the LDCBA projects, its market value at an 8% capitalization rate (and I could easily argue for a higher rate) is about \$1.75 million.

We seem to be overpaying by \$550,000 to \$800,000.

All the best,

Kirk

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