

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING THE) RESOLUTION NO. 04-3421
EXECUTION OF A SEVEN-YEAR LEASE)
WITH OREGON PARK DEVELOPMENT,) Introduced by Michael J. Jordan, Chief
LLC) Operating Officer, with the concurrence
) of David Bragdon, Council President

WHEREAS, Metro’s latex paint recycling and retail facility has been housed in its current building at the Metro South Transfer Station since August of 1999; and,

WHEREAS, limited parking, competing truck traffic, and long lines of transfer station customers at the Metro South Transfer Station make it difficult for customers to get to the recycled latex paint facility; and,

WHEREAS, the small size of the current space at Metro South Transfer Station does not allow for the storage of sufficient feedstock and stockpiling of latex paint inventory or the automated production of more profitable one-gallon cans; and,

WHEREAS, Metro currently stores much of its recycled latex paint inventory in an off-site warehouse, costing \$26,400 annually; and,

WHEREAS, the current latex paint recycling building could be used to house Metro South Transfer Station maintenance activities and provide meeting space, as called for in the Metro South Transfer Station Capital Improvement Plan; and,

WHEREAS, Metro proposes to move its latex paint recycling and retail facility to a 22,500 square foot building located at 4825 N. Basin Avenue, Swan Island, that is well suited for production, storage and sales of Metro’s recycled paint; and,

WHEREAS, Metro would lease the new location from Oregon Park Development, LLC; and,

WHEREAS, the proposed leasehold would have thirty reserved parking spaces, convenient ingress and egress, and would be more centrally located and accessible to a larger portion of the Metro Area, expanding the potential recycled paint retail customer base; and,

WHEREAS, the proposed leasehold would increase available processing and storage space from 11,000 to 22,500 square feet, allowing for the automated production of one-gallon cans, providing the ability to store more incoming waste latex paint, and enabling increased paint production and stockpiling over the winter for sale during the busy painting season; and,

WHEREAS, entering into a leasehold is preferable to Metro acquiring or constructing a building because the current real estate climate has produced lease rates that are very favorable to tenants, and leasing allows for greater future flexibility; and,

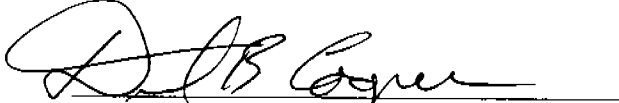
WHEREAS, Metro Code 2.04.026(a)(3) requires Metro Council approval for any lease contract; now therefore,

BE IT RESOLVED that the Metro Council authorizes the Chief Operating Officer to execute a seven-year lease with Oregon Park Development, LLC.

ADOPTED by the Metro Council this 26th day of February, 2004.


David Bragdon, Council President

Approved as to Form:


Daniel B. Cooper, Metro Attorney

M:\res\of\projcts\Legislation\latex\esres.doc



STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 04-3421 FOR THE PURPOSE OF AUTHORIZING THE EXECUTION OF A SEVEN-YEAR LEASE WITH OREGON PARK DEVELOPMENT, LLC

January 28, 2004

Prepared by: William Eadie
Jim Quinn

BACKGROUND

Metro's latex paint recycling operation has been housed in its current building at the Metro South Transfer Station since August of 1999. For several reasons, as outlined below, it is advantageous to move the operation to a leased off-site location. The proposed lease is with Oregon Park Development, LLC, for a 22,500 square foot warehouse located on Swan Island. This building is well suited for production, storage and sales of Metro's recycled paint.

A more detailed explanation of the operational, financial, and marketing aspects of the paint recycling program can be found in the "Metro Latex Paint Recycling Business Plan", dated August 2003.

Justification for Relocating the Latex Paint Recycling Facility

There are several factors that make it advantageous to move Metro's latex paint recycling operation to a new location:

- There are substantial traffic congestion problems at the current Metro South location that make it difficult to retail Metro's recycled paint to a large number of customers. There is limited parking, competing truck traffic, and at times long lines of transfer station customers making it difficult to get to the latex facility.
- The new facility would increase available processing and storage space from 11,000 to 22,500 square feet. An increase in processing and storage space is beneficial because it will eliminate the current \$26,400 annual expenditure for offsite warehouse space, allow for automated production of one-gallon cans which are more profitable to sell, provide the ability to store more incoming paint feedstock, and facilitate increased paint production and stockpiling over the winter for sale during the busy painting season.
- The new facility will be more centrally located and accessible to a larger portion of the region, expanding the potential customer base.
- There will also be a substantial financial benefit by using the building currently used for latex paint recycling operations on the Metro South site to instead house maintenance activities and provide meeting space that is called for in the Capital Improvement Plan.

Leasing a building is preferable to new construction for two reasons: the current climate is very favorable for leasing, and leasing allows for greater flexibility.

Summary of Proposed Lease

Property: 4825 N. Basin Avenue, Swan Island

Landlord: Oregon Park Development, LLC

Tenant: Metro Latex Paint Recycling

Premises: 22,500 sq. ft. of shell space, including approximately 1665 sq. ft of interior office space

Commencement/Occupancy: March 1, 2004

Early Access: Allowed

Term: 84 months

Option to Renew: Yes; one to five year term

Right of First Refusal: Yes (on 30,680 square feet, including approximately 5,250 square feet of office space)

Assignment and Subletting: Allowed

Building Rent: Average rental rate over first five-years is 32.8 cents per sq. ft.

Average rental rate over entire seven-year term is 33.8 cents per sq. ft.

Tenant (NNN) Expenses: 8.5 cents/sf/mo

Tenant Improvements: Landlord will build-out as requested and recover cost in rent payment over term of lease

Parking: thirty assigned parking spaces

Signage: Yes

Justification for Selection of This Property

The proposed lease satisfies the following selection criteria:

- Market location
Swan Island is centrally located
- Convenient Access to I-5
Less than 1.5 miles from the I-5 interchange
Less than 3 minutes drive time to I-5 interchange
- Adequate size (22,500 sq. ft.)
- Adequate building clear height (twenty-four feet)
- Adequate power (400a/480v)
- Adequate striped parking and staging area (thirty striped spaces)
- Adequate loading and staging area (two dock-doors, three grade-doors)
- Includes a five-year lease renewal option at the then market rate
- Includes a right of first refusal on additional space in the same building
- Allows for assignment and subletting

The proposed lease exceeds the following selection criteria:

- Competitive lease rate
Average rental rate for the proposed building over the first five years is 32.8 cents per sq. ft;
Average rental rate over the seven-year term is 33.8cents per sq. ft;
The Range of rental rates of the comparable buildings (adjusted for build-out allowances and operating expenses) is 32.4-48.4 cents per sq. ft; three of the four building indicate a higher range of from 34.6-48.4cents per sq. ft. in comparison to the proposed building
- Positive exposure
Street signage allowed; plus, building is easily visible to passing vehicles
- Convenient access
A four-lane, one-way street (N. Basin Avenue) provides direct access to the building

Comparison of Proposed Lease to Comparable Properties:

Selection Criteria	Proposed Lease	Hayden Island	Columbia Blvd.	Airport Way	Airport Way
Location	<i>Adequate</i>	<i>Adequate</i>	<i>Adequate</i>	<i>Adequate</i>	<i>Adequate</i>
Access	<i>Good</i>	<i>Below Avg.</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>
Exposure	<i>Very Good</i>	<i>Below Avg.</i>	<i>Good</i>	<i>Average-Good</i>	<i>Very Good</i>
Loading	<i>Adequate</i>	<i>Adequate</i>	<i>Adequate</i>	<i>Inadequate</i>	<i>Adequate</i>
Parking	<i>Good</i>	<i>Adequate</i>	<i>Adequate-Good</i>	<i>Adequate-Good</i>	<i>Adequate-Good</i>
Size	22,500	16,969	17,250	20,625	18,660
Signage	<i>Good</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>
Ave. Rental Rate/SF	32.8 cents 33.8 cents (7-yr average)	38.9 cents	40.4 cents	31.4 cents	44.9 cents
Adjusted Rental Rate/SF*	32.8 cents	34.6 cents	39.6 cents	32.4 cents	48.4 cents
Lease Renewal	1-5yr	1-5yr	1-5yr	1-5yr	1-5yr
Operating Expenses per square foot	\$0.085	\$0.120	\$0.114	\$0.127	\$0.120
Clear Height	24'	20'	23'	<i>Adequate</i>	20'
Power	400a/480v	250a/480v 150a 120/240v	<i>Adequate</i>	400a/480v 300a-208/120v	<i>Adequate</i>
Management Quality	<i>Very Good</i>	<i>Very Good</i>	<i>Good</i>	<i>Unknown</i>	<i>Unknown</i>
ROFR	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Unknown</i>	<i>Unknown</i>

*adjusted for different build-out allowances and operating expenses structures

ANALYSIS/INFORMATION

1. Known Opposition

None

2. Legal Antecedents

Metro Code 2.04.026(a)(3) requires Metro Council approval for any lease contract.

3. Anticipated Effects

Adoption of Resolution No. 04-3421 would authorize execution of a seven-year lease with Oregon Park Development, LLC, for a 22,500 square foot warehouse located on Swan Island.

4. Budget Impacts

For the remainder of FY03-04 the lease commits Metro to about \$18,000 in expenditures. For FY04-05 the total lease cost is expected to be \$100,150, which is less than the amount anticipated in the department's proposed budget for FY04-05. In future years there are modest cost increases, due to the increases in the rent schedule shown below.

Rent schedule:

<u>Months</u>	<u>Rent</u>
1	\$7,720
2-6	\$0
7-24	\$7,720
25-48	\$8,106
49-60	\$8,511
61	\$0
62-72	\$8,511
73	\$0
74-84	\$9,192

Triple net costs: start at \$1912.50 per month, vary with actual costs.

The department has conducted an economic analysis comparing the cost of leaving the paint recycling operation in its current location vs. moving it to a new leased building. The analysis concluded that the move would be financially beneficial for the following reasons:

- There will be a \$685,000 savings in capital costs by using the current latex building to house maintenance and office facilities called for in Metro's Capital Improvement Plan
- The additional space in the new facility will increase the latex operation's revenue by allowing for increased processing of latex from other agencies for a fee and increased production of more profitable one gallon cans
- The net increase in operating costs in the new facility will be very modest, estimated at \$16,000 for FY04-05.

RECOMMENDED ACTION

The Chief Operating Officer recommends approval of Resolution No. 04-3421.