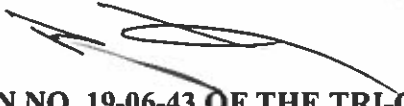


Date: June 26, 2019
To: Board of Directors
From: Doug Kelsey 
Subject: **RESOLUTION NO. 19-06-43 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A LEASE AGREEMENT WITH THE CITY OF PORTLAND FOR CERTAIN REAL PROPERTY LOCATED AT PIONEER COURTHOUSE SQUARE**

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) authorize the General Manager to enter into a lease agreement with the City of Portland (City) for space located at Pioneer Courthouse Square (Property) for use by TriMet’s Customer Service group, primarily as a TriMet ticket office.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Real Property Lease

3. Reason for Board Action

Board authorization is required for real estate transactions obligating TriMet to pay over \$1,000,000.

4. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

In 1982, TriMet entered into a 40 year lease with the City for the Property. The lease was given in exchange for construction work TriMet performed at Pioneer Square as part of the first light rail project. The original lease was for 1,600 square feet, which has been used as a TriMet ticket office since opening. The ticket office at Pioneer Square has proven to be an important customer service outpost for TriMet in the heart of downtown Portland.

With the expiration of the original lease approaching, TriMet began negotiations with the City for a lease renewal, and was informed that about 3,100 square feet of additional space was becoming available in the building, adjacent to the existing space. This presented an opportunity to expand the original ticket office space, as well as create a more efficient layout, which will benefit both TriMet customers and employees working at the ticket office.

The new lease will be for 20 years, and will include a total of about 4,700 square feet of space. It will also include the cost of performing tenant improvement work that is necessary to incorporate the expanded space into a fully functioning customer service facility. The tenant improvement work will allow the ticket office to optimize workflow, plan for future growth and make the most efficient use of the space. It will also provide for significant improvements to long-standing operational issues in the space, and provide the technology infrastructure the ticket office needs, especially as TriMet is transitioning more fully to eFare and the Hop Fastpass. The cost of the tenant improvement work is estimated at approximately \$2,500,000. TriMet will pay the cost of the tenant improvement work to the City under the lease agreement, and the City will hire a contractor to perform the work.

The annual base rent of the new lease will be \$15.00 per square foot, which is significantly below market rate, a fact that demonstrates that the City, as well as TriMet, understands the importance of maintaining this facility in this location. TriMet will pay rent for the new space beginning in December 2019, but will not begin paying rent on the original space until the current lease expires in December 2022.

This Resolution would authorize TriMet to enter into a new lease for the Property through November 30, 2039. As shown in the table below, the amount paid by TriMet under the lease extension consists of an amount for monthly rental for the office space based on the \$15 per square foot rental rate, with escalation of 3 percent per year. TriMet's total obligation under the Lease is expected to be approximately \$5,680,948 as follows:

<u>MONTHS</u>	<u>MONTHLY RENT</u>
12/01/19 to 11/30/20	\$3,916.25
12/01/20 to 11/30/21	\$4,033.74
12/01/21 to 11/30/22	\$4,154.75
12/01/22 to 12/31/22	\$4,279.39
01/01/23 to 11/30/23	\$6,361.89
12/01/23 to 11/30/24	\$6,552.75
12/01/24 to 11/30/25	\$6,749.33
12/01/25 to 11/30/26	\$6,951.81
12/01/26 to 11/30/27	\$7,160.37
12/01/27 to 11/30/28	\$7,375.18
12/01/28 to 11/30/29	\$7,596.43
12/01/29 to 11/30/30	\$7,824.32
12/01/30 to 11/30/31	\$8,059.05
12/01/31 to 11/30/32	\$8,300.83
12/01/32 to 11/30/33	\$8,549.85
12/01/33 to 11/30/34	\$8,806.35
12/01/34 to 11/30/35	\$9,070.54
12/01/35 to 11/30/36	\$9,342.65
12/01/36 to 11/30/37	\$9,622.93
12/01/37 to 11/30/38	\$9,911.62
12/01/38 to 11/30/39	\$10,208.97
Total Rent Payments	\$1,857,948
Total Operating Expenses	\$1,786,000
Tenant Improvement Cost	\$2,500,000
Total Lease Cost	\$6,143,948

TriMet has determined that the rental rates and tenant improvement costs are below market rates for this property and are fair and reasonable.

6. Procurement Process

The new lease was the result of negotiations with the City of Portland regarding an existing lease for the space. Through negotiations, TriMet has ensured that the rental rate paid by TriMet is fair and reasonable.

7. Financial/Budget Impact

TriMet's total obligation under the Lease extension is expected to be approximately \$6,143,948 over 20 years. The tenant improvement work and the rent and operating expenses for the first lease year are included in the FY 2020 capital budget.

8. Impact if Not Approved

The location of the existing TriMet ticket office at Pioneer Square in the center of downtown Portland is ideal for this service. The opportunity to expand the space and execute a long term lease ensures that TriMet will have a customer service facility in this important location for years to come. Further, the rate being paid by TriMet reflects the fact that the City also understands the importance of this facility. Moving the facility to another location would be more expensive, and it would be highly unlikely that TriMet could find a location that is as centrally located as Pioneer Square.

RESOLUTION NO. 19-06-43

**RESOLUTION NO. 19-06-43 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A LEASE
AGREEMENT WITH THE CITY OF PORTLAND FOR CERTAIN REAL PROPERTY
LOCATED AT PIONEER COURTHOUSE SQUARE**

WHEREAS, TriMet has authority under ORS 267.200 to enter into an agreement with the City of Portland to lease certain real property located at Pioneer Courthouse Square in Portland, Oregon (Lease); and

WHEREAS, the total amount of the Lease exceeds \$1,000,000; and

WHEREAS, by Resolution dated October 25, 2017, the TriMet Board of Directors (Board) adopted a Statement of Policies requiring the Board to approve real estate transactions obligating TriMet to pay in excess of \$1,000,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Lease shall conform with applicable law.
2. That the General Manager or his designee is authorized to execute the Lease.

Dated: June 26, 2019

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department

