

# Old Metro offices drain its budget

■ Since the agency's move to its new building, it hasn't secured tenants for most of its former building downtown, with 2½ years left on the lease

By GORDON OLIVER

of The Oregonian staff

12/15/93

The sign outside the four-story office building on Southwest First Avenue still says "Metro Center."

It might as well read "Metro Albatross."

The building that once housed hundreds of Metro employees sits almost empty and forgotten, save for the bills it produces. Metro moved in May to a posh \$24 million building near the Convention Center, but the agency hasn't been able to shed its former quarters in downtown Portland.

Unless the regional government agency finds tenants to fill its old building, it could wind up wasting \$1 million on empty office space before its lease expires in mid-1996.

"How does it look to the public? Lousy," admitted Rena Cusma, Metro's executive officer. "The sooner we deal with this appropriately, the better off we are."

Metro spends \$24,230 a month for rent and \$11,000 for upkeep and maintenance of the 30-year-old building at 2000 S.W. First Ave. Cusma wants the Metro Council to decide before Christmas how to deal with the gigantic sucking sound in the agency's budget. Here are the choices:

- Metro could kick out its three tenants, who occupy just

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Attorney Steve Moskowitz, one of the few tenants in the old Metro building, sits in a room that has the capacity for 40 to 50 people. BRE

## Metro: 'Escape clause' suggested

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10 percent of the 44,000-square-foot building, and mothball the place until its lease expires, reducing maintenance costs. Metro would still spend about \$800,000 on its lease and upkeep costs, said regional facilities manager Neil Saling.

- Metro could extend its lease to five years in order to attract tenants. CB Commercial Real Estate Group has lined up eight tenants who would occupy 90 percent of the building with five-year leases, said broker Brad Pihas. This would enable Metro to cut its losses to just \$70,000 over the course of the lease, according to Saling.

Cusma favors the extended lease. But according to Saling, the Metro councilors didn't like the idea during a recent executive session.

The commercial real estate firm hasn't lined up any leases for less than five years, but the building's owner won't promise to keep Metro's tenants after the agency's lease expires in 2½ years.

- Metro Councilor Susan McLain sees a third possible solution in a contract provision that might allow the agency to walk away from the lease with a \$25,000 fee to the property owner. Simply put, the clause seems to say that Metro can termi-

nate the lease if the council refuses to appropriate funds for the lease.

Cusma believes that using the escape clause violates the spirit of the lease agreement with AMCO-Portland Inc., the property-management firm owned by investor Roger S. Meier.

"I don't like slick. I don't like manipulating things to get my way," Cusma said. "I think we pay our bills and keep our word."

Steve Janik, an attorney representing Meier, said he wasn't aware of the lease provision.

Metro also could simply buy its way out of the lease, but Saling says that could cost the agency about \$1.1 million in a payout to Meier's firm.

Metro didn't expect the building to become a huge financial drain. The agency had estimated that the building on Southwest First Avenue would be nearly full just four months after Metro's move to the renovated former Sears Roebuck building at 600 N.E. Grand Ave. But businesses that had considered leasing the entire building backed out, leaving Metro looking for tenants to divide up the space.

The agency had budgeted for earnings of nearly \$600,000 this year in building rents, but the actual income will be about \$60,000, according to Saling.

The losses will be split among Metro programs, including the Washington Park Zoo, garbage transfer stations, the performing arts center and regional planning.

All is quiet these days inside the building, where private security guard Dick Randall spends his days alone on the building's main floor. Once a week he waters the towering plants in the lobby.

Private attorneys Steve Moskowitz and Chris Thomas occupy a fourth-floor office in the building, but they started searching for new offices after Metro started looking for tenants to take over the entire building. They would like to stay but are waiting to hear Metro's plans.

"It's a great location," Thomas said. "But naturally, you'd rather be in a full building."

The only other tenants, the Pacific Fishery Management Council and Solus Systems Inc., are negotiating leases to stay in the building. Solus chief executive officer David C. Hamill moved his small computer firm into the building just a month ago. He's negotiating a three-year lease with an option for two more years and said he didn't know that Metro was even considering ideas such as mothballing the building.

"It sounds it could be a problem," he said.

# Metro official resigns in flap

■ The facilities manager raises a stir when he negotiates a long-term lease for Metro's old building without council approval

By GORDON OLIVER

of The Oregonian staff

A top Metro official resigned under pressure Wednesday in reaction to the agency's problems in trying to find new tenants for a nearly-empty office building that once housed Metro offices.

Neil Saling, Metro's regional facilities manager, said he decided to quit the agency and return to the private sector following a meeting Wednesday morning with Metro Executive Officer Rena Cusma. Saling's resignation was effective at the end of the working day Wednesday.

“



*I've got other things to do than being raked over the coals.*

Neil Saling, facilities manager

”

“I've got other things to do than being raked over the coals,” said Saling, 57. “One of the things I've learned at Metro is that politics is real. I've always dealt with boards, concrete and nails, and thought those things are real. I've learned that politics is real also.”

Saling's departure came after Metro officials learned that he had negotiated a long-term lease agreement with Metropolitan Family Services for about one-fifth of the 44,000 square-foot building. The lease was subject to the Metro Council's approval, but Metropolitan Family Services was so confident that the deal would go through that it had even ordered stationery with the new address.



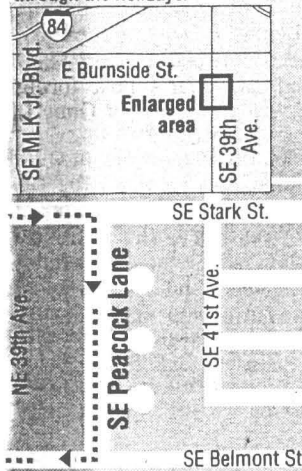
BOB ELLIS/The Oregonian

sitors in cars, on foot or

## nas

### LANE

oute to Peacock Lane, which will through the holidays.



The Oregonian

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**RESIGN, Page E6**

... on  
...  
... through Britain's  
... of appeal could delay  
... of the case until  
... next year, Andrew  
McCoy said. Meanwhile, the women will remain in Britain, the attorney said.

Croft, 44, and Hagan, 46, are accused of conspiring in 1985 with the

... before the high court that the home secretary had insufficient — and “stale” — evidence to justify the women's extradition. The two women's argument that they can't get a fair trial in Oregon because of their past ties to Indian guru Bhagwan Shree Rajneesh and his sect, convinced the High Court to review former British Home Secretary Kenneth Clarke's April 26 order approving their extradition.

evidence jury, the co

Both women never conspired, attorney said in a view late Wednesday. question of them dropping plot; they were never in it.”

He also said that Hagan and Croft “have repudiated the cult. They have had nothing to do with it since 1985,” when they left the Oregon

## Resign: Cusma doesn't place blame

■ Continued from Page E1

Judy Wyers, the Metro Council's presiding officer, called an emergency council meeting for 4 p.m. Friday after learning of the agency's lease offer to Metropolitan Family Services. “Metro councilors are very eager to understand what's going on,” she said.

Metropolitan Family Services has sold its own Northwest Portland office building and at one time had expected to move into the former Metro building this month. It now hopes that it can move into the old Metro building by the end of January, said Metropolitan Family Services director Gary Withers.

But so far, the Metro Council hasn't even decided if it wants to sublease the four-floor building to anyone. Its lease extends until mid-

1996, and Saling wanted the Metro Council to extend the lease to five years in order to attract tenants and cut costs.

The council balked at that idea last week and started looking at options such as mothballing the building or trying to escape the lease by simply refusing to appropriate money for the \$24,000-per-month rent.

Metro moved out of the downtown building in May into a newly-renovated \$24 million building at 600 N.E. Grand Ave. The agency figured it would earn nearly \$600,000 this budget year subleasing its old building, but is actually earning just \$60,000 from its three tenants.

Saling said he probably should have talked to the council earlier about the possibility of extending

the lease to five years. But he insisted that he followed the council's general directive to find tenants for the building.

“There's frustration on my part about changing horses. I'm not a real estate expert, but I have to put myself in the position of those who depended on us.”

Cusma said she was unhappy with the way the lease arrangements had been handled, but she neither took the blame nor placed it on anyone else. Cusma praised Saling for his work at Metro as construction manager for the Oregon Convention Center and the new Metro office building.

“We mutually agreed that it's time for him to move on,” she said. “I have valued him highly, and he did wonderful work in many ways.”

# TIME TO ANSWER

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THURSDAY, DECEMBER 23, 1993

## Leasing trouble

*Metro needs to sharpen its act to regain the region's confidence*

**M**etro gave its detractors plenty of ammunition by mishandling the leasing of its former headquarters building. Now it needs to move swiftly to regain lost credibility.

The Metro council should begin by acknowledging that former Metro construction manager Neil Saling was pursuing the right strategy before he resigned under pressure last week. When he was unable to secure a single, large tenant to take over Metro's 44,000 square feet of leased office space on Southwest First Avenue, Saling concentrated on lining up a sufficient number of smaller tenants.

He recognized that potential tenants would need at least five-year leases, so Metro would have to extend its time as a landlord three years more, from June 30, 1996, when the current lease runs out, to Aug. 31, 1999.

That extension is risky but necessary if Metro plans to sublease the building. The council's hope that short-term tenants could be found is just that — a hope. Tenants willing to move in for such a short time would be harder to find than a deserted mall during the holiday shopping season.

By the same token, leaving the building vacant for the lease's remaining three years is a bad idea. Not only would that leave organizations that thought they had a sublease deal with Metro high and dry, it also would saddle downtown with vacant office space. Politically, that dark and empty building would stand as a powerful reminder of Metro's ineptitude.

The bigger question for the council and Metro Executive Rena Cusma to

address is how they got to this situation in the first place. The original assumption that Metro could sublease its existing office space with little trouble and little financial drain was too optimistic.

Luckily for Metro, the interest on the revenue bonds used to finance Metro's new headquarters (the remodeled Sears building near the Oregon Convention Center) has been lower than anticipated, so money saved there can offset unrealized lease income.

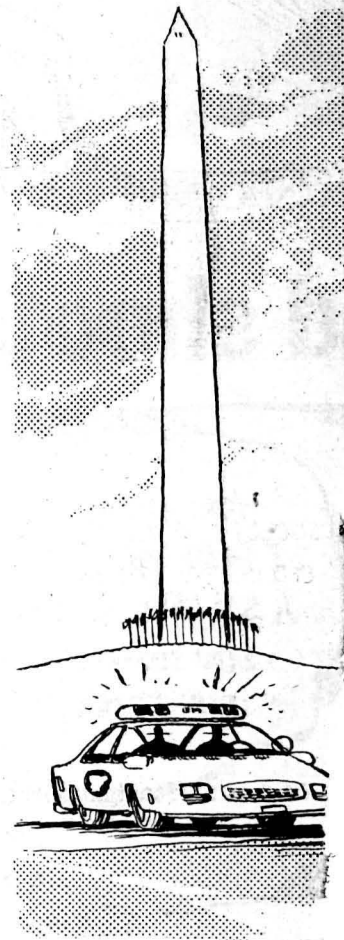
Cusma and Saling should have kept the council better informed on the financial implications of lease negotiations. But the council also needs to sharpen its act.

The council's job is to pay attention to the big picture. Keeping track of the costs associated with buying a headquarters building is the big picture. Debating whether to give themselves free parking — a discussion about the new building the council members did find time to have — is not.

Metro will change a lot over the next year as elections trim the number of council members from 13 to seven. Cusma is not running for reelection, so a new executive will take over.

The first order of business for a new executive and council should be to figure out better ways to work together. Otherwise, one Metro functionary's description of the relationship between the executive and the council — "who does what to whom" — will remain all too true.

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## LETTERS

### Voters and the government chicken with students in

To the Editor: Reading about budget cuts, I find myself wondering who wrote Measure 5 and how it affects me and my peers.

The schools and the parents are locked in a game of chicken. They'll come crashing together in the middle. It seems that even when you take a stand, things get worse who are truly being affected.

I understand the public government, but there are no taxpayers to work out the government without holding it hostage. If I could only vote and make him understand, dealing with our futures vanishing overnight.

Right now, our future can only conclude that it is

### City's dental community hard for cavity-fighting

To the Editor: The illustration in your article, with photos of poor, kids often lack dental

Pass the heterocyclic amines