BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING THE EXERCISE OF THE OPTION AGREEMENT AND THE ACQUISITION OF THE SEARS PARKING GARAGE	))))))	RESOLUTION NO.91-1529 Introduced by Rena Cusma, Executive Officer

WHEREAS, in October 1991 the Council of the Metropolitan Service District approved Resolution No. 91-1494 -C which authorized the execution of a sale agreement for the acquisition of the Sears Building, excluding the adjacent parking garage, as the site for Metro's administrative offices; and

WHEREAS, the adjacent parking garage is the subject of an Option Agreement (Exhibit A) which provides for the purchase of such parking garage at an initial price of $2.6 million if purchased before December 16, 1991 and if the Sears Building transaction is closed; and

WHEREAS, Metro's Finance & Management Information Department have prepared a report titled "Proposed Parking Structure Financial Analysis, November 8, 1991" (Exhibit B) which indicates that purchase of the parking garage results in a positive financial sitiuation and therefore would be fiscally prudent; and

WHEREAS, the most advantageous time to purchase the parking garage is simultaneous with the Sears Building due to its escalating price; now therefore,

BE IT RESOLVED,

That the Council hereby authorizes the Executive Officer to exercise the option per the Option Agreement and to acquire the parking garage, subject to the simultaneous acquisition of the Sears Building by December 16, 1991.

ADOPTED by the Council of the Metropolitan Service District this 26th day of November, 1991.

Tanya Collier
Presiding Officer

Council Meeting
November 26, 1991
Agenda Item No. 6.2

REGIONAL FACILITIES COMMITTEE REPORT

RESOLUTION NO. 91-1529, AUTHORIZING THE EXERCISE OF THE OPTION AGREEMENT AND THE ACQUISITION OF THE SEARS PARKING GARAGE

Date: November 26, 1991 Presented by: Councilor Knowles

COMMITTEE RECOMMENDATION: At its November 25, 1991 meeting the Regional Facilities Committee voted 3-0 to forward Resolution No. 91-1529 to Council with no recommendation. Voting were Councilors Knowles, Gardner, and McFarland. Councilors Bauer and Buchanan were excused.

COMMITTEE DISCUSSION/ISSUES: Regional Facilities Director Neil Saling presented the staff report. He said the financial analysis projected an $85,000 loss in garage operations the first year, with losses decreasing until the fifth year. After the fifth year, the garage is expected to show a profit. The sale agreement for the Sears Building includes an option on the garage, which can be exercised for six 6-month periods at a cost of $50,000 for each option. The cost of the garage increases 5% at each option interval. He recommended that we should acquire it now if we're going to acquire it.

Chair Knowles asked how many parking spaces were projected in the analysis, and whether any were for Metro use. Finance Department Supervisor Chris Scherer said the analysis was based on 469 spaces (the same as now exists), and that none were for Metro's daytime use. Metro's parking needs will be met with the development of the bottom two floors of the Sears Building as a parking garage. Chair Knowles asked if the change in the parking arrangement is what changed the economics of the deal from the original Sears proposal last spring. Mr. Scherer said that was one of the things that changed the economics, but the biggest difference was that the original proposal called for development of the entire building as office space, which would have created speculative office space that would have to be leased - probably at a loss.

Chair Knowles calculated the first 5 years' loss from garage operations to be $262,000, and asked how these costs were to be covered. Mr. Scherer said it would come from excise taxes. Chair Knowles asked why we couldn't capitalize these costs. Mr. Scherer said he didn't know why we couldn't, but said it would make the project more expensive. Chair Knowles referred to the capitalized interest line item in the analysis and asked what that represented. Mr. Scherer replied that it was for interest to be capitalized for that portion of the cost of the building that was construction and renovation. He added that he wasn't sure what it represented and he would check. There was some committee discussion with Mr. Scherer about the relation of capitalized interest to debt service, resulting in Mr. Scherer's agreeing to check on the item.

Chair Knowles clarified that the proposal commits Metro to honor Pacific Development's agreement with the State of Oregon to provide 346 spaces for the State's use, and that the main building will have 220 parking spaces which are all for Metro use. There will be 123 spaces available in the garage which are intended for outside (non-Metro) monthly rental; Mr. Saling said he expects no problem renting those spaces.

Chair Knowles asked the status of the Convention Center parking study authorized in the budget. Mr. Saling said the RFP has been drafted but not released. He added that the parking structure would be available to support parking demand from the Coliseum and Convention Center, so the need for more Convention Center parking will be reduced; the need will not be eliminated, just reduced. No market analysis has been done to date, though he expects to use the data generated by the Trail Blazers. Chair Knowles cited the Trail Blazers' plans to establish a shuttle system for Arena and Coliseum events and asked whether we had communicated with them about including the Sears garage in that system. Mr. Saling replied that he would have to check, but he thinks the Trail Blazers included that garage as one of their resources. Chair Knowles said that it was critical to be included because if it's not, it affects the revenue assumptions included in the analysis. He asked for that question to be answered before Council considers the resolution.

Chair Knowles asked why this issue needs to be resolved tomorrow. Mr. Scherer responded that it was driven by the schedule for issuing the bonds. The bonds are scheduled to be priced on December 11, by which time a final budget for the entire project must be done. The department wants to issue bonds for the building and garage together because they believe there will be far more market acceptance for the entire package than if it's split up.

Councilor Gardner cited the assumption used in the analysis that projected 80 events per year at both the Coliseum and OCC which would require overflow parking at the Sears garage, and asked whether these were all off-hour events (evenings or weekends). Mr. Scherer said they were all after 5:30 or on weekends. Councilor Gardner asked whether the spaces leased for weekday parking would be available to the lessee after hours. Mr. Scherer said he was not certain, but that we had reserved a small number of spaces for lessee parking after hours. Berit Stevenson of the Regional Facilities staff said the State parking agreement doesn't allow for weekend or evening use except for a small number. She also said that OCC uses the Sears garage now for overflow parking. Councilor Gardner clarified that the analysis assumed availability of all 469 spaces during the off hours.

Councilor Gardner asked about the 5% management fee and 35% pass through expenses cited in the analysis. Mr. Scherer and Ms. Stevenson said the 5% was standard and the 35% covered operating expenses, except major capital; major capital is to be covered by a replacement fund which the bond ordinance will require. Councilor Gardner asked whether Metro will have to pay property taxes. Ms. Stevenson said we will not be liable for property taxes after it gets off the rolls, which takes about six months. We will contract with the State, which is an exempt entity, for 346 spaces, and the plan is to rent the remaining 123 spaces to a federal or other government agency, which will also be exempt.

Chair Knowles asked the length of the State commitment; Ms. Stevenson said it is 30 years. Chair Knowles pointed out that the State commitment appears firm, but only covers approximately half of the operating costs. He expressed concern that there is no business plan for marketing the remaining spaces and marketing off-hour parking, which will be necessary to cover costs. Ms. Stevenson said the garage is full now during the day, with government agencies using it; she thinks there is plenty of demand for parking in the neighborhood to fill it under Metro ownership. Councilor Knowles asked where is the information to substantiate that assertion. Ms. Stevenson said she would get copies of the existing leases for the Council to see. She also said she would ask Jeff Blosser how often the Convention Center uses the garage for overflow parking.

Councilor Gardner asked if the garage is now being used for Coliseum overflow. Ms. Stevenson said it is not now used for Coliseum events; the OCC lot is only 1/4 to 1/3 full for Coliseum events and it is unlikely people would go the extra distance to the Sears garage if the OCC lot were available. Councilor Gardner questioned the assumption that the Sears garage would be used 80 times a year for Coliseum events and filled 3/4 full. Councilor Gardner asked for a comparison of the total price for the Sears building and garage vs. the assessed ("real market") value used by Multnomah County for tax purposes and vs. the independent appraisal done earlier in the year. Mr. Saling said he would get that information.

Chair Knowles asked again for clarification of the impact of not doing something this week. Mr. Scherer said we couldn't include the garage costs in the bond sale, which is for the building and the parking structure, if approved. Chair Knowles asked if it would be possible to do a bond sale just for the building or just for the garage. Mr. Scherer said it is possible for the building alone, and he didn't think there would be any negative market implications on that sale. He hasn't researched the possibility of doing just the garage, but he thinks it would be more difficult because the garage finances are less sound than the total project's finances. Chair Knowles asked if we could delay the bond sale or pricing. Mr. Scherer said the bond sale

is scheduled for December 20, four days after final closing. We will borrow some $5 million from Solid Waste to pay for the building at closing on December 16, and will pay some interest on that borrowing. He said it was his desire to minimize that period to limit the interest on the interfund borrowing.

Councilor Gardner said the decision on the garage purchase could be looked at two ways. One was as a business decision, which was the focus of the questions the committee had been asking. He was uneasy about some of the financial assumptions used, and about relying on information from the seller in drawing conclusions.

The second question was whether Metro should be getting into the real estate development business. Even if it does make sense as a business deal, is this an appropriate activity for government to be involved in? Councilor Knowles said we already manage a large parking inventory, at the Zoo and the MERC facilities. Councilor Gardner said there is a difference between those operations, in which parking is part and parcel of running those facilities, and running a garage that will be used for Coliseum and Convention Center overflow. He said the link between this structure and overflow needs is more tenuous. Does Metro want to start competing with private parking operators, and are we sending the right message that the only way to attend an event at the Coliseum or Convention Center is to drive to it? He said he would be hard pressed to support this proposal, and still had unanswered questions about it.

Councilor Knowles said he was comfortable with Metro owning the garage, particularly if we own the adjoining building. It is appropriate to have the facility to support the operations of Metro's other facilities, particularly the Convention Center. He was not prepared to support the proposal at this point because he didn't think the homework had been done. He suggested the resolution be sent to Council with no recommendation.

Councilor McFarland asked whether it should go to Council at all; she didn't think the "homework" could be done overnight and made available for Councilors to read. Chair Knowles said he wanted to send it to the full Council because he didn't fully understand the implications of not making the decision before bond pricing on December 11, and he thought it was a decision for the full Council in any case.

Councilor Gardner agreed with Chair Knowles, saying that if this is something the Council will decide to do eventually, delay would only cost more money.

Chair Knowles clarified that he wanted to know what the capitalized interest item represents; what the potential market is for the garage during work hours; and what the market is for non-work hours, to include the Trail Blazers.

SEARS GARAGE OPTION TO PURCHASE AGREEMENT

(Sears Garage, Portland, Oregon)

DATED: 10/14, 1991

BETWEEN: PACIFIC DEVELOPMENT (PROPERTY), INC.,
an Oregon corporation
825 NE Multnomah, Suite 1275
Portland, Oregon 97232
Taxpayer I.D. No.: _____ OWNER

AND: METROPOLITAN SERVICE DISTRICT
2000 SW First Avenue
Portland, Oregon 97201-5398
Taxpayer I.D. No.: _____ OPTIONEE

Owner is the fee owner of certain real property located in the City of Portland, County of Multnomah and State of Oregon, described on the attached Exhibit A, commonly known as the Sears Garage property (the "Sears Garage").

NOW, THEREFORE, for value received and in consideration of the mutual promises of the parties set forth in this Sears Garage Option to Purchase Agreement (the "Agreement"), the parties agree as follows:

1. GRANT OF OPTION

Effective (and conditioned) upon the closing of the purchase by Optionee of the Sears Building property ("Sears Building") pursuant to the terms of the Commercial-Industrial Sale Agreement and Receipt for Earnest Money dated October 14, 1991 (the "Sale Agreement") referenced in paragraph 2.8 below, Owner hereby grants to Optionee the sole, exclusive and irrevocable option to purchase the Sears Garage (the "Option") at or at any time after the closing of the purchase by Optionee of the Sears Building until the end of the Option Period(s) provided in paragraphs 2.3 and 2.4.

2. TERMS OF OPTION

2.1 Purchase Price. The total purchase price for the Sears Garage property, provided that Optionee closes the purchase of the Sears Building, is as follows, based upon the time period in which the closing of the purchase of the Sears Garage occurs:

Option Period	Closing Date for Sears Garage Purchase	Purchase Price
Pre-option	On or before December 16, 1991	$2,600,000
First	December 17, 1991 - June 15, 1992	$2,730,000
Second	June 16, 1992 - December 15, 1992	$2,866,500
Third	December 16, 1992 - June 15, 1993	$3,009,800
Fourth	June 16, 1993 - December 15, 1993	$3,160,300
Fifth	December 16, 1993 - June 15, 1994	$3,318,300
Sixth	June 16, 1994 - December 15, 1994	$3,484,200

2.2 Legal Description. The exact legal description of the Sears Garage, as distinct from the Sears Building, will be prepared by the Surveyor, as described in and in accordance with the provisions of paragraph 9.1 below.

2.3 Option Consideration; Option Periods. Unless Optionee exercises its Option and closes the purchase of the Sears Garage on or before December 16, 1991, the consideration for the Option to purchase the Sears Garage is that Optionee will pay to Owner $50,000 in option consideration in cash not later than the first day of each of the six option periods referenced in paragraph 2.1 (the "Option Period(s)"). If such payment is not made to Owner by the first day of each Option Period, the Option shall automatically expire and terminate. The Option consideration paid by Optionee is nonrefundable but will be credited against the purchase price for the Sears Garage if Optionee exercises the Option and closes the purchase as provided herein.

2.4 Time of Exercise. The Option may be exercised by Optionee at any time after the date of this Agreement but not later than 11.59 p.m. (Pacific time) on December 15, 1991, subject to Optionee's right to extend as provided in paragraph 2.3 for up to six additional Option Periods by payment of the option consideration provided therein, at the end of which time period the Option will terminate unless previously exercised as provided below.

2.5 Manner of Exercise. The Option may be exercised, if at all, by written notice given by Optionee to Owner at any time before December 16, 1991 or (if Optionee pays the Option consideration by the date it is due) during any Option Period, which notice shall specify that Optionee has elected to exercise this Agreement.

2.6 Failure to Exercise Option. If Optionee fails for any reason to exercise this Agreement in the manner and within the time period set forth above, Optionee shall have no further claim against or interest in the Sears Garage or in any of the Option consideration previously paid, and all of such money shall remain the property of Owner who shall have no

further obligation to Optionee under this Agreement. Further, in the event of such failure to exercise, Optionee will cooperate in providing Owner with any instruments which Owner may reasonably deem necessary or advisable for the purpose of removing from the public record any cloud on Owner's title to the Sears Garage which is attributable in any manner to the grant or existence of this Agreement.

2.7 Binding Obligation. Upon exercise of the Option, Optionee shall be obligated to purchase the Sears Garage from Owner, and Owner shall be obligated to sell the Sears Garage to Optionee, for the price and in the manner set forth in this Agreement. In such event, if either party shall fail or refuse to carry out any provision hereof, the other party shall be entitled to such remedy or remedies for breach of contract as may be available under applicable law, including (without limitation) the remedy of specific performance.

2.8 Condition to Optionee's Rights. Notwithstanding any other provisions of this Agreement, Owner's obligations hereunder and the Option are conditioned upon the closing of the purchase of the Sears Building under the Sale Agreement. Optionee may exercise its Option only after (or contemporaneously with) the closing of the purchase of the Sears Building under the Sale Agreement.

3. OWNER'S TITLE TO THE SEARS GARAGE

3.1 Title Report. As soon as practicable after the execution of this Agreement, Owner shall furnish to Optionee a preliminary title report from a reputable title insurance company selected by Owner ("Title Company") showing its willingness to issue an ALTA extended coverage owner's title insurance policy on the Sears Garage (or both the Sears Garage and Sears Building, if the parcels have not yet been partitioned), together with full copies of all exceptions. Optionee shall have 10 business days after receipt of the preliminary title report and exceptions within which to notify Owner in writing of Optionee's disapproval of any exceptions shown in the report, other than exceptions for the matters described on Exhibit A and any liens to be satisfied by Owner at closing. In the event of such disapproval, Owner shall have until the closing date to eliminate any disapproved exception. Failure of Optionee to disapprove any exception within the 10 business day period shall be deemed an approval of the exceptions shown in the title report.

3.2 Rescission of Agreement. If Owner is unable to eliminate any disapproved exception, either party may elect to rescind this Agreement by notice to the other party. In such event, Owner will promptly refund to Optionee the option consideration previously paid to Owner, and all obligations of

the parties under this Agreement shall thereafter cease, unless Optionee notifies Owner within 10 days after such rescission that Optionee elects to waive its prior disapproval.

4. CLOSING DATE

If Optionee exercises the Option, the purchase of the Sears Garage will be closed on a date reasonably acceptable to both parties, but not later than 20 days after exercise of the Option. Notwithstanding the giving of such notice, Optionee's sole liability for failing to close shall be the forfeiture of the option consideration payable to Owner and payment of costs payable by Optionee for the environmental consultant's services (pursuant to paragraph 7.1) and under the Environmental Assessment Cost Sharing Agreement between the parties dated August 27, 1991, a copy of which is attached hereto as Appendix 2 (the "Environmental Assessment Agreement") and pursuant to paragraphs 9.1 and 15.1 below. The closing of the conveyance of the Sears Garage is referred to as the "Closing." The date for the Closing is referred to herein as the "Closing Date."

5. OPTIONEE'S RIGHT TO ENTER AND INSPECT

Prior to the Closing Date, Optionee may perform at reasonable times (upon reasonable advance notice to Owner and coordination as to the time of entry and nature of the test or study to be performed) reasonable tests, engineering studies, surveys, soil tests, and other inspections, studies and tests on the Sears Garage as Optionee may deem necessary, at Optionee's expense. Optionee will defend, indemnify and hold Owner harmless from any claim, loss or liability in connection with any entry on the Sears Garage by Optionee, any claim of lien or damage or activities on the Sears Garage by Optionee, its agents, employees and independent contractors and consultants.

6. OCC TRANSPORTATION CAPITAL IMPROVEMENTS

The Sears Garage will be conveyed subject to the Oregon Convention Center Transportation Capital Improvements LID and assessments thereunder, if any.

7. HAZARDOUS SUBSTANCES

7.1 Remediation Responsibility of Owner. Pursuant to the Environmental Assessment Agreement, Optionee and Owner mutually retained Brown & Caldwell ("the Environmental Consultant") and GCS, Inc. to recommend necessary removal or remediation of Asbestos Containing Materials ("ACM") and Hazardous Substances on, under or associated with the Sears Garage. The cost of retaining the Environmental Consultant and

GCS, Inc. for these services will be equally divided between the parties, whether or not this transaction closes, pursuant to the terms of the Environmental Assessment Agreement. The Environmental Consultant and GCS, Inc. submitted written reports, which are attached to Appendix 1 ("the Reports"). Owner agrees to perform or pay for all removal or remediation of ACM and Hazardous Substances to the extent and subject to the limitations described in Appendix 1.

7.2 Definitions. As used in this Agreement and in Appendix 1, the following terms shall have the following meanings:

(a) The term "Asbestos-Containing Material (ACM)" means any material containing more than one percent asbestos by weight, including particulate asbestos material.

(b) The term "Hazardous Substance" means any hazardous substance listed or defined under ORS 465.200(9), as of the date of this Agreement.

(c) The term "Environmental Laws" means the Clean Air Act (42 USC § 7401 et seq.), the Federal Water Pollution Control Act (the "Clean Water Act") (33 USC § 1251 et seq.), the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act and the Hazardous and Solid Waste Amendments (42 USC § 6901 et seq.), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 USC § 9601 et seq.), the Toxic Substances Control Act (15 USC § 2601 et seq.) and all other applicable federal, state, county and local environmental requirements, including without limitation applicable rules, ordinances, codes, licenses, permits, judgments, writs, decrees, injunctions or orders of any governmental entity in force and effect as of the date of this Agreement and pertaining to the protection of the environment, including air, water, groundwater, soil, noise and odor.

7.3 Exclusivity of Rights. The rights and obligations of the parties under paragraph 7 and Appendix 1 of this Agreement shall be the exclusive rights and obligations of the parties with respect to ACM and Hazardous Substances, and supersede all other rights and remedies to which a party might otherwise be entitled with respect to such ACM and Hazardous Substances, including any other rights or remedies under this Agreement, under any statute, regulation or ordinance or under any other theory of law or equity. However, this paragraph shall not be construed to limit any right or remedy that Optionee may have against any party other than Owner. Optionee specifically shall retain all rights and remedies it may have against any person or entity other than Owner who at any time owned or occupied the Sears Garage.

8. STATE PARKING OBLIGATION

Owner and Pacific Development, Inc. ("PDI") will cooperate in efforts to obtain a new parking agreement directly between the State of Oregon ("State") and Optionee, in replacement of the existing Parking Supply Agreement between PDI and State. State and Optionee will execute the new parking agreement effective as of the Closing Date (or other date as Owner and Optionee may mutually approve), and the existing Parking Supply Agreement will be thereby superseded and terminated. If State requires that the parties assign the existing Parking Supply Agreement, Optionee will assume PDI's obligations and PDI will be released or held harmless from liability. This matter shall be resolved prior to the Closing Date for the sale of the Sears Building pursuant to the Sale Agreement.

9. PARTITION; EASEMENTS AND RESTRICTIONS

9.1 Partition. Upon the execution of this Agreement, Owner will cause a mutually acceptable surveyor licensed in the State of Oregon ("Surveyor") to prepare a legal description for the Sears Building and for the Sears Garage, and will cause to be prepared and filed the necessary application for governmental approvals of the partition of the Sears Garage (the costs of which will be equally divided between the parties, whether or not this transaction closes). The parties' obligation to close is conditioned upon approval of such partition by December 16, 1991 (subject to extension for a reasonable time period, if both parties mutually agree in writing to such extension, if such approval is delayed). Owner and Optionee agree to share equally the cost of partitioning the Sears Garage and Sears Building parcels (whether or not the transaction closes).

9.2 Declaration of Easements and Covenants, Conditions and Restrictions. The parties have attached (or will attach) a Declaration of Easements and Covenants, Conditions and Restrictions as Exhibit C hereto, which will be executed and recorded at or before the closing of the purchase of the Sears Building (the "Declaration"). By attachment hereto, the parties shall have approved the form of such Declaration, and Optionee shall have approved such Declaration as a permitted exception to title.

10. CLOSING

10.1 Status of Title; Prorations. Except as otherwise described in this Agreement, Owner will be responsible for paying, at closing, all outstanding taxes,

liens and assessments affecting the Sears Garage, including, but not limited to, the 1989 convention center L.I.D. assessment and vintage trolley LID. All real property taxes and all items of income and expense under the Parking Supply Agreement between the parties will be prorated and adjusted between the parties as of the Closing Date. Owner will not, however, be required to pay, and there will be no prorate or adjustment to the purchase price for, the Oregon Convention Center Transportation Capital Improvements L.I.D. and assessments thereunder, if any, affecting the Sears Building, which will be borne by Optionee.

10.2 Escrow and Closing. This transaction will be closed by an escrow officer of the Title Company selected pursuant to paragraph 3.1 (the "Escrow Officer") at its main offices in Portland, Oregon, or at such other place as the parties may mutually select. Closing shall take place in the manner and in accordance with the provisions set forth in this Agreement. The Closing will occur in sufficient time to permit the Escrow Officer to transfer funds to Owner's account (as it may designate in writing) between 9 a.m. and 10 a.m. (Pacific Time) on the Closing Date.

10.3 Certification of Nonforeign Status. Owner warrants that Owner is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and that such warranty will be true as of date of closing. Owner shall deliver to Optionee at closing a Certificate of Nonforeign Status, setting forth Owner's address and United States taxpayer identification number and certifying that Owner is not a foreign person as so defined.

10.4 Events of Closing. Provided the Escrow Officer has received the sums and is in a position to cause the title insurance policy to be issued as described below, the purchase will be closed on the Closing Date as follows:

(a) The Escrow Officer will perform the prorations described in paragraph 10.1, and the parties shall be charged and credited accordingly.

(b) On the Closing Date Optionee shall pay to Owner the total purchase price in cash, adjusted for the charges and credits set forth in this section.

(c) Any liens required by this Agreement to be paid by Owner at closing shall be paid and satisfied of record at Owner's expense.

(d) Owner shall convey the real property to Optionee by statutory warranty deed, subject only to the encumbrances accepted by Optionee pursuant to this Agreement.

(e) Title Company will deliver its commitment letter committing to issue the policy described in paragraph 10.5, upon recordation of the closing documents. The title insurance premium for an ALTA extended coverage owner's title insurance policy will be treated as a closing cost to be divided pursuant to paragraph 10.4(g) below.

(f) The Escrow Officer will record the deed and the Declaration referenced in paragraph 9.2.

(g) All costs (title insurance, escrow fees, recording fees and other customary closing costs) will be split equally between Owner and Optionee.

10.5 Title Insurance. As soon as possible after the Closing Date, Owner shall furnish Optionee with an owner's ALTA extended coverage policy in the amount of the total purchase price for the Sears Garage, subject only to the standard printed exceptions of the Title Company and exceptions for the matters accepted by Optionee pursuant to this Agreement.

11. DESIGN REVIEW

The Declaration provides that Owner will have the right of reasonable prior review and approval of architectural plans, specifications and working drawings for the initial improvements and renovations to the Sears Building and Sears Garage, and subsequent alterations, exterior remodeling, additions or reconstruction thereof or thereto (excluding interior tenant improvements and interior alterations), and changes to elevations of the Sears Building and Sears Garage (hereafter, "Major Work"), in accordance with the procedures, terms and conditions stated therein. The design review rights will not be terminated or impaired by closing of the purchase of the Sears Garage and will survive the Closing Date.

These rights of design review may not be transferred or assigned by Owner to any third party either as part of a transfer of the Sears Garage or other properties, except as described below. These rights of design review may be exercised only by Owner or any "Owner's Successor" (as defined below), as owner of properties in the Lloyd District in Portland, Oregon. The term "Owner's Successor" means PDI any company which is wholly owned by PDI or PDI's majority shareholder, or PacifiCorp or any of its subsidiaries. In addition, the design review rights under the Declaration shall expire on the fifth anniversary of the Closing Date of the sale of the Sears Building to Optionee.

12. HANDLING OF OPTION PAYMENTS

Option payments will be paid directly to Owner in immediately available federal funds by the due date of the Option payment.

13. DISCLOSURE BY OWNER; DISCLAIMER

Owner has previously made available for Optionee's review Owner's records relating to the Sears Garage, including the State Parking Agreement and all documents, leases and contracts, title report and easements of records relating to the Sears Garage. In addition, Owner has previously made available for Optionee's review any plans and specifications in Owner's possession relating to renovation, evaluation of the Sears Garage and reports, documents and/or consultant analysis books in Owner's possession relating to structural, hazardous wastes, and similar matter relating to the Sears Garage. As to any reports or other materials provided or made available to Optionee, Owner is not warranting (and will not be liable or responsible for) the accuracy, fitness or usability of such reports or materials or any recommendations or conclusions stated therein. If Owner obtains actual knowledge prior to the Closing Date of a fact which would make any of the representations and warranties in this Agreement false, Owner will notify Optionee of such fact. Except as specifically provided for in any other provision of this Agreement, Owner will not be liable to Optionee on the representations and warranties in this Agreement after the Closing Date unless Owner had actual knowledge on the Closing Date that the representation or warranty was false and Owner failed to disclose to Optionee the fact known to Owner which made the representation or warranty false.

14. NO JOINT VENTURE OR OTHER RELATIONSHIP

It is expressly acknowledged and agreed that no provision of this Agreement or the parties' conduct or activities will be construed: (i) as making either party an agent, principal, partner or joint venturer with the other party; or (ii) as making either party responsible for the payment or reimbursement of any costs incurred by the other party in pursuing this transaction, except as expressly provided for herein.

15. FAILURE TO CLOSE AFTER OPTION EXERCISE

15.1 Owner's Remedies. In the event Optionee exercises the Option but this transaction fails to close on account of Optionee's fault or inability to close, the amount(s) previously paid or payable to Owner as option

consideration shall be forfeited by Optionee and retained by Owner as liquidated damages and Optionee will pay the costs required to be paid by it pursuant to this Agreement (including, without limitation, the costs specified in paragraphs 7.1 and 9.1 and the Demolition Charges referenced in the attached Appendix 1) and one-half of the costs for remediation work specified in Appendix 1 which has been performed (if any). SUCH AMOUNTS HAVE BEEN AGREED BY THE PARTIES TO BE REASONABLE COMPENSATION AND THE EXCLUSIVE REMEDY FOR OPTIONEE'S DEFAULT, SINCE THE PRECISE AMOUNT OF SUCH COMPENSATION WOULD BE DIFFICULT TO DETERMINE. By initialling this page, the parties acknowledge and agree to such liquidated damages provision. Initials of Parties: Owner WTS; Optionee DBS.

15.2 Optionee's Remedies. In the event Optionee exercises the Option but this transaction fails to close on account of Owner's fault or Owner's inability to close, Owner will promptly refund to Optionee the option consideration previously paid to Owner, and Optionee shall be entitled to such remedies for breach of contract as may be available under applicable law, including (without limitation) the remedy of specific performance.

16. GENERAL PROVISIONS

16.1 Time of Essence. A material consideration to Owner's entering into this transaction is that, if Optionee exercises the Option, Optionee will close the purchase of the Sears Garage by the Closing Date described above. Except as otherwise specifically provided in this Agreement, time is of the essence of each and every provision of this Agreement.

16.2 Prior Agreements. This Agreement supersedes and replaces all written and oral agreements previously made or existing between the parties with respect to the Sears Garage (including, without limitation, the letter of intent between the parties).

16.3 Applicable Law. This Agreement shall be construed, applied and enforced in accordance with the laws of the State of Oregon.

16.4 Survival. All restrictions and conditions which this Agreement does not require to be fully satisfied prior to the Closing Date shall survive the Closing Date and shall be fully enforceable thereafter in accordance with their terms.

16.5 Representations; Condition of Sears Garage. Owner will permit Optionee to make its independent inspections and investigations of the Sears Garage prior to the Closing

Date. Except as otherwise specifically set forth in this Agreement or in the deed to be delivered at closing, no warranties, guarantees or representations, express or implied, have been or are being made by Owner concerning the Sears Garage, Optionee's intended use, or other matters, and Optionee accepts the land, buildings, and all other aspects of the Sears Garage in their present condition, AS IS.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

16.6 Council and Board Approvals. By execution hereof, each party confirms to the other that it has obtained approval for the execution and delivery of this Agreement from its Board of Directors or Council, as applicable.

16.7 Brokers. Optionee (at its expense) will cause the escrow officer to pay at closing the real estate broker's commission due to Coldwell Banker Commercial Brokerage on account of this transaction. Each party will defend, indemnify, and hold the other party harmless from any claim, loss, or liability arising out of its own conduct made or imposed by any other broker or agent claiming a commission or fee in connection with this transaction.

16.8 Costs and Attorney's Fees. In the event suit or action is instituted to interpret or enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial, on any appeal of such suit or action and on any petition for review.

16.9 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, successors, and assigns, but no interest of Optionee under this Agreement or in the Sears Garage will, prior to the Closing Date, be assigned, subcontracted or otherwise transferred (voluntarily, involuntarily, by operation of law or otherwise), without the prior written consent of Owner. Any attempted transfer without such consent will be null and void and constitute a default by Optionee under this Agreement.

16.10 Notices. Notices under this Agreement shall be in writing and shall be effective when actually delivered.

If mailed, a notice shall be deemed effective on the third day after deposited as registered or certified mail, postage prepaid, directed to the other party at the address shown below:

To Owner:

Pacific Development
(Property), Inc.
825 NE Multnomah, Suite 1275
Portland, Oregon 97232
Attention: Mary H. Oldshue,
Vice President

To Optionee:

Metropolitan Service District
2000 SW First Avenue
Portland, Oregon 97201-5398
Attention: Rena Cusma,
Executive Director

With a copy to:

Pacific Development
(Property), Inc.
825 NE Multnomah, Suite 1275
Portland, Oregon 97232
Attention: Harold DeBlanc,
Development Manager

With a copy to:

Metropolitan Service District
2000 SW First Avenue
Portland, Oregon 97201-5398
Attention: Neil Saling,
Director of
Regional Facilities

Either party may change its address for notices by written notice to the other.

16.11 Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit the party's right to enforce the provision. Waiver of any breach of any provision shall not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

16.12 Changes in Writing. This Agreement and any of its terms may only be changed, waived, discharged or terminated by a written instrument signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

16.13 Indemnified Parties. Any indemnification contained in this Agreement for the benefit of a party shall extend to the party's officers, employees, and agents.

16.14 Counterparts. This Agreement may be executed simultaneously or in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

16.15 Invalidity of Provisions. In the event any provision of this Agreement is declared invalid or is unenforceable for any reason, such provision shall be deleted from such document and shall not invalidate any other provision contained in the document.

16.16 Legal Effect. THIS IS A LEGALLY BINDING CONTRACT. ALL PARTIES SHOULD SEEK ADVICE OF COUNSEL BEFORE EXECUTING THIS AGREEMENT.

16.17 Confidential Information. Optionee shall, to the extent permitted by the Oregon Public Records Act, respect and observe the confidential nature of environmental and other reports and information obtained from Owner concerning the Sears Garage and (if this transaction does not close) return such written reports (including any copies thereof) to Owner. If this transaction closes, all documents furnished by Owner to Optionee shall be considered public records.

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

OWNER:

PACIFIC DEVELOPMENT (PROPERTY), INC.

By: _____
William C. Scott, President

Dated: October 14, 1991

OPTIONEE:

METROPOLITAN SERVICE DISTRICT

By: _____

Dated: October 15, 1991

EXHIBIT A

The legal description of the Sears Building and Sears Garage is set forth on the attached page. Separate legal descriptions of these parcels, after partitioning, will be attached by the parties.

Order No. E59300 / 12-12200

PARCEL 60 SOUTH OF LLOYD CENTER

Legal Description:

A tract of land in the City of Portland, County of Multnomah and State of Oregon, being all that portion of the following described property lying Northwesterly and Westerly of the Northwesterly and Westerly right of way line of the parcel conveyed to the City of Portland for street purposes by instrument recorded October 13, 1959 in Deed Book 1978, Page 698, Records of Multnomah County, Oregon to-wit:

Fractional Block 7, HEIPLE ADDITION TO EAST PORTLAND; Blocks 7 and 8, WHEELER'S ADDITION TO EAST PORTLAND; Blocks 85 and 86, HOLLADAY'S ADDITION TO EAST PORTLAND; together with those portions of vacated N.E. Hoyt Street, N.E. 6th Avenue and N.E. Lloyd Boulevard inuring to the above mentioned parcels by City of Portland vacation Ordinances No. 55844 and No. 110439; EXCEPTING THEREFROM the West 10 feet of the above described property lying within the limits of S.E. Grand Avenue (formerly East 5th Street).

Order No. E59300 / 12-12200

PARCEL 60 SPECIAL EXCEPTIONS:

7. Easement for existing public utilities in vacated street area and the conditions imposed thereby,
Reserved by Ordinance No. 55844
Entered: JANUARY 18, 1929

8. Easement for existing public utilities in vacated street area and the conditions imposed thereby,
Reserved by Ordinance No. 110439,
Entered: JULY 23, 1959

9. Covenants, conditions, restrictions and easements, but omitting restrictions, if any, based on race, color, religion or national origin, as contained in Ordinance No. 110439
Recorded: JULY 23, 1959

APPENDIX 1

REMEDIATION WORK--SEARS GARAGE

1. Owner Obligations to Remove or Remedy ACM and Hazardous Substances. Owner agrees to remove or remedy all ACM or Hazardous Substances on, under or associated with the Sears Garage that are discovered by Optionee as of or prior to the date of full completion of demolition work on the Sears Garage (but not in any event later than the first anniversary of the Closing Date) that must be removed or remedied in order to achieve compliance with Environmental Laws (taking into account the intended use of the garage by Optionee). Optionee agrees that, immediately upon its discovery of any ACM or Hazardous Substances on, under or associated with the Sears Garage, it will provide written notice to Owner describing the nature and known scope of such ACM or Hazardous Substance. Owner's obligations under this Appendix 1 are subject to the exceptions described in paragraph 2 below, subject to the limitations set forth in paragraph 3 below and pursuant to the procedures established hereunder.

2. Exceptions. Owner's obligations are subject to the following exceptions:

a. PCB-containing light ballasts. Owner is not obligated to either remove or replace PCB-containing light ballasts. Owner is obligated, however, to obtain bids on the cost of disposal of all such light ballasts. Optionee will be credited at Closing with the amount of such disposal costs.

b. Mutually agreed upon exceptions. Optionee and Owner understand that certain remediation elements identified in the Reports may not be necessary based on the renovation plans ultimately adopted by Optionee. The parties may, therefore, by mutual consent, agree to excuse Owner from performing removal or remediation with respect to any items identified in the Reports.

3. Limitations.

a. Demolition costs borne by Optionee. Owner agrees to bear the costs incurred to remove or remedy the presence of ACM or Hazardous Substances as described above. Optionee is not to be relieved, however, of the costs it would ordinarily incur in its demolition and renovation activities. Thus, to the extent that Optionee obtains a benefit (i.e., demolition) through the remediation or removal work undertaken by Owner, Optionee is responsible for the direct costs incurred by Owner for that work, together with a 15 percent construction management fee ("Demolition Charges"). However, Optionee shall not be responsible for any consultant fees incurred by Owner associated with removal of ACM or remediation of Hazardous Substances. Optionee agrees to pay the Demolition Charges, including the construction management fee, as the work is performed. Owner shall submit invoices to Optionee for the work performed to date and Optionee will pay within 20 days after receipt thereof. In the event of a dispute as to what costs are part of the Demolition Charges, the parties will

accept the decision of Brown & Caldwell, whose decision will be conclusive and final and binding on the parties.

b. Process for obtaining bids. To the extent that Optionee identifies ACM or Hazardous Substances that require removal or remediation pursuant to this Appendix 1, Owner will obtain firm bids with respect to all removal and remedial work so identified. In each case where Optionee will realize a demolition benefit from the work, Owner will obtain bids that permit the parties to determine separately the costs strictly associated with removal or remediation of ACM or Hazardous Substances and those associated with the demolition or other activity that would be required of Optionee whether or not the material was hazardous or contained ACM.

c. Owner Right to Terminate or Repurchase.

(1) Prior to Closing. If Owner determines prior to Closing that the Environmental Costs Identified Pre-Closing (defined below) will exceed $100,000, Owner shall have the right to rescind this Agreement by notice to Optionee. As used in this Agreement, "Environmental Costs Identified Pre-Closing" means total costs of removal and remedial work performed prior to Closing, if any, plus the credits established under paragraph 2.a. above plus any firm bids for removal or remedial work to be performed after Closing obtained pursuant to paragraph 3.b. above, but not including Demolition Charges. In such event, all option consideration paid to date shall be refunded to Optionee and all obligations of the

parties under this Agreement shall thereafter cease, unless Optionee notifies Owner within 10 days after a notification by the Owner of an intent to rescind that Optionee (1) elects to waive Owner's obligations to perform remedial work or (2) elects to itself fund all remediation above $100,000 and elects to proceed to close the sale.

(2) After Closing. Owner's obligations under this Appendix 1 shall expire in their entirety on full completion of demolition work on the Sears Garage (but not in any event later than the first anniversary of the Closing Date). In addition, Owner shall have a limited right to repurchase the Sears Garage in lieu of pursuing removal or remediation otherwise required by this Appendix 1. Owner's right to repurchase is subject to the following terms: (a) Owner shall have no right to repurchase unless its total removal and remediation expenditures (including the Environmental Costs Identified Pre-Closing) are projected, based on firm bids, to exceed $100,000; (b) Owner must provide written notice to Optionee of its interest in repurchasing, including documentation of the firm bids described in subparagraph (a) above, and specify a closing date within 30 days of such notice; (c) Within 15 days of receiving such notice, Optionee shall provide written proof to Owner of Optionee's costs to date as described in subparagraph (f) immediately below; (d) Within two days of receiving such documentation, Owner shall advise Optionee in writing whether

it intends to proceed with the repurchase and shall confirm the date for closing; (e) At closing of the repurchase, Owner will pay Optionee a repurchase price equal to the purchase price paid by Optionee for the Sears Garage; (f) At the closing of the repurchase, Owner will reimburse Optionee for the operating deficits (interest costs plus customary operating expenses less revenues), if any, incurred by Optionee (from date of closing on the Sears Garage up until the closing of the repurchase); (g) Such repurchase shall be accomplished in accordance with the general provisions set forth in Exhibit 1 hereto; (h) Owner will have no right to repurchase if Optionee notifies Owner within 15 days after receiving the notice described in subparagraph (a) above that Optionee will accept from Owner payment of the $100,000 referred to in that subparagraph, or the residual thereof if some level of removal or remedial work (including the work in connection with Environmental Costs Identified Pre-Closing) has been accomplished, and waive Owner's obligations to perform any additional removal or remedial work; and (i) Upon closing of the repurchase, the Parking Supply Agreement will automatically be restored to full force and effect as if the purchase of the Sears Garage had not occurred.

4. Performance of Work. Owner may, but shall not be required to, perform any removal or remedial work prior to Closing. Owner shall have the right of entry and access to the Property after Closing for the purpose of completing the work.

Owner and Optionee will mutually agree upon a means of coordinating Owner's removal and remediation work with Optionee's demolition and renovation work. Upon completion of the work, Owner will provide Optionee with a certification by Brown & Caldwell or a mutually agreed upon environmental consultant that such removal or remediation work has been completed and that to the best of the consultant's knowledge no further hazard to construction workers or the Optionee's subsequent occupants exists. The cost of this update will be equally divided between Owner and Optionee.

APPENDIX 2

TO

ADDENDUM TO SALE AGREEMENT

Environmental Assessment Cost Sharing Agreement

ENVIRONMENTAL ASSESSMENT
COST SHARING AGREEMENT

DATED: August ___, 1991

BY AND
BETWEEN: Metropolitan Service District ("Buyer")

AND: Pacific Development (Property), Inc. ("Seller")

RECITALS

A. On June 26, 1991, Buyer and Seller executed a letter of intent regarding the Buyer's purchase of improvements and property known as the Sears Building and option to purchase improvements and property known as the Sears Garage (collectively referred to as "the Sears Property").

B. Buyer and Seller continue to negotiate the purchase/sale agreement for the contemplated transaction.

C. Both Buyer and Seller desire to initiate immediately an environmental assessment of the Sears Property.

OPERATIVE TERMS

1. Definitions

1.1 The term "Hazardous Substance" means any hazardous substance listed or defined under ORS 465.200(9), as of the date of this agreement, and shall specifically include Asbestos-Containing Materials ("ACM").

1.2 The term "Environmental Laws" means all applicable federal, state, county and local environmental requirements in force and effect as the of date of this agreement and pertaining to the protection of the environment, including air, water, groundwater, soil, noise and odor, and including regulations pertaining to employee exposure to hazardous substances.

2. Choice of Consultant

2.1 Buyer and Seller have mutually selected Brown & Caldwell for the task of conducting an environmental assessment of the Sears Property ("the Consultant").

3. Scope of Work/Reporting Obligations of Consultant

3.1 Consultant will perform the environmental assessment under the direction of Seller pursuant to the agreed Scope of Work, which is attached as Exhibit A. Consultant will rely primarily on the reports previously prepared by Dames & Moore dated December 3, 1990 and January 31, 1991, but will conduct

such further testing as it determines necessary, subject to the approval of Buyer and Seller. Buyer and Seller agree that they will not unreasonably withhold such approval, subject to paragraph 4 below. Consultant will provide all reports, including drafts, to both Buyer and Seller. Seller will advise Buyer of all significant meetings with the Consultant and provide Buyer an opportunity to participate, if Buyer so desires.

4. Cost Sharing

4.1 Buyer and Seller agree to mutually share in the cost of the Consultant, whether or not the purchase/sale transaction closes, but agree that the Consultant shall be directed not to perform more than $10,000 in work without the approval of both Buyer and Seller.

SELLER:

PACIFIC DEVELOPMENT (PROPERTY), INC.

By: _____

PURCHASER:

METROPOLITAN SERVICE DISTRICT

By: _____

EXHIBIT A

Scope of Work

1. Buyer and Seller shall provide to Consultant, as soon as Consultant is retained, all environmental assessments of the Sears Property completed to date which are in the possession and control of the parties, including the Preliminary Site Assessment dated December 3, 1990 and the Magnetometer and Soil Gas Survey dated January 31, 1991 prepared for Buyer by Dames & Moore ("the Dames & Moore Reports").

2. Consultant shall review all such reports and, with respect to all Hazardous Substances on the Sears Property identified in the Dames & Moore Reports, make two recommendations as to what remediation must be accomplished to achieve compliance with the following standards:

(a) Option #1--Such remediation as is necessary to place the building and garage in compliance with all applicable existing Environmental Laws as those laws would be enforced by any authorized governmental agency, on the basis and assumption that a party takes possession and occupancy of the building and garage in their present condition with the intent to utilize all four floors for office use. Consultant should assume that the least expensive method of remediating any problem, consistent with the standard stated above, will be selected.

(b) Option #2--Such remediation as is necessary to place the building and garage in compliance with all applicable existing Environmental Laws as those laws would be enforced by any authorized governmental agency, on the basis and assumption that the building and garage are being renovated as described on the attachments hereto and that the use of the building and garage after the renovation work is completed will be as described on such attachments. This option shall include an estimate of the cost of removal of all VAT located on the first and second floors regardless of whether it is consultant's opinion that such removal is required by existing applicable law. Consultant shall also state its opinion as to whether such removal of VAT is required by applicable law.

With respect to each remediation recommendation, Consultant shall provide an estimate of the cost to complete such work. Remediation work to the Sears Garage (if any) should be separately stated, compared to remediation work to the Sears

building. The Consultant shall assume that the remediation will be completed prior to execution of Buyer's renovation plans. The Consultant shall, however, state those costs directly associated with the remediation separately from those costs associated with the demolition required in order to conduct the remediation work.

3. Consultant shall provide an estimate of the useful life of the existing Sears Building roof. Consultant shall state its opinion as to whether encapsulation or removal of ACM in the roof material is required by applicable law, for the roof in its present condition. Furthermore, Consultant shall state whether, in connection with installation of a replacement roof, encapsulation or removal of ACM in the roof material is required by applicable law. Consultant shall provide an estimate of the cost of any encapsulation or removal of ACM in the roof material required by applicable law. Furthermore, Consultant shall provide an estimate of the cost of removal of all existing roof material in order to install a replacement roof. The estimated cost of removal of all the existing roof material shall include a separate cost estimate of all costs attributable to removal and disposal of ACM contained in the roof material.

4. Consultant is to rely primarily on the Dames & Moore reports. To the extent Consultant determines it needs to undertake further testing in order to make the recommendations required in paragraph 2, Consultant shall propose what specific testing it believes to be necessary. Consultant shall not proceed with that testing without the approval of Buyer and Seller.

5. Consultant is to complete its work and provide remediation recommendations in report form, simultaneously to both parties, by August 30, 1991.

EXHIBIT B

Intentionally omitted

(there is no Exhibit B to the
Sears Garage Option to Purchage Agreement)

EXHIBIT C

DECLARATION OF EASEMENTS AND COVENANTS, CONDITIONS AND RESTRICTIONS

[To be attached when approved]

RESOLUTION NO. 91-1529
Exhibit B

METROPOLITAN SERVICE DISTRICT

PROPOSED PARKING STRUCTURE
FINANCIAL ANALYSIS

FINANCE & MANAGEMENT INFORMATION DEPARTMENT

November 8, 1991

METROPOLITAN SERVICE DISTRICT
PROPOSED PARKING STRUCTURE
FINANCIAL ANALYSIS

INDEX

METROPOLITAN SERVICE DISTRICT
PROPOSED PARKING STRUCTURE
FINANCIAL ANALYSIS

Executive Summary

An addendum to the sales agreement for the Sears building provides an option to purchase the adjoining parking structure. This analysis is to provide information on the likely financial consequences of buying this parking structure. The key assumptions are stated as are the major sources from which the assumptions were drawn.

The purchase price is $2,600,000 if the closing date is on or before December 16, 1991. The opportunity to purchase the structure is contingent upon Metro's purchase of the Sears building. The agreement provides for six subsequent optional purchase periods of six months each, starting with December 17, 1991. Each six months the price increases five percent. The price increases from $2,600,000 on December 16, 1991 to $3,484,200 if the sale is closed by December 15, 1994. Because these costs are in excess of inflation and greater than any near-term loss Metro might incur in operation of the facility, it would not be prudent from a financial perspective to delay the purchase beyond December 16, 1991.

There is an initial negative net revenue in the first five years of operation. The loss the first year would be $86,000 and decline each year through the fifth year, after which time the facility would operate at a gain. The net present value (the discounted stream of gains or losses) is $1,710,000, indicating the purchase of the project would be fiscally prudent given the assumptions contained in the analysis.

EXHIBIT I

ESTIMATED PROJECT COSTS
FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Estimated costs to be financed through revenue bonds

Real Estate		
	Purchase of Parking Structure (a)	$2,600,000
	Broker's Fee	$104,000
		$2,704,000
Project management (b)		
	Design services	$61,000
	Permits	$5,000
	Taxes (c)	$39,000
	Owner's contingency	$50,000
		$155,000
Construction (b)		
	Meet codes including Earthquake Code 3	$315,000
	Repairs (roof, resurfacing, striping, painting)	$210,000
	Optional Improvements (facade, higher quality repairs)	$400,000
	Contingency (10% of construction)	$93,000
		$1,018,000
Other		
	Art (1% of construction)	$10,000
Total to be financed		$3,887,000
Estimated costs not included in bond financing		
	Due diligence	$1,000
Total project costs		$3,888,000

(a). Assumes pruchase by 12/1/91
(b). Project management and construction costs from Regional Facilities Department
(c). Assumes purchase price times 1/2 year times 3%.

EXHIBIT 2

ESTIMATED FINANCING PLAN
FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Sources

Revenue bonds	$4,496,350
Interest Income	
Construction Account	$14,672
Reserve Account	
Debt Service Account	$7,433
Subtotal	$22,105
Total Sources	$4,518,455

Uses

Total "Project" costs	$3,888,000
Reserve Account deposit	$385,404
Capitalized interest	$155,124
Issuance costs	$89,927
Total Uses	$4,518,455

Assumptions

Interest rates	
Short term construction fund	5.75%
Average bond cupon (Source PFM)	6.90%
Period of construction	6 months
Amortization period	25 years

EXHIBIT 3

INCOME AND EXPENSES
FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Calendar Year	Non-State Daytime Parking	State Parking	Evening & Weekend Parking	Interest Income	Total Income	Operating & Management Costs	Debt Service	Net Income
1992	$88,560	$232,512	$143,928	$19,945	$484,945	$186,000	$385,404	($86,459)
1993	$94,759	$232,512	$155,922	$33,241	$516,434	$193,277	$385,404	($62,247)
1994	$101,392	$232,512	$167,916	$33,241	$535,061	$200,728	$385,404	($51,071)
1995	$108,490	$232,512	$179,910	$33,241	$554,153	$208,365	$385,404	($39,616)
1996	$116,084	$232,512	$191,904	$33,241	$573,741	$216,200	$385,404	($27,863)
1997	$124,210	$267,389	$203,898	$33,241	$628,738	$238,199	$385,404	$5,135
1998	$132,905	$307,497	$215,892	$33,241	$689,535	$262,518	$385,404	$41,613
1999	$142,208	$353,622	$227,886	$33,241	$756,957	$289,486	$385,404	$82,067
2000	$152,163	$428,035	$251,874	$33,241	$865,312	$332,828	$385,404	$147,080
2001	$162,814	$457,997	$263,868	$33,241	$917,920	$353,872	$385,404	$178,645
2002	$174,211	$490,057	$287,856	$33,241	$985,365	$380,849	$385,404	$219,111
2003	$181,179	$509,659	$299,850	$33,241	$1,023,929	$396,275	$385,404	$242,250
2004	$188,427	$530,045	$311,844	$33,241	$1,063,557	$412,126	$385,404	$266,027
2005	$195,964	$551,247	$323,838	$33,241	$1,104,290	$428,420	$385,404	$290,466
2006	$203,802	$573,297	$335,832	$33,241	$1,146,172	$445,172	$385,404	$315,596
2007	$211,954	$596,229	$347,826	$33,241	$1,189,250	$462,404	$385,404	$341,443
2008	$220,432	$620,078	$359,820	$33,241	$1,233,572	$480,132	$385,404	$368,035
2009	$229,250	$644,881	$371,814	$33,241	$1,279,186	$498,378	$385,404	$395,404
2010	$238,420	$670,676	$383,808	$33,241	$1,326,145	$517,162	$385,404	$423,580
2011	$247,956	$697,504	$407,796	$33,241	$1,386,497	$541,302	$385,404	$459,791
2012	$257,875	$725,404	$419,790	$33,241	$1,436,310	$561,227	$385,404	$489,678
2013	$268,190	$754,420	$431,784	$33,241	$1,487,635	$581,757	$385,404	$520,473
2014	$278,917	$784,597	$455,772	$33,241	$1,552,527	$607,714	$385,404	$559,409
2015	$290,074	$815,981	$467,766	$33,241	$1,607,062	$629,528	$385,404	$592,129

EXHIBIT 4

ASSUMPTIONS USED IN OPERATING COSTS AND REVENUES
FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

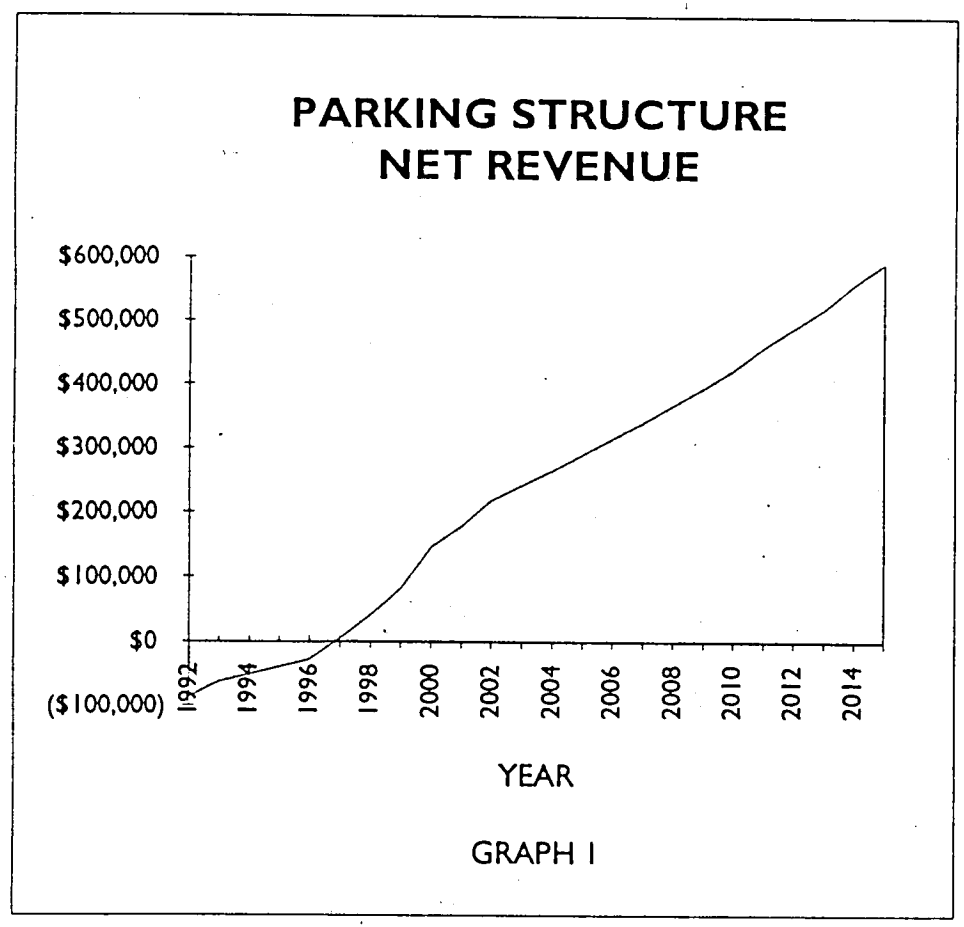
Assumptions:

469	Total number of parking spots in structure (data from physical count by PDI)
346	Number of stalls in State contract (a)
346	Number of stalls the State takes.
$56.00	Monthly rental rate to State through 1996 (a)
$60.00	Market value monthly rental rate Fiscal Year 1992-93 (current rates at 16 locations provided by PFM for comparison)
15%	Annual rate at which State rate will increase after end of 1996 until reaching market rate (a)
0%	Amount by which state rate can exceed market rate (a)
7%	Annual rate at which market value rates increase first 10 years (d)
4%	Annual rate at which market value rates increase after first 10 years (d)
100%	Percent of stalls not taken by state will be rented the first year
100%	Percent of stalls rented after first year including effect of daily parking
80	Number of events from Coliseum using overflow parking (Estimate from Coliseum Sales & Marketing staff)
80	Number of events from OCC using overflow parking (Estimate from OCC Sales & Marketing staff)
$3.00	Overflow parking rate per event per stall 1992 (comparable to rates achieved in the area today)
7%	Annual rate of increase in overflow rates first 10 years, in increments of $.25. (d)
4%	Annual rate of increase in overflow rates after first 10 years, in increments of $.25. (d)
75%	Fill rate on overflow events
20%	Portion of State spaces reserved for State off hour use (a)
6.9%	Effective Interest Cost (b)
6.9%	Average Coupon Interest (b)
5.0%	Management fee as % of operating income (c)
35.0%	Pass thru expenses as a % of operating income (c)

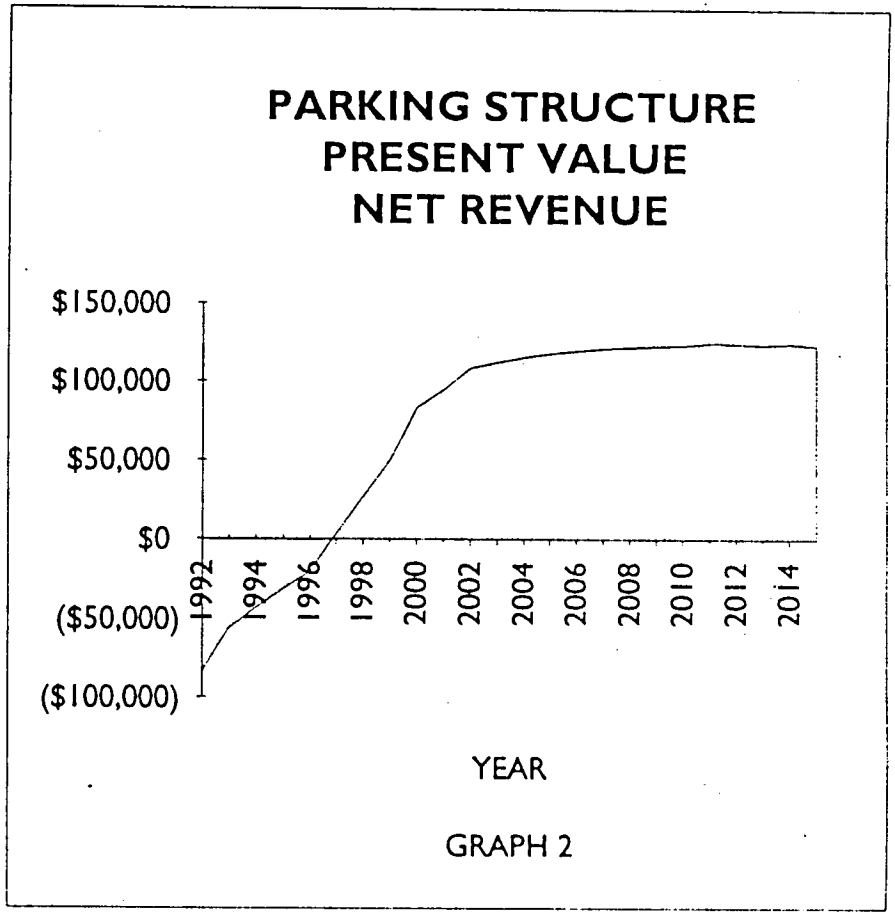
(a) Information from the contract between Pacific Development, Inc. and the State of Oregon
(b) Information from Public Financial Management, Inc.
(c) Information provided by Pacific Devlopment, Inc. as typical figures subject to actual contract negotiation.
(d) Growth rate of parking rates in downtown area provided by Pacific Development, Inc. at 7%. Rate reduced to 4% per year after 10 years by Metro staff to be more conservative.

GRAPH 1 & 2

GAIN OR (LOSS) ON OPERATION
FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT



GRAPH 1



GRAPH 2

Present value calculations are based upon Metro's current cost of long term funds, 6.9% per year.

STAFF REPORT

Agenda Item No. _____

Meeting Date: Nov. 25, 1991

CONSIDERATION OF RESOLUTION No. 91-1529 FOR THE PURPOSES OF AUTHORIZING THE EXERCISE OF THE OPTION AGREEMENT AND THE ACQUISITION OF THE PARKING GARAGE LOCATED ADJACENT TO THE FORMER SEARS BUILDING

Date: November 8, 1991

Presented by: Neil Saling

FACTUAL BACKGROUND AND ANALYSIS

At its October 10, 1991 meeting, the Metro Council approved Resolution No. 91-1494-C authorizing the Executive Officer to execute a sale agreement for the Sears Building without the adjacent parking structure. This Sale Agreement was executed on October 14, 1991. Resolution No. 91-1494-C also indicated the desire of the Executive Officer to pursue the simultaneous purchase of the adjacent parking garage. This desire has been bourne out by the favorable results of the financial analysis prepared by the Finance Department. See attached Exhibit B. This Resolution No. 91-1529 would authorize the Executive Officer to exercise the option which is the subject of the Option Agreement and to thereby acquire the adjacent parking garage subject to the simultaneous authorization to proceed to closing of the Sears Building transaction.

The Sears Garage Option to Purchase Agreement, attached as Exhibit A, was executed on October 14, 1991, and allows for purchase of the garage at a price of $2,600,000 if the option is exercised on or prior to December 16, 1991. After December 16, 1991, the Agreement provides for six 6 month option periods and a purchase price which escalates at a rate of 5% per 6 month period. Each of these 6 month option periods also carries a option price of $50,000 which can be applied to the purchase price. The Agreement allows purchase of the parking garage only if the Sears Building is purchased by Metro.

A condition of the purchase of the parking garage is the State of Oregon Parking Agreement obligation. This obligation would fill approximately 75% of the garage with monthly weekday State of Oregon employee parking. It is anticipated that the remainder of the parking garage would be filled with similar monthly weekday government employee parking. This scenario was incorporated in the financial report.

The report prepared by the Finance & Management Information Department titled "Proposed Parking Structure Financial Analysis, November 8, 1991", indicates the financial impacts on the agency of purchasing the parking structure. The initial

years of operation would result in negative net revenue, with the first year experiencing a loss of $86,000. The losses decline through year five and in year six a profit is realized. In the 25th year of the anaylsis (expiration of the bonds) the net reveune has grown to $592,129. The long term effect of ownership is a net present value of $1,710,000 which the report concludes indicates the acquisition is a fiscally prudent action.

Apart from the financial considerations, the acquisition of the parking garage benefits operations at the nearby Oregon Convention Center. The Center, which has been experiencing a severe shortage of parking capacity, could rely on the Sears Garage for after hours and weekend parking. These are generally the hours of the local consumer shows which have experienced the most severe parking shortage.

RECOMMENDATION:

The Executive Officer recommends, subject to finalizing the acquisition of the Sears Building, approval of Resolution No. 91-1529 by the Metro Council.