



DATE: November 18, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-65

Authorizing the Execution of a Lease Amendment with Metro for the Portland Development Commission Property Located at 834 NE Martin Luther King, Jr. Boulevard within the Oregon Convention Center Urban Renewal Area

BOARD ACTION REQUESTED

Adopt Resolution No. 7151

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the execution of the Third Amendment to Ground Lease Agreement (Lease Amendment) between PDC and Metro, acting by and through the Metropolitan Exposition Recreation Commission, for the PDC-owned real property located within the Oregon Convention Center Urban Renewal Area (URA) referred to as Block 26 and located at 834 NE Martin Luther King, Jr. Boulevard (Property) (see Attachment A for a site map).

Through Resolution No. 5418, the PDC Board delegates to the Executive Director approval of short-term leases for five years or less. The original lease term, as previously amended, was for five years, and was approved by the Executive Director. This Amendment will extend the aggregate term beyond five years and thus requires PDC Board approval.

If approved, execution of the Lease Amendment will extend the term of the original lease for an additional six months. Unless otherwise terminated by either party, the Lease will be automatically extended thereafter, but will thereafter terminate upon at least 90 days written notice by either party.

The action shall also authorize the Executive Director to execute subsequent amendments or extensions of the Ground Lease, if deemed desirable, provided that the total lease term does not extend beyond December 31, 2018. Any lease term extension beyond this date will require PDC Board approval.

BACKGROUND AND CONTEXT

PDC (as Lessor) and Metro (as Lessee) entered into a Ground Lease Agreement (Lease) on December 6, 2010, to allow for the construction, management, and maintenance of a public outdoor pavilion on the Property to be used in conjunction with the Oregon Convention Center. The initial term of the Lease was for five years and will expire on December 5, 2015. PDC staff has met with Metro to discuss the Lease Amendment and Metro has requested to mutually agree that both parties have the right to terminate the Lease at any time after the end of the six-month extension term by providing the other party with a minimum of 90 days advance written notice.

The 33,276 square-foot Property was originally acquired by PDC on January 18, 2001, at a purchase price of \$2,912,470 for the purpose of a potential site for a Headquarters Hotel. Upon PDC's acquisition, an agreement was entered into between PDC and Metro that allowed Metro to operate the surface parking area for event parking and to use an existing structure as a construction office for projects at the Oregon Convention Center. In 2010, PDC demolished the structure and performed all required environmental remediation to allow for the construction of a public outdoor pavilion. Metro is not charged any rent for the use of the Property, but the parties agreed that Metro would i) pay for the construction costs of the outdoor pavilion, which was in excess of \$650,000; ii) be responsible for all operations and maintenance costs (O&M) for the Property; and iii) as additional consideration undertake and maintain the NE Martin Luther King Jr. Boulevard Heritage Markers (Heritage Markers) and the Martin Luther King Jr. Boulevard Gateway Site (Gateway Site) several blocks north. Metro has advised PDC staff that the permitted use of the Property averages two events per year, and the O&M costs for the Property, Heritage Markers, and Gateway Site average \$30,000 per year. If the Lease is not renewed, PDC would be responsible for the O&M costs for the Property, Heritage Markers, and Gateway Site. PDC paid for the construction of the Heritage Markers and Gateway Site and was granted a "Revocable Permit to Use Dedicated Street Areas" from the City of Portland Bureau of Transportation, and as a condition of this Permit, PDC (or its assignee) is responsible for the maintenance of these areas.

This action will also permit the Executive Director to further extend the term of the Lease, provided that the aggregate term extension (including this extension) does not exceed three years. PDC staff recommends this grant of authority to not burden the PDC Board with additional short-term extensions; any longer term action to tie up this property would require PDC Board approval.

COMMUNITY AND PUBLIC BENEFIT

The community and public will continue to benefit from the continued use of the outdoor pavilion as a public amenity.

PUBLIC PARTICIPATION AND FEEDBACK

There was no community outreach regarding this proposed action.

BUDGET AND FINANCIAL INFORMATION

There are no budget or financial impacts as Metro will incur all property operating expenses.

RISK ASSESSMENT

The risk to PDC of authorizing the Lease Amendment is minimal as Metro is responsible for all O&M of the Property in addition to being responsible for O&M of the Heritage Markers and Gateway Site.

ALTERNATIVE ACTIONS

The PDC Board could elect to not authorize the Lease Amendment. In this event PDC would take over the responsibility for O&M of the Property, Heritage Markers, and Gateway Site.

ATTACHMENTS

- A. Project Summary and Map

PROJECT SUMMARY AND MAP

Project Name: Block 26 Lease Amendment

Description & Location: 33,276 square foot Outdoor Public Pavilion located at 834 NE Martin Luther King, Jr. Boulevard, Portland, OR 97232

URA: Oregon Convention Center

Current Phase: Entering into Third Amendment to Ground Lease Agreement with Metro

Next Milestone: Execution of Lease Amendment

Completion Target: December 2015

Outcome: To extend the Lease term for an additional six months and thereafter automatically renew for successive 30-day periods.

Aerial view of Block 26



Street level view of Block 26

