

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 94-50

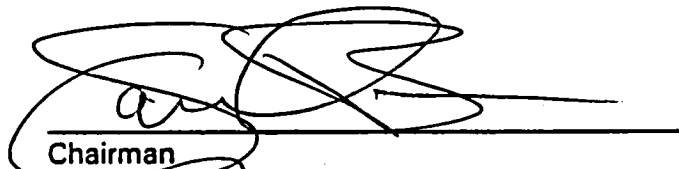
Authorizing a rent adjustment for the New Theatre Building land lease as prescribed in the Agreement with the First Congregational Church for the period November 1, 1994 through October 31, 1999.

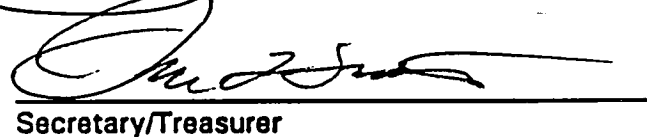
The Metropolitan Exposition-Recreation Commission finds:

1. That the 99 year lease on land underlying the New Theatre Building requires that the rental rate be adjusted according to certain procedures on each November 1 when the calendar year ends in a "9" or a "4", which necessitates an adjustment at this time;
2. That the parties have examined professional estimates of Fair Market Value for land parcels of comparable zoning designation, development capacity and location in order to agree that \$1,200,000 is an appropriate current statement of value for the subject property;
3. That the parties have reviewed current economic data for Fair Rate of Return on comparable investments in order to agree that 9.5 percent is an appropriate rate of return on the subject property;
4. That calculations have been made in accordance with the requirements of the Agreement in order to set annual and monthly rental rates for the subject property;


BE IT THEREFORE RESOLVED that the Metro Exposition-Recreation Commission approves the rental adjustment to \$114,000 per year, and net payment of \$8,384 per month for the period November 1, 1995 through October 31, 1999.

Passed by the Commission on September 14, 1994


Chairman


Secretary/Treasurer

Approved As to Form:
Daniel B. Cooper, General Counsel

By: 
Mark B. Williams
Senior Assistant Counsel

MERC STAFF REPORT

Agenda Item/Issue: **Adjustment of Rent on Lease between First Congregational Church and the City of Portland**

Resolution No. 94-50

Date: September 14, 1994 Presented By: Harriet Sherburne

Background and Analysis: The land on which the New Theatre Building was constructed was leased for 99 years beginning November 1, 1984. The Agreement provides that the rent shall be adjusted at 5 year intervals, on each November 1 when the calendar year ends in a "9" or a "4". The rental rate for the land is required to be based upon Fair Market Value of the 20,000 sf site (3/4 block) and the Fair Rate of Return. In addition, it is provided that First Congregational Church shall lease back identified Church Space in the New Theatre Building (located at the corner of Broadway and Madison - now occupied by NW Pilot Project). The Agreement set the Fair Market Value of the site, the Fair Rate of Return, as well as the rent for the Church Space for the first 5 year interval. That is the base against which future adjustments were to be calculated. The Agreement also provides a process for the parties to propose value adjustments, and to resolve conflicts if the parties cannot achieve agreement on the rent adjustment within a specified series of deadlines.

In 1989, the first rent adjustment was made after extensive debate on many issues, and upon decision through the prescribed arbitration process. The rental rate was reduced from that in the initial 5-year term, as shown in the chart below. Discussions on the 1994 adjustment began in June, when the representative of the Church met with the PCPA Director to exchange information and endeavor to achieve agreement in an orderly and cooperative manner. Negotiations have been concluded to the satisfaction of the parties, with the rates shown below being recommended for adoption. The adjusted rental rate shown below for years 11-15 would go into effect November 1, 1994 and apply through October 31, 1999.

| Term | Land Value | Return | Annual | Monthly | Net |
|---------------|-------------|--------|-----------|----------|---------|
| Years 1-5 | \$1,200,000 | 11 % | \$132,000 | \$11,000 | \$9,702 |
| Years 6-10 | \$1,073,000 | 10 % | \$107,300 | \$ 8,942 | \$7,886 |
| **Years 11-15 | \$1,200,000 | 9.5% | \$114,000 | \$ 9,500 | \$8,384 |

Fiscal Impact: The adopted PCPA Budget for fiscal year 1994-95 provided for rent at the rate established for the years 6-10 of the lease. The proposed adjustment would require payments \$498 per month higher than budgeted for 8 months of the fiscal year 1994-95. The line item expenditure would be \$3,984 higher than budgeted, necessitating an adjustment at an appropriate time. The rental rate would be incorporated in planning for the ensuing four years.

Recommendation: Staff recommends that the Metro Exposition- Recreation Commission approve the proposed rental adjustment and underlying computation of value for the 5-year period beginning November 1, 1994.