METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: July 5, 1991

TO: Neil Saling

FROM: Casey Short CS

RE: Resolution No. 91-1478 - Sears Agreement

I have several questions to ask regarding the proposal to purchase the Sears facility, for which Resolution No. 91-1478 would commit $250,000 in non-refundable earnest money. Some of these are included in my July 3 memo to the Regional Facilities Committee, but there are others that I did not have time to include in that memo. Please do what you can to be prepared to discuss the questions in both memos at the July 9 committee meeting.

Questions from the Staff Report

1. What is the breakdown of costs used to arrive at the estimated project costs of $14.5 to $15.2 million?

2. What is included in the $16.50 per square foot rate cited in the staff report? Does it include the semi-annual $50,000 option payment for the garage? If the annual cost calculation included these option payments and operating costs which were equal to our current (Metro Center) operating costs, how would these affect the rate per square foot?

3. Please clarify the garage purchase element referred to on page 3. As I understand it, the escalating purchase price for the garage would translate to the following effective purchase prices for each six month period (please confirm accuracy):

10/15/91 - 4/14/92:	$2,600,000
4/15/92 - 10/14/92:	$2,730,000
10/15/92 - 4/14/93:	$2,866,500
4/15/93 - 10/14/93:	$3,009,825
10/15/93 - 4/14/94:	$3,160,286
4/15/94 - 10/14/94:	$3,318,300

Regarding the $50,000 semi-annual option fee, is any of this money refundable if Metro decides not to buy the parking garage? What will be the Council's role in determining whether to continue the option payments, buy the garage, or terminate the option - will Council authorization be required every six months?

Questions from the Letter of Intent

Option 1: Sears Building and Land $2,550,000

4. Close: Why was the date for payment of the $2.3 million balance moved from December 15 to October 15?

5. Hazardous Waste: This section needs further clarification. What are "direct" costs for removing any hazardous waste, and what are "indirect" costs? If the costs exceed $250,000, what are Metro's alternatives? If PDI terminates the offer because the direct costs of removing the waste exceed $250,000, will Metro's earnest money be refunded? Is the $250,000 ceiling for the entire facility - including the garage - or is there a $250,000 ceiling for each part of the facility? At what point would Metro have to make a final decision whether to cover direct costs above $250,000: when costs exceeded that amount (even though final costs were not yet known); when the final costs had been determined; when an estimate is made; or at some other time? Who defines "hazardous waste" or "hazardous materials?" (Both are used in the letter.)

6. Parking: My reading of the parking agreement leads me to the following understanding (please confirm or correct):

Metro will construct some 220 stalls in the main building as part of the building renovation. In addition, Metro may lease up to 100 stalls in the garage at any time following our occupancy of the building. (The rate shall begin at $56/month/stall, with a 10% annual limit on rate increases for 3 years.) If Metro does not buy the garage, we may lease up to 100 stalls for an additional 7 years, with three five-year options. If we remodel the Grand Ave. parking area, we may add another 100 stalls in the garage at the same monthly rate.

How would the parking rate for the 7-year extension be determined? Would the stalls in the garage be used for employee parking, visitor parking, or other? Would Metro receive revenue from this parking? Who would set the rate for the end user, and how would that rate be determined?

Option 2: Garage Facility

7. State Parking Requirement: Please explain why there is a variance of $5 per stall, "depending on management."

8. Supplemental Questions: How many parking stalls are in the garage? What is PDI's arrangement with the State for parking? What are the revenue projections for the garage? Is Metro expected to make money on the garage if purchased?

Questions from the Addendum

9. State Parking Obligation: Please explain the nature of the obligation, and Metro's potential obligations, liabilities, and revenues under the arrangement.

10. OCC Transportation Capital Improvements: What is the cost of assuming the applicable portion of the LID (annual cost and term)? Have those costs been included in the estimate of annual costs for the facility?

11. Hazardous Waste: PDI "may elect to decommission underground tanks in place." Will Metro have any binding voice in this decision? Why will Metro share the cost of environmental testing, if for any reason other than to ensure the objectivity of the tests? How much is such testing estimated to cost?

Please clarify the statement, "The parties will approve before closing, based on the testing and bids obtained by Seller, a specific scope of work and charge to Seller for any such remediation work" (emphasis added). Does this effectively limit PDI's obligation to pay for the complete remediation work? What happens if there is more remediation required than was originally anticipated - who is responsible to pay for it, and what are Metro's options?

Does the handwritten amendment, "The deposit shall be refunded to Purchaser if the transaction terminates pursuant to the foregoing" refer to the $250,000 earnest money?

Other Questions

12. Do you anticipate MERC moving its offices to the Sears facility? If so, what will be the cost to MERC, and how will the vacated office space at the Convention Center be used? How would costs to Metro's other departments be affected with MERC in or out of the Sears facility? In any case, has the matter been presented to/discussed with the MERC Commission?

13. At the June 7 meeting of the Building Relocation Task Force, there was mention of Metro contributing to a "gateway" project which would mark entrance to the Lloyd district. There is no mention of this in the materials submitted. What is the status of this, and what would the cost be?

14. How is the project proposed to be financed? Will any adjustments to the 91-92 budget be required, and if so, what will they be?

15. Is it possible to provide drawings of the proposed renovation for the committee and Council?

16. After renovation, what will be the building's capacity to withstand an earthquake?

17. Earlier discussions of the proposal included provision for a day care center. Is this included in the latest plan?

18. Have we received appraisals of the Sears building and land, and the parking garage? If so, how do they relate to the $2,550,000 and $2,600,000 prices for the facilities?

cc: Metro Council
Executive Officer
Don Carlson
Berit Stevenson
Jennifer Sims

FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION

METROPOLITAN SERVICE DISTRICT

Prepared by:
Finance and Management Information
Regional Facilities
August 13, 1991

Executive Summary

Background

The Metro Executive Officer has been in negotiations with Pacific Development Inc., (PDI) for the purchase of the former Sears department store building in northeast Portland. It is intended that the building be renovated and converted to a new Metro headquarters. An agreement in principal has been reached on a Sales Agreement (Current Proposal). This Sales Agreement and the planned renovation program is significantly altered from the agreement and renovation contemplated earlier in 1991 (the Initial Proposal). The table below shows the key differences.

Item	Initial Proposal	Current Proposal
Rentable square feet	140,000	76,000
Usable square feet	129,000	69,100
Parking spaces	580	220
Parking/1000 sf	2.4	3.4
Total project cost w/o financing	$21.3 million	$15.3 million
Bond amount w/financing and reserves	$25.8 million	$17.4 million
Real estate cost	$5.15 million Building & Garage	$2.55 million Building only
Rate - level (lst yr.)	$28/sq. ft.	$21.88/sq. ft.
Rate - ramped (lst yr.)	$23/sq. ft.	$16.50/sq. ft.

Sales Agreement

As stated above, the sales price for the building (not including the parking garage) is $2.55 million. The anticipated closing date is December 1, 1991. The Sales Agreement includes an option to purchase the adjacent parking garage for $2.60. This option can be renewed each six month periods for a payment of $50,000 per period. At each renewal period, the price for the garage will increase by 5.0%.

The Project

The renovation program will convert the top two floors of the building into 76,000 square feet of office space. The basement and ground floor of the building would be used for parking and provide approximately 220 spaces. Long-term Metro growth beyond 76,000 square feet could be accommodated by converting the ground floor to office space. The current Metro headquarters contains 43,000 of office space and includes 117 parking spaces for employees, tenant, visitors, loading and fleet requirements.

Total Project costs are estimated at $15,321,000. Of this total, it is currently assumed that $14,701,000 would be financed through the sale of revenue bonds and that $620,000 would be financed through Metro cash flow. Metro intends to develop a Request for Proposal to construct the Project. It is assumed that the Project would be complete approximately one year after awarding the design build contract.

Financing and Debt Service

It is assumed that Metro would issue General Revenue Bonds to finance the majority of the Project. These bonds would be secured by departmental interfund transfers related to the occupancy of space in the new headquarters facility. The total bonding amount of $17,441,000 provides for $15.3 million in real estate purchase and construction costs, and $3,247,000 in financing costs (including $1,449,000 deposit as a reserve for debt service) net of $507,000 in interest earnings on bond proceeds during the period of construction.

Three alternative financing alternatives are under study; (1) an alternative using level annual debt service; (2) an alternative using variable debt service; and (3) an alternative in which debt service payments are purposely ramped each year to simulate a rate of inflation. Under these alternatives, it is estimated that the first year's debt service would range from $861,000 to $1,345,000 and the final year's debt service would range from $1,345,000 to $2,506,000. Final determination on financing alternatives will be made by the financing team comprised of Bond Counsel, General Counsel, Metro Financial Planning staff, the underwriters, and Metro's Financial Advisors.

Operating Costs

Operating and maintenance expenses for the new building have been projected on the basis of our actual experience in the current Metro Center. Our current cost per square foot is approximately $5.00. This amount has been adjusted for inflation and somewhat modified in anticipation of lower maintenance costs related to new building systems and utilities.

Capital outlays are assumed to average $25,000 per year adjusted for inflation. Contingency is set at 5% per year during FY 1994-95 (the first full year of occupancy) and 1.5% in the remaining years.

Space Program

The space program for the new headquarters building has been developed, in consultation with Metro Regional Facilities staff, by BOOR/A . Department plans have been developed on the basis of current and anticipated growth in personnel over the next several years. The programmed usable square feet allow approximately 7,000 square feet for future growth.

Rates Per Square Foot

Rates per square foot for selected years for each of the three financing alternatives are as follows:

	FY 94/95	FY 99/00	FY 09/10	FY 23/24
Alternative 1 (Level debt service)	$21.88	$21.42	$24.58	$33.42
Alternative 2 (Variable debt service)	$19.87	$20.49	$25.52	$36.30
Alternative 3 (Ramped debt service)	$16.50	$20.32	$29.64	$50.38

Because costs associated with purchase and installation of furnitures and fixtures are typically not used in calculating rental rates in leasing situations these costs have not been included in the calculation of the rates shown above.

Affordability

Increases in building costs above Metro's current payments will affect both required enterprise revenues and excise taxes. Under each of the three financing alternatives, first year costs will increase as follows: Alternative 1 - $630,000; Alternative 2 - $503,000; Alternative 3 - $290,000.

Approximately $254,000 of the increases in costs is attributable to increases in space. The amounts attributable to increases in the rate per square foot range from $36,000 to $376,000.

The affect of these increases in building costs on enterprise revenues and excise taxes can be approximated within certain limitations. Generally, the increased costs would comprise less than one percent of the enterprise revenues of the Zoo or MERC, require as low as a $0.01 and as high as a $0.05 increase in Solid Waste tipping fees in the first year of occupancy, and an increase in excise taxes ranging from $71,000 to $226,000 in the first year of occupancy. The required increases could be somewhat less depending on increases in enterprise activity (tons of solid waste delivered, numbers of Zoo visitors, numbers of MERC events).

CAPITAL COSTS

Exhibit 1: Estimated Project Costs
Exhibit 2: Estimated Financing Plan
Exhibit 3: Estimated Annual Debt Service

Key Assumptions:

Project costs - Costs to be financed include real estate costs, project management costs, the costs of construction, and other costs, including furniture and fixtures and art. Non-financed costs include broker fees relating to leasing of 2000 SW First Avenue, Metro project administration, and due diligence costs. A portion of these costs may be eligible for reimbursement financing. Proceeds related to reimbursement of previous expenditures could be used to fund certain required reserve accounts. This issue is undergoing evaluation by Bond Counsel.

Costs for furniture and fixtures ($1,200,000) are included in this analysis. These costs have not been included in previous analyses presented to the Council or Relocation Task Force.

Financing Plan - It is assumed for the purposes of this analysis that Metro funds will be used for non-financed costs. Assumptions for interest rates, capitalized interest period, and bond amortization period are included on Exhibit 2.

Annual Debt Service - Three financing options are under consideration by the Finance and Management Information Department. These options are under review by Metro's bond counsel and financial advisors.

Alternative 1: It is assumed that debt service would be level throughout the 29 year amortization period.

Alternative 2: It is assumed that bonds are issued at a variable rate. The effective rate (including letter of credit and related costs) is assumed to be 1% lower than the financing rate (7.2%). It is further assumed that the interest rate increases .5% every five years.

Alternative 3: It is assumed that the bond maturities have been structured to provide lower debt service in the first fifteen years of the amortization period and increasing amounts during the remaining years.

Exhibit 1

ESTIMATED PROJECT COSTS
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Estimated costs to be financed through revenue bonds

Real estate	
Purchase of land and building	2,550,000
Brokers fee	188,000

	2,738,000
Project management	
Design services	460,000
Hook-up charges	30,000
Permits	110,000
Printing	15,000
Utilities	90,000
Taxes	80,000
Owner's contingency	500,000

	1,285,000
Construction	
Renovation/new construction	6,800,000
Tenant improvements	1,800,000
Contingency	680,000
Telephone/data wiring	130,000

	9,410,000
Other	
Furniture and Fixtures	1,200,000
Art (1% of construction)	68,000

	1,268,000

Total to be financed	**14,701,000**

Estimated costs not included in bond financing

Brokers fees related to leasing of 2000 SW 1st Avenue	130,000
Project administration (Metro)	340,000
Due diligence	150,000

Total not included in bond financing	**620,000**

Total Project costs	**15,321,000**

Exhibit 2

ESTIMATED FINANCING PLAN
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Sources

Revenue bonds		17,441,000
Metro funds		620,000
Interest income		
Construction Account	336,000	
Reserve Account	104,000	
Debt Service Account (for capitalized interest)	67,000	
		507,000
		18,568,000

Uses

Total "Project" costs	15,321,000
Reserve Account deposit	1,449,000
Capitalized interest	1,449,000
Issuance costs	349,000
	18,568,000

Assumptions:

Interest rates	
Short-term	6.20%
Long-term	7.20%
Period of construction	1 year
Amortization period	29
Issuance costs	2.00% of total bonds

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Exhibit 3

ESTIMATED ANNUAL DEBT SERVICE
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Fiscal Years						
	1994-95 (a)	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
ALTERNATIVE 1: (level debt service)	$1,345,000	$1,345,000	$1,345,000	$1,345,000	$1,345,000	$1,345,000	$1,345,000
ALTERNATAIVE 2: (variable interest rate) (b)	$1,206,000	$1,275,000	$1,345,000	$1,416,000	$1,488,000	$1,562,000	$1,562,000
ALTERNATIVE 3: (ramped debt service) (c)	$861,000	$1,149,000	$1,361,000	$1,612,000	$1,910,000	$2,263,000	$2,506,000

Note: Debt service amounts are net of interest earned on Reserve Account balances.

a. First full year of debt service.
b. Assuming the followng effective rate:

Years 1 through 5:	6.20%
Years 6 through 10:	6.70%
Years 11 through 15:	7.20%
Years 16 through 20:	7.70%
Years 21 through 25	8.20%
Years 26 through 29:	8.70%

c. Debt service carries a basic interest rate, but principal payment is delayed to provide escalating debt service payments that are estimated to generally track inflation.

OPERATING COSTS

Exhibit 4: Operating and Maintenance Expenses
Capital outlays
Contingencies

Key Assumptions:

Operation Maintenance Expenses - The operation and maintenance expenses per square foot has been calculated on the basis the total building costs during the most recent fiscal year for which there is complete available data (FY 1989-90). This amount has been escalated at 5% per year during each year shown in the analysis.

Capital outlays - It is assumed that capital outlays would average $25,000 per year. The amounts shown on Exhibit 4 have been adjusted for 5% inflation.

Contingencies - Contingency is set at 5% during FY 1994-95 and 1.5% in the remaining years.

Exhibit 4

OPERATING COSTS AND REVENUES
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Fiscal Years						
	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Operating costs							
Operation and maintenance expenses (a)	334,000	466,000	595,000	759,000	969,000	1,237,000	1,579,000
Capital outlays (b)	25,000	32,000	41,000	52,000	66,000	84,000	107,000
Contingencies (c)	18,000	7,000	10,000	12,000	16,000	20,000	25,000
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Total	377,000	505,000	646,000	823,000	1,051,000	1,341,000	1,711,000
Operating revenues-parking (d)	124,000	158,000	202,000	258,000	329,000	420,000	536,000

a. Calculated on the basis of most recent Fiscal Year cost per square foot inflated at 5% per year.
b. Assuming 5% annual inflation.
c. Assuming 5% of expenses and capital outlays in first year and 1.5% thereafter.
d. Assuming 175 revenue-generating spaces. Charges would be $60 per month subject to 5% annual inflation.

SPACE PROGRAM

Exhibit 5: Current space
Department request
Allocation of common area

Key Assumptions:

The space program was prepared by BOOR/A (Metro's architect) in consultation with Metro Headquarters Project staff. Current department requests have been made on the basis of current and anticipated growth in personnel over the next few years. Usable square feet in the headquarters building will total approximately 70,000, thereby allowing 7,000 feet for further growth.

Exhibit 5

SPACE PROGRAM
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Current space	Proposed space: Department request	Proposed space: Allocation of common area	Total
General government				
Executive management	1,104	2,285	878	3,163
Council	1,032	1,456	559	2,015
Council Chamber	1,296	2,000	768	2,768
Facilities development/construction	1,044	1,735	667	2,402
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	4,476	7,476	2,872	10,348
Transportation Planning	9,100	7,085	2,722	9,807
Planning and Development	3,528	4,410	1,694	6,104
Solid Waste	7,394	6,250	2,401	8,651
MERC	0	3,795	1,458	5,253
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	20,022	21,540	8,276	29,816
Support Services				
Legal	1,440	1,695	651	2,346
Public Affairs	2,472	3,980	1,529	5,509
Personnel	1,584	1,250	480	1,730
Financial Planning/Office Services	2,844	3,175	1,220	4,395
Accounting	2,041	3,235	1,243	4,478
Information Systems	1,575	2,355	905	3,260
Procurement	558	560	215	775
Facilities Management	1,456	425	163	588
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	13,970	16,675	6,407	23,082
Common area				
Shared space	5,227	10,220		
Day care		4,035		
Building services	344	900		
General storage	396	2,400		
Archives	216	--		
Circulation	3,312	--		
	-------	-------		
Common Subtotal	9,495	17,555		
	-------	-------	-------	-------
Total	47,963	63,246	17,555	63,246

RATES AND AFFORDABILITY

Exhibit 6: Rate per Square Foot
Exhibit 7A, 8A, 9A: Building Management Fund Transfers
Exhibit 7B, 8B, 9B: Effect on Enterprise Revenues/Excise Tax
Graph 1: Components of Building Cost Increase
Graph 2: Comparison of Rates

Key Assumptions:

Rate per Square Foot - Estimated rates per square foot for the headquarters building are shown for each of the three financing alternatives on Exhibit 6. Rate requirements include operating costs and debt service. These costs are netted against parking revenues to determine the net requirement. This amount is divided by the occupied square feet in the building to determine the rate per square foot paid by departments for occupancy.

Transfers to Building Management Fund - Exhibits 7A, 8A, and 9A show the transfers to the Building Management Fund required by each operating department under each financing option. The amounts shown include Support Service building costs allocated on the same basis as that shown in the FY 1991-92 Approved Budget.

Effect on Enterprise Revenues and Excise Tax - Exhibits 7B, 8B, 9B show the effect of the increased building costs on certain enterprise revenues and Metro excise tax. The calculation of Solid Waste tipping fees provides for increased building costs related to Solid Waste occupancy of space and the allocable costs of Transportation Planning and Planning and Development. The calculation of excise tax provides for increased building costs related to increases in General Government occupancy of space and the allocable costs of Transportation Planning and Planning and Development

Limitations of the analysis:

- The increase in tipping fees has been calculated on the basis of currently budgeted tons of solid waste. It can be assumed that this amount will increase in the future.

- MERC and Zoo revenues are projected to increase at 3% per year. No attempt has been made to accommodate possible changes in MERC revenues related to construction of the new arena, revenue measures implemented to fund deficits at the Civic Stadium and the Portland Center for the Performing Arts. Similarly no attempt has been made to anticipate any revenue adjustments related Zoo revenue increases to alleviate potential future shortfalls in funding.

- The amount of excise tax revenues collected is dependent on revenues of other departments. This analysis holds other department revenues constant except to the extent that increased revenue requirements related to increased building costs affect department earnings. Growth in department earnings would lessen the effect of increases in excise tax shown on the Exhibits.

Exhibit 6

RATE PER SQUARE FOOT
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Fiscal Years						
	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
ALTERNATIVE 1 (LEVEL DEBT SERVICE)							
Requirements							
Operating costs	377,000	505,000	646,000	823,000	1,051,000	1,341,000	1,711,000
Debt service	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000
	1,612,000	1,740,000	1,881,000	2,058,000	2,286,000	2,576,000	2,946,000
Revenue							
Parking	124,000	158,000	202,000	258,000	329,000	420,000	536,000
Interest on Reserve Account	104,000	104,000	104,000	104,000	104,000	104,000	104,000
Net requirements	1,384,000	1,478,000	1,575,000	1,696,000	1,853,000	2,052,000	2,306,000
Occupied square footage (a)	63,246	69,000	69,000	69,000	69,000	69,000	69,000
Base rate per square foot	$21.88	$21.42	$22.83	$24.58	$26.86	$29.74	$33.42
Furniture and fixture rate (b)	$1.74	$1.59	$1.59	$1.59	$1.59	$1.59	$1.59
ALTERNATIVE 2 (VARIABLE INTEREST RATE)							
Requirements							
Operating costs	377,000	505,000	646,000	823,000	1,051,000	1,341,000	1,711,000
Debt service	1,108,000	1,171,000	1,235,000	1,300,000	1,367,000	1,434,000	1,434,000
	1,485,000	1,676,000	1,881,000	2,123,000	2,418,000	2,775,000	3,145,000
Revenue							
Parking	124,000	158,000	202,000	258,000	329,000	420,000	536,000
Interest on Reserve Account	104,000	104,000	104,000	104,000	104,000	104,000	104,000
Net requirements	1,257,000	1,414,000	1,575,000	1,761,000	1,985,000	2,251,000	2,505,000
Occupied square footage (a)	63,246	69,000	69,000	69,000	69,000	69,000	69,000
Rate per square foot	$19.87	$20.49	$22.83	$25.52	$28.77	$32.62	$36.30
Furniture and fixture rate (b)	$1.55	$1.51	$1.59	$1.68	$1.75	$1.86	$1.86

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Exhibit 6 (page 2 of 2)

RATE PER SQUARE FOOT
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Fiscal Years						
	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
ALTERNATIVE 3 (ESCALATED DEBT SERVICE)							
Requirements							
Operating costs	377,000	505,000	646,000	823,000	1,051,000	1,341,000	1,711,000
Debt service	791,000	1,055,000	1,250,000	1,480,000	1,754,000	2,078,000	2,301,000
	1,168,000	1,560,000	1,896,000	2,303,000	2,805,000	3,419,000	4,012,000
Revenue							
Parking	124,000	158,000	202,000	258,000	329,000	420,000	536,000
Net requirements	1,044,000	1,402,000	1,694,000	2,045,000	2,476,000	2,999,000	3,476,000
Occupied square footage (a)	63,246	69,000	69,000	69,000	69,000	69,000	69,000
Rate per square foot	$16.50	$20.32	$24.55	$29.64	$35.88	$43.46	$50.38
Furniture and fixture rate (b)	$1.11	$1.36	$1.61	$1.91	$2.26	$2.68	$2.96

a. Assuming full occupancy in FY 1999-2000
b. Furniture and fixture rate is calculated by dividing the debt service allocable to furniture and fixtures by the number of occupied square feet.

Exhibit 7A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 1: Level Debt Service

Transfer to Building Management Fund (a)

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	458,000	486,000	516,000	553,000	601,000	662,000	740,000
General Government	68,208	286,000	305,000	323,000	346,000	376,000	415,000	463,000
Transportation Planning	165,728	284,000	301,000	320,000	343,000	373,000	410,000	459,000
Planning and Developme	93,520	182,000	194,000	206,000	220,000	240,000	264,000	295,000
MERC	33,245	199,000	212,000	224,000	241,000	262,000	288,000	322,000
Zoo	37,675	85,000	90,000	96,000	103,000	112,000	123,000	137,000
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	669,883	1,494,000	1,588,000	1,685,000	1,806,000	1,964,000	2,162,000	2,416,000

a. Includes allocable Support Service costs.

Exhibit 7B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 1: Level Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		228,000	261,000	297,000	342,000	399,000	472,000	565,000
Increase in tipping fees		$0.19	$0.22	$0.25	$0.29	$0.33	$0.39	$0.47
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		166,000	179,000	191,000	208,000	229,000	255,000	289,000
Increase as a percentage of revenues		0.92%	0.86%	0.79%	0.74%	0.71%	0.68%	0.72%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		47,000	52,000	58,000	65,000	74,000	85,000	99,000
Increase as a percentage of revenues		0.36%	0.34%	0.33%	0.32%	0.31%	0.31%	0.34%
EXCISE TAX								
Increased building costs (c)		268,000	292,000	318,000	349,000	391,000	443,000	510,000
Increase in Excise Tax revenue		23,000	26,000	28,000	32,000	37,000	42,000	50,000
Net increase in Excise Tax requirement		245,000	266,000	290,000	317,000	354,000	401,000	460,000
Increase in Excise Tax percentage		0.32%	0.34%	0.38%	0.41%	0.46%	0.52%	0.60%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development costs.

8/13/91

Exhibit 8A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 2: Variable Debt Service

Transfer to Building Management Fund (a)

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	415,000	465,000	516,000	575,000	645,000	729,000	806,000
General Government	68,208	260,000	291,000	323,000	360,000	404,000	456,000	505,000
Transportation Planning	165,728	257,000	288,000	320,000	356,000	400,000	452,000	500,000
Planning and Developme	93,520	165,000	185,000	206,000	229,000	257,000	290,000	321,000
MERC	33,245	181,000	202,000	224,000	250,000	281,000	317,000	351,000
Zoo	37,675	77,000	86,000	96,000	107,000	120,000	135,000	150,000
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	669,883	1,355,000	1,517,000	1,685,000	1,877,000	2,107,000	2,379,000	2,633,000

Exhibit 8B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 2: Variable Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		176,000	236,000	298,000	368,000	452,000	553,000	645,000
Increase in tipping fees		$0.15	$0.20	$0.25	$0.31	$0.38	$0.46	$0.54
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		148,000	169,000	191,000	217,000	248,000	284,000	318,000
Increase as a percentage of revenues		0.82%	0.81%	0.79%	0.78%	0.76%	0.75%	0.80%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		39,000	48,000	58,000	69,000	82,000	97,000	112,000
Increase as a percentage of revenues		0.30%	0.32%	0.33%	0.34%	0.35%	0.35%	0.39%
EXCISE TAX								
Increased building costs (c)		239,000	282,000	326,000	376,000	436,000	508,000	575,000
Increase in Excise Tax revenue		19,000	24,000	28,000	34,000	41,000	49,000	56,000
Net increase in Excise Tax requirement		220,000	258,000	298,000	342,000	395,000	459,000	519,000
Increase in Excise Tax percentage		0.28%	0.33%	0.39%	0.44%	0.51%	0.59%	0.67%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

8/13/91

Exhibit 9A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 3: Ramped Debt Service

Transfer to Building Management Fund (a)

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	341,000	458,000	553,000	667,000	806,000	975,000	1,127,000
General Government	68,208	214,000	287,000	346,000	417,000	505,000	611,000	706,000
Transportation Planning	165,728	211,000	284,000	343,000	413,000	500,000	604,000	699,000
Planning and Development	93,520	136,000	183,000	220,000	266,000	321,000	389,000	449,000
MERC	33,245	148,000	199,000	240,000	290,000	351,000	424,000	490,000
Zoo	37,675	63,000	85,000	103,000	124,000	150,000	181,000	209,000
	669,883	1,113,000	1,496,000	1,805,000	2,177,000	2,633,000	3,184,000	3,680,000

a. Includes allocable Support Service costs.

Exhibit 9B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

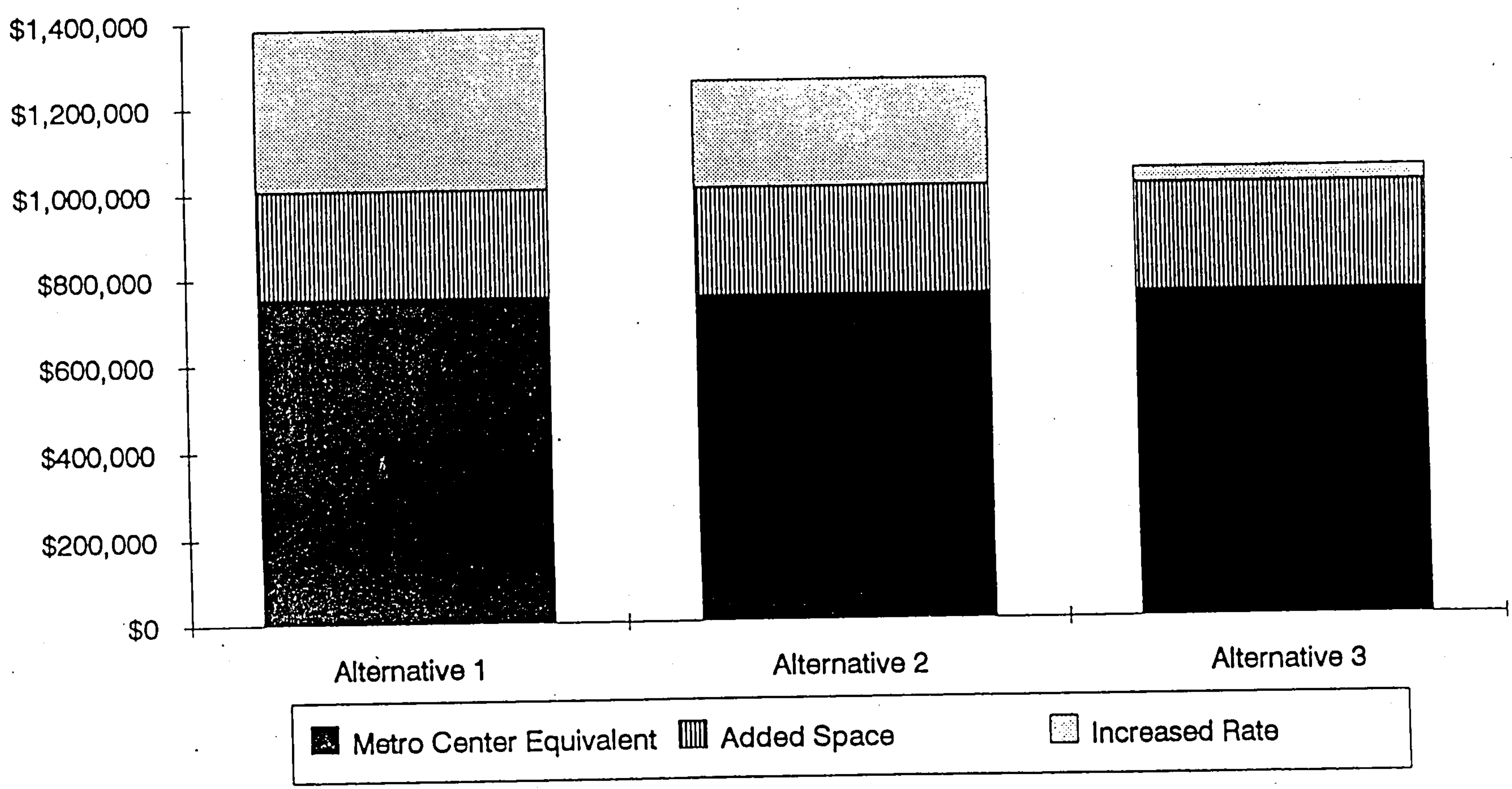
Alternative 3: Escalated Debt Service

Effect on Enterprise Revenues and Excise Tax

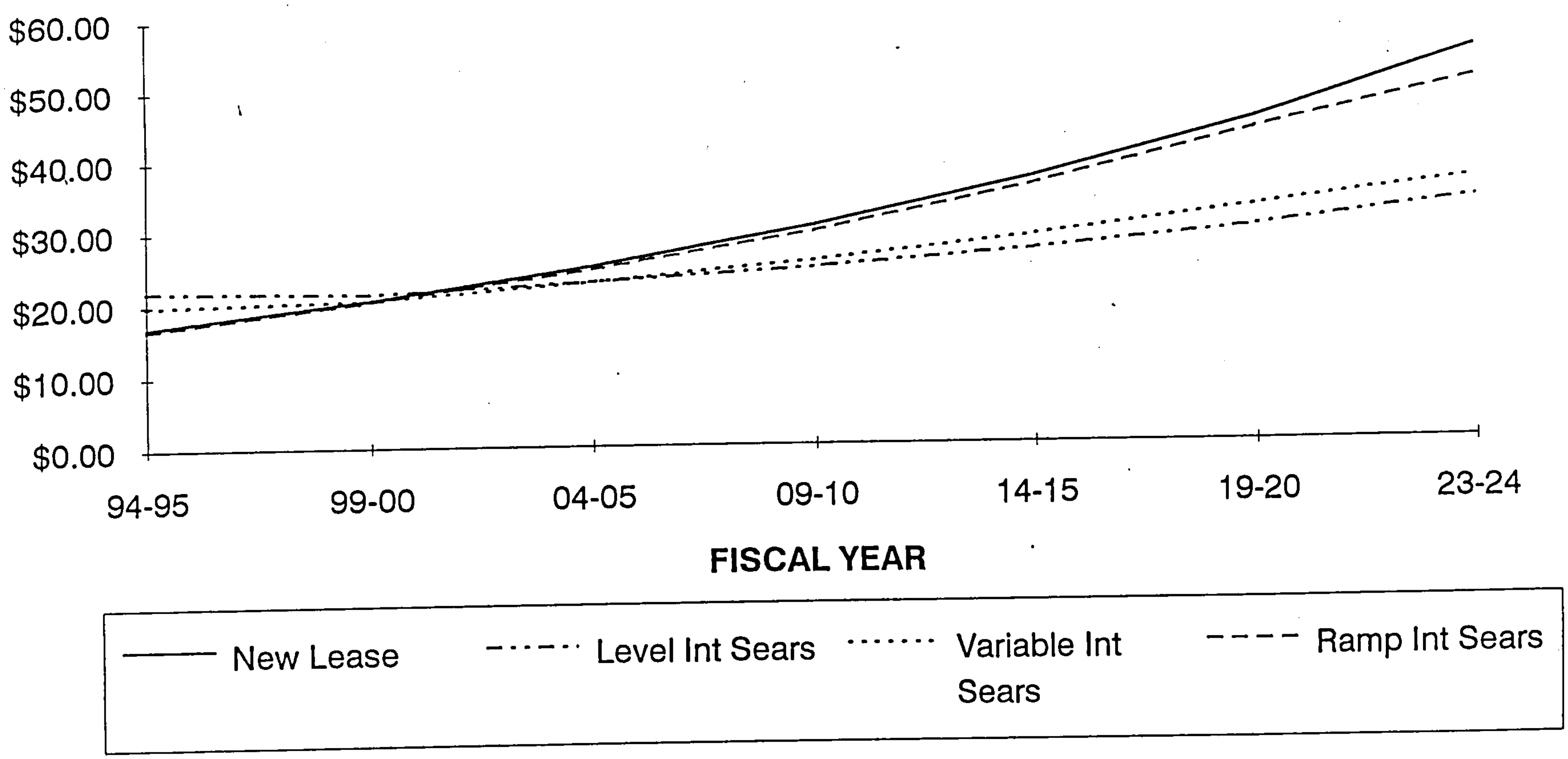
	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		88,000	228,000	342,000	479,000	645,000	848,000	1,030,000
Increase in tipping fees		$0.07	$0.19	$0.29	$0.40	$0.54	$0.71	$0.86
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		115,000	166,000	207,000	257,000	318,000	391,000	457,000
Increase as a percentage of revenues		0.64%	0.80%	0.86%	0.92%	0.98%	1.04%	1.14%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		25,000	47,000	65,000	86,000	112,000	143,000	171,000
Increase as a percentage of revenues		0.19%	0.31%	0.37%	0.42%	0.47%	0.52%	0.59%
EXCISE TAX								
Increased building costs (c)		168,000	251,000	313,000	396,000	497,000	620,000	723,000
Increase in Excise Tax revenue		12,000	23,000	32,000	43,000	56,000	72,000	86,000
Net increase in Excise Tax requirement		156,000	228,000	281,000	353,000	441,000	548,000	637,000
Increase in Excise Tax percentage		0.20%	0.30%	0.36%	0.46%	0.57%	0.71%	0.82%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

GRAPH 1
CURRENT FACILITY COSTS PLUS INCREASED SPACE AND INCREASED RATE



GRAPH 2
ANNUAL PER SQUARE FOOT COSTS
EXCLUDES FURNITURE



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: September 3, 1991

TO: Metro Council

FROM: Casey Short, Council Analyst

RE: Resolution No. 91-1494 - Sears Building Purchase

In reviewing the Executive Officer's proposal to purchase and remodel the Sears Building for use as Metro's administrative headquarters, I prepared two series of questions for Neil Saling. Those questions are contained in memos dated July 3 and July 5, 1991; Mr. Saling's responses came in two memos dated July 31. (Questions and responses are included in the August 13 Regional Facilities Committee agenda packet.) At the August 27 Regional Facilities Committee meeting, Councilor Van Bergen asked whether I was satisfied with Mr. Saling's responses, and requested that I ask Mr. Saling in writing for further information on any answers that I thought needed elaboration or clarification.

The purpose of this memo is to advise the Council of policy questions the Sears Building purchase raises, which I asked in my July 3 memo. I am also attaching a memo to Neil Saling which asks for clarification of some of his earlier responses, in accordance with Councilor Van Bergen's request.

1. Is the Sears facility clearly the best alternative for a new Metro headquarters?

In my July 3 memo, I identified three sets of questions around this broad theme. Those questions asked whether the siting criteria of the Relocation Task Force were appropriate in limiting potential headquarters sites to the Lloyd Center - Convention Center area in inner Northeast Portland; whether the Sears facility should be considered to the exclusion of any other formal proposals; and whether renovation of the Sears facility would be preferable to new construction if new construction were cheaper than Sears renovation. I summarized the above questions by asking whether our research clearly identified the Sears facility as the best alternative for Metro. Mr. Saling's response correctly identified the basic question as a policy issue for Council to consider, adding that staff has not found an alternative that is clearly better.

My contention over the course of the summer, when this issue has been intermittently before the Regional Facilities committee, is that the Council cannot make a truly informed decision without investigating the full range of possibilities. Those possibilities include renovation of Sears or another building; purchase of another existing building; and new construction. Possible sites for these alternatives include the inner east side, the central business district, or a location outside the urban core. It is Council's decision whether to accept the siting criteria of the Relocation Task Force, which point to the area of the inner east side of Portland in the neighborhood of the Oregon Convention Center as the preferred site, but the Council is not bound by these criteria since you have never formally reviewed or approved those criteria.

If the Council accepts the siting criteria as acceptable - either on their own merits or by virtue of their having gone unchallenged since their approval by the task force in May 1990 - the alternatives to the renovation of the Sears building have not been adequately investigated. We cannot know whether a less expensive alternative which meets Metro's needs exists - under the criteria that dictate an inner east side location or otherwise - unless we provide an opportunity for prospective proposers to develop formal proposals for a Metro headquarters in which cost is a critical factor. Such a process would require us to develop a list of requirements we would have for a headquarters facility, and allow developers to put together packages that met those requirements while allowing Metro to determine the mix of costs, building amenities, and other criteria that best suited our needs.

The current proposal does not give us the chance to determine whether the Sears renovation is the best deal for the agency and the taxpayers of the region. It identifies a proposal that meets certain important criteria, but does not give the Council the flexibility to determine whether these are the only criteria it should consider in making a significant long-range policy decision with fiscal implications that run into millions of dollars.

2. Is the Sears Building affordable?

My July 3 memo asked this question, which is inextricably tied to the policy question discussed above. The response from Mr. Saling included Finance & Management Information staff's financial analysis of the Sears proposal for review by Council and Council staff, and concluded by saying that there is no simple formula for establishing affordability. That determination is ultimately a policy question for Council to resolve.

There are three issues surrounding the affordability question that should be resolved before Council determines whether it considers the Sears proposal to be affordable. The first issue concerns the annual and total costs of purchasing and renovating the Sears facility, to which I will ask more detailed questions in the attached memo. In a nutshell, the issue is whether the Council is willing to commit to a program of purchase and renovation without knowing what the project is going to cost. Finance & Management Information staff have proposed three alternatives for financing the project, but their analysis provides neither total cost figures nor a recommendation from among the alternatives. Does the Council want to know the costs of the alternatives and determine how to structure the debt, before committing to purchase?

The second issue concerns the financial effects of the Sears project on Metro's departments. The financial analysis does not include specific figures on the annual costs to Metro departments, nor is there an analysis of the effects that building-related cost increases will have on the departments' operations. Of particular concern are the effects on enterprise departments such as MERC and the Zoo (which already face financial difficulties without additional transfers to the Building Management Fund), and the effects that excise tax increases related to debt service on the building will have on General Fund programs. Is it appropriate to increase central costs to departments which already have financial problems, and might these increases affect our ability to find long-term solutions to their problems?

The final issue is perhaps of greater significance than the simple increase in departmental requirements, and concerns the need to coordinate increased requirements with efforts to raise money to resolve existing fiscal problems and fund new initiatives. Currently in various stages of development are proposals to fund MERC operations; the Greenspaces program; Zoo operations and long-term capital needs; and regional arts programs. How would Metro's purchase of the Sears building affect our ability to implement these new revenue programs? The issue here is primarily one of public credibility. Most, if not all, of the ideas for raising program revenues will require a vote of the people. If Metro buys a headquarters building, particularly one that is not clearly demonstrated to be the most affordable, will that have a negative effect on public perceptions of the agency as it tries to raise more funds or pass a charter? Should we be considering this building purchase in the context of other agency priorities, and have the Council establish its priority in relation to support of programs?

CONCLUSION

Council's approval of Resolution No 91-1494 will commit Metro to spending $325,000, at a minimum. It commits the agency to a $250,000 earnest money payment to Pacific Development, and $25,000 to each of the three qualifying design/build teams for their work in preparing responses to the RFP. This is a lot of money to spend for a proposal that still has as many questions surrounding it as the purchase of the Sears building has. I would like to suggest two alternatives for your consideration before you commit to proceeding on Sears.

First, the Council could direct its negotiators to return to Pacific Development with the instruction that the $250,000 earnest money payment be refundable if Metro decides not to proceed with the purchase of the Sears building. This would allow us to review the proposals we will be receiving in the fall to determine whether any of them meets our needs at a price we can afford to pay.

Second, the Council could reject the resolution, and instead direct staff to modify the RFP to open it to any and all qualified proposers. Council could then determine whether the criteria of the Relocation Task Force were consistent with Council's criteria and assessment of the agency's needs. This would give us the opportunity to open the building acquisition process to determine conclusively what our options are in terms of site, type of property (new, remodel, or existing building), and cost. Such a process would ensure that we got the best deal for the public's dollar, which is an assurance I don't believe we can make now.

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: September 4, 1991

TO: Neil Saling

FROM: Casey Short

RE: Resolution No. 91-1494 - Sears Purchase Agreement

At last week's Regional Facilities Committee meeting, Councilor Van Bergen asked me to request clarification from you on any questions regarding the Sears building purchase which remained following your July 31 responses to my July 3 and July 5 questions. This memo is in response to Councilor Van Bergen's request. I expect that the questions related to finance and debt service will have to be answered by Finance & Management Information staff.

<u>Issues from July 3 memo</u>

Questions 1 and 2 dealt with the issues of affordability and whether the Sears building was clearly Metro's best alternative for a headquarters. I have discussed those issues in the attached memorandum to the Council.

Question 3 asked, "Regardless of the option chosen, how should the debt service be structured?"

The financial analysis prepared by the Finance & Management Information Department outlines three options for structuring the debt service to pay for the purchase and renovation of Sears. The analysis does not break down the costs of the three alternatives by annual cost and total cost; it only provides a breakdown in five-year increments. Will you please see that the information outlining annual costs and total costs of each of the three options is made available to the Council before they consider Resolution No. 91-1494?

In a related issue, what will be the Council's role in determining how the debt service is to be structured, and when will Council be involved in reviewing the debt service alternatives?

Question 4 asked about the potential for leasing the Metro Center. I understand a potential tenant is interested in leasing this building, which should resolve this issue. I'll refrain from going into more detail in the interests of preserving the rights of the potential tenant.

Question 5 asked why the projected maintenance costs for the Sears Building are lower than the costs for our current building. You have discussed this with me, but the Council has not received any such information in writing. Will you please provide that information for the Council?

Issues from July 5 memo

Question 1 asked, "What is the breakdown of costs used to arrive at the estimated project costs of $14.5 to $15.2 million?" (Now projected at $18.2 million). Your response and the financial analysis break those costs down to their component parts, but I still have a question about what is involved in the $1.2 million for Furniture, Fixtures, and Equipment. Will you please provide a breakdown of these costs? To what extent does this include replacement of current office furniture and equipment?

The remainder of the questions from the July 5 memo are satisfactorily answered. The issue of the parking garage will be analyzed and alternatives presented to the Council prior to their making a decision on its purchase or the payment of the semi-annual $50,000 option.

The only issue I would still like to raise concerns the financial effects of the Sears Building purchase on Metro's departments, which I alluded to in the attached memo to the Council. Any information you could provide to the Council prior to their consideration of Resolution No. 91-1494 would be appreciated.

Thank you.

cc: Metro Council
Jennifer Sims
Chris Scherer
Don Carlson
Berit Stevenson
Dick Engstrom

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: September 10, 1991

TO: Casey Short, Council Analyst

FROM: Neil Saling, Director, Regional Facilities

SUBJECT: Resolution No. 91-1494 - Sears Purchase Agreement

This memorandum responds to your September 4, 1991 memo, subject as above. The majority of the questions you pose relate to financing the project and are answered in the attached response from the Finance and Management Information staff.

- Issues from July 3 memo
  - Affordability: See attached. Note that generally a significant portion of the cost increase which must be borne by each department is a function of the demand for additional space.
  - Best Alternative: Based upon the criteria originally established, staff believes the Sears facility provides the most desirable alternative for a new Metro headquarters. We believe that the purchase and renovation option recommended is competitive in price to other options available and provides the qualitative features unavailable from other options. No algorithm exists which can "clearly" show a "best" alternative.
  - Debt Service Structure: See attached. It is anticipated that the Council will select the format for debt service at the time it approves the issuance of bonds for the renovation of the facility.
  - Metro Center Lease: Self explanatory. CB Commercial believes that a potential replacement tenant has been identified.
  - Maintenance Costs: See attached. Metro's real estate consultant, CB Commercial, initially identified $4.00 per square foot as a planning factor for initial maintenance costs in a new or newly renovated office facility. However, the subsequent financial analysis used actual historical costs from the present Metro headquarters.

- Issues from July 5 memo
  - Breakdown of Costs: The breakdown of costs, extracted from the Financial Analysis of Headquarters Building Purchase and Renovation, dated August 13, 1991, is attached. "Scheme B" for furniture, fixtures and equipment envisions retaining the maximum level of existing furniture from the present Metro Center. The Correy-Hiebert line is the standard furniture for the agency.
  - Financial Impacts on Departments: See attached. A breakout of projected departmental transfers is contained in the above referenced financial analysis.

With regard to the questions raised in your September 3, 1991 memo to the Council, staff has continued to work toward a new facility utilizing the established criteria. Based upon previous Council actions, it would appear that there exists a reasonable level of comfort with the criteria. Staff has extended its examination of costs to alternatives outside the Lloyd Center area to determine the sensitivity of the criterion for locale.

Staff believes the Sears facility provides an affordable solution to housing our growing work force. While other alternatives may exist, staff does not believe that any one has the potential for displaying significant advantages over the Sears facility proposal.

cc: Dan Cooper
David Knowles
Berit Stevenson

Enclosures

Exhibit 1

ESTIMATED PROJECT COSTS
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Estimated costs to be financed through revenue bonds

Real estate	
Purchase of land and building	2,550,000
Brokers fee	188,000

	2,738,000
Project management	
Design services	460,000
Hook-up charges	30,000
Permits	110,000
Printing	15,000
Utilities	90,000
Taxes	80,000
Owner's contingency	500,000

	1,285,000
Construction	
Renovation/new construction	6,800,000
Tenant improvements	1,800,000
Contingency (10%)	680,000
Telephone/data wiring	130,000

	9,410,000
Other	
Furniture and Fixtures	1,200,000
Art (1% of construction)	68,000

	1,268,000

Total to be financed	14,701,000

Estimated costs not included in bond financing

Brokers fees related to leasing of 2000 SW 1st Avenue	130,000
Project administration (Metro)	340,000
Due diligence	150,000

Total not included in bond financing	620,000

Total Project costs	15,321,000

Exhibit 2

ESTIMATED FINANCING PLAN
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Sources		
Revenue bonds		17,441,000
Metro funds		620,000
Interest income		
Construction Account	336,000	
Reserve Account	104,000	
Debt Service Account (for capitalized interest)	67,000	

		507,000

		18,568,000
Uses		
Total "Project" costs		15,321,000
Reserve Account deposit		1,449,000
Capitalized interest		1,449,000
Issuance costs		349,000

		18,568,000

Assumptions:

Interest rates	
Short-term	6.20%
Long-term	7.20%
Period of construction	1 year
Amortization period	29
Issuance costs	2.00% of total bonds

PRELIMINARY FURNITURE BUDGET SUMMARY

SCHEME "B"

Reception	$31,900
Council Chamber	249,500
Panels Only	455,598
Conference Rooms	143,300
Department Lobbies	26,600
Telephones and AV	145,000
Subtotal	1,051,898
Plus 15 Percent Contingency	157,785
TOTAL	**$1,209,683**

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: September 11, 1991

TO: Neil Saling, Director of Regional Facilities

FROM: CS Chris Scherer, Financial Planning Manager

RE: RESPONSE TO FINANCIAL ISSUES RAISED IN CASEY SHORT'S SEPTEMBER 4, 1991, MEMORANDUM REGARDING THE SEARS PURCHASE AGREEMENT

As requested, we are providing information related to the captioned memo from Casey Short.

Issue: Should the Council commit to a program of purchase and renovation without knowing what the project is going to cost?

Project costs have been estimated by Metro staff and are included in the August 13, 1991, Financial Analysis of Headquarters Building Purchase and Renovation (the Report) prepared by the Finance and Management Information Department. Although these estimates are subject to modification, they have been prepared on the basis of analysis performed by Metro's architectural and construction consultants and provide an "order of magnitude" benchmark on cost information. Although we would expect that the actual costs of the Project would be somewhat different from those currently estimated, we are confident that the estimates provide sufficient information for analysis and decision-making. The Report contains the following breakdown of costs:

Cost of the Project:	$15,321,000
Cost of the Project with Financing Costs:	$18,568,000
Total Bond Size:	$17,441,000

Issue: What are the financial effects of the increased costs related to the headquarters building purchase and renovation on Metro departments?

Mr. Short's memo states that the Report does not include specific figures on the annual costs to Metro departments or information on the effects of these increased costs on department operations. Exhibits 7A, 8A, and 9A specifically show estimated transfers to

Metro departments resulting from the headquarters building purchase and renovation. Exhibits 7B, 8B, and 9B attempt to illustrate the effect of these increased transfers on Metro's various revenue sources. We have attached these Exhibits for reference.

Issue: Is it appropriate to increase central costs to departments which already have financial problems, and do these increases affect our ability to find long-term solutions to their problems?

We have provided a fact-based report for the Executive Officer and the Council to use in their decision-making process. We will, however, point out that Metro's growth has resulted in the need for additional space. Satisfying this need will inevitably result in increased central costs to departments regardless of the location of such space. Any long-term solution to Metro's funding problems must take Metro's growth pattern and space requirements into consideration.

Issue: How should the debt service be structured?

The Report contained information relating to three alternatives for structuring debt service--level debt service, variable debt service, and "ramped" debt service. The purpose of showing these alternatives was to inform the Council and Executive Officer of the various options for financing currently under consideration by staff and Metro's financial consultants. Other options that are also under consideration include interest rate swaps, a different style of ramped debt service, and other innovative debt instruments currently available. The decision as to which financing method is ultimately selected for implementation is subject to current financial market conditions, the appropriateness of each alternative relative to Metro's existing debt, and the advice of Metro's financial consultants.

It is inappropriate at this time for the Finance and Management Information Department to provide a recommendation on financing structure. When all relevant information is available, we will evaluate the alternatives in consultation with our advisors and select that alternative that is most appropriate in light of the considerations listed above. The Council will have the final determination on financing structure when it approves the master and supplemental ordinances related to the financing prior to execution of the bond purchase agreement.

Issue: Mr. Short asked that information related to the annual cost and total cost of each financing alternative be provided. They are as follows:

Annual Cost (thousands)

	Level	Variable	Ramped
1994-95	1,345	1,206	861
1995-96	1,345	1,206	891
1996-97	1,345	1,206	921
1997-98	1,345	1,206	953
1998-99	1,345	1,206	986
1999-00	1,345	1,275	1,149
2000-01	1,345	1,275	1,188
2001-02	1,345	1,275	1,229
2002-03	1,345	1,275	1,272
2003-04	1,345	1,275	1,316
2004-05	1,345	1,345	1,361
2005-06	1,345	1,345	1,408
2006-07	1,345	1,345	1,456
2007-08	1,345	1,345	1,507
2008-09	1,345	1,345	1,559
2009-10	1,345	1,416	1,612
2010-11	1,345	1,416	1,668
2011-12	1,345	1,416	1,726
2012-13	1,345	1,416	1,785
2013-14	1,345	1,416	1,847
2014-15	1,345	1,488	1,910
2015-16	1,345	1,488	1,976
2016-17	1,345	1,488	2,045
2017-18	1,345	1,488	2,115
2018-19	1,345	1,488	2,188
2019-20	1,345	1,562	2,263
2020-21	1,345	1,562	2,342
2021-22	1,345	1,562	2,422
2022-23	1,345	1,562	2,506
Total cost	39,005	39,894	46,461
Present value	16,193	15,800	16,174

Issue: Why are projected maintenance costs lower than the costs for our current building?

Projected operating costs are not lower than the costs for our current building. The operating cost per square foot use in the Report was calculated on the basis of actual costs for FY 1989-90 ($4.34 per square foot) adjusted for inflation. It is likely that the maintenance costs for the new building will be lower because of new and more efficient building systems. Therefore, we believe the costs shown in the Report are sufficiently conservative.

Exhibit 7A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 1: Level Debt Service

Transfer to Building Management Fund (a)

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	458,000	486,000	516,000	553,000	601,000	662,000	740,000
General Government	68,208	286,000	305,000	323,000	346,000	376,000	415,000	463,000
Transportation Planning	165,728	284,000	301,000	320,000	343,000	373,000	410,000	459,000
Planning and Developme	93,520	182,000	194,000	206,000	220,000	240,000	264,000	295,000
MERC	33,245	199,000	212,000	224,000	241,000	262,000	288,000	322,000
Zoo	37,675	85,000	90,000	96,000	103,000	112,000	123,000	137,000
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	669,883	1,494,000	1,588,000	1,685,000	1,806,000	1,964,000	2,162,000	2,416,000

a. Includes allocable Support Service costs.

Exhibit 7B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 1: Level Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		228,000	261,000	297,000	342,000	399,000	472,000	565,000
Increase in tipping fees		$0.19	$0.22	$0.25	$0.29	$0.33	$0.39	$0.47
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		166,000	179,000	191,000	208,000	229,000	255,000	289,000
Increase as a percentage of revenues		0.92%	0.86%	0.79%	0.74%	0.71%	0.68%	0.72%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		47,000	52,000	58,000	65,000	74,000	85,000	99,000
Increase as a percentage of revenues		0.36%	0.34%	0.33%	0.32%	0.31%	0.31%	0.34%
EXCISE TAX								
Increased building costs (c)		268,000	292,000	318,000	349,000	391,000	443,000	510,000
Increase in Excise Tax revenue		23,000	26,000	28,000	32,000	37,000	42,000	50,000
Net increase in Excise Tax requirement		245,000	266,000	290,000	317,000	354,000	401,000	460,000
Increase in Excise Tax percentage		0.32%	0.34%	0.38%	0.41%	0.46%	0.52%	0.60%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development costs.

Exhibit 8A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 2: Variable Debt Service

Transfer to Building Management Fund (a)

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	415,000	465,000	516,000	575,000	645,000	729,000	806,000
General Government	68,208	260,000	291,000	323,000	360,000	404,000	456,000	505,000
Transportation Planning	165,728	257,000	288,000	320,000	356,000	400,000	452,000	500,000
Planning and Developme	93,520	165,000	185,000	206,000	229,000	257,000	290,000	321,000
MERC	33,245	181,000	202,000	224,000	250,000	281,000	317,000	351,000
Zoo	37,675	77,000	86,000	96,000	107,000	120,000	135,000	150,000
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	669,883	1,355,000	1,517,000	1,685,000	1,877,000	2,107,000	2,379,000	2,633,000

Exhibit 8B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 2: Variable Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		176,000	236,000	298,000	368,000	452,000	553,000	645,[illegible]
Increase in tipping fees		$0.15	$0.20	$0.25	$0.31	$0.38	$0.46	$0.[illegible]
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		148,000	169,000	191,000	217,000	248,000	284,000	318,[illegible]
Increase as a percentage of revenues		0.82%	0.81%	0.79%	0.78%	0.76%	0.75%	0.8[illegible]
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		39,000	48,000	58,000	69,000	82,000	97,000	112,000
Increase as a percentage of revenues		0.30%	0.32%	0.33%	0.34%	0.35%	0.35%	0.39%
EXCISE TAX								
Increased building costs (c)		239,000	282,000	326,000	376,000	436,000	508,000	575,[illegible]
Increase in Excise Tax revenue		19,000	24,000	28,000	34,000	41,000	49,000	56,[illegible]
Net increase in Excise Tax requirement		220,000	258,000	298,000	342,000	395,000	459,000	519,[illegible]
Increase in Excise Tax percentage		0.28%	0.33%	0.39%	0.44%	0.51%	0.59%	0.[illegible]

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

Exhibit 9A

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 3: Ramped Debt Service

Transfer to Building Management Fund (a)

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
Solid Waste	271,507	341,000	458,000	553,000	667,000	806,000	975,000	1,127,000
General Government	68,208	214,000	287,000	346,000	417,000	505,000	611,000	706,000
Transportation Planning	165,728	211,000	284,000	343,000	413,000	500,000	604,000	699,000
Planning and Development	93,520	136,000	183,000	220,000	266,000	321,000	389,000	449,000
MERC	33,245	148,000	199,000	240,000	290,000	351,000	424,000	490,000
Zoo	37,675	63,000	85,000	103,000	124,000	150,000	181,000	209,000
	669,883	1,113,000	1,496,000	1,805,000	2,177,000	2,633,000	3,184,000	3,680,000

a. Includes allocable Support Service costs.

Exhibit 9B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 3: Escalated Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		88,000	228,000	342,000	479,000	645,000	848,000	1,030,000
Increase in tipping fees		$0.07	$0.19	$0.29	$0.40	$0.54	$0.71	$0.86
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		115,000	166,000	207,000	257,000	318,000	391,000	457,000
Increase as a percentage of revenues		0.64%	0.80%	0.86%	0.92%	0.98%	1.04%	1.14%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		25,000	47,000	65,000	86,000	112,000	143,000	171,000
Increase as a percentage of revenues		0.19%	0.31%	0.37%	0.42%	0.47%	0.52%	0.59%
EXCISE TAX								
Increased building costs (c)		168,000	251,000	313,000	396,000	497,000	620,000	723,000
Increase in Excise Tax revenue		12,000	23,000	32,000	43,000	56,000	72,000	86,000
Net increase in Excise Tax requirement		156,000	228,000	281,000	353,000	441,000	548,000	637,000
Increase in Excise Tax percentage		0.20%	0.30%	0.36%	0.46%	0.57%	0.71%	0.82%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

COUNCIL AGENDA ITEM PLACEMENT FORM

INITIATING DEPT: Regional Facilities

Res. No. 91-1494

Agenda Item Title: Execution of the Sears Sales Agreement and exemption of the Headquarters RFQ/RFP Process from Competitive Bidding.

Presented By: Neil E. Saling

Staff Time Required to Present: 30 (minutes)

Action Requested: Approval

Dept. Head Approval: Neil E. Saling

All Necessary Material Included? (circle) Yes No

If "No," when to be provided? ______

REVIEW (To be accomplished by inititating dept.)

F&A Director (Budget Impact) ______

Gen. Counsel (Ords, Major Contracts) ______

Contracts Officer (Contracts) ______

EXECUTIVE MANAGEMENT

Date Received from Dept. ______

Deputy Exec. Officer (Agenda Ready) ______

Date Forwarded to Council Staff ______

COUNCIL STAFF
(Return copy to Executive Management Dept.)

ASSIGNMENT DISPOSITION

To Committee Agenda ______

Meeting Date ______

To Council Agenda (Progress Report; Info Only)

Meeting Date ______

Comments: ______

Date Returned to Executive Management ______

Council Clerk ______

9116C/522
02/29/88

STAFF REPORT - AMENDED

Agenda Item No. ____________

Meeting Date: Sept. 12, 1991

CONSIDERATION OF RESOLUTION 91-1494 FOR THE PURPOSES OF AUTHORIZING EXECUTION OF A SALE AGREEMENT FOR THE ACQUISITION OF THE SEARS FACILITY AND EXEMPTING THE HEADQUARTERS RFQ/RFP PROCESS FROM THE COMPETITIVE BIDDING PROCESS PURSUANT TO METRO CODE 2.04.041

Date: August 16, 1991

Presented by: Neil Saling

FACTUAL BACKGROUND AND ANALYSIS

At its October 11, 1990 meeting, the Metro Council approved Resolution No. 90-1338 authorizing the Executive Officer to execute a sale agreement for the Sears facility and the adjacent parking structure. The sale agreement provided for a due diligence period during which Metro employed various consultants to study the suitability of the Sears facility as the new Metro headquarters location. Upon the conclusion of the initial 67 day due diligence period, three areas of potential risk were identified. These were: (1) excess space to be leased at the renovated Sears facility and the present Metro Center, (2) uncertain financing climate, and (3) higher than anticipated project costs. Staff recommended extending the due diligence period.

By Resolution No. 90-1357, the Council authorized the amendment of the sale agreement by extending the due diligence period until April 30, 1991. The purpose of the extension was to allow time to more fully review the potential risks and to allow a more informed decision. A final report, made to the Relocation Task Force on March 22, 1991, indicated that progress were made in two of three areas of concern. Specifically, significant advances had been made in regards to the pre-leasing activity at both the renovated Sears facility and at Metro Center and the financial market had become more stable. However, project costs had not been lowered significantly.

The Relocation Task Force determined that the estimated project costs were too great to justify continuing with the proposed development scheme and allowed the April 30, 1991 deadline of the sale agreement to lapse.

An unsolicited proposal from Bill Naito identified a development scheme which has the potential to reduce the Metro headquarters project costs significantly. The modified development scheme re-configured the lower two levels of the Sears facility for parking and would make acquisition of the adjacent garage an independent purchase option. This scheme allows for adequate parking capacity (approximately 220 spaces) for Metro's needs within the Sears facility itself without relying on parking availability in the adjacent garage. The upper two levels of the facility, which cover approximately 76,000 square feet, would be renovated for Metro's office requirements, allowing for approximately 5,000 square feet of future expansion space on those floors. In the event long range future expansion required more than the immediately available 5,000 square feet, Grand Avenue level parking could be displaced to accommodate the added office space requirements. It is anticipated that this displacement of Grand Avenue parking could be done in two blocks of 30,000 square feet each as needed. A commitment to replace this Grand Avenue parking with parking in the adjacent garage would be negotiated with the property owner should Metro choose to forego acquisition of the parking garage.

POTENTIAL COST FOR EXPANSION ??

Staff has estimated the Metro headquarters project costs, including FF&E and financing costs, of the modified development scheme (excluding the garage) to approximate $18.4 million. See attached Exhibits 1 and 2 of the attached Financial Analysis of Headquarters Purchase and Renovation. These project costs equate to an initial square foot rates (excluding FF&E costs) which range between $16.50 and $21.88 depending on financing method employed. These rates, although higher than the approximate $15 per square foot current rate occasioned at Metro Center, are significantly reduced from the projected $23 to $28 per square foot rates under the initial Sears facility development scenario.

Based on significantly reduced project costs, project staff negotiated a sale agreement with the owner, Pacific Development, Inc. (PDI). The primary distinctions from the initial sale agreement are (1) the deposit requirement, (2) the hazardous waste remediation funding cap, and (3) the garage purchase option. The sale agreement is structured to allow for the receipt by Metro of a design/build proposal for the renovation of the building prior to the scheduled closing on or before December 1, 1991.

The deposit requirement would necessitate the payment of $250,000 by Metro upon execution of the sale agreement which would be non-refundable, except if PDI terminates the agreement. In the event the sale is closed, the $250,000 deposit would be applied to the purchase price of $2,550,000. The previous sale agreement did not require a non-refundable deposit of this magnitude.

The Sale Agreement provides for remediation of hazardous materials at the facility. Upon completion of a comprehensive report by a mutually selected consultant, Metro and PDC will agree on the necessary level of abatement activities. This provision differs from the original agreement in that PDI had proposed to remove all hazardous waste from the facility at their own expense. The firm of Dames & Moore estimates the cost of total removal of all hazardous materials (underground storage tanks and asbestos) to approximate $350,000.

WHAT HAPPENS IF SOMETHING UNEXPECTED OCCURS OVER AND ABOVE THE AGREED UPON LEVEL OF ABATEMENT?

The Relocation Task Force has recommended the renegotiation of a suitable purchase option with PDI which includes an independent element for the garage facility and the simultaneous preparation by Metro staff of a RFQ/RFP for the design/build renovation services. The RFQ/RFP procurement method for design/build services is a innovative procurement method which has been used successfully by several local governments in recent years. The design/build competition is a two-step process which results in a team approach to design and construction.

WHAT HAPPENS IF UNEXPECTED CONDITION IS FOUND WHEN RENOVATION STARTS? WHO PAYS FOR IT?

The first step is the advertised RFQ in which Metro would solicit a statement of qualifications from any interested design/build teams. The design/build team will include members from the fields of architectural design, construction and construction management. From the responses, Metro will select three qualified teams to continue participating in the RFP stage of the competition.

The RFP will include a basic space concept for the new Metro headquarters building and performance specifications for the mechanical, electrical and systems of the building. In addition, the RFP will identify the maximum funds available for the design and renovation of the building. The three teams are given one month to prepare their proposals. They are required to submit a base proposal based on the stated space concept and performance specifications; the teams may also submit additive or deductive alternates for any element of the building.

WHO IS ON THE JURY?

The analyses of the proposals by Metro will include a technical evaluation along with design review. Upon completion of this analysis, the jury will select the most appropriate proposal for contract award. Each of the three design/build teams which submit a proposal in accordance with the RFP will receive a $25,000 honorarium. For the two unsuccessful teams, the honorarium is intended to assist in covering the costs of preparing their proposal and for the successful team the honorarium is deemed an initial progress payment. Honorariums are typical in this type of design competition and is intended to result in a higher degree of design skill.

Metro Code section 2.04.041 allows the Contract Review Board to exempt the headquarters design/build RFQ/RFP from competitive bidding process if it finds this alternative approach is unlikely to encourage favoritism or substantially diminishes competition and that it is likely to result in substantial cost savings to the agency.

The three selected design/build teams will submit proposals which will be judged against the identified Metro budget for the work. Price will be a significant evaluation criteria and it is expected that each proposer will aggressively solicit and receive sub-bids from the local contracting community, thereby maintaining the usual degree of competition at the subcontractor level. In addition, the RFP includes an allowance for the tenant improvements (roughly 26% of the work). This allowance will require the successful design/build team to solicit and receive at least three bids for all elements of the tenant improvement work; to conduct all bid openings with a Metro representative present; and to award subcontracts to the bidder whose bid reflects the best value at the lowest cost, thus maintaining the usual level of competition for the tenant improvement work.

The design/build process is a "fast track" method which compresses the typical project schedule by simultaneously selecting design and construction services and by allowing the design/build contractor to commence initial elements of the project (demolition, ordering/fabrication of long-lead items). while the design process of other items is underway. The construction cost savings associated with a "fast track" project equate to approximately 5% per year. The design/build process also reduces costs with fewer change orders because the responsibility of faulty design is shifted to the design/build contractor.

The garage purchase element provides for six 6-month options beginning in December 1991 at an option price of $50,000 per option. The purchase price of the garage begins at $2,600,000 and escalates at 5% per six-month period. The sum of the initial garage purchase price ($2.6 million excluding option price of $50,000) and the Sears building ($2.55 million) purchase price are equal to the previous sale agreement combined purchase price of $5,150,000.

While acquisition of the parking garage is not a requirement for the functioning of the new Metro headquarters in the renovated Sears facility, purchase of the garage may be highly beneficial to Metro from (1) long term parking revenues, and (2) parking asset in support of the Convention Center and other MERC facilities. The Sale Agreement contains provisions for Metro's acquisition of the parking garage at a subsequent date. Staff is not prepared at this time to present an analysis to support a purchase decisions. However, such an analysis should be prepared and an early decision reached on the purchase of the parking garage.

RECOMMENDATION:

The Executive Officer and the Relocation Task Force recommend approval of Resolution No. 91-1494 by the Metro Council and the Contract Review Board.

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING THE EXECUTION OF A SALE AGREEMENT FOR THE ACQUISITION OF THE SEARS FACILITY AND EXEMPTING THE HEADQUARTERS RFQ/RFP PROCESS FROM COMPETITIVE BIDDING PROCESS PURSUANT TO METRO CODE 2.04.041	)))))))	RESOLUTION NO. 91-1494 Introduced by Rena Cusma, Executive Officer

WHEREAS, in October 1990 the Council of the Metropolitan Service District approved Resolution No. 90-1338 which authorized the execution of a sale agreement for the acquisition of the Sears facility as the site for Metro's administrative offices and authorized an alternative procurement process for selected contracts; and

WHEREAS, Resolution No. 1338 provided for a due diligence period which conditioned the closing of the sale agreement by a determination by Metro of the suitability of the Sears facility as the Metro headquarters facility; and

WHEREAS, upon completion of the extended due diligence efforts, Metro's Relocation Task Force informed the owners of the Sears facility that the study had shown that the Sears facility, including the adjacent garage, was not economically suitable and allowed the initial sale agreement to lapse; and

WHEREAS, an unsolicited proposal indicated the possibility of renovation of the Sears building, excluding the adjacent parking garage, as the new Metro Headquarters Building within an economically acceptable budget; and

WHEREAS, the Executive Officer and the Relocation Task Force have reviewed the proposal and recommend the execution of a sale agreement, attached as Exhibit A, which provides for the closing of the sale of the Sears facility upon the satisfactory receipt and acceptance by Metro of a proposal to renovate the Sears building into Metro headquarters and for an independent series of options to purchase the adjacent garage facility; and

WHEREAS, Metro staff, at the direction of the Relocation Task Force, commenced the preparation of a two step design/build procurement (RFQ/RFP) process for the renovation of the Sears building: and

WHEREAS, the RFQ phase of such procurement process has been completed with the selection of three highly qualified design/build teams who would compete at the proposed RFP phase of the design/build procurement process; and

WHEREAS, the alternative design/build RFQ/RFP process will enable Metro to procure a renovated Headquarters building of high quality at reduced costs and will not encourage favoritism or substantially diminish competition; and

WHEREAS, the design/build procurement method has been employed successfully by other governments and is recognized as a modern and innovative contracting method;

WHEREAS, adequate time for a full "lowest bid" bid process is not available prior to the Sears facility Owners' stated deadline for the closing of the Sale Agreement

BE IT RESOLVED,

1. That the Council renews its selection of the Sears facility as the site for Metro's new Headquarters Building.

2. That the Council hereby authorizes the Executive Officer to execute the the attached sale agreement and promissory note, Exhibit A, for the acquisition of the Sears facility.

3. That prior approval of the Council shall be required before the Executive Officer proceeds to closing of the Sale Agreement.

4. That the Council hereby directs the Executive Officer to undertake a financial analysis of the adjacent parking garage as a basis for a Council decision on the acquisition of that facility.

BE IT FURTHER RESOLVED,

1. That the Council, acting as the Contract Review Board of the Metropolitan Service District, adopts the finds attached as Exhibit B.

2. That the Contract Review Board hereby exempts the Headquarters project design/build RFQ/RFP from competitive bidding process pursuant to Metro Code 2.04.041.

ADOPTED by the Council of the Metropolitan Service District this ___ day of September, 1991.

____

Tanya Collier
Presiding Officer

Portland Board of Realtors

COMMERCIAL - INDUSTRIAL
SALE AGREEMENT AND RECEIPT FOR EARNEST MONEY

THIS IS A LEGALLY BINDING CONTRACT. IF NOT UNDERSTOOD, SEEK COMPETENT ADVICE.

REALTOR®

Portland, Oregon, July, 1991

Description

A. Received of METROPOLITAN SERVICE DISTRICT hereinafter called "purchaser," in the form of (XXXXXX note) $ 250,000 as earnest money and part payment for the purchase of the following described real estate situated in the City of Portland, County of Multnomah and State of Oregon, to-wit: See the attached Exhibit A

together with the following described personal property:

which we have this day sold to the said purchaser, subject to the approval of the seller,

Price

for the sum of See attached Addendum Dollars ($)

on the following terms, to-wit: The sum, hereinabove receipted for, of Dollars ($)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX (strike whichever not applicable) as additional earnest money, the sum of Dollars ($)
on Owner's acceptance

Payment of Balance Owing

Upon acceptance of title and delivery of deed or contract, the sum of Dollars ($)

The balance XX

payable as follows: See the attached Addendum, incorporated herein by this reference

Spec. Cond.

SPECIAL CONDITIONS:

Encumbrances

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

In addition to purchase price, Purchaser to pay any required assumption fees and reimburse seller for sums held in reserve accounts on any indebtedness assumed in this transaction. Parties acknowledge that property may be subject to City, County or State Smoke Detector requirements.

Unless otherwise herein provided, the property is to be conveyed by warranty deed free and clear of all liens and encumbrances except zoning ordinances, building and use restrictions, reservations in Federal patents, utility easements of record which benefit the property or area in which the property is located, and the permitted exceptions shown on the attached Exhibit A and any other exceptions approved in writing*

Title Ins.

Seller shall furnish to Purchaser a title insurance policy in the amount of the purchase price for the real property from a title insurance company showing good and marketable title. Prior to closing the transaction seller, upon request, will furnish to purchaser a preliminary title report made by a title insurance company showing the condition of the title to the property.

Earn. Money Forfeit./Refund

If seller does not approve the sale, or cannot furnish marketable title within thirty days after notice containing a written statement of defects is delivered to seller, or, having approved the sale, fails to consummate it, the earnest money herein receipted for shall be refunded, but the acceptance by purchaser of the refund does not constitute a waiver of other remedies available to him; but, if seller approves the sale and title is marketable and purchaser fails to complete the purchase as herein provided the earnest money herein receipted for and any additional earnest money paid or agreed to be paid shall be paid to seller and this contract thereupon shall be of no further binding effect, it being the intention of the parties that if purchaser fails to complete the purchase purchaser shall pay the earnest money and be free of any further obligations under this agreement.

Property Incl./Exclud.

All built-in appliances, wall-to-wall carpeting, drapery and curtain rods, window and door screens, storm doors and windows, irrigation, plumbing, ventilating, cooling and heating fixtures and equipment (including stoker and oil tanks but excluding detached fireplace equipment), water heaters, attached electric light and bathroom fixtures, light bulbs, fluorescent lamps, venetian blinds, awnings, attached floor covering, attached television antennae, all planted shrubs, plants, and trees and all fixtures are to be left upon the premises as part of the property purchased XXXXX

*by Purchaser prior to closing

The following fixtures are not owned by seller and are not being sold: N/A

Seller Representations

Seller represents: That the building on the property is connected to: ☒ A public sewer system, ☐ A cesspool or septic tank; that he knows of no material structural defects; that all electrical wiring, heating, cooling and plumbing systems will be in good working order and that the balance of the property including yard will be in substantially its present condition, at the time purchaser is entitled to possession; that he has no notice of any liens to be assessed against the property; that he has no notice from any governmental agency of any violation of law relating to the property; except no exceptions

Escrow

THE SALE ☒ WILL ☐ WILL NOT BE CLOSED IN ESCROW. If closed in escrow, the costs of escrow shall be shared equally between seller and purchaser. XXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX Transfer tax, if any, shall be shared equally by purchaser and seller.

Closing Prorates

Pro-rates for rents, taxes, interest on assumed obligations, insurance premiums (if purchaser assumes existing policy) and other prepaid expenses attributable to the property shall be made as of (check one only) ☐ Date purchaser is entitled to possession; ☐ days after delivery of above mentioned deed or contract; ☒ On Closing Date, 19 . Seller to pay all utility bills accrued to date ~~purchaser is entitled to possession. On date purchaser is entitled to possession~~ purchaser to pay seller for heating fuel then on premises, payment to be handled between purchaser and seller. XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Possession

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX Possession of said premises is to be delivered to buyer on or before Closing Date 19 . ~~Time is of the essence hereof.~~ This contract is binding upon the heirs, executors, administrators, successors and assigns of buyer and seller. However, XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX the buyer's rights herein are not assignable without written consent of seller.

XXXXX ACKNOWLEDGMENT

Receipt of Earnest Money

B. The undersigned XXXX acknowledges receipt of earnest money from purchaser in the sum of $ 250,000 evidenced by ☐ cash, ☐ check ☒ promissory note payable on or before July 31, 1991 and agrees to sell the Property to Purchaser

XXXX Address: 825 NE Multnomah, Suite 1275 PACIFIC DEVELOPMENT (PROPERTY), INC. XXXX
XXXX Phone: 233-4048 XXXXXXXXXX By: XXXX
XXXXXXXXXX Attn: William C. Scott

AGREEMENT TO PURCHASE

C. PURCHASER (Print) Metropolitan Service District HEREBY ACKNOWLEDGES RECEIPT OF A COMPLETELY FILLED IN COPY HEREOF WHICH PURCHASER HAS FULLY READ AND UNDERSTANDS AND ACKNOWLEDGES THAT HE HAS NOT RECEIVED OR RELIED UPON ANY STATEMENTS MADE BY SELLER OR ANY REAL ESTATE AGENT WHICH ARE NOT HEREIN EXPRESSED. DEED OR CONTRACT TO BE PREPARED IN THE NAME OF Metropolitan Service District

This offer shall automatically expire days after time of purchaser's signature, if not accepted within that time.

Address Date , 19 ,
Zip METROPOLITAN SERVICE DISTRICT, Purchaser
Phone: XXX , XXXXX XX By: XXXXX

AGREEMENT TO SELL

D. ☐ Seller hereby rejects the foregoing offer and ☐ makes the attached counter offer.
☐ Seller hereby accepts the foregoing offer of purchaser on the terms and conditions specified above. Seller agrees to pay above-named Realtor, or, if this is a co-op transaction, the listing broker, the sum of $ for services rendered in this transaction. Seller authorizes Realtor or listing broker to order title insurance at Seller's expense and further authorizes them and escrow to pay out of the cash proceeds of sale the expenses of furnishing title insurance, seller's recording fees, seller's closing costs and any encumbrances on the property payable by seller on or before closing. SELLER HEREBY ACKNOWLEDGES RECEIPT OF A COMPLETELY FILLED IN COPY OF THIS AGREEMENT WHICH SELLER HAS FULLY READ AND UNDERSTANDS. In the event purchaser fails to complete the sale as herein provided, forfeited earnest money shall be distributed as follows after deduction of any title insurance or escrow cancellation charges: ☐ To Realtor, or if this is a co-op transaction, to the listing broker, to the extent of the agreed commission just as if the transaction had been consummated, with residue to seller; ☐

Address Date , 19 , A.M. P.M.
Zip , Seller
Phone: Res. , Bus. Mr. Ms. , Seller

PURCHASER'S ACKNOWLEDGMENT

E. Date , 19 , A.M. P.M. Purchaser hereby acknowledges receipt of a copy of above agreement bearing acceptance of this offer by seller.

, Purchaser , Purchaser

F. Co-op transaction between above named Realtor and on basis, % / %.

Order No. E59300 / 12-12200

EXHIBIT A

PARCEL 60 SOUTH OF LLOYD CENTER

Legal Description:

A tract of land in the City of Portland, County of Multnomah and State of Oregon, being all that portion of the following described property lying Northwesterly and Westerly of the Northwesterly and Westerly right of way line of the parcel conveyed to the City of Portland for street purposes by instrument recorded October 13, 1959 in Deed Book 1978, Page 698, Records of Multnomah County, Oregon to-wit:

Fractional Block 7, HEIPLE ADDITION TO EAST PORTLAND; Blocks 7 and 8, WHEELER'S ADDITION TO EAST PORTLAND; Blocks 85 and 86, HOLLADAY'S ADDITION TO EAST PORTLAND; together with those portions of vacated N.E. Hoyt Street, N.E. 6th Avenue and N.E. Lloyd Boulevard inuring to the above mentioned parcels by City of Portland vacation Ordinances No. 55844 and No. 110439; EXCEPTING THEREFROM the West 10 feet of the above described property lying within the limits of S.E. Grand Avenue (formerly East 5th Street).

Order No. E59300 / 12-12200

PARCEL 60 SPECIAL EXCEPTIONS:

7. Easement for existing public utilities in vacated street area and the conditions imposed thereby,
   Reserved by Ordinance No. 55844
   Entered: JANUARY 18, 1929

8. Easement for existing public utilities in vacated street area and the conditions imposed thereby,
   Reserved by Ordinance No. 110439.
   Entered: JULY 23, 1959

9. Covenants, conditions, restrictions and easements, but omitting restrictions, if any, based on race, color, religion or national origin, as contained in Ordinance No. 110439
   Recorded: JULY 23, 1959

DRAFT

ADDENDUM
TO
SALE AGREEMENT

The following terms are hereby added to and incorporated within the Commercial-Industrial Sale Agreement and Receipt for Earnest Money dated as of September ___, 1991 with respect to the acquisition of the Sears property by Purchaser:

1. OWNER

The owner of the Sears property is Pacific Development (Property), Inc., successor in interest by merger to Pacific Development (Lloyd General I), Inc., an Oregon corporation.

2. PURCHASE PRICE(S); EARNEST MONEY DEPOSIT; OPTION

2.1 Purchase Price--Sears Building and Land. The total purchase price for the Sears building and related land area (the "Sears Building"), excluding the garage facility, is $2,550,000. The exact legal description of the Sears Building, as distinct from the Sears Garage referenced in paragraph 2.3, will be prepared by the Surveyor, as described in and in accordance with the provisions of paragraph 9.1 below.

2.2 Earnest Money Deposit (Sears Building). Purchaser has deposited with Seller, as earnest money for the purchase of the Sears Building, the sum of $250,000, in the form of an earnest money note, which will be converted to cash deposited with the Title Company referenced in paragraph 11.2 below not later than five days after approval of this Agreement by Seller's Board and Purchaser's Council. Such earnest money will be held as a forfeitable earnest money deposit. The earnest deposit and interest accrued thereon will be applied to the purchase price due at closing of the sale. If the sale is not closed for any reason other than Seller's default, Seller's inability to deliver title or Seller's election to terminate provided for in paragraph 8 below, the earnest money deposit and interest accrued thereon will be handled as described in paragraph 12 below.

2.3 Option on Garage Facility. Purchaser will have the option ("Option") to purchase the Sears Garage, on the terms and conditions described in a separate agreement entitled Sears Garage Option to Purchase Agreement, provided that Purchaser closes the purchase of the Sears Building.

3. SELLER'S TITLE TO THE PROPERTY

3.1 Title Report. As soon as practicable after the execution of this Agreement, Seller shall furnish to Purchaser a preliminary title report from a reputable title insurance company selected by Seller ("Title Company") showing its willingness to issue an ALTA extended coverage owner's title insurance policy on the Property, together with full copies of all exceptions. Purchaser shall have 10 business days after receipt of the preliminary title report and exceptions within which to notify Seller in writing of Purchaser's disapproval of any exceptions shown in the report, other than exceptions for the matters described on Exhibit A and any liens to be satisfied by Seller at closing. In the event of such disapproval, Seller shall have until the closing date to eliminate any disapproved exception. Failure of Purchaser to disapprove any exception within the 10 business day period shall be deemed an approval of the exceptions shown in the title report.

3.2 Rescission of Agreement. If Seller is unable to eliminate any disapproved exception, either party may elect to rescind this Agreement by notice to the other party. In such event, the earnest money deposit shall be refunded to Purchaser and all obligations of the parties under this Agreement shall thereafter cease, unless Purchaser notifies Seller within 10 days after such rescission that Purchaser elects to waive its prior disapproval and proceed to close the sale.

4. CLOSING DATE

The purchase of the Sears Building will be closed on a date reasonably acceptable to both parties, but not later than December 15, 1991. Purchaser will notify Seller in writing not later than 20 days prior to such date whether Purchaser is proceeding to close the purchase of the Sears Building. Notwithstanding the giving of such notice, Purchaser's sole liability for failing to close shall be the forfeiture of the earnest money deposit as provided for in paragraph 12. The closing of the conveyance of the Sears Building is referred to as the "Closing." The respective date for the Closing of is referred to herein as the "Closing Date."

5. PURCHASER'S RIGHT TO ENTER AND INSPECT

Prior to the Closing Date, Purchaser may perform at reasonable times (upon reasonable advance notice to Seller and coordination as to the time of entry and nature of the test or study to be performed) reasonable tests, engineering studies, surveys, soil tests, and other inspections, studies and tests on the Property as Purchaser may deem necessary, at Purchaser's expense. Purchaser will defend, indemnify and hold Seller harmless from any claim, loss or liability in connection with any entry on the Property by Purchaser, any claim of lien or damage or activities on the Property by Purchaser, its agents, employees and independent contractors.

6. OCC TRANSPORTATION CAPITAL IMPROVEMENTS

The Sears Building will be conveyed subject to the Oregon Convention Center Transportation Capital Improvements LID and assessments thereunder, if any.

7. HAZARDOUS SUBSTANCES

7.1 Remediation Responsibility of Seller. Seller is responsible for performing or paying for any remediation of Asbestos Containing Materials ("ACM") and Hazardous Substances (defined below) on, under or associated with the Sears Building, in accordance with the procedures and requirements of this paragraph 7. Seller's obligation is subject to the following:

(a) Preparation of Remediation Report. Seller and Purchaser have jointly retained a mutually agreed upon environmental consultant ("Consultant"). Seller and Purchaser have directed the Consultant to identify all ACM and Hazardous Substances on, under or associated with the Property and prepare a written report ("Remediation Report") recommending the scope of remediation work to be performed with respect to such substances on, under or associated with the Sears Building. In making its recommendation, Consultant has considered Purchaser's renovation plans and included remediation that will be required by Environmental Laws in connection with that renovation. In completing its work, the Consultant has reviewed all environmental assessments performed thus far on the Property. Consultant has also conducted such additional testing as it deemed necessary to complete its task. Consultant has delivered the Remediation Report to both Seller and Purchaser. Seller and Purchaser have agreed to share equally the cost of retaining the Consultant for these services.

(b) Information to Be Provided to Consultant. Seller and Purchaser have provided to the Consultant the following information: (1) all environmental assessments of the Property completed to date which are in the possession of either party; and (2) specifications (or reasonably detailed plans) and schedules for renovation work to be performed on the Property by Purchaser, which Purchaser will provide.

(c) Remediation Work. As a result of Consultant's recommendation, Purchaser and Seller have agreed that Seller's responsibility for remediation shall be as detailed in the attached Appendix 1.

WHERE IS APPENDIX 1

(d) Building Demolition Charge to Purchaser. Upon receipt of the Consultant's Remediation Report, and agreement by the parties on the required remediation work as set forth in Appendix 1, Seller has obtained and provided to Purchaser written estimates of the costs to implement the recommendations made by the Consultant to accomplish the remediation work recommended by Consultant and agreed to by Purchaser and Seller with respect to the Sears Building and to perform related demolition work that would be required to be performed by Purchaser to carry out its renovation work. Seller shall commence such remediation work and related demolition as soon as practicable and complete such work prior to December 15 1991, or such later date as may be mutualy agreeable to the parties but in no event later than February 1, 1992. Seller shall deliver vacant possession of the Property to Purchaser on the Closing Date. If the remediation work has not been completed by the closing date, Purchaser shall have the right to enter and remain in the Property for the purpose of completing the work for a period as agreed by the parties but not longer than February 1, 1992. Seller and Purchaser will agree prior to Closing or upon completion of the work if later, based on the costs incurred by Seller and the Consultant's report, on an amount to be charged to Purchaser and credited to Seller at the respective Closing Date(s) for the Sears Building for Seller's completion of such Demolition work (the "Demolition Charge"). If the work is not completed until after closing, then the Demolition Charge shall be paid by Purchaser within 10 days of the parties' agreement on the amount of such charge. Prior to the Closing Date or upon completion if later Seller will provide Purchaser with an update from the Environmental Consultant that certifies that such remediation work has been completed.

WHAT HAPPENS IF SOMETHING NOT ANTICIPATED TURNS UP?

7.2 Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) The term "Hazardous Substance" means any hazardous substance listed or defined under ORS 465.200(9), as of the date of this Agreement.

(b) The term "Environmental Laws" means the Clean Air Act (42 USC § 7401 et seq.), the Federal Water Pollution Control Act (the "Clean Water Act") (33 USC § 1251 et seq.), the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act and the Hazardous and Solid Waste Amendments (42 USC § 6901 et seq.), the Comprehensive

Environmental Response, Compensation and Liability Act ("CERCLA") (42 USC § 9601 et seq.), the Toxic Substances Control Act (15 USC § 2601 et seq.) and all other applicable federal, state, county and local environmental requirements, including without limitation applicable rules, ordinances, codes, licenses, permits, judgments, writs, decrees, injunctions or orders of any governmental entity in force and effect as of the date of this Agreement and pertaining to the protection of the environment, including air, water, groundwater, soil, noise and odor.

7.3 Exclusivity of Rights. The rights and obligations of the parties under paragraph 7 of this Agreement shall be the exclusive rights and obligations of the parties with respect to Hazardous Substances, and supersede all other rights and remedies to which a party might otherwise be entitled with respect to such Hazardous Substances, including any other rights or remedies under this Agreement, under any statute, regulation or ordinance or under any other theory of law or equity. However, this paragraph shall not be construed to limit any right or remedy that Purchaser may have against any party other than Seller. Purchaser specifically shall retain all rights and remedies it may have against any person or entity other than Seller who at any time owned or occupied the Property.

8. PARKING

8.1 Parking in Sears Garage. Commencing upon occupancy of the Sears Building with Purchaser's remodeling work completed, which the parties anticipate will be in or before December 1992, Purchaser will have the right to lease up to 100 parking spaces in the Sears Garage for use during normal business hours, pursuant to the terms and conditions set forth in the parking supply agreement attached hereto as Exhibit B (the "Parking Agreement").

8.2 Additional Parking Capacity. Pursuant to the Parking Agreement, Seller agrees to operate the Sears Garage during non-business hours for Lloyd District and Purchaser Events when requested to do so by Purchaser, subject to the terms and conditions stated in the Parking Agreement.

8.3 Grand Avenue Replacement Parking. Pursuant to the Parking Agreement, upon commencement of remodeling work to convert the Grand Avenue level to office space of the Sears Building, Purchaser will have the option to lease an additional 100 parking spaces in the Sears Garage, on a "use or lose" basis, subject to the terms and conditions stated in the Parking Agreement.

8.4 Rates, Terms and Options. The parking rates, the term of the Parking Agreement and renewal options are as stated in the Parking Agreement.

9. PARTITION; EASEMENTS AND RESTRICTIONS

9.1 Partition. Upon the execution of this Agreement, Seller will cause a mutually acceptable surveyor licensed in the State of Oregon ("Surveyor") to prepare a legal description for the Sears Building and for the Sears Garage, and will cause to be prepared and filed the necessary application for governmental approvals of the partition of the Property. The parties' obligation to close is conditioned upon approval of such partition by the Closing Date (subject to extension for a reasonable time period with no adjustment in Purchase Prices, if such approval is delayed). Seller and Purchaser agree to share equally the cost of partioning the Property (whether or not the transaction closes).

9.2 Declaration of Easements and Covenants, Conditions and Restrictions. The parties recognize that the Sears Garage and Sears Building are physically connected and functionally related and, during such time period as they are not both owned by the same party, the utilization of each property requires (or will be enhanced by) appropriate easements for access and for any common walls, common facilities or common utility lines and appropriate covenants, conditions and restrictions governing use of the respective properties. The parties have attached (or will attach, not later than October 15, 1991) a Declaration of Easements and Covenants, Conditions and Restrictions as Exhibit C hereto, which will be executed and recorded at or before the Closing Date for the purchase of the Sears Building (the "Declaration").

10. CLOSING

10.1 Status of Title; Prorations. Except as otherwise described in this Agreement, Seller will be responsible for paying, at closing, all outstanding taxes, liens and assessments affecting the Property, including, but not limited to, the 1989 convention center L.I.D. assessment and vintage trolley LID. All real property taxes will be prorated and adjusted between the parties as of the Closing Date. Seller will not, however, be required to pay, and there will be no prorate or adjustment to the purchase price for, the Oregon Convention Center Transportation Capital Improvements L.I.D. and assessments thereunder, if any, affecting the Sears Building, which will be borne by Purchaser.

10.2 Escrow and Closing. This transaction will be closed by an escrow officer of the Title Company selected pursuant to paragraph 3.1 (the "Escrow Officer") at its main offices in Portland, Oregon, or at such other place as the parties may mutually select. Closing shall take place in the manner and in accordance with the provisions set forth in this Agreement. The closing will occur in sufficient time to permit the Escrow Officer to transfer funds to Seller's account (as it may designate in writing) between 9 a.m. and 10 a.m. (Pacific Time) on the Closing Date.

10.3 Certification of Nonforeign Status. Seller warrants that Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and that such warranty will be true as of date of closing. Seller shall deliver to Purchaser at closing a Certificate of Nonforeign Status, setting forth Seller's address and United States taxpayer identification number and certifying that Seller is not a foreign person as so defined.

10.4 Events of Closing. Provided the Escrow Officer has received the sums and is in a position to cause the title insurance policy to be issued as described below, the purchase will be closed on the Closing Date as follows:

(a) The Escrow Officer will perform the prorations described in paragraph 10.1, and the parties shall be charged and credited accordingly.

(b) On the Closing Date, Purchaser shall pay to Seller the total purchase price in cash, and the Demolition Charge provided for in Section 7.1 if the demolition and remediation work has been completed, adjusted for the charges and credits set forth in this section, less a credit for the earnest money deposit and interest accrued thereon.

WHAT IS THE DEMOLITION CHARGE?

(c) Any liens required by this Agreement to be paid by Seller at closing shall be paid and satisfied of record at Seller's expense.

(d) Seller shall convey the real property to Purchaser by statutory warranty deed, subject only to the encumbrances accepted by Purchaser pursuant to this Agreement.

(e) Title Company will deliver its commitment letter committing to issue the policy described in paragraph 10.5, upon recordation of the closing documents. The title insurance premium for an ALTA extended coverage owner's title insurance policy will be treated as a closing cost to be divided pursuant to paragraph 10.4(g) below.

(f) The Escrow Officer will record the deed and the Declaration referenced in paragraph 9.2.

(g) All costs (title insurance, escrow fees, recording fees and other customary closing costs) will be split equally between Seller and Purchaser.

10.5 Title Insurance. As soon as possible after the Closing Date, Seller shall furnish Purchaser with an owner's ALTA extended coverage policy in the amount of the total purchase price for the Property, subject only to the standard printed exceptions of the Title Company and exceptions for the matters accepted by Purchaser pursuant to this Agreement.

11. DESIGN REVIEW

The Declaration will provide that Seller will have the right of reasonable prior review and approval of architectural plans, specifications and working drawings for the initial improvements and renovations to the Sears Building and Sears Garage (if purchased by Purchaser), and subsequent alternations, exterior remodeling, additions or reconstruction thereof or thereto (excluding interior tenant improvements and interior alterations), and changes to elevations of the Sears Building and Sears Garage (hereafter, "Major Work"), in accordance with the following procedures:

(a) Approval of Preliminary Development Program and Design. When prepared, but in any event prior to proceeding to finalize Purchaser's plans for the Major Work, Purchaser will submit to Seller for review and approval (which decision will be given within 10 days after receipt) a preliminary development program and design covering the Major Work. The preliminary development program and design will include: (i) the proposed site plan showing the building footprint and location of building entrances, access routes and walkways and any right-of-way improvements; (ii) preliminary development program, including the location of parking; (iii) a description of the anticipated building exterior materials and colors; (iv) architectural elevations, floor plans and finished floor elevations; and (v) summary table of the square footage of each use in the building(s) covered by the Major Work (including number of parking spaces). Seller's approval under this paragraph shall not be unreasonably withheld.

(b) Approval of Schematic Design. Not later than 15 days prior to submittal of a final schematic design to the City of Portland for design review, Purchaser will submit to Seller for review and approval (which decision will be given within 10 days after receipt) the final development program and schematic design documents (collectively, the "Approved

Schematic Design"). Seller's review is limited to whether the Approved Schematic Design is consistent with the preliminary development program and design approved by Seller under Section 12(a). The schematic design information submitted to Seller will be in such detail as is required for design review of the Major Work by the City of Portland in accordance with Chapter 33.62, Portland City Code and the requirements of this Agreement. Seller's approval under this paragraph shall not be unreasonably withheld.

(c) Review of Final Design Documents. Purchaser shall submit to Seller, when available, the final design documentation and materials consistent with that required by the City of Portland for building permits. Such documentation and materials will be submitted not later than 15 days prior to their submission to the City of Portland for final review and building permit approval. Seller's review under this Section 11(c) shall be limited to determining consistency with the Approved Schematic Design. Purchaser shall construct improvements consistent with such Approved Schematic Design and final design information and materials (the "Approved Final Project").

(d) Review Standards Generally. In exercising its reasonable right to approve (as provided in Section 11(a) and (b) above) or to review (as provided in Section 11(c) above), Seller will provide Purchaser with a written statement of any aspect of the materials reviewed that Seller did not approve or to which Seller had an objection. The purpose of exercising rights of reasonable approval is to ensure that buildings and improvements are aesthetically and structurally compatible with the design and architecture of the improvements on the Sears Garage and other existing and planned improvements within the Lloyd District neighborhood in which the Sears Building is situated. If Seller disapproves or objects to any aspect of the materials reviewed, Seller will provide its written statement as to the reasons for such disapproval or objection within the time period specified in Section 11(a) through (c), and the parties thereafter will discuss and attempt to resolve by good faith discussions the nature of the objection(s).

(e) These rights of design review are personal to Seller and may not be transferred or assigned by Seller to any third party either as part of a transfer of all or part of Seller's remaining real estate holdings in the Lloyd District or separately. In addition, the right to review and approve of renovations or remodeling shall expire on the fifth anniversary of the closing date.

12. HANDLING OF EARNEST MONEY DEPOSIT

The earnest money deposit will be deposited by the Title Company as escrow in certificates of deposit or an FDIC insured interest bearing account at bank, savings and loan association, or other financial institution selected by Seller, except as otherwise may be subsequently approved by the parties. Interest will be retained in the account and will accrue for the benefit of and be credited to the party entitled to receive or have credited the earnest money deposited with interest thereon at closing or upon termination, cancellation or rescission of this Agreement pursuant to its terms.

13. DISCLOSURE BY SELLER; DISCLAIMER

Seller has previously made available for Purchaser's review Seller's records relating to the Property, including the State Parking Agreement and all documents, leases and contracts, title report and easements of records relating to the Property. In addition, Seller has previously made available for Purchaser's review any plans and specifications in Seller's possession relating to renovation, evaluation of the Property and reports, documents and/or consultant analysis books in Seller's possession relating to structural, hazardous wastes, and similar matter relating to the Property. As to any reports or other materials provided or made available to Purchaser, Seller is not warranting (and will not be liable or responsible for) the accuracy, fitness, or usability of such reports or materials or any recommendations or conclusions stated therein. If Seller obtains actual knowledge prior to the Closing Date of a fact which would make any of the representations and warranties in this Agreement false, Seller will notify Purchaser of such fact. Except as specifically provided for in any other provision of this Agreement, Seller will not be liable to Purchaser on the representations and warranties in this Agreement after the Closing Date unless Seller had actual knowledge on the Closing Date that the representation or warranty was false and Seller failed to disclose to Purchaser the fact known to Seller which made the representation or warranty false.

14. NO JOINT VENTURE OR OTHER RELATIONSHIP

It is expressly acknowledged and agreed that no provision of this Agreement or the parties' conduct or activities will be construed: (i) as making either party an agent, principal, partner or joint venturer with the other party; or (ii) as making either party responsible for the payment or reimbursement of any costs incurred by the other party in pursuing this transaction, except as expressly provided for herein.

15. FAILURE TO CLOSE

15.1 Seller's Remedies. In the event that this transaction fails to close on account of Purchaser's fault or inability to close, the amount previously deposited or paid as earnest money shall be forfeited by Purchaser and retained by Seller as liquidated damages. SUCH AMOUNT HAS BEEN AGREED BY THE PARTIES TO BE REASONABLE COMPENSATION AND THE EXCLUSIVE REMEDY FOR PURCHASER'S DEFAULT, SINCE THE PRECISE AMOUNT OF SUCH COMPENSATION WOULD BE DIFFICULT TO DETERMINE. By initialling this page, the parties acknowledge and agree to such liquidated damages provision. Seller ________________ Purchaser ___________________.

15.2 Purchaser's Remedies. In the event that the transaction fails to close on account of Seller's fault or Seller's inability to close, the earnest money deposit(s) plus accrued interest shall be returned to Purchaser. Purchaser shall be entitled to such remedies for breach of contract as may be available under applicable law, including (without limitation) the remedy of specific performance.

16. GENERAL PROVISIONS

16.1 Time of Essence. A material consideration to Seller's entering into this transaction is that Purchaser will close the purchase of the Property by the Closing Date described above. Except as otherwise specifically provided in this Agreement, time is of the essence of each and every provision of this Agreement.

16.2 Prior Agreements. This Agreement supersedes and replaces all written and oral agreements previously made or existing between the parties.

16.3 Applicable Law. This Agreement shall be construed, applied and enforced in accordance with the laws of the State of Oregon.

16.4 Survival. All restrictions and conditions which this Agreement does not require to be fully satisfied prior to the Closing Date shall survive the Closing Date and shall be fully enforceable thereafter in accordance with their terms.

16.5 Representations; Condition of Property. Seller will permit Purchaser to make its independent inspections and investigations of the Property prior to the Closing Date. Except as otherwise specifically set forth in this Agreement or in the deed to be delivered at closing, no warranties, guarantees or representations, express or implied, have been or are being made by Seller concerning the Property, Purchaser's intended use, or other matters, and Purchaser accepts the land, buildings, and all other aspects of the Property in their present condition, AS IS.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES.

16.6 Council and Board Approvals. This Agreement is subject to Purchaser's obtaining its Council's approval of this Agreement not later than _______________, 1991, and is subject to Seller's obtaining approval by its Board of Directors.

16.7 Brokers. Purchaser (at its expense) will cause the escrow officer to pay at closing the real estate broker's commission due to Coldwell Banker Commercial Brokerage on account of this transaction. Each party will defend, indemnify, and hold the other party harmless from any claim, loss, or liability arising out of its own conduct made or imposed by any other Broker or agent claiming a commission or fee in connection with this transaction.

16.8 Costs and Attorney's Fees. In the event suit or action is instituted to interpret or enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial, on any appeal of such suit or action and on any petition for review.

16.9 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, successors, and assigns.

16.10 Notices. Notices under this Agreement shall be in writing and shall be effective when actually delivered. If mailed, a notice shall be deemed effective on the third day after deposited as registered or certified mail, postage prepaid, directed to the other party at the address shown below:

/////

To Seller:

Pacific Development
(Property), Inc.
825 NE Multnomah, Suite 1275
Portland, Oregon 97232
Attention: Mary H. Oldshue

With a copy to:

Pacific Development
(Property), Inc.
825 NE Multnomah, Suite 1275
Portland, Oregon 97232
Attention: Harold DeBlanc

To Purchaser:

Metropolitan Service District
2000 SW First Avenue
Portland, Oregon 97201-5398
Attention: Rena Cusma,
Executive Director

With a copy to:

Metropolitan Service District
2000 SW First Avenue
Portland, Oregon 97201-5398
Attention:
Neil Saling, Director
of Regional Facilities

Either party may change its address for notices by written notice to the other.

16.11 Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit the party's right to enforce the provision. Waiver of any breach of any provision shall not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

16.12 Applicable Law. This Agreement shall be construed, applied and enforced in accordance with the laws of the State of Oregon.

16.13 Changes in Writing. This Agreement and any of its terms may only be changed, waived, discharged or terminated by a written instrument signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

6.14 Indemnified Parties. Any indemnification contained in this Agreement for the benefit of a party shall extend to the party's officers, employees, and agents.

16.15 Counterparts. This Agreement may be executed simultaneously or in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

16.16 Invalidity of Provisions. In the event any provision of this Agreement is declared invalid or is unenforceable for any reason, such provision shall be deleted from such document and shall not invalidate any other provision contained in the document.

16.17 <u>Legal Effect</u>. THIS IS A LEGALLY BINDING CONTRACT. ALL PARTIES SHOULD SEEK ADVICE OF COUNSEL BEFORE EXECUTING THIS AGREEMENT.

16.18 <u>Confidential Information</u>. Purchaser shall, to the extent permitted by the Oregon Public Records Act respect and observe the confidential nature of environmental and other reports and information obtained from Seller concerning the Property and (if this transaction does not close) return such written reports (including any copies thereof) to Seller. If this transaction closes all documents furnished by Seller to Purchaser shall be considered public records.

AGREED to, subject to necessary Council and board approval, as stated above, as of the date(s) shown below.

SELLER:

PACIFIC DEVELOPMENT (PROPERTY), INC.

By: ______________________________
William C. Scott, President

Dated: September ___, 1991

PURCHASER:

METROPOLITAN SERVICE DISTRICT

By: ______________________________

Dated: September ___, 1991

1062C

DRAFT

EXHIBIT B

PARKING SUPPLY AGREEMENT

(Sears Property)

Dated: ____________________

Between:	PACIFIC DEVELOPMENT (PROPERTY), INC., an Oregon corporation	SELLER
AND	METROPOLITAN SERVICE DISTRICT	METRO

1. SUPPLY COMMITMENT.

1.1 Basic Parking Commitment. Seller agrees with Metro, for the term and subject to the agreements, conditions and provisions hereinafter set forth, to provide the right to lease from Seller parking rights to park up to 100 vehicles in the Sears garage facility ("Sears Garage") located adjacent to the Sears building property ("Sears Building"). The parking rights under this Section 1.1 will commence upon occupancy of the Sears Building with Metro's remodeling work completed (the "Start Date"), which the parties anticipate will be on or before December 1992. Parking rights under this Section 1.1 are not on a "use or lose" basis. Metro will provide to Seller not less than 90 days' notice of the amount (if less than for 100 vehicles) of parking which Metro will require for any month.

1.2 Additional Parking Capacity. During the term of this Agreement and any renewal thereof, Seller will cause the Sears Garage to remain open for public use on a first-come first-use basis at hourly flat rates during non-Business Hours when requested to do so by Purchaser, subject to the terms and conditions stated below.

1.3 Grand Avenue Replacement Parking. Upon commencement of remodeling work on the Grand Avenue level of the Sears Building to convert the planned for parking contemplated on such level to office use, or if Metro elects to initially utilize the Grand Avenue level for office use upon the Start Date, Metro will have the option to lease from Seller parking rights to park up to an additional 100 vehicles during normal Business Hours as described in Section 5.2 below, on a "use or lose" basis, subject to the terms and conditions stated herein.

The number of spaces which Seller shall be required to make available under this Section, at any time, shall not exceed the LID. The LID shall be determined as follows:

For the period from commencement of the fourth month after initial obligation to provide parking pursuant to this section through the last day of the term of this Agreement, the LID for a particular calendar month shall be highest number of parking spaces actually leased pursuant to this Agreement during the immediately preceding 90-day period on a monthly paid basis by Metro minus 100, but such LID shall not exceed the lowest of any LID established for any prior month. Under this section, the LID may only go down, and never up. In calculating the LID the Parties assume that Metro will be using all of the 100 spaces provided for in Section 1.1 of this Agreement. Therefore, PDI's furnishing of parking space pursuant to this Section is applicable only for spaces utilized by Metro in excess of the 100 spaces provided for in Section 1.1. If Metro is using 100 spaces or less, then the LID will be reduced to zero and Metro shall have no further right to parking pursuant to this Section 1.3. Metro shall, however, retain its rights to lease 100 spaces pursuant to Section 1.1.

PDI shall provide Metro the following information on or before the twentieth of each month.

(i) The LID for the previous month,

(ii) The High Count for the previous month, and

(iii) The actual number of spaces under lease on the last day of the previous month.

Notwithstanding the LID established at any particular time, if within sixth (60) days following PDI's delivery of notice to Metro of any change in the LID for a particular calendar month, Metro can demonstrate to PDI for a particular month (the "Reviewed Month") that the failure to lease all spaces for the applicable Reviewed Month is due predominantly to a temporary and abnormal fluctuation in the number of employees employed at or working at the Sears Building, then the LID for the Reviewed Month shall be the LID that was in effect for the month immediately preceding the Reviewed Month.

For purposes of this Section 3.3, a "temporary and abnormal fluctuation" shall include, but shall not be limited to, an employee strike or work action; a transfer or relocation of one or more agencies, divisions, subdivisions or sections involving the Sears Building; a temporary lay-off, suspension or cessation of work at the Sears Building; or a short term, high vacancy rate in the Sears Building: all the above limited in time to no more than six continuous months.

2. MONTHLY PARKING CHARGES. The initial parking charge for parking rights provided to Metro under Sections 1.1 and 1.3 is $56.00 per parking space per month as of January 1, 1992, which will be subject to increase by Seller as of October 1, 1992, and October 1 of each year thereafter during the term of this Agreement and any renewal thereof to the fair market rental (to be specified by Seller, subject to Metro's review of the basis for determining any such adjustment) but not to exceed a 15 percent increase year-to-year (the "annual cap").

3. LOCATION OF PARKING. During the term of this Agreement, and any renewals thereof, the parking rights provided hereunder will be supplied within the Sears Garage. The location of parking may be temporarily relocated at any time in connection with renovation and construction, to the extent necessary. Metro's right of use shall be non-exclusive, and Seller may make parking areas available for users other than Metro's on a non-exclusive basis during the hours of Metro's permitted use, but Seller will not overburden parking so as to interfere with Metro's right of use of the number of spaces which Seller commits will be available hereunder.

4. TERM.

4.1 Original Term. The original term of this Agreement shall commence as of the Start Date described in Section 1.1, and expire on the 3rd anniversary of such date (the "Expiration Date"), unless extended as described in Section 4.2 below or unless sooner terminated as set forth in Section 4.3 below.

Metro may cancel this Agreement at any time, upon 30 days' prior written notice to Seller. Cancellation shall be final and perpetual.

4.2 Renewal Option. The Expiration Date of this Agreement may be extended by written notice to Seller prior to the Expiration Date specified in Section 4.1 in the event Metro does not exercise its option to purchase the Sears Garage, as described in the Commercial-Industrial Sale Agreement and Receipt for Earnest Money dated August __, 1991 ("Sale Agreement"). The initial renewal option term will be for seven years (84 months). Thereafter, provided that Metro has exercised the preceding renewal option and Metro is not in default hereunder, Metro will have three additional consecutive renewal options for terms of five years (60 months) each. Each renewal option must be exercised by written notice to Seller not later than 120 days before expiration of the current term.

4.3 Termination for Certain Events. This Agreement shall terminate prior to the Expiration Date upon the following dates:

a. The last day of any year in which Metro or affiliated agencies or public entities fails to continue to occupy at least 50,000 square feet of gross rentable area within the Sears Building for office purposes for its employees for a continuous period of 120 days or more for any reason except damage or destruction of the Sears Building rendering it unusable for such purposes; or

b. The Sears Building is damaged or destroyed and Metro does not complete restoration or reconstruction and resume occupation of the Sears Building as office space for employees within 18 months thereafter, then on the last day of such 18th month.

5. TERMS OF USE. Parking areas, sub-areas and spaces may be used only solely at the times described below and subject to the following:

5.1 Payment of Monthly Charges. Metro will pay to Seller on a monthly basis the monthly parking charge for the rights to use such parking areas, sub-areas and/or spaces. Payment of such amounts is a requirement for a continuation of Metro's rights to such parking.

5.2 Hours of Use. Spaces supplied under this Agreement may only be used between 6:00 a.m. and 5:30 p.m. Monday through Friday, except national holidays. PDI reserves use of the spaces on Saturday and Sunday, national holidays, and at all other hours except those listed in the preceding sentence ("After Hours Periods"). In order to facilitate employees working during After Hours Period (e.g., employees working overtime or on flexible time schedules), 20 percent of the spaces supplied under this Agreement shall be made available for use by Metro designated users during the After Hours Periods ("After Hours Spaces"), provided the PDI may impose reasonable regulations on use during After Hours Periods including, but not limited to:

5.2.1 Segregating up to 50 percent of After Hours Spaces in specified areas;

5.2.2 Requiring cars parking pursuant to this Agreement to bear identifying stickers;

5.2.3 Requiring persons who need to only occasionally use a parking space during the After Hours Period to telephone PDI prior to the end of normal hours of use to give their name, license number and space number or location and obtain authorization for use during the After Hours Period; and

5.2.4 Reserving the right to tow vehicles violating normal hour limitations without complying with PDI regulations, provided PDI has given Department or the employee at least 24 hours advance notice by letter, flyer posted on vehicle, phone or other means selected by PDI; if PDI gives such notice, PDI may thereafter tow such vehicle if it continues to violate normal hour limitations without complying with PDI regulations and will have no further obligation to give notices of proposed towing with respect to such vehicle for a period of 90 days.

These hours may be adjusted by written agreement of the parties to accommodate flex-time hours or to alleviate traffic congestion in the vicinity of the Sears Building. The intent of this section is that persons may utilize the "After Hours" privilege for purposes of performing their official Metro duties and not for their own personal benefit or convenience.

6. PAYMENT. Monthly charges shall be payable in advance on the first day of each month. The charges for any partial month shall be one-thirtieth (1/30) of the full monthly charge multiplied by the number of days in such partial month. Parking charges pursuant to this Agreement which are not paid in full within 30 days after the due date for payment will be subject to Seller's right to charge interest from the due date until payment is made at the rate of 12 percent per annum.

7. ADMINISTRATION OF AGREEMENT. All use of parking covered by this Agreement shall be expressly subject to this Agreement (including without limitation Seller's right to relocate parking areas, sub-areas and spaces) and will require Metro and Authorized Users to comply with such reasonable rules and regulations as from time to time may be adopted and generally applied by Seller to promote safety, good order, maintenance, security and enforcement of hours of use of the parking area, including without limitation regulations which require Metro to enforce such regulations against its own Authorized Users and to require cars to bear identifying permits. Upon request, Metro will provide Seller with such information as Seller may reasonably require from time to time to administer this Agreement. For the purpose of this Agreement, Authorized Users shall mean Metro employees, working in the Sears Building, Council members, and others performing

official functions on behalf of Metro that require their attendance at the Metro offices located in the Sears Building.

8. ENFORCEMENT OF TIMES OF USE. Among other remedies, Seller reserves the right to cause the towing of vehicles violating use and other limitations described above.

9. DEFAULTS. The following shall be events of default:

9.1 Default by Metro. With respect to defaults of Metro:

a. Metro fails to pay the parking supply fees and charges required by this Agreement within thirty 30 days after written notice of the amounts due;

b. Metro fails to perform under the terms of this Agreement within 30 days after receipt of notice of default from Seller, or if the default is of a nature that cannot reasonably be cured within such 30-day period, then failure to commence curative action within such 30-day period and pursue it thereafter with diligence to completion.

9.2 Default by Seller. With respect to defaults of Seller:

a. Seller fails to perform under the terms of this Agreement within 30 days after receipt of notice of default from Metro, or if the default is of a nature that cannot reasonably be cured within such 30 day period, then failure to commence curative action within such 30 day period and pursue it thereafter with diligence to completion.

10. REMEDIES ON DEFAULT. Upon default, by either party, the other party may terminate this Agreement, and/or exercise any other remedy available under applicable law.

11. GENERAL PROVISIONS.

11.1 Time of Essence. Time is of the essence for performance of obligations under this Agreement.

11.2 Modifications. This Agreement may not be modified except by endorsement in writing attached to this Agreement, dated and signed by the parties.

11.3 Nonwaiver. Waiver of performance of any provision of this Agreement shall not be a waiver of nor prejudice a party's right otherwise to require performance of the same provision or any other provision.

11.4 Succession. Seller shall assign its rights and obligations under this Agreement to any third party that purchases the Sears Garage.

11.5 Recognition. This Agreement is an encumbrance upon title in the event any proceedings are brought for foreclosure,or in the event of the exercise of the power of sale under any mortgage or trust deed made by covering land on which parking areas, sub-areas and/or spaces are provided, Metro shall attorn to or recognize the purchaser upon any such foreclosure or sale and recognize such purchaser as supplier under this Agreement and such purchaser shall be obligated to fulfill Seller's obligations to Metro hereunder.

11.6 Estoppel Certificates. Within 10 days after receipt of written request from Seller, Metro shall deliver a written statement to Seller or a third person designated by Seller, stating the amount of parking being supplied hereunder, whether the Agreement is unmodified and in full force and effect, and any other matters that may reasonably be requested by the other party.

11.7 Notices. Notices under this Agreement shall be in writing, effective when delivered,or if mailed, effective on the second day after mailed postage prepaid to the address for the party stated in this Agreement,or to such other address as either party may specify by notice to the other. Seller's address shall be Suite 1275 Lloyd Center Tower, 825 NE Multnomah Street, Portland, Oregon 97232. Metro's address shall be 2000 S.W. First Avenue.

11.8 Attorneys' Fees. In the event suit or action is instituted to interpret or enforce terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial, on appeal and on any petition for review, in addition to all other sums provided by law.

11.9 Applicable Law. This Agreement shall be construed, applied and enforced in accordance with the laws of the State of Oregon.

11.10 Prior Agreements. This Agreement (including any exhibits attached to this Agreement, which are incorporated in this Agreement by this reference as though fully set forth in this Agreement) is the entire, final, and complete agreement of the parties with respect to the matters set forth in this Agreement, and supersedes and replaces all prior written and oral agreements between the parties or their representatives with respect to such matters.

11.11 Validity of Provisions. If any provision in this Agreement shall be invalid, illegal, or unenforceable in any respect, the validity of the remaining provisions contained in this Agreement shall not be affected.

11.12 Change in Governmental Requirements or Impositions. In the event any governmental order or any change in governmental regulations, ordinances or statutes occurs during the term of this Agreement such that additional charges or costs are imposed on parking provided hereunder or such that the parking that can be provided hereunder is limited, then the monthly parking charges may be adjusted to reflect such additional charges or costs (without requiring Seller to wait until October 1) and the parking rights provided hereunder will be limited as required by any such governmental order, regulation, ordinance or statute. However, if such an order or change limits the number of parking spaces allowed to be used in the Sears Garage, Metro shall only lose any parking rights under this Agreement on a pro rata basis so that Metro shall retain the rights to the same percentage of spaces as it was entitled to prior to the effective date of the limitation.

12. LIMITATIONS. This is not intended to be a third party beneficiary contract; no member, staff or invitee of Metro shall have any right against Seller or to enforce this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SELLER: PACIFIC DEVELOPMENT (PROPERTY), INC.

By:____________________________
Its:___________________________

PURCHASER: METROPOLITAN SERVICE DISTRICT

By_____________________________

1063A

Exhibit B

FINDINGS

Metro Headquarters Design/build RFQ/RFP Process

As required by ORS 279.015(2)(a), the Metropolitan Service District Contract Review Board finds that exempting the Metro Headquarters Project design/build RFQ/RFP process from the competitive bidding process is unlikely to encourage favoritism or substantially diminish competition because:

1. The three selected design/build teams will submit proposals which will be judged against the identified Metro budget for the work. Price will be a significant evaluation criteria and it is expected that each proposer will aggressively solicit and receive sub-bids from the local contracting community, thereby maintaining the usual degree of competition at the subcontractor level..

2. The RFP will require the successful design/build team to solicit and receive at least three bids for all elements of the tenant improvement work; to conduct all bid openings with a Metro representative present; and to award subcontracts to the bidder who's bid reflects the best value at the lowest cost, thus maintaining the usual level of competition for the tenant improvement work.

As required by ORS 279.015(2)(a), the Metropolitan Service District Contract Review Board finds that exempting the Metro Headquarters Project design/build RFQ/RFP process from the competitive bidding process will result in substantial cost savings because:

1. The design/build process is a "fast track" method which compresses the typical project schedule by simultaneously selecting design and construction services and by allowing the design/build contractor to commence initial elements of the project (demolition, ordering/fabrication of long-lead items) while the design process of other items is underway.

2. The design/build process usually results in fewer change orders because the responsibility of faulty design is shifted to the design/build contractor.

3. The time, expense and effort to develop detailed contract documents required for accurate bids will be avoided, thus allowing Metro to preserve valuable staff time and meet the closing deadline.

FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION

METROPOLITAN SERVICE DISTRICT

Prepared by:
Finance and Management Information
Regional Facilities
August 13, 1991

Financing and Debt Service

It is assumed that Metro would issue General Revenue Bonds to finance the majority of the Project. These bonds would be secured by departmental interfund transfers related to the occupancy of space in the new headquarters facility. The total bonding amount of $17,441,000 provides for $15.3 million in real estate purchase and construction costs, and $3,247,000 in financing costs (including $1,449,000 deposit as a reserve for debt service) net of $507,000 in interest earnings on bond proceeds during the period of construction.

Three alternative financing alternatives are under study; (1) an alternative using level annual debt service; (2) an alternative using variable debt service; and (3) an alternative in which debt service payments are purposely ramped each year to simulate a rate of inflation. Under these alternatives, it is estimated that the first year's debt service would range from $861,000 to $1,345,000 and the final year's debt service would range from $1,345,000 to $2,506,000. Final determination on financing alternatives will be made by the financing team comprised of Bond Counsel, General Counsel, Metro Financial Planning staff, the underwriters, and Metro's Financial Advisors.

Operating Costs

Operating and maintenance expenses for the new building have been projected on the basis of our actual experience in the current Metro Center. Our current cost per square foot is approximately $5.00. This amount has been adjusted for inflation and somewhat modified in anticipation of lower maintenance costs related to new building systems and utilities.

Capital outlays are assumed to average $25,000 per year adjusted for inflation. Contingency is set at 5% per year during FY 1994-95 (the first full year of occupancy) and 1.5% in the remaining years.

Space Program

The space program for the new headquarters building has been developed, in consultation with Metro Regional Facilities staff, by BOOR/A . Department plans have been developed on the basis of current and anticipated growth in personnel over the next several years. The programmed usable square feet allow approximately 7,000 square feet for future growth.

Rates Per Square Foot

Rates per square foot for selected years for each of the three financing alternatives are as follows:

	FY 94/95	FY 99/00	FY 09/10	FY 23/24
Alternative 1 (Level debt service)	$21.88	$21.42	$24.58	$33.42
Alternative 2 (Variable debt service)	$19.87	$20.49	$25.52	$36.30
Alternative 3 (Ramped debt service)	$16.50	$20.32	$29.64	$50.38

FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING

CAPITAL COSTS

Exhibit 1: Estimated Project Costs
Exhibit 2: Estimated Financing Plan
Exhibit 3: Estimated Annual Debt Service

Key Assumptions:

Project costs - Costs to be financed include real estate costs, project management costs, the costs of construction, and other costs, including furniture and fixtures and art. Non-financed costs include broker fees relating to leasing of 2000 SW First Avenue, Metro project administration, and due diligence costs. A portion of these costs may be eligible for reimbursement financing. Proceeds related to reimbursement of previous expenditures could be used to fund certain required reserve accounts. This issue is undergoing evaluation by Bond Counsel.

Costs for furniture and fixtures ($1,200,000) are included in this analysis. These costs have not been included in previous analyses presented to the Council or Relocation Task Force.

Financing Plan - It is assumed for the purposes of this analysis that Metro funds will be used for non-financed costs. Assumptions for interest rates, capitalized interest period, and bond amortization period are included on Exhibit 2.

Annual Debt Service - Three financing options are under consideration by the Finance and Management Information Department. These options are under review by Metro's bond counsel and financial advisors.

Alternative 1: It is assumed that debt service would be level throughout the 29 year amortization period.

Alternative 2: It is assumed that bonds are issued at a variable rate. The effective rate (including letter of credit and related costs) is assumed to be 1% lower than the financing rate (7.2%). It is further assumed that the interest rate increases .5% every five years.

Alternative 3: It is assumed that the bond maturities have been structured to provide lower debt service in the first fifteen years of the amortization period and increasing amounts during the remaining years.

Exhibit 2

ESTIMATED FINANCING PLAN
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Sources

Revenue bonds	17,441,000
Metro funds	620,000
Interest income	
Construction Account	336,000
Reserve Account	104,000
Debt Service Account (for capitalized interest)	67,000
	507,000
	18,568,000

Uses

Total "Project" costs	15,321,000
Reserve Account deposit	1,449,000
Capitalized interest	1,449,000
Issuance costs	349,000
	18,568,000

Assumptions:

Interest rates	
Short-term	6.20%
Long-term	7.20%
Period of construction	1 year
Amortization period	29
Issuance costs	2.00% of total bonds

OPERATING COSTS

Exhibit 4: Operating and Maintenance Expenses
Capital outlays
Contingencies

Key Assumptions:

Operation Maintenance Expenses - The operation and maintenance expenses per square foot has been calculated on the basis the total building costs during the most recent fiscal year for which there is complete available data (FY 1989-90). This amount has been escalated at 5% per year during each year shown in the analysis.

Capital outlays - It is assumed that capital outlays would average $25,000 per year. The amounts shown on Exhibit 4 have been adjusted for 5% inflation.

Contingencies - Contingency is set at 5% during FY 1994-95 and 1.5% in the remaining years.

SPACE PROGRAM

Exhibit 5: Current space
Department request
Allocation of common area

Key Assumptions:

The space program was prepared by BOOR/A (Metro's architect) in consultation with Metro Headquarters Project staff. Current department requests have been made on the basis of current and anticipated growth in personnel over the next few years. Usable square feet in the headquarters building will total approximately 70,000, thereby allowing 7,000 feet for further growth.

RATES AND AFFORDABILITY

Exhibit 6: Rate per Square Foot
Exhibit 7A, 8A, 9A: Building Management Fund Transfers
Exhibit 7B, 8B, 9B: Effect on Enterprise Revenues/Excise Tax
Graph 1: Components of Building Cost Increase
Graph 2: Comparison of Rates

Key Assumptions:

Rate per Square Foot - Estimated rates per square foot for the headquarters building are shown for each of the three financing alternatives on Exhibit 6. Rate requirements include operating costs and debt service. These costs are netted against parking revenues to determine the net requirement. This amount is divided by the occupied square feet in the building to determine the rate per square foot paid by departments for occupancy.

Transfers to Building Management Fund - Exhibits 7A, 8A, and 9A show the transfers to the Building Management Fund required by each operating department under each financing option. The amounts shown include Support Service building costs allocated on the same basis as that shown in the FY 1991-92 Approved Budget.

Effect on Enterprise Revenues and Excise Tax - Exhibits 7B, 8B, 9B show the effect of the increased building costs on certain enterprise revenues and Metro excise tax. The calculation of Solid Waste tipping fees provides for increased building costs related to Solid Waste occupancy of space and the allocable costs of Transportation Planning and Planning and Development. The calculation of excise tax provides for increased building costs related to increases in General Government occupancy of space and the allocable costs of Transportation Planning and Planning and Development

Limitations of the analysis:

- The increase in tipping fees has been calculated on the basis of currently budgeted tons of solid waste. It can be assumed that this amount will increase in the future.

- MERC and Zoo revenues are projected to increase at 3% per year. No attempt has been made to accommodate possible changes in MERC revenues related to construction of the new arena, revenue measures implemented to fund deficits at the Civic Stadium and the Portland Center for the Performing Arts. Similarly no attempt has been made to anticipate any revenue adjustments related Zoo revenue increases to alleviate potential future shortfalls in funding.

- The amount of excise tax revenues collected is dependent on revenues of other departments. This analysis holds other department revenues constant except to the extent that increased revenue requirements related to increased building costs affect department earnings. Growth in department earnings would lessen the effect of increases in excise tax shown on the Exhibits.

Exhibit 6 (page 2 of 2)

RATE PER SQUARE FOOT
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

	Fiscal Years						
	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
ALTERNATIVE 3 (ESCALATED DEBT SERVICE)							
Requirements							
Operating costs	377,000	505,000	646,000	823,000	1,051,000	1,341,000	1,711,000
Debt service	791,000	1,055,000	1,250,000	1,480,000	1,754,000	2,078,000	2,301,000
	1,168,000	1,560,000	1,896,000	2,303,000	2,805,000	3,419,000	4,012,000
Revenue							
Parking	124,000	158,000	202,000	258,000	329,000	420,000	536,000
Net requirements	1,044,000	1,402,000	1,694,000	2,045,000	2,476,000	2,999,000	3,476,000
Occupied square footage (a)	63,246	69,000	69,000	69,000	69,000	69,000	69,000
Rate per square foot	$16.50	$20.32	$24.55	$29.64	$35.88	$43.46	$50.38
Furniture and fixture rate (b)	$1.11	$1.36	$1.61	$1.91	$2.26	$2.68	$2.96

a. Assuming full occupancy in FY 1999-2000
b. Furniture and fixture rate is calculated by dividing the debt service allocable to furniture and fixtures by the number of occupied square feet.

Exhibit 7B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 1: Level Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		228,000	261,000	297,000	342,000	399,000	472,000	565,000
Increase in tipping fees		$0.19	$0.22	$0.25	$0.29	$0.33	$0.39	$0.47
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		166,000	179,000	191,000	208,000	229,000	255,000	289,000
Increase as a percentage of revenues		0.92%	0.86%	0.79%	0.74%	0.71%	0.68%	0.72%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		47,000	52,000	58,000	65,000	74,000	85,000	99,000
Increase as a percentage of revenues		0.36%	0.34%	0.33%	0.32%	0.31%	0.31%	0.34%
EXCISE TAX								
Increased building costs (c)		268,000	292,000	318,000	349,000	391,000	443,000	510,000
Increase in Excise Tax revenue		23,000	26,000	28,000	32,000	37,000	42,000	50,000
Net increase in Excise Tax requirement		245,000	266,000	290,000	317,000	354,000	401,000	460,000
Increase in Excise Tax percentage		0.32%	0.34%	0.38%	0.41%	0.46%	0.52%	0.60%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development costs.

Exhibit 8B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 2: Variable Debt Service

Effect on Enterprise Revenues and Excise Tax

	Budget	Fiscal Years						
	1991-92	1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		176,000	236,000	298,000	368,000	452,000	553,000	645,000
Increase in tipping fees		$0.15	$0.20	$0.25	$0.31	$0.38	$0.46	$0.54
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		148,000	169,000	191,000	217,000	248,000	284,000	318,000
Increase as a percentage of revenues		0.82%	0.81%	0.79%	0.78%	0.76%	0.75%	0.80%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		39,000	48,000	58,000	69,000	82,000	97,000	112,000
Increase as a percentage of revenues		0.30%	0.32%	0.33%	0.34%	0.35%	0.35%	0.39%
EXCISE TAX								
Increased building costs (c)		239,000	282,000	326,000	376,000	436,000	508,000	575,000
Increase in Excise Tax revenue		19,000	24,000	28,000	34,000	41,000	49,000	56,000
Net increase in Excise Tax requirement		220,000	258,000	298,000	342,000	395,000	459,000	519,000
Increase in Excise Tax percentage		0.28%	0.33%	0.39%	0.44%	0.51%	0.59%	0.67%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

8/13/91

Exhibit 9B

BUILDING MANAGEMENT FUND TRANSFERS AT DEPARTMENT LEVEL
FINANCIAL ANALYSIS OF HEADQUARTERS BUILDING PURCHASE AND RENOVATION
METROPOLITAN SERVICE DISTRICT

Alternative 3: Escalated Debt Service

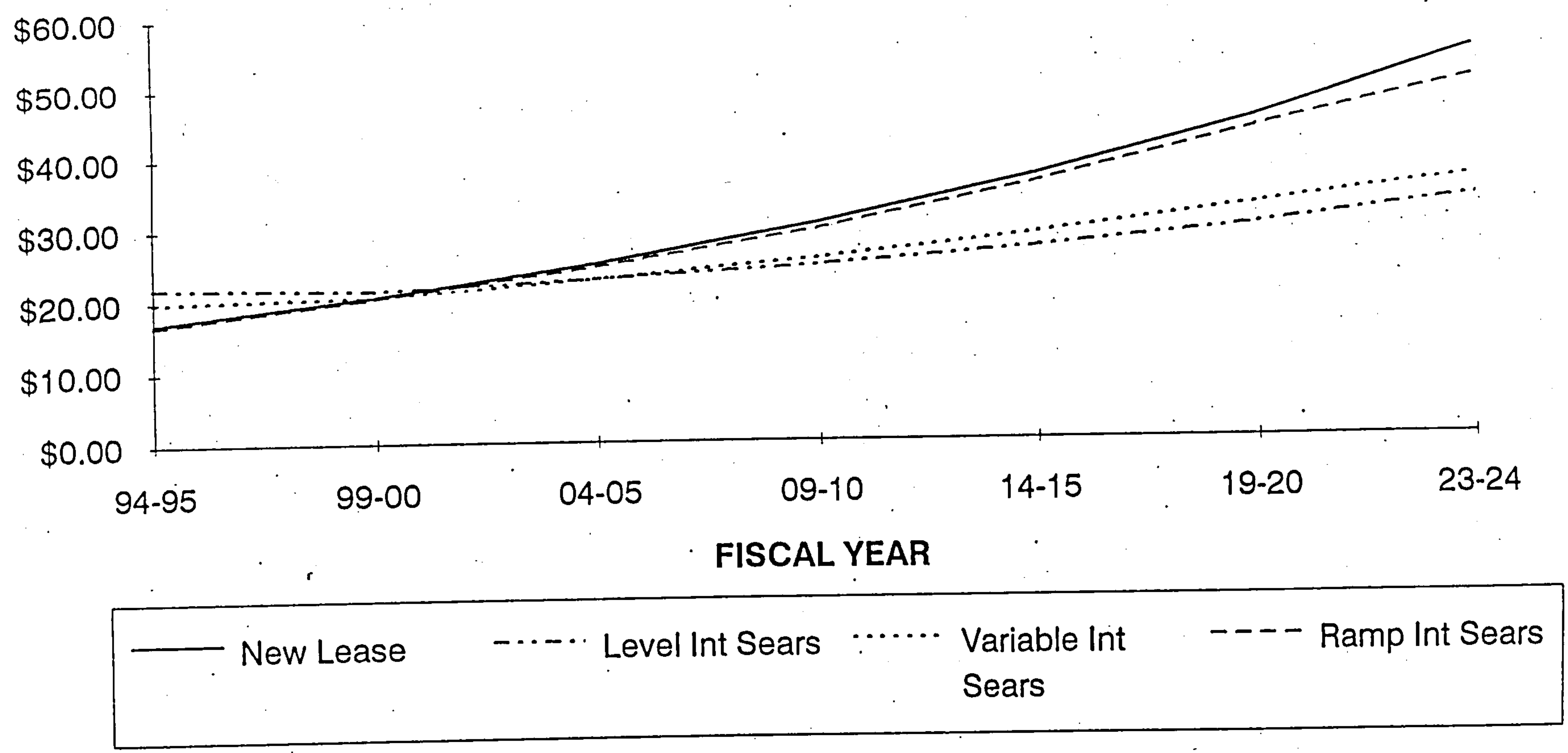
Effect on Enterprise Revenues and Excise Tax

	Budget 1991-92	Fiscal Years 1994-95	1999-2000	2004-05	2009-10	2014-15	2019-20	2023-24
SOLID WASTE TIPPING FEES								
Estimated tonnage	1,200,000							
Increased building costs (a)		88,000	228,000	342,000	479,000	645,000	848,000	1,030,000
Increase in tipping fees		$0.07	$0.19	$0.29	$0.40	$0.54	$0.71	$0.86
MERC REVENUES								
Budgeted revenues (1991-92)	16,447,000							
Estimated revenues (b)		17,972,000	20,835,000	24,153,000	28,000,000	32,460,000	37,630,000	39,921,000
Increased building costs		115,000	166,000	207,000	257,000	318,000	391,000	457,000
Increase as a percentage of revenues		0.64%	0.80%	0.86%	0.92%	0.98%	1.04%	1.14%
ZOO REVENUES								
Budgeted revenues	11,973,793							
Estimated revenues (b)		13,084,000	15,168,000	17,584,000	20,385,000	23,631,000	27,395,000	29,064,000
Increased building costs		25,000	47,000	65,000	86,000	112,000	143,000	171,000
Increase as a percentage of revenues		0.19%	0.31%	0.37%	0.42%	0.47%	0.52%	0.59%
EXCISE TAX								
Increased building costs (c)		168,000	251,000	313,000	396,000	497,000	620,000	723,000
Increase in Excise Tax revenue		12,000	23,000	32,000	43,000	56,000	72,000	86,000
Net increase in Excise Tax requirement		156,000	228,000	281,000	353,000	441,000	548,000	637,000
Increase in Excise Tax percentage		0.20%	0.30%	0.36%	0.46%	0.57%	0.71%	0.82%

a. Includes increased Solid Waste costs and allocable portions of Transportation Planning and Planning and Development costs.
b. Assuming revenues increase at 3% per year.
c. Includes increased costs for general government and allocable portions of Transportation Planning and Planning and Development cost.

8/13/91

GRAPH 2
ANNUAL PER SQUARE FOOT COSTS
EXCLUDES FURNITURE



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: October 17, 1991

TO: Tanya Collier

FROM: Casey Short CS

RE: Sears Building Jury Member

The attached memo from Berit Stevenson requests you to name a Councilor to serve on the jury to select the winning design/build team for the Sears Building project. I want to flesh out some of the details from Berit's memo, primarily to give you a better sense of the scope of the commitment the jury member will be making.

The individuals on the jury - in addition to the Councilor you will select - are expected to be Dick Engstrom (or Rena, if she chooses), Neil Saling, Dick Waker, and Gordon Ranta, who is Director of Design & Construction at OHSU. Waker and Saling are confirmed; Ranta has tentatively agreed but is not yet confirmed; and Rena will make her choice after she gets back from her trip.

Proposals are due November 15, and jury members will need to have read the three proposals between then and the November 22 interviews. I would expect that whoever you select will want to spend some time discussing issues with Regional Facilities staff and reviewing the RFP in the next month.

In addition, there is a possibility that the jury will remain in place after the selection, as an advisory committee to the project staff. That hasn't yet been determined; there will be other review committees, including technical types, employees, probably a day-care advisory committee, and of course the Regional Facilities Committee will have general oversight.

I think you ought to make your choice within the next week, to give the person time to get into the details of the project. You might even want to point toward next Thursday's Council meeting to announce your selection.

Please let me know if you want any more information.

c: Don Carlson

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

TO Casey Short, Council Analyst

FROM Berit Stevenson, Project Manager Berit
Metro Headquarters Project

DATE October 16, 1991

RE Proposal Jury
Metro Headquarters Project

I have begun putting together a jury to evaluate the Headquarters design/build proposals which we will receive on Nov. 15th. I am planning on a five member jury with representation from Executive Management, Facilities Department, MERC, an outside appointee with design/build experience and the Metro Council. As such I am requesting that the Presiding Officer designate a Metro Councilor to serve on the jury.

The current time schedule would require, at a minimum, participation on Nov. 22 and Nov. 27 (Thanksgiving eve). On the 22nd, the jury will receive presentations from all three teams which will take nearly a full day. At the 27th meeting, the jury will be involved in final deliberations and should plan on approximately 1 to 2 hours. Other meetings could become necessary depending on the complexity of the proposals received and other unforseeable issues. Because of our tight time schedule it is very important that all jury members be able to participate fully and be able to accommodate the schedule (be flexible).

Please let me know as soon as possible who we can expect as the Metro Councilor jury member. Thanks for your help and do not hesitate to call with questions.

c: Neil Saling

REGIONAL FACILITIES DEPARTMENT

Casey Short

I received your follow-on questions and Jennifer & I will respond. With regard to the policy questions I would make two points:

- Any improvement found in a presently unidentified alternative to the Sears facility renovation will be marginal at best and is not worth opening the RFP to the world
- Metro is growing and will continue to grow with the corresponding need to pay for the space occupied

[signature]
5

METRO
2000 SW First Ave.
Portland, OR 97201-5398
(503) 221-1646

WALKER/DILORETO/YOUNIE, INC.
CONSULTING STRUCTURAL ENGINEERS
215 S.W. HOOKER STREET, PORTLAND, OREGON 97201 503/223-0555 FAX 503/223-1025

November 21, 1991

PRINCIPALS
ROBERT A. WALKER
DALE J. DiLORETO
WADE W. YOUNIE

LICENSED P.E.
ARIZONA
CALIFORNIA
COLORADO
HAWAII
IDAHO
MONTANA
NEVADA
NEW MEXICO
OREGON
WASHINGTON
WYOMING

METRO
2000 SW First Avenue
Portland, Oregon 97205

ATTN: Berit Stevenson

RE: **METRO HEADQUARTERS BUILDING/PROPOSAL REVIEW**

Dear Berit:

At your request, the structural aspects of the three (3) proposals for the METRO Headquarters Building remodel project were reviewed. Each of the proposals were evaluated for substantial conformance to the criteria in the RFP. No seismic upgrade design for this building would be able to meet 100% of the Zone 3 requirements of the code. The following response is limited to information contained in the three proposal packages, the information discussed during the technical evaluation sections on November 15, 1991, and the answers to questions sent to each of the teams (which have been enclosed).

THOMPSON-VAIVODA ARCHITECTS/COLE/HOFFMAN CONSTRUCTION (TCH)

The structural information in the TCH submittal was limited to a two (2) paragraph description of renovation and upgrade; and first, second, the third floor plans showing locations of new shear walls. Review of this information and answers to the follow-up questions indicates that the TCH proposal is in substantial compliance with the structural portions of the RFP.

The number and location of the proposed shear walls appear adequate, but no detailed information describing ductility and interface with existing structural elements was included. No new shear walls were added to the basement level. The new shear walls were not coordinated with the architectural floor plans, in fact, none of the shear walls show up on the architectural floor plans. The proposed locations of shear walls will impact office layouts, etc. It is recommended that METRO review the proposed wall locations.

Under the TCH scheme, the original brick veneer would be removed; and a new lighter weight, curtain wall system with full-height glazing would be installed. New window openings and enlarged existing openings are proposed. Their exterior closure scheme will aid in reducing the overall seismic forces to the building.

The existing freight elevator shaft is terminated at the first floor level near the recycling and reloading area. No provisions are shown to support existing shaft walls or provide for an elevator pit. ~~Two~~ ONE (~~2~~ 1) newly, added elevators at the south end of the building also terminate at the first level with no provisions for a pit or mechanical room.

No structural information on the column-free Council Chamber was provided.

ANDERSON/BOORA TEAM

The structural information on the seismic upgrade described by this team was complete and well thought-out. Review of this information and answers to the follow-up questions, indicates that the proposal is in substantial compliance with the structural portions of the RFP. Actual shear wall elevations and the drag strut information was provided in their submittal. Shear wall locations were coordinated with the architectural drawings provided. Their seismic upgrade design was backed by computer analysis, similar to the one that would be required for the final project analysis.

The brick veneer will be removed from the exterior walls and replaced only on the Grand Street level walls. The addition of new windows, enlargement of existing windows, and removal of veneer will significantly reduce the weight of the structure for seismic analysis.

Three (3) existing columns supporting the adjacent parking garage stairs and ramp in the Grand Street level were not shown. No information for lowering existing raised slab on the east side on the Grand level was mentioned.

The reduction of work for the alternate(s) (no Zone 3 upgrade) appear extreme and should not be considered.

H. NAITO PROPERTY/P&C CONSTRUCTION/SERA/KPFF

The base proposal does not meet the structural criteria outlined in the RFP. The base proposal includes no seismic upgrading. This proposal should not be considered.

Sincerely,

WALKER/DILORETO/YOUNIE, INC.

Wade Younie

Wade W. Younie, P.E.

Enclosures

METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

TO	Selection Jury
FROM	Berit Stevenson, BS. Project Manager Metro Headquarters Project
DATE	November 21, 1991
RE	Technical Evaluation Report Metro Headquarters Project

The Technical Evaluation Team is made up Metro Headquarters Project Staff (Berit Stevenson, Glenn Taylor and Sandy Stallcup), Wade Younie of Walker, Diloreto & Younie, Inc. (Structural) and Rodger Bekooy and Harry Beik of Carson Bekooy, Gulick & Kohn (Mechanical and Electrical). The team received proposals and preliminary presentations from the three design/build teams on Friday, November 15, 1991. The team members have reviewed the proposals for compliance with the RFP and have submitted written reports.

All three design/build teams have submitted a base proposal which is within the stated project budget of $9,361,000. Only those base proposals are the subject of this report. All three base proposals include project completion within the stated 396 calendar days.

The TVA/Cole & Hoffman proposal has been determined to be within substantial conformance with the stated performance standards and program. Some minor modifications have been made, however such modifications do not compromise the overall design intent as indicated by the RFP and have been determined to be acceptable.

The BOOR/A & Anderson proposal also has been determined to be within substantial compliance with performance standards and program. The BOOR/A design deviates somewhat from the RFP's Concept Design Drawings; again, these deviations have been determined to be minor and therefore acceptable.

The Naito/SERA /P & C proposal has been found to be nonconforming with the performance standards and program. Numerous exceptions to the RFP have been listed. These exceptions include no structural upgrade, no parking in lower levels, little or no landscaping, no gateway, no skylights, columns in the Council Chamber, mechanical & electrical equipment and escalators abandoned in place and downgrading of mechanical and electrical systems. These exceptions have been determined to be too numerous and too significant. As such, the Naito/SERA/P & C proposal has been determined to be non-compliant.

Copies of the related reports are available for review.

Recycled Paper

METROPOLITAN SERVICE DISTRICT
Metro Headquarters Project
Agenda

Introduction

Project Design

Project Construction

Questions/Discussssion

ANDERSEN CONSTRUCTION CO., INC • BROOME, ORINGDULPH, O'TOOLE, RUDOLF, BOLES & ASSOCIATES

ANDERSEN/BOOR/A is committed to developing a METRO solution for your new headquarters and the most value for your budget:

- *Like Metro, our proposal plans for the long term.*

  Our design minimizes life cycle costs for energy use, maintenance, and future remodeling. Energy efficient systems, maximum use of daylighting, use of durable low maintenance materials, maximum flexibility for change and growth, and substantial structural seismic upgrades assure a wise investment of public funds.

- *Like Metro, our proposal stresses accessibility, efficiency and functional arrangements.*

  Our design supports accessible government from the gentle inviting ramp to the building to the transparent and public location of the council chambers. Our plans create an efficient and functional arrangement for Metro departments.

- *Like Metro, our proposal stresses recycling.*

  Our design is a visible and functional demonstration of your commitment to recycling. Reinstalling the existing brick in a new structurally sound system, exposing the original structure, and recycling other building materials offer quality construction, economy and allow Metro to use its headquarters as a demonstration project in the community.

- *Like Metro, our building assures the livability for Metro employees and visitors.*

  Our proposal offers amenities of a beautiful courtyard, landscaped gardens, large windows and skylit atrium for carefully designed daylighting and views, high ceilings, a mechanical system that reduces sick building syndrome, and a well designed day care facility for building users. These amenities increase employee comfort, health and efficiency.

- *Like Metro, our building image is professional and substantial in character and innovative in spirit.*

- *Like Metro, our team is committed to partnerships and results.*

  Our commitment to value doesn't end with design. The ANDERSEN/BOOR/A Team has a proven track record as a team, is dedicated to continuing our partnership with Metro and assuring that this project meets your program, schedule and budget, and exceeds your expectations.

METRO HEADQUARTERS PROJECT

WHOMEVER YOU RECOMMEND, WE BELIEVE YOU SHOULD:

- Examine each proposal's schedule of values by line item

- Ask each team specifically how they prepared their construction cost estimate

- Ask each team what they would propose if unforeseen conditions caused substantial escalation of construction costs after the contract is awarded

- Check the costs independently with an outside source

5 NORTHWEST FRONT STREET P.O. BOX 3458 PORTLAND, OREGON 97208 (503) 228-7404 FAX (503) 273-8313
A Division of Norcrest China Company

12-Mar-91
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SEARS BUILDING AS METRO HEADQUARTERS

COST ESTIMATE COMPARISON SUMMARY

DESCRIPTION	HOFFMAN CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST	TURNER CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST	KITCHELL CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST
DEMOLITION												
GENERAL	202497	SF	1.95	$394,869	200000	SF	1.63	$325,725	205098	SF	4.59	$941,43
REMOVE MECH & PIPE	202497	SF	0.50	$101,249								
MECH EQUIP	INCL											
REMOVE WINDOW INFILL					335	OPNG	50.00	$16,750				
ATRIUM CUTOUT	INCL				18	EA	3000.00	$54,000	9000	SF	1.00	$90,00
REMOVE EXT FACADE	56000	SF	1.75	$98,000	66700	SF	1.75	$116,725	INCLUDED IN GENERAL			
REMOVE PKG GAR A/C	46000	SF	1.50	$69,000	49000	SF	1.00	$49,000	1	LS		$57,50
SCARIFY SLABS PKG GAR	138000	SF	0.35	$48,300	167800	SF	1.20	$201,360	1	LS		$34,50
				71				164				
STRUCTURE												
SHEAR WALLS.												
MAIN BLDG	5500	SF	18.50	$101,750	5700	SF	30.00	$171,000	1	LS		$66,00
UPGRAGE EXISTING					2000	SF	20.00	$40,000	1	LS		$25,00
PARKING GARAGE	INCL				1836	SF	30.00	$55,080	1	LS		$58,46
STAIR & ELEV @ GAR					1	LS		$18,000	1	LS		$17,00
FOOTINGS	133	CY	750.00	$99,750	104	LF	175.00	$18,200				
EXC & BKFL	532	CY	100.00	$53,200 255	1400	CY	15.00	$21,000 323	3250	CY	9.62	$31,25
NEW RAMP STRUCTURE	1900	SF	20.00	$38,000								
CUT OPENING					250	SF	20.00	$5,000	250	SF	35.00	$8,750
NEW RAMP WALLS					2500	SF	22.00	$55,000	166	LF	309.00	$51,24
RAMP SOG					4000	SF	5.00	$20,000	3959	SF	5.00	$19,795
BSMT CLG INSULATION									58340	SF	1.75	$102,095
MISC PITS/REPAIRS				28	1	LS		$20,000 100	495	SF	8.00	$3,960
INTERCONNECTIONS	ALLOWANCE			$34,000	1	LS		$25,000	1	LS		$9,00
EPOXY @ PARKING	ALLOWANCE			$50,000					1	LS		$20,00
PATCH @ PARKING	138000	SF	0.25	$34,500	167800	SF	0.35	$58,730	1	LS		$50,00
REVAMP STAIRS/RAILS	4	FLT	1200.00	$4,800	8	FLTS	3500.00	$28,000	8	FLT	750.00	$6,00
NEW STAIRS/RAILS	7	FLT	6500	$45,500	6	FLTS	11500.00	$69,000	5	FLT	12000.00	$60,00
SOG/TRENCHES	ALLOWANCE			$15,000								
MISC IRON					200000	SF	0.15	$30,000	1	LS		$25,00
COVER EXIST OPENINGS					18	OPNG	3500.00	$63,000	5518	SF	22.00	$121,39
MISC CUT/PATCH/REPAIR					200000	SF	0.15	$30,000	205098	SF	0.44	$91,02
NEW PENTHOUSES					800	SF	20.00	$16,000	3470	SF	17.88	$62,05
PKG GAR E END SPCL					1	LS		$30,000				
REINFORCE NEW OPEN'G				184					2236	LF	50.00	$111,80
FACADE								325				
GLASS/STEEL CANOPY	1325	SF	50.00	$66,250	1	LS		$50,000	1	LS		$75,00
POLISHED CMU/BRICK	30812	SF	13.50	$415,962	27300	SF	12.00	$327,600				
METAL PANEL									1641	SF	25.00	$41,02
STONE					2100	SF	50.00	$105,000				
EXTERIOR WINDOWS					335	OPNG	650.00	$217,750	1111	SF	30.00	$33,33
STUDS/GWB/INSULATION	30812	SF	3.50	$107,842	42000	SF	4.15	$174,300	21240	SF	4.24	$90,00
PATCH EXT SOFFITS	180	SF	2.00	$360					1004	SF	9.56	$9,60
GLASS/STOREFRONT	24163	SF	27.50	$664,483	1800	SF	30.00	$54,000	9588	SF	25.00	$239,70
GLASS DOOR LEAVES	8	EA	1000.00	$8,000	4	EA	5000.00	$20,000	6	PR	2350.00	$14,10
PARKING GAR SKIN	ALLOWANCE			$200,000	1	LS		$104,550	1	LS		$200,00
DRYVIT OVER CONC.	5248	SF	5.50	$28,864	12600	SF	7.00	$88,200	46455	SF	10.96	$509,21
				1491				1,142				

12-Mar-91
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SEARS BUILDING AS METRO HEADQUARTERS

COST ESTIMATE COMPARISON SUMMARY

DESCRIPTION	HOFFMAN CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST	TURNER CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST	KITCHELL CONSTRUCTION QUANTITY	UNIT	UNIT COST	COST
ROOF/WATERPROOF												
WATERPROOF PARKING	138000	SF	1.95	$269,100	167800	SF	3.00	$503,400	1	LS		$379,500
WATERPROOF PLAZA									21296	SF	2.50	$53,240
REMOVE ROOFING	64774	SF	0.75	$48,581	INCLUDED IN NEW ROOF				45653	SF	0.65	$29,674
NEW ROOF	64774	SF	4.50	$291,483	36000	SF	4.50	$162,000	45653	SF	3.50	$159,786
FLASHING	420	LF	110.00	$4,200	1	LS		$25,000	45653	SF	1.01	$46,153
REPAIR EXISTING WTPRF					1	LS		$35,000				
DAMPROOF EXT WALL					42000	SF	0.25	$10,500				
SKYLIGHTS	4000	SF	110.00	$440,000	7	LS		$221,000	2475	SF		$103,750
METAL/GLASS & LOUNGE					1	LS		$100,000				
INTERIOR FINSHES (CORE)												
PARTITIONS	23700	SF	3.75	$88,875	1500	LF	70.00	$105,000	39916	SF	3.79	$151,154
TOILET PARTITIONS	36	EA	450.00	$16,200	2000	LF	35.00	$70,000				
MECH/ELEC CHASE WALLS					550	LF	60.00	$33,000	4961	SF	4.50	$22,325
NEW GARAGE PARTITIONS					125	LF	45.00	$5,625				
DOOR, FRAME, HARDWARE	51	EA	750.00	$38,250	34	EA	650.00	$22,100	61	EA	800.00	$48,800
WALL FINISHES	25180	SF	2.00	$50,360	3	FLRS	2000.00	$6,000	46269	SF	0.50	$23,135
PAINT BASEMT GARAGE					87500	SF	0.40	$35,000				
TOILET RM FINISHES					12	RMS	6000.00	$72,000	3728	SF	4.52	$16,096
FLOOR FINISHES	16460	SF	4.00	$65,840					2376	SY	29.14	$69,227
LOBBY UPGRADE	1	LS		$200,000					1	LS		$75,000
CEILING FINISHES	16460	SF	2.00	$32,920	5750	SF	2.00	$11,500	144845	SF	1.12	$161,961
SPECIALTIES	202497	SF	0.25	$50,624	200000	SF	0.10	$20,000				
ATRIUM RAILS	500	LF	125.00	$62,500					496	SF	41.13	$20,400
CONVEYING SYSTEMS												
PASSENGER ELEVATORS	12	STOPS	18250.00	$219,000	3	EA	45000.00	$135,000	3	EA	70667.00	$212,000
NEW PITS/CASINGS					4	EA	15000.00	$60,000	2	EA	12500.00	$25,000
FREIGHT ELEVATOR					1	EA	50000.00	$50,000	1	EA		$58,000
REHAB EXISTING ELEV	ALLLOWANCE			$100,000					1	LS		$35,000
MECHANICAL												
HVAC	202497	SF	4.25	$860,612	200000	SF	4.64	$927,450	205098	SF	2.87	$588,591
PLUMBING	202497	SF	0.75	$151,873	200000	SF	0.86	$171,000	205098	SF	0.84	$171,648
FIRE SPRINKLERS	202497	SF	0.75	$151,873	200000	SF	0.29	$57,490	205098	SF	0.70	$144,314
PARKING GARAGE					216800	SF	0.16	$35,000				
ELECTRICAL												
BLDG CORE & SHELL	202497	SF	3.56	$720,889	200000	SF	2.86	$572,025	205098	SF	3.73	$764,772
PARKING GARAGE	1	LS		$77,350	216800	SF	0.55	$119,240	1	LS		$99,000
SITEWORK												
DEMO PLAZA DECK									21296	SF	1.00	$21,296
CONC TOPPING & PLAZA									7418	SF	5.00	$37,090
PAVING	ALLOWANCE			$15,000					2584	SF	10.00	$25,840
ROUGH & FINISH GRADE									1	LS		$10,000
SIDEWALK DEMO									7616	SF	1.00	$7,616
CIP CONC BRIDGE									1097	SF	35.00	$38,395
CURB & GUTTER									850	LF	8.00	$6,800
PLAZA AMENITIES/RAIL									21296	SF	2.17	$46,296
SITE LIGHTING	"			$30,000	1	LS		$25,000	21296	SF	0.60	$12,788

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SEARS BUILDING AS METRO HEADQUARTERS

COST ESTIMATE COMPARISON SUMMARY

DESCRIPTION	HOFFMAN CONSTRUCTION QUANTITY UNIT	UNIT COST	COST	TURNER CONSTRUCTION QUANTITY UNIT	UNIT COST	COST	KITCHELL CONSTRUCTION QUANTITY UNIT	UNIT COST	COST
LANDSCAPE/IRRIG	"		$125,000	1 LS		$20,400	1 LS		$50,000
SITE UTILITIES	"		$40,000				1 LS		$53,000
SIGNAGE	"		$25,000	1 LS		$20,000			
GATEWAY	"		$100,000						
SIGNALIZATION	"		$45,000						
NEW SIDEWALKS				5000 SF	5.00	$25,000	10643 SF	4.28	$45,599
REPAIR EXISTING WALKS				10000 SF	1.00	$10,000			
NEW STAIRS TO PLAZA				1 LS	25000.00	$25,000	2 SETS	10000.00	$20,000
CONCRETE SERV RAMP				18000 SF	22.00	$396,000			
NEW PARKING & GRADE				15000 SF	0.75	$11,250			
PARKING STRIPING				216800 SF	0.05	$10,840	632 SF	8.00	$5,056
PKG GAR SIDEWALK RPR				1 LS		$10,000			
SUBTOTAL			$7,000,209			$6,795,790			$7,113,523
GENERAL CONDITIONS			$350,010						
BONDS & INSURANCE			$190,826				MOST IN FEE		$140,290
PERMITS & FEES	BY OWNER						INCL IN FEE		
CONTRACTORS FEE	4 %		$340,000	OH & FEE%	15.00	$1,019,369	INCL TI		$900,000
SUBTOTAL			$7,881,044			$7,815,159			$8,153,813
METRO TENANT FINISH			1,800,000	141000 SF	14.89	$2,099,490	59373 SF	25.45	$1,511,204
			9.7			9.8			9.6

① NO ARCHITECT/ENGINEER FEES
② NO ZONE 3 SEISMIC
③ NO MECH/ELECTRICAL SPEC

H. NAITO PROPERTIES/P & C CONSTRUCTION JOINT VENTURE

COST COMPARISON BETWEEN NAITO/P & C ALTERNATE 3
BLDG. @ MAXIMUM PRICE AND COMPETITORS' SCHEMES

SCHEDULE OF VALUES	100% RFP NAITO/P&C ALT. 3	100% RFP @ $9.36MM	%	BOORA/ ANDERSON	TVA & COLE/ HOFFMAN
SITEWORK *	889,716	350,000	25%		
DEMOLITION**	1,447,428	1,100,000	76%		
FOUNDATION & SUBSTRUCTURE	273,591	68,705	25%		
SUPERSTRUCTURE	1,966,268	493,774	25%		
EXTERIOR CLOSURE	1,427,963	358,593	25%		
ROOFING	514,877	463,389	90%		
INTERIOR CONSTRUCTION	956,618	860,956	90%		
EQUIPMENT	92,528	83,275	90%		
CONVEYING	366,828	330,145	90%		
MECHANICAL	1,293,328	1,163,995	90%		
ELECTRICAL	1,103,328	992,995	90%		
GENERAL CONDITIONS	543,736	489,362	90%		
O/H & PROFIT	695,041	337,760	49%		
A/E CONSULTANT FEES	712,726	468,050	66%		
SUBTOTAL	12,283,976	7,561,000	62%	7,561,000	7,561,000
METRO INTERIOR CONSTRUCTION ALLOWANCE	1,800,000	1,800,000	100%	1,800,000	1,800,000
TOTAL LUMP SUM	14,083,976	9,361,000	66%	9,361,000	9,361,000

NOTES:

* MANDATORY SITEWORK PER RFP INCLUDES $100,000 GATEWAY ALLOWANCE AND $250,000 MINIMUM INVESTMENT IN IRVING STREET ENTRY COURTYARD CONSTRUCTION.

** DEMOLITION IN NAITO/P & C ALTERNATE 3 HAS BEEN REDUCED BY $55,000 CARRIED IN PROPOSAL FOR DEMOLITION OF SOUTH PARKING GARAGE RAMP WHICH DOES NOT MEET SEISMIC ZONE 3 REQUIREMENTS AND IS OVER DAY CARE CENTER. PER METRO, RAMP IS N.I.C..

METRO HEADQUARTERS RFP COST COMPARISON

22-Nov-91

ITEM		NAITO BASE	ANDERSON BASE	HOFFMAN BASE
SITEWORK	889,716	$160,655	$731,570	$450,000
DEMOLITION	1,502,428	$721,529	$1,013,165	$750,000
FOUNDATION & SUBSTRUCTURE	273,59[illegible]	$188,934	$64,400	$45,000
SUPERSTURCTURE	1,966,268	$1,054,786	$1,044,700	$508,000
EXTERIOR CLOSURE	1,427,963	$1,016,802	$589,105	$1,229,000
ROOFING	514,877	$399,045	$166,197	$250,000
INTERIOR CONSTRUCTION	956,618	$790,595	$388,780	$865,000
EQUIPMENT	92,528	$37,245	$23,100	$15,000
CONVEYING	366,828	$131,545	$313,000	$309,000
MECHANICAL		$911,876	$959,235	$1,025,000
ELECTRICAL		$525,893	$697,105	$865,000
GENERAL CONDITIONS		$483,736	$505,013	$435,000
O/H & PROFIT		$463,430	$370,992	$300,000
A/E CONSULTANT FEES		$674,624	$575,000	$495,000
SUBTOTALS		$7,560,695	$7,441,362	$7,541,000
TI ALLOWANCE		$1,800,000	$1,800,000	$1,800,000
TOTAL LUMP SUM		$9,360,695	$9,241,362	$9,341,000
CONTRACTOR FEE FOR TI		9.0	5.0	8.0