

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING)
THE AMENDMENT OF THE SALES)
AGREEMENT FOR THE ACQUISITION)
OF THE SEARS FACILITY TO EXTEND)
THE DUE DILIGENCE PERIOD)
)

RESOLUTION NO. 90-1357 A
Introduced by Rena Cusma,
Executive Officer,

WHEREAS, by Resolution No. 90-1338, the Council of the Metropolitan Service District authorized the execution of a sales agreement for the acquisition of the Sears facility as the site for Metro's administrative offices; and

WHEREAS, the Sales Agreement included a provision for a 67 day due diligence period by which Metro would employ a variety of consultants to determine the economic and pragmatic feasibility of the Sears facility as Metro's headquarters; and

WHEREAS, Metro staff has retained and directed such consultants, and reviewed their findings; and

WHEREAS, the findings indicate the need to amend the sales agreement previously approved via Resolution No. 90-1138; and

WHEREAS, Resolution No. 90-1138 requires prior Council approval before the Executive Officer proceeds with the sales agreement by depositing the cash earnest money.

BE IT RESOLVED,

1. That the Council of the Metropolitan Service District authorizes the Executive Officer to negotiate revisions to the Sales Agreement to extend the Due Diligence period to [~~June-17~~] April 30, 1991 at no additional cost to Metro.

~~[2. In the event the Executive Officer is unable to extend the due diligence period to June 17, 1991, the Executive Officer shall provide written notice to the Seller rescinding the Sales Agreement approved by Resolution No. 90-1338.]~~

[3] 2 ~~[Provided the Seller agrees to extend the due diligence period,~~] The Executive Officer is authorized to continue due diligence investigations and to report findings regularly to the Relocation Task Force and Metro Council.

ADOPTED by the Council of the Metropolitan Service District this 13th day of December, 1990.



Tanya Collier
Presiding Officer

ADDENDUM #3
TO
SALE AGREEMENT

1. Revisions to Sale Agreement.

Paragraphs 2, 4 and 5 of the Addendum to Sale Agreement, attached to and incorporated within the Commercial-Industrial Sale Agreement and Receipt for Earnest Money dated October 11, 1990 ("Sale Agreement") with respect to the acquisition of the Sears property by Purchaser, are hereby modified to read as follows:

"2. Contingency Period.

"2.1 Contingency Period. Purchaser shall have until April 30, 1991 to satisfy itself concerning the suitability of the Property, the availability of any necessary governmental permits and approvals, and the feasibility of developing the Property for Purchaser's intended use. Purchaser shall have the right at Purchaser's expense to perform reasonable tests, inspections and feasibility studies on the Property as Purchaser may deem necessary. In the event Purchaser determines that necessary governmental permits and approvals are unavailable, or that the Property is not suitable for development or Purchaser's intended use is not feasible, Purchaser may, at any time on or before 5 p.m. PST on April 30, 1991, rescind this Agreement by giving written notice to Seller. In the event of such rescission, the earnest money note shall be refunded to Purchaser. This Agreement thereafter shall be null and void and neither party shall have any obligation to the other. If this Agreement is not so rescinded, then the earnest money note will be replaced by a cash deposit in the amount of the note, which deposit will be made not later than 5 p.m. PST on April 30, 1991. The failure by Purchaser to pay such sum into escrow by 5 p.m. PST on April 30, 1991 shall constitute notice by Purchaser to Seller of Purchaser's exercise of right to rescind.

"2.2 Seller's Obligations During Contingency Period. During the contingency period specified in paragraph 2.1, Seller will obtain a bid from a qualified contractor to perform the removal of ACM and hazardous waste pursuant to paragraph 12 of the Addendum to Sale Agreement. Purchaser will

reasonably approve the scope of work described in the documents governing such removal work.

"2.3 Purchaser's Obligations During Initial Contingency Period. During the contingency period specified in paragraph 2.1, Purchaser will do each of the following: (a) utilize an experienced consultant, who will assist Purchaser in review of estimates of renovation costs and project pro formas, (b) pursue the availability of financing/funding for the purchase and renovation of the Property, (c) continue architectural work to prepare the initial concept design, and (d) commence listing and marketing the vacant space in the facility Purchaser presently occupies as its headquarters and the vacant space in the Property which Purchaser intends to lease to third parties after the closing. Purchaser shall have the right to place marketing signs at the Sears Property during the due diligence period solely for the purpose of leasing said vacant space.

"4. Closing Date. This transaction will be closed on a date (the "Closing Date"), to be selected by Seller and reasonably acceptable to Purchaser, but not later than May 15, 1991.

"5. Purchase Price; Payment. Subject to the conditions stated in paragraph 6 of the Sale Agreement concerning Seller's review and approval (or disapproval) of deferred payment of a portion of the purchase price, which condition must be satisfied to Seller's reasonable satisfaction by February 1, 1991, \$1,000,000 of the total purchase price will be paid to Seller as a downpayment at closing and the balance will be payable pursuant to the Note and Trust Deed described in the Sale Agreement not later than July 1, 1991."

2. Affirmation of Sale Agreement.

Subject to the modifications stated in this Addendum #3 to Sale Agreement (the "Addendum"), all of the terms and provisions of the Sale Agreement are hereby ratified and reaffirmed, and the Sale Agreement, as modified, continues in full force and effect. By execution hereof, each party

represents and authorized (to the extent necessary) and executed by a duly authorized person.

AGREED to, as of the date(s) shown below.

SELLER:

PURCHASER

PACIFIC DEVELOPMENT
(PROPERTY), INC.

METROPOLITAN SERVICE
DISTRICT

By: 
William C. Scott, Jr.
President

By: _____
Rena Cusma
Executive Officer

Dated: December 13th, 1990

Dated: December __, 1990 .

SPACE COST ANALYSIS WITH PURCHASE AND RENOVATION OF THE SEARS BUILDING FOR USE BY METRO CENTRAL

VARIATIONS PROJECTED 12/05/90

FY89-90			FY 1990-91	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Adopted Budget			Adopted	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst
FY88-89			-----										
Historical FTE	Amount		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Resources													
131,808	166,589	347220	95,086	670,418	940,938	940,938	940,938	940,938	787,546	922,005	922,005	922,005	922,005
50,893	50,995	374000	51,061	448,291	442,636	458,798	476,091	494,595	514,393	567,341	626,536	692,797	767,057
40,618	52,690	392010	117,577	102,245	98,942	100,687	106,486	111,778	143,077	151,123	158,943	166,820	175,521
55,650	79,810	392140	94,062	135,171	130,805	133,111	140,778	147,774	189,152	199,790	210,128	220,541	232,045
0	0	392142	41,946	95,659	92,570	94,202	99,628	104,578	133,862	141,390	148,706	156,075	164,217
0	0	392531	107,408	163,476	158,196	160,985	170,257	178,718	228,761	241,626	254,129	266,723	280,636
18,209	22,083		25,422	29,749	28,788	29,296	30,983	32,523	41,630	43,971	46,246	48,538	51,070
139,110	158,070	392610	249,137	326,547	316,001	321,572	340,094	356,994	456,956	482,655	507,629	532,787	560,577
0	0	391750	0	109,939	106,389	108,264	114,500	120,190	153,844	162,495	170,904	179,374	188,731
437,288	530,237		781,699	2,081,495	2,315,265	2,347,853	2,419,755	2,488,087	2,649,222	2,912,398	3,045,225	3,185,661	3,341,858
Expenditures													
			605,099	566,823	589,496	613,076	637,599	663,103	674,356	701,330	729,384	758,559	788,901
			16,600	199,478	203,987	208,540	213,134	217,765	184,615	188,503	192,419	196,345	200,280
			0	1,189,917	1,394,917	1,425,444	1,467,494	1,504,926	1,687,620	1,919,120	2,019,140	2,125,600	2,246,610
			110,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
			50,000	45,278	46,865	20,792	21,528	22,293	22,631	23,440	24,282	25,157	26,067
			781,699	2,081,495	2,315,265	2,347,853	2,419,755	2,488,087	2,649,222	2,912,398	3,045,225	3,185,661	3,341,858
			17.31	18.79	18.19	18.51	19.57	20.55	21.92	23.13	24.35	25.55	26.88
			0	694,277	718,847	743,339	772,732	802,004	831,132	865,091	898,853	937,390	975,672
			17.31	5.24	4.15	4.00	4.49	4.89	8.40	9.03	9.72	10.30	11.01
				1,303,808									
				6.21	6.21	6.21	6.21	6.21	0.00	0.00	0.00	0.00	0.00

SPACE COST ANALYSIS WITH PURCHASE AND RENOVATION OF THE SEARS BUILDING FOR USE BY METRO CENTRAL
VARIATIONS PROJECTED 12/05/90

Assumptions:

1. 120,494 sq ft of available space less Metro requirements
2. 51,231 sq ft used by Metro including MERC first year.
3. 5,850 sq ft used by MERC initially.
4. 95.0% Tenant occupancy
5. \$13.00 per sq ft per year tenant rent FY1992-93 through FY1996-97
6. 10.0% premium on tenant rental rate for common space.
7. 20.0% increase in Metro used space at the end of the fifth year.
8. 17% decrease in remaining taxable portion at end of year five.
9. 15.0% increase in tenant's rental rate at the end of the fifth year.
10. \$56.00 per month initial parking fee
11. 346 Parking spots allocated to the state at 100% occupancy
12. 338 Parking spaces available to Metro to rent independently.
13. 7.0% per year increase in non-state parking rates
14. \$51.00 per month parking rate for the State year 2 through 5
15. 15.0% per year increase in State parking fees starting sixth year
16. 7.0% per year increase per year from the first year is a cap on the state parking rate
17. \$4.00 per sq ft per yr initial operating costs on Metro space
18. \$5.50 per sq ft per yr initial operating costs on tenant space.
19. 4.0% per year increase in operating costs.
20. 46% of the value is taxable initially
21. \$21,324,000 initial value of remodeled property
22. 0.0200000 tax rate.
23. \$50,000 per year of capital outlay for minor remodels after occupancy.
24. 7.0% contingency on capital outlay and operating costs the first two years.
25. 3.0% contingency on capital outlay and operating costs after the first two years.
26. Transfers from Funds is kept proportional to the adopted FY1990-91 budget and provides the re
27. 12.5% of the value the first year is in the land.
28. 5% per year land appreciation
29. 4% New construction inflation per year and a building has a 50 year life.
30. 36,712 sq ft in current building and adopted budget
31. Tenant occupancy rates ramp up starting Feb 1, 1992 at 50%, moving each 3 months to 65%, 70%,
32. 5 months initial free rent with original lease to tenants.
33. \$30,000 capital replacement account per year added into Capital Outlay account.
34. \$6.00 per sq ft tenant renovation FY1997-98 on half of the tenant space added into oper
35. 3.5 months free rent FY1997-98 on half of tenant space for new tenants subtracted fro
35. 131,317 Gross sq ft less penetrations

SPACE COST ANALYSIS WITH PURCHASE AND RENOVATION OF THE SEARS BUILDING FOR USE BY METRO CENTRAL

Assumptions Continued:

36. 11,706 Common area sq ft
37. \$2,660,000 Initial land value
38. 120,494 Net sq ft available for use excluding basement which is used for parking.
39. 175,000 Cap on broker's fee
40. 5%/year times 5 years leasing fee charged first year.
41. \$0.70 /year times 5 year leasing fee cap charged first year
42. \$105,875 relocation fee for Metro central
43. 1,042,933 Furniture - BOOR/A Scheme A
44. 20,000 Office, Cleaning, Maintenance, Audio, Visual and Misc. equipment.
45. 135,000 Telecommunications equipment - end point
46. 5 Number of years to pay off above 4 one time expenses
47. 7.00% Effective interest rate on the four one time expenses above
48. 742 Gross parking spots
49. 38 visitors parking spots not rented
50. 20 dock parkins spots not rented
51. 346 parking spots allocated to the state
52. 100% rental occupancy in state parking spots
53. 95% rental occupancy in other parking spots
54. 213,000 Parking Revenue before move-in

SPACE COST ANALYSIS STAYING AT 2000 S. W. FIRST UNTIL 1996 & THEN MOVE TO QUALITY RENTAL SPACE

Assumptions:

1. The operating costs as adopted by the Council in the 1990-91 Budget are the starting point.
2. Future space costs will be allocated to the Funds in the ratio used in FY1990-91.
3. 5.0% per year increase in "other" materials and services.
4. 3.35%Property tax FY1990-91
5. 2.50%Property tax FY1991-92
6. 2.25%Property tax FY1992-93
7. 2.00%Property tax FY1993-94
8. 1.75%Property tax FY1994-95
9. 1.50%Property tax FY1995-96
10. 5.0% per year per square foot increase in assessed valuation for tax purposes.
11. 8.0% per year increase in salaries
12. \$5.00 per square foot additional capital for converting space from tennant to Metro use.
13. 7.0% per year increase in parking rates.
14. 4,000 Reduction in initial parking revenues from budget amount due to increase in visitor parking.
15. \$100,000 cost for carpeting divided into four years starting FY1991-92, added into maintenance and repair services.
16. \$34,100 FY1990-91 identified maintenance and repair services.
17. \$27,300 FY1991-92 identified maintenance and repair services.
18. \$33,500 FY1992-93 identified maintenance and repair services.
19. \$0 FY1993-94 identified maintenance and repair services.
20. \$25,000 FY1994-95 identified maintenance and repair services.
21. \$55,000 FY1995-96 identified maintenance and repair services.
22. \$6,873 15% of six year average maintenance and repair added to first six years
23. \$46,962 per year maintenance and repair services 1996 on (= average of first 6 years)
24. 5.0% per year increase in maintenance and repair services after 1996.
25. \$50,000 Estimated reduction in adopted capital outlay FY1990-91.
26. \$234,384 Annual lease payment FY1990-91
27. \$290,760 Annual lease payment FY1991-96
28. 7.0% Annual percentage rate compounded times 5 years to estimate next lease rate.
29. 3,304 Space (Not Tax Exempt) switching from tenant to Metro February 1992
30. 2,843 Space (Tax Exempt) switching from tenant to Metro January 14, 1996
31. 7,804 Taxable space assumed in the FY1990-91 Adopted Budget
32. 3,304 Taxable square feet expected FY1991-92
33. \$0 Unappropriated
34. \$25,000 Contingency actually spent on average
35. 85,000 Additional expenses FY1991-92 due to Sears Building Evaluation
36. \$15.00 Market value lease costs 1990 including load
37. 5.00%Inflation factor for lease costs
38. 5 Months of free rent upon move in.

SPACE COST ANALYSIS STAYING AT 2000 S. W. FIRST UNTIL 1996 & THEN MOVE TO QUALITY RENTAL SPACE

Assumptions Continued:

39. \$150,000 Moving Expense
40. \$30,000 Churn Expense
41. 20% Increase in space when moving to new location.
42. 61,477 Sq Ft in new rental facility FY1996-97 matches space assumed same date at Sears building
43. 1,042,933 BOOR/A Scheme A Furniture 1991 Costs
44. 4.00% Inflation rate for Furniture Costs
45. 8.00% Interest rate on furniture lease purchase
46. 5 Payoff period for furniture

RSR 12/05/90

"WORST CASE SCENARIO" -- SPACE COST ANALYSIS BUYING SEARS FACILITY, STAYING AT 2000 S. W. FIRST UNTIL 1996 & THEN FINISHING METRO SPACE ONLY AND MOVE TO SEARS FACILITY

NO OTHER TENANTS AVAILABLE -- REST OF SEARS BUILDING NOT DEVELOPED

FY89-90			FY 1990-91	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-1	2001-2
Adopted Budget			Adopted	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst	F'cst
Historical FTE	Amount		FTE	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Resources															
131,808	166,589	347,220		95,086	58,505	58,505	27,798	27,798	27,798	15,057	0	0	0	0	0
50,893	50,995	374,000		51,061	47,061	47,061	50,355	53,880	57,652	61,687	0	0	0	0	0
						38,640	148,253	151,776	155,546	159,580	395,600	411,400	453,900	507,200	554,200
40,618	52,690	392,010		117,577	170,817	215,651	222,220	218,987	226,755	233,369	281,927	296,509	303,930	313,199	322,456
56,650	79,810	392,140		94,062	136,654	172,522	177,777	175,190	181,405	186,696	225,543	237,208	243,145	250,560	257,966
0	0	392,142		41,946	60,939	76,934	79,278	78,124	80,896	83,255	100,578	105,781	108,428	111,735	115,037
0	0	392,531		107,408	156,043	197,000	203,001	200,047	207,143	213,186	257,544	270,865	277,644	286,111	294,567
4,370	5,079	392,558		25,422	36,933	46,627	48,048	47,349	49,028	50,458	60,957	64,110	65,715	67,719	69,720
139,110	158,070	392,610		249,137	361,948	456,949	470,868	464,017	480,477	494,492	597,383	628,281	644,006	663,646	683,261
423,449	513,233			781,699	1,028,902	1,271,250	1,279,343	1,265,392	1,311,152	1,338,202	1,523,932	1,602,754	1,642,869	1,692,971	1,743,008
Expenditures															
				83,279	83,279	89,941	97,137	104,908	113,300	122,364	0	0	0	0	0
				213,666	213,666	224,349	235,567	247,345	259,712	272,698	0	0	0	0	0
				0	0	0	0	0	0	0	239,732	299,186	311,153	323,599	339,543
				234,384	234,384	290,760	290,760	290,760	290,760	290,760	0	0	0	0	0
				16,600	16,600	5,507	5,507	5,507	5,507	5,507	0	0	0	0	0
				0	0	0	0	0	0	0	964,234	1,130,354	1,155,091	1,189,165	1,219,498
				110,000	60,000	66,520	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
				73,770	40,973	59,173	65,373	31,873	56,873	61,873	64,966	68,214	71,625	75,206	78,967
				50,000	110,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
					30,000	30,000	30,000	30,000	30,000	30,000	180,000	30,000	30,000	30,000	30,000
					240,000	480,000	480,000	480,000	480,000	480,000	0	0	0	0	0
				781,699	1,028,902	1,271,250	1,279,343	1,265,392	1,311,152	1,338,202	1,523,932	1,602,754	1,642,869	1,692,971	1,743,008
				36,712	36,712	36,712	40,016	40,016	40,016	40,016	61,477	61,477	61,477	61,477	61,477
				17.31	25.15	30.70	26.31	25.79	26.74	27.54	18.35	19.38	19.34	19.39	19.34
											1,268,887				
											317,801	317,801	317,801	317,801	317,801

"WORST CASE SCENARIO" -- SPACE COST ANALYSIS BUYING SEARS FACILITY, STAYING AT 2000 S. W. FIRST UNTIL 1996 & THEN FINISHING METRO SPACE ONLY AND MOVE TO

Assumptions:

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38. 5 Months of free rent upon move in.

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Assumptions Continued:

39. \$150,000 Moving Expense
40. \$30,000 Churn Expense
41. 61,477 Sq Ft in new rental facility FY1996-97 matches space assumed same data at Sears building
42. 1,042,933 BOOR/A Scheme A Furniture 1991 Costs
43. 4.00% Inflation rate for Furniture Costs
44. 8.00% Interest rate on furniture lease purchase
45. 5 Payoff period for furniture
46. 6,000,000 Loan with interest only payments for Sears facility plus parking structure renovation
47. 8.00% Interest rate on internal loan.
48. 460 Spaces in Parking Structure
49. 50% Occupancy on Parking Structure. State takes less than maximum.
50. 160 Spaces actually used in the parking structure by the state
51. \$56 Initial monthly rate in parking structure
52. 7% Annual rate increase in parking rates allowed by market
53. \$51 Parking rate for state years 2 through 5
54. 15% Parking rate increase on state after year 5 until market rate is reached
55. 3 Months available for parking in parking structure after repair during FY1990-91.
56. 80% Parking lot revenue vs full occupancy of building including tenants
57. 67% Construction costs versus full building occupancy.
5% Annual rate of increase in construction costs