

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 99-38

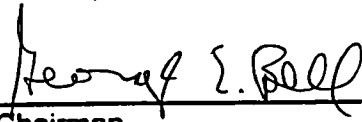
Authorizing a rent adjustment for the New Theatre Building land lease as prescribed in the Agreement with the First Congregational Church for the period November 1, 1999 through October 31, 2004.

The Metropolitan Exposition-Recreation Commission finds:

1. That the 99 year lease on land underlying the New Theatre Building provides for a periodic rental rate adjustment on November 1, 1999;
2. That based upon professional estimates of Fair Market Value for land parcels of comparable zoning designation, development capacity and location, the Commission and First Congregational Church agree that \$1,650,000 (\$82.50/sf) is an appropriate current statement of value for the subject property;
3. That based on a review of current economic data for Fair Rate of Return on comparable investments, the Commission and First Congregational Church agree that 9.0 percent is an appropriate rate of return on the subject property;
4. That the above findings are made in accordance with the requirements of the Agreement in order to set annual and monthly rental rates for the subject property which shall be \$148,500 per year, and net \$10,927 per month for the five year period commencing November 1, 1999.

BE IT THEREFORE RESOLVED that the Metro Exposition-Recreation Commission approves the rental adjustment to \$148,500 per year, and net payment of \$10,927 per month for the period November 1, 1999 through October 31, 2004.

Passed by the Commission on September 15, 1999.


Chairman


Secretary/Treasurer

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

By: 
Kathleen A. Pool
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: 99-38

Date: September 15, 1999

Presented by: Harriet Sherburne

BACKGROUND: 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 on Fair Market Value of the 20,000/sf site (½ block) and the Fair Rate of Return. In addition, it is provided that First Congregational Church shall lease back the identified 3,000/sf Church Space in the New Theatre Building (located at the corner of Broadway and Madison). 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 1999 adjustment began in July, 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 16-20 would go into effect November 1, 1999 and apply through October 31, 2004.

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
Years 16-20	\$1,650,000	9.0%	\$148,500	\$ 12,375	\$ 10,927

FISCAL IMPACT: The adopted PCPA Budget for fiscal year 1999-00 provided for annual rent at \$125,000, in anticipation of negotiations. Rent for July-October at the current rate is \$8,384 x 4 months = \$33,536; Rent at the recommended rate is \$10,927 x 8 months = \$87,416 for total \$120,952 for the 12 months of FY 1999-00. The new rental rate of \$131,124 per annum will be incorporated in subsequent PCPA budget proposals.

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, 1999.