

METRO

Memorandum

503/221-1646

2000 S.W. First Avenue Portland, OR 97201-5398

DATE: October 8, 1991

TO: Rena Cusma, Executive Officer

FROM: Jennifer Sims, Director of Finance and Management Information

RE: Headquarters Building Parking Structure Analysis

We have attached the final report on the "Sears" parking garage. As indicated in our discussions with you, it appears on the basis of the assumptions contained in this analysis that the purchase of the garage would be a prudent long-run financial decision.

As we discussed, the analysis indicates that the parking garage is likely to suffer losses in the first several years of operation. We suggest that excise taxes be used to provide for these losses rather than department transfers. We will develop our financial documents to allow us the flexibility to use excise tax or any other revenue source for the purpose of paying debt service.

Please let us know if you require any further information.

JS:rs Attachment

c:\rs\memos\1054

cc: Dick Engstrom Neil Saling Chris Scherer Berit Stevenson Don Carlson Casey Short

EXHIBIT B

# METROPOLITAN SERVICE DISTRICT

# PROPOSED PARKING STRUCTURE FINANCIAL ANALYSIS

FINANCE & MANAGEMENT INFORMATION DEPARTMENT

October 2, 1991

# METROPOLITAN SERVICE DISTRICT PROPOSED PARKING STRUCTURE FINANCIAL ANALYSIS

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# METROPOLITAN SERVICE DISTRICT PROPOSED PARKING STRUCTURE FINANCIAL ANALYSIS

# Executive Summary

An addendum to the sales agreement for the Sears building provides an option to purchase the adjoining parking structure. This analysis is to provide information on the likely financial consequences of buying this parking structure. The key assumptions are stated as are the major sources from which the assumptions were drawn.

The purchase price is \$2,600,000 if the closing date is on or before December 16, 1991. The opportunity to purchase the structure is contingent upon Metro's purchase of the Sears building. The agreement provides for six subsequent optional purchase periods of six months each, starting with December 17, 1991. Each six months the price increases five percent. The price increases from \$2,600,000 on December 16, 1991 to \$3,484,200 if the sale is closed by December 15, 1994. Because these costs are in excess of inflation and greater than any near-term loss Metro might incur in operation of the facility, it would not be prudent from a

financial perspective to delay the purchase beyond December 16, 1991.

A conservative and an optimum case of net revenue have been developed. In both cases, there is an initial negative net revenue in the first several years of operation. In the conservative case, the loss the first year would be \$151,000 and decline each year through fiscal year 1998, after which time the facility would operate at a gain. In the optimum case, the loss in the first year would be \$94,000 and decline each year through fiscal year 1996 after which time the facility would operate at a gain. The net present value (the discounted stream of gains or losses) for the conservative and optimum cases are \$602,000 and \$1,749,000 respectively, indicating the purchase of the project would be fiscally prudent given the assumptions contained in the analysis.

#### EXHIBIT I

### ESTIMATED PROJECT COSTS FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT

# Estimated costs to be financed through revenue bonds

| Real Estate          |  |             |
|----------------------|--|-------------|
|                      | Purchase of Parking Structure (a)                      | \$2,600,000 |
|                      | Broker's Fee   | \$104,000   |
|                      |  | \$2,704,000 |
| Project ma           | nagement (b)   |             |
|                      | Design services  | \$61,000    |
|                      | Permits  | \$5,000     |
|                      | Taxes (c)  | \$39,000    |
|                      | Owner's contingency                                    | \$50,000    |
|                      |  | \$155,000   |
| Constructio          | on (b)   |             |
|                      | Meet codes including Earthquake Code 3                 | \$315.000   |
|                      | Repairs (roof, resurfacing, striping, painting)        | \$210,000   |
|                      | Optional Improvements (facade, higher quality repairs) | \$400.000   |
|                      | Contingency (10% of construction)                      | \$93,000    |
|                      |  | \$1,018,000 |
| Other                |  |             |
|                      | Art (1% of construction)                               | \$10,000    |
| Total to be financed |  | \$3,887,000 |
| Estimated c          | osts not included in bond financing                    |             |
|                      | Due diligence  | \$1,000     |
| Total project costs  |  | \$3,888,000 |
|                      |  |             |

(a). Assumes purchase by 12/1/91

(b). Project management and construction costs from Regional Facilities Department

(c). Assumes purchase price times 1/2 year times 3%.

### EXHIBIT 2

# ESTIMATED FINANCING PLAN FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT

#### Sources

Uses

| Revenue bonds           | \$4,472,000 |
|-------------------------|-------------|
| Interest Income         |             |
| Construction Account    | \$15,000    |
| Reserve Account         | \$13,000    |
| Debt Service Account    | \$7,000     |
| Subtotal                | \$35,000    |
| Total Sources           | \$4,507,000 |
| Total "Project" costs   | \$3,888,000 |
| Reserve Account deposit | \$379,000   |
| Capitalized interest    | \$151,000   |
| Issuance costs          | \$89,000    |
| Total Uses              | \$4,507,000 |

# Assumptions

| Interest rates                   |          |  |  |
|----------------------------------|----------|--|--|
| Short term construction fund     | 5.75%    |  |  |
| Average bond coupon (Source PFM) | 6.76%    |  |  |
| Period of construction           | 6 months |  |  |
| Amortization period              | 25 years |  |  |

#### EXHIBIT 3

### INCOME AND EXPENSES CONSERVATIVE CASE (a) FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT

|          | Non-State |           | Evening & |          |             | Operating P |           | 1           |
|----------|-----------|-----------|-----------|----------|-------------|-------------|-----------|-------------|
| Calendar | Daytime   | State     | Weekend   | Interest | Total       | Management  | Data      |             |
| Year     | Parking   | Parking   | Parking   | Income   | Income      | Corte       | Debt      | Net         |
| 1992     | \$44,000  | \$233,000 | \$72,000  | \$19,000 | \$368,000   | COSIS       | Service   | Income      |
| 1993     | \$76,000  | \$233,000 | \$78,000  | \$32,000 | \$418,000   | \$140,000   | \$379,000 | (\$151,000) |
| 1994     | \$81,000  | \$233,000 | \$84,000  | \$32,000 | \$430,000   | \$155,000   | \$379,000 | (\$115,000) |
| 1995     | \$87,000  | \$233.000 | \$90,000  | \$32,000 | \$441,000   | \$159,000   | \$379,000 | (\$108,000) |
| 1996     | \$93,000  | \$233,000 | \$96,000  | \$32,000 | \$452,000   | \$164,000   | \$379,000 | (\$101,000) |
| 1997     | \$99,000  | \$267,000 | \$102,000 | \$32,000 | \$133,000   | \$169,000   | \$379,000 | (\$94,000)  |
| 1998     | \$106,000 | \$307,000 | \$102,000 | \$32,000 | \$501,000   | \$187,000   | \$379,000 | (\$66,000)  |
| 1999     | \$114,000 | \$354,000 | \$100,000 | \$32,000 | \$554,000   | \$209,000   | \$379,000 | (\$34,000)  |
| 2000     | \$122,000 | \$428,000 | \$114,000 | \$32,000 | \$613,000   | \$233,000   | \$379,000 | \$2,000     |
| 2001     | \$130,000 | \$458,000 | \$120,000 | \$32,000 | \$708,000   | \$270,000   | \$379,000 | \$58,000    |
| 2002     | \$139,000 | \$490,000 | \$132,000 | \$32,000 | \$752,000   | \$288,000   | \$379,000 | \$85,000    |
| 2003     | \$145,000 | \$470,000 | \$144,000 | \$32,000 | \$805,000   | \$309,000   | \$379,000 | \$117,000   |
| 2003     | \$143,000 | \$510,000 | \$150,000 | \$32,000 | \$837,000   | \$322,000   | \$379,000 | \$136,000   |
| 2004     | \$151,000 | \$530,000 | \$156,000 | \$32,000 | \$869,000   | \$335,000   | \$379,000 | \$155,000   |
| 2003     | \$157,000 | \$551,000 | \$162,000 | \$32,000 | \$902,000   | \$348,000   | \$379,000 | \$175,000   |
| 2000     | \$163,000 | \$573,000 | \$168,000 | \$32,000 | \$936,000   | \$362,000   | \$379,000 | \$196,000   |
| 2007     | \$170,000 | \$596,000 | \$174,000 | \$32,000 | \$972,000   | \$376,000   | \$379,000 | \$217,000   |
| 2008     | \$176,000 | \$620,000 | \$180,000 | \$32,000 | \$1,008,000 | \$391,000   | \$379,000 | \$239,000   |
| 2009     | \$183,000 | \$645,000 | \$186,000 | \$32,000 | \$1,046,000 | \$406,000   | \$379,000 | \$262,000   |
| 2010     | \$191,000 | \$671,000 | \$192,000 | \$32,000 | \$1,085,000 | \$421,000   | \$379,000 | \$285,000   |
| 2011     | \$198,000 | \$698,000 | \$204,000 | \$32,000 | \$1,132,000 | \$440,000   | \$379,000 | \$313,000   |
| 2012     | \$206,000 | \$725,000 | \$210,000 | \$32,000 | \$1,174,000 | \$457,000   | \$379,000 | \$338,000   |
| 2013     | \$215,000 | \$754,000 | \$216,000 | \$32,000 | \$1,217,000 | \$474,000   | \$379,000 | \$364,000   |
| 2014     | \$223,000 | \$785,000 | \$228,000 | \$32,000 | \$1,268,000 | \$494,000   | \$379,000 | \$394,000   |
| 2015     | \$232,000 | \$816,000 | \$234,000 | \$32,000 | \$1,314,000 | \$513,000   | \$379,000 | \$422,000   |

(a) Conservative case assumes that the state leases the allowed 346 spaces, that 50% of the remaining spaces are leased the first year, and that 80% of the spaces not taken by the state are leased in future years. It is also assumed that the weekend and evening parking occupancy is half of the most likely projection.

#### EXHIBIT 4

# INCOME AND EXPENSES OPTIMUM CASE (a) FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT

|          | Non-State |           | Evening & |          |             | Operating & |           | T                |
|----------|-----------|-----------|-----------|----------|-------------|-------------|-----------|------------------|
| Calendar | Daytime   | State     | Weekend   | Interest | Total       | Management  | Debt      | Niet             |
| Year     | Parking   | Parking   | Parking   | Income   | Income      | Costs       | Service   | Inet             |
| 1992     | \$66,000  | \$233,000 | \$144,000 | \$19,000 | \$462,000   | \$177,000   | \$279,000 | Income (COA 000) |
| 1993     | \$95,000  | \$233,000 | \$156,000 | \$32,000 | \$515,000   | \$193,000   | \$379,000 | (\$74,000)       |
| 1994     | \$101,000 | \$233,000 | \$168,000 | \$32,000 | \$534,000   | \$201,000   | \$379,000 | (\$57,000)       |
| 1995     | \$108,000 | \$233,000 | \$180,000 | \$32,000 | \$553,000   | \$208,000   | \$379,000 | (\$46,000)       |
| 1996     | \$116,000 | \$233,000 | \$192,000 | \$32,000 | \$573,000   | \$206,000   | \$379,000 | (\$34,000)       |
| 1997     | \$124,000 | \$267,000 | \$204,000 | \$32,000 | \$628,000   | \$218,000   | \$379,000 | (\$23,000)       |
| 1998     | \$133,000 | \$307,000 | \$216,000 | \$32,000 | \$688,000   | \$250,000   | \$379,000 | \$10,000         |
| 1999     | \$142,000 | \$354,000 | \$228,000 | \$32,000 | \$756,000   | \$289,000   | \$379,000 | \$47,000         |
| 2000     | \$152,000 | \$428,000 | \$252,000 | \$32,000 | \$864,000   | \$207,000   | \$379,000 | \$87,000         |
| 2001     | \$163,000 | \$458,000 | \$264,000 | \$32,000 | \$917,000   | \$353,000   | \$379,000 | \$152,000        |
| 2002     | \$174,000 | \$490,000 | \$288,000 | \$32,000 | \$984,000   | \$357,000   | \$379,000 | \$184,000        |
| 2003     | \$181,000 | \$510,000 | \$300,000 | \$32,000 | \$1,023,000 | \$301,000   | \$379,000 | \$224,000        |
| 2004     | \$188,000 | \$530,000 | \$312,000 | \$32,000 | \$1,023,000 | \$370,000   | \$379,000 | \$247,000        |
| 2005     | \$196,000 | \$551,000 | \$324,000 | \$32,000 | \$1,002,000 | \$412,000   | \$379,000 | \$271,000        |
| 2006     | \$204,000 | \$573,000 | \$336,000 | \$32,000 | \$1,103,000 | \$428,000   | \$379,000 | \$296,000        |
| 2007     | \$212,000 | \$596,000 | \$348,000 | \$32,000 | \$1,143,000 | \$445,000   | \$379,000 | \$321,000        |
| 2008     | \$220,000 | \$620,000 | \$360,000 | \$32,000 | \$1,100,000 | \$402,000   | \$379,000 | \$347,000        |
| 2009     | \$229,000 | \$645,000 | \$372,000 | \$32,000 | \$1,232,000 | \$400,000   | \$379,000 | \$373,000        |
| 2010     | \$238,000 | \$671,000 | \$384,000 | \$32,000 | \$1,278,000 | \$498,000   | \$379,000 | \$401,000        |
| 2011     | \$248,000 | \$698,000 | \$408,000 | \$32,000 | \$1,325,000 | \$517,000   | \$379,000 | \$429,000        |
| 2012     | \$258,000 | \$725,000 | \$420,000 | \$32,000 | \$1,385,000 | \$541,000   | \$379,000 | \$465,000        |
| 2013     | \$268,000 | \$754,000 | \$422,000 | \$32,000 | \$1,435,000 | \$561,000   | \$379,000 | \$495,000        |
| 2013     | \$279,000 | \$757,000 | \$152,000 | \$32,000 | \$1,486,000 | \$582,000   | \$379,000 | \$526,000        |
| 2014     | \$277,000 | \$785,000 | \$456,000 | \$32,000 | \$1,551,000 | \$608,000   | \$379,000 | \$565,000        |
| 2015     | \$290,000 | \$816,000 | \$468,000 | \$32,000 | \$1,606,000 | \$630,000   | \$379,000 | \$597,000        |

(a) The optimum case assumes that the State leases all 346 stalls that are allowed, that 75% of the remaining stalls are rented the first year, and that 100% of the remaining stalls are leased after the first year.

## ASSUMPTIONS USED IN OPERATING COSTS AND REVENUES FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT

#### Assumptions:

- 469 Total number of parking spots in structure (data from physical count by PDI)
- 346 Number of stalls in State contract (a)
- 346 Number of stalls the State takes, conservative case.
- 346 Number of stalls the State takes, optimum case case.
- \$56.00 Monthly rental rate to State through 1996 (a)
- \$60.00 Market value monthly rental rate Fiscal Year 1992-93 (current rates at 16 locations provided by PFM for comparison)
  - 15% Annual rate at which State rate will increase after end of 1996 until reaching market rate (a)
  - 0% Amount by which state rate can exceed market rate (a)
  - 7% Annual rate at which market value rates increase first 10 years (d)
  - 4% Annual rate at which market value rates increase after first 10 years (d)
  - 50% Percent of stalls not taken by state will be rented the first year, conservative case
  - 75% Percent of stalls not taken by state will be rented the first year, optimum case
  - 80% Percent of stalls rented after first year including effect of daily parking, conservative case.
  - 100% Percent of stalls rented after first year including effect of daily parking, optimum case
    - 80 Number of events from Coliseum using overflow parking (Estimate from Coliseum Sales & Marketing staff)
  - 80 Number of events from OCC using overflow parking (Estimate from OCC Sales & Marketing staff)
- \$3.00 Overflow parking rate per event per stall 1992 (comparable to rates achieved in the area today)
  - 7% Annual rate of increase in overflow rates first 10 years, in increments of \$.25. (d)
  - 4% Annual rate of increase in overflow rates after first 10 years, in increments of \$.25. (d)
- 75% Fill rate on overflow events
- 20% Portion of State spaces reserved for State off hour use (a)
- 6.9% Effective Interest Cost (b)
- 6.8% Average Coupon Interest (b)
- 5.0% Management fee as % of operating income (c)
- 35.0% Operating and maintenance expenses as a % of operating income (c)
- (a) Information from the contract between Pacific Development, Inc. and the State of Oregon
- (b) Information from Public Financial Management, Inc.
- (c) Information provided by Pacific Devlopment, Inc. as typical figures subject to actual contract negotiation.
- (d) Growth rate of parking rates in downtown area provided by Pacific Development, Inc. at 7%. Rate reduced to 4% per year after 10 years by Metro staff to be more conservative.

GRAPHS | & 2

### GAIN OR (LOSS) ON OPERATION FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT



The conservative case assumes that the state leases the allowed 346 spaces, that 50% of the remaining spaces are leased the first year, and that 80% of the spaces not taken by the state are leased in future years. It is also assumed that the weekend and evening parking occupancy is half of the most likely projection.

The optimum case assumes that the State leases all 346 stalls that are allowed, that 75% of the remaining stalls are rented the first year, and that 100% of the remaining stalls are leased after the first year.

#### GRAPHS 3 & 4

INCOME AND EXPENSES PRESENT VALUE FINANCIAL ANALYSIS OF PARKING STRUCTURE PURCHASE AND RENOVATION METROPOLITAN SERVICE DISTRICT



The conservative case assumes that the state leases the allowed 346 spaces, that 50% of the remaining spaces are leased the first year, and that 80% of the spaces not taken by the state are leased in future years. It is also assumed that the weekend and evening parking occupancy is half of the most likely projection.

The optimum case assumes that the State leases all 346 stalls that are allowed, that 75% of the remaining stalls are rented the first year, and that 100% of the remaining stalls are leased after the first year.

Present value calculations are based upon Metro's current cost of long term funds, 6.9% per year.