

MINUTES OF THE COUNCIL REGIONAL FACILITIES COMMITTEE  
OF THE METROPOLITAN SERVICE DISTRICT

November 25, 1991

Council Chamber

Committee Members Present: David Knowles (Chair), Jim Gardner  
(Vice Chair) and Ruth McFarland

Committee Members Excused: Larry Bauer and Roger Buchanan

Chair Knowles called the special meeting to order at 4:09 p.m.

1. Resolution No. 92-1529, For the Purpose of Authorizing the  
Exercise of the Option Agreement and the Acquisition of the  
Sears Parking Garage

Neil Saling, Director of Regional Facilities, gave staff's report. He said the financial analysis projected an \$85,000 loss in garage operations in the first year of operations with losses decreasing until the fifth year of operations. He said after the fifth year, the garage was expected to show a profit. He said the sale agreement for the Sears Building included an option on the garage which could be exercised for six 6-month periods at a cost of \$50,000 for each option. He said the cost of the garage would increase 5 percent at each option interval. He recommended Metro acquire the garage at the present time if it was to be acquired at all.

Chair Knowles asked how many parking spaces staff's analysis projected and if any were projected for Metro use.

Chris Scherer, Financial Planning Manager, said the analysis was based on 469 existing spaces and that none were projected for Metro's daytime use. He said Metro's parking needs would be met with the development of the two bottom floors of the Sears Building as a parking garage. Chair Knowles asked if the change in the parking arrangement changed the economics from the original Sears proposal offered in spring 1991. Mr. Scherer said the parking variables did change the previous proposal, but said the bigger difference was that the original proposal called for the development of the entire building as office space; a speculative venture because that space would have had to be leased, most likely at a loss.

Chair Knowles calculated the first five years' loss from the garage operations would be \$262,000 and asked how that amount would be covered. Mr. Scherer said lost funds would be covered by excise tax revenues. Chair Knowles asked why those costs could not be capitalized. Mr. Scherer said that would make the project more expensive overall. Chair Knowles asked what the capitalized interest line item in staff's financial analysis represented. Mr. Scherer said that line item was for interest to

be capitalized for the portion of the cost of the building that covered construction and renovation. He said he would check that line item again also. The Committee and Mr. Scherer discussed capitalized interest issues further.

Chair Knowles clarified that the resolution would commit Metro to honor Pacific Development Corporation's (PDC) agreement with the State of Oregon to provide 346 spaces for the State's use and that the main building would contain 220 parking spaces for Metro use. He said there would be 123 spaces available in the garage intended for non-Metro use/rental. Mr. Saling said staff anticipated no problems in renting those spaces.

Chair Knowles asked what the status was of the Convention Center parking study. Mr. Saling said the Request for Proposals (RFP) had been drafted but not yet released. He noted the parking structure would be available to support parking demand from the Coliseum and Convention Center, so that the need for more Convention Center parking would be reduced. He said no market analysis had been done to date, but anticipated using data generated by the Portland Trail Blazers. Chair Knowles noted the Trail Blazers' plan to establish a shuttle system for Arena and Coliseum events and asked whether staff had communicated with them about including the Sears garage in their system. Mr. Saling believed the Trail Blazers had included the Sears garage in their proposed shuttle system. Chair Knowles said that assumption was critical because if the Sears garage was not included, that would affect staff's revenue assumptions. He asked staff to clarify that issue before the Council met November 26 to consider the resolution.

Chair Knowles asked why staff had requested "fast-forwarding" Resolution No. 92-1529 to the Council on November 26 and asked why the Council should not consider the resolution at a later date. Mr. Scherer said the need for timely consideration was based on the bond issuance schedule. He said the bonds were scheduled to be priced on December 11 and said a final budget for the entire project must be completed by that date also. He said staff wanted to issue bonds for the building and garage together because staff believed there would be more market acceptance for the package as a whole than if the building and garage were offered separately.

Councilor Gardner cited the analysis' assumption that projected 80 events per year at both the Coliseum and the Convention Center would require overflow parking at the Sears garage, and asked whether all of those events would be held off-hours; on the weekends and/or in the evenings. Mr. Scherer said all of those events would be held after 5:30 p.m. or on weekends. Councilor

Gardner asked whether spaces leased for weekday parking would be available to the lessees after hours. Mr. Scherer said staff had reserved a small number of spaces for lessee parking after hours.

Berit Stevenson, Project Manager, said the state parking agreement allowed a small number of weekend/evening use parking spaces. She noted the Convention Center currently used the Sears garage for overflow parking. Councilor Gardner clarified that staff's analysis currently assumed all 469 spaces would be available during off hours.

Councilor Gardner asked about the 5 percent management fee and 35 percent pass through expenses cited in the analysis. Mr. Scherer said the 5 percent fee was standard and the 35 percent fee would cover operating expenses except for major capital expenses which would be covered by a replacement fund required by the bond ordinance. Councilor Gardner asked if Metro had to pay property taxes. Ms. Stevenson said Metro would not be liable for property taxes after the facility was removed from the tax rolls which would take approximately six months. She said Metro would contract with the State, an exempt entity, for 346 spaces and would rent the remaining 123 spaces to a federal or other government agency, which would also be exempt.

Chair Knowles asked how long the State had committed to the parking agreement. Ms. Stevenson said the agreement was for 30 years. Chair Knowles noted the State's commitment was firm, but would cover only approximately half of the operating costs. He expressed concern that there was no business plan for marketing the remaining spaces and marketing off-hour parking, which would be necessary to cover costs. Ms. Stevenson said the garage was currently filled during the day via government agency use, and believed there was neighborhood demand for parking to fill it under Metro ownership. She said she would provide the Council with copies of existing leases and check with Jeff Blosser, Oregon Convention Center Director, to determine how often the Convention Center used the Sears garage for overflow parking

Councilor Gardner asked if the garage was currently used for Coliseum parking overflow. Ms. Stevenson said it was not now currently being used for Coliseum events and that the Convention Center lot was only one-fourth to one-third full for Coliseum events. She said it was unlikely users would go the extra distance to the Sears garage if the Convention Center lot was available. Councilor Gardner questioned the assumption that the Sears garage would be used 80 times a year for Coliseum events and three-fourths full for that use. Councilor Gardner asked for a comparison of the total price for the Sears Building and garage versus the assessed real market value used by Multnomah County

for tax purposes and versus the independent appraisal done earlier in the year. Mr. Saling said he would procure that information.

Chair Knowles again asked for clarification of the impact of the Council's not taking action on the resolution this week. Mr. Scherer said Metro could not include garage costs in the bond sale, which would be for the building and parking structure if approved. Chair Knowles asked if it was possible to do a bond sale for the building alone or for the garage alone. Mr. Scherer said it would be possible to do a bond sale for the building alone and did not believe there would be any negative market implications on that sale. He said he had not researched a bond sale for the garage alone, but believed it would be more difficult because the garage finances were less stable than the project's finances as a whole. Chair Knowles asked if staff could delay the bond sale or pricing. Mr. Scherer said the bond sale was scheduled for December 20, or four days after the final closing. He said Metro would borrow approximately \$5 million from the Solid Waste Department to pay for the building at closing on December 16 and would pay some interest on that borrowing. He said staff hoped to minimize that period to limit the interest paid on interfund borrowing.

Councilor Gardner said the garage purchase could be viewed as a business decision which reflected the focus of committee discussion at this meeting. He expressed concern about some of the financial assumptions used staff's reliance on information from the seller.

Councilor Gardner asked if it was an appropriate function for Metro to get into the real estate development business. He said the garage acquisition could be considered sensible on a fiscal basis, but asked if it was appropriate for a government to make that type of acquisition. Chair Knowles noted Metro managed a large parking inventory at the Zoo and other Metropolitan Exposition-Recreation Commission (MERC) facilities. Councilor Gardner said those parking facilities were different because parking was closely tied to those facilities, but said the link between the Sears building and the garage was more tenuous. He asked if Metro would compete with private parking operators.

Chair Knowles said it was acceptable for Metro to own the Sears garage, but said the Committee's questions had not been fully answered. Councilor McFarland asked if the Council should consider the resolution on November 26 if that gave staff one day to answer the questions asked by the Committee at this meeting and less than one day for the Council to review all materials. Chair Knowles said the resolution should be sent to the full

Council at this time because he did not fully understand the implications of not making a decision before bond pricing on December 11 and believed the full Council should make a decision on the issues in any case.

Councilor Gardner agreed with Chair Knowles because delay would cost Metro more money.

Chair Knowles clarified he wanted to know what the capitalized interest line item represented, what the potential market was for the garage during work hours, and what the market was for non-working hours, including any proposals by the Trail Blazers.

Motion: Councilor Gardner moved to forward Resolution No. 92-1529 to the full Council for consideration without recommendation.

Vote: Councilors Gardner, McFarland and Knowles voted aye. Councilors Bauer and Buchanan were absent. The vote was unanimous and the motion passed.

2. Status Report of Performance Audit on MERC's Business Practices

Hal D'Ambrogia, Peat Marwick, distributed "Survey of Metropolitan Exposition-Recreation Commission (MERC) Business Practices and Relationship with Metro" and discussed same.

3. Work Session to Discuss Deposition of Remaining Convention Center Project Capital Funds

Mr. Saling discussed remaining Convention Center Project Capital funds and their possible deposition. He said the Council could allocate the remaining funds for project work or return it to the voters. He said \$3.7 million was left. He discussed projects that could be completed with the remainder of the funds, including retrofitting an elevator for the physically challenged to satisfy the American Disabilities Act (ADA). He said there should be seed funding for possible expansion of the Convention Center if necessary and capital improvements such as new carpeting in approximately five years. Chair Knowles asked if staff had estimated what capital reserves should be. Mr. Saling said staff had not yet done so. Chair Knowles said staff should determine that amount first and then staff would know what remainder of funding was left over.

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4. Review of MERC Resolutions 152-154

Lee Fehrenkamp, MERC General Manager, reviewed Resolution Nos. 152-154.

All business having been attended to, Chair Knowles adjourned the meeting at 5:45 p.m.

Respectfully submitted,



Paulette Allen  
Clerk of the Council