

METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution No. 04-16

For the purpose of authorizing a rent adjustment for the New Theater Building land lease as prescribed in the Ground Lease, Parking Rights Agreement and Agreement to Lease Space with the First Congregational Church for the period of November 1, 2004 through October 31, 2009.

WHEREAS, the 99 year lease on land underlying the New Theater Building provides for a periodic rental rate adjustment on November 1, 2004, and

WHEREAS, 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 \$1.9 million (\$95.00/sf) is an appropriate current statement of value for the subject property, and

WHEREAS, based on a review of current economic data for Fair Rate of Return on comparable investments, the Commission and First Congregational Church agree that 8.0 percent is an appropriate rate of return on the subject property, and

WHEREAS, the above findings are made in accordance with the requirements of the Land Lease in order to set annual and monthly rental rates for the subject property which shall be \$152,000 per year, net annual payments of \$134,214 (\$11,184.50 per month) after deducting the Church's increased sublease payments for the five year period commencing November 1, 2004;

BE IT THEREFORE RESOLVED that the Metropolitan Exposition-Recreation Commission:

Approves new rental adjustment to \$152,000 per year, and net payment of \$11,184.50 per month for the period November 1, 2004 through October 31, 2009.

Passed by the Commission on August 25, 2004.



Chair



Secretary/Treasurer

Approved As to Form:



Alison Kean Campbell  
Metro Senior Attorney

## MERC STAFF REPORT

**Agenda item:** For the purpose of authorizing a rent adjustment for the New Theater Building land lease as prescribed in the Ground Lease, Parking Rights Agreement and Agreement to Lease Space with the First Congregational Church for the period of November 1, 2004 through October 31, 2009.

**Resolution No.:** 04-16

**Date:** August 25<sup>th</sup>, 2004

**Presented by:** Robyn Williams

### **Background:**

The land on which the New Theater Building was constructed was leased for 99 years beginning November 1, 1984. The original ground lease agreement was between the City of Portland and the Church, and the City assigned all its rights and obligations regarding this lease via the December 18, 1989 Agreement Regarding Consolidation of Regional Convention, Trade, Spectator and performing Arts Facilities Owned and operated by the City of Portland and the Metropolitan Service District.

The Lease 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 and the Fair Rate of Return. In addition it is provided that First Congregational Church shall lease back the identified 3000/sf Church Space in the New Theater Building (located at the corner of Broadway and Madison).

The services of an independent appraiser were obtained, with substantial downtown real estate expertise. Although the appraiser did not conduct a complete valuation appraisal due to the initial stages of the negotiation and in an effort to keep appraisal costs down, the appraiser analyzed comparable rental rates as well as land values and rates of return. The appraiser advised us that comparable square footage rates ranged from \$95 to \$105 per square foot. Rates of Return in Portland ranged from 7.0% to 9%. In view of rising interest rates and the ability to lock in this rate for the next 5 years, it was agreed with the Church that \$95/sf and a rate of return of 8% was reasonable. This is a 2.3569% increase from the annual rent paid during the preceding five years. The Church would pay the PCPA a proportionate increase in rent for the portion of the property they sublease back.

### **Fiscal Impact:**

The adopted PCPA budget for FY05 provides for annual rent at \$148, 500 in anticipation of an increase with a new lease. Due to the Church's sublease back from PCPA, at the new increased annual rate of \$17,785.53, PCPA would pay a yearly net rental to the Church of \$134,214. The recommended net rate of \$134, 214 is a savings of \$14,286 of budget.

### **Recommendation:**

Staff recommends that the Commission approve Resolution 04-16 authorizing a rent adjustment for the New Theater Building land lease as prescribed in the Agreement with the First Congregational Church for the period of November 1, 2004 through October 31, 2009.

**Expo or Event Analysis**

**July 2004**

	Consumer	Trade	Misc.	Conv.	# of Events	Event Days	I/O Days	Use %	Attendance	Rental	Equipment	Concessions	Catering	Utilities	Parking	Total	
Antique & Collectible	16-18	1			1	3	4		14,628	38,064	75	99,696		5,160	39,257	182,252	
Bridgestone/Firestone	22		1		1	1	1		21	2,400			1,189	35	100	3,724	
Council Retreat	31		1		1	1			25				416			416	
		1	-	2	-	3	5	5	14%	14,674	40,464	75	99,696	1,605	5,195	39,357	186,392

**FY 2004-05 Year to Date**

Jul		1		2		3	5	5	14%	14,674	40,464	75	99,696	1,605	5,195	39,357	186,392
Aug																	
Sept																	
Oct																	
Nov																	
Dec																	
Jan																	
Feb																	
Mar																	
Apr																	
May																	
June																	
Total to Date		1	0	2	0	3	5	5	14%	14,674	40,464	75	99,696	1,605	5,195	39,357	186,392

**Month to Month Comparison**

**Year to Date Comparison**

Month to Month Comparison		-	-	1	-	1	1	2	0%	200	4,200	(25)	9,350	1,023	(149)	(3,722)	10,677
Year to Date Comparison		-	-	1	-	1	1	2	0%	200	4,200	(25)	9,350	1,023	(149)	(3,722)	10,677

**FY 2003-04**

Jul		1		1		2	4	3	14%	14,474	36,264	100	90,346	582	5,344	43,079	175,715
Aug		2		3		5	5	3	2%	6,233	10,143	1,400	20,933	5,856	1,184	14,225	53,741
Sept		8	2	1		11	21	18	53%	30,611	115,598	2,817	79,072	6,638	24,189	104,931	333,245
Oct		5	1			6	14	14	57%	43,483	107,597	1,000	154,482	9,752	28,950	163,676	465,457
Nov		10		2		12	31	22	63%	58,424	153,335	1,358	77,114	2,944	25,893	191,049	451,693
Dec		3				3	11	17	55%	47,937	64,775	1,200	151,312	4,021	15,552	156,139	392,999
Jan		5		2		8	24	23	86%	50,318	276,210	9,318	225,526	27,807	27,584	223,593	790,038
Feb		5		1	1	6	18	21	80%	128,032	174,890	1,920	517,828	26,044	54,573	367,568	1,142,823
Mar		9		2		11	28	20	73%	51,834	165,430	2,897	124,179	18,764	22,696	166,362	500,328
Apr		6				14	22	20	40%	46,380	135,898	38,010	287,839	53,221	11,170	63,455	589,593
May		4	1	1		6	10	10	22%	11,149	57,955	543	9,238	33,834	7,990	14,518	124,078
June		5		2		7	14	11	37%	13,132	45,606	5,452	34,020	10,656	4,676	34,945	135,355
Total to Date		63	4	23	1	91	202	182	49%	502,007	1,343,701	66,015	1,771,889	200,119	229,801	1,543,540	5,155,065