

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: March 11, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-25
Land Lease Agreement with New Cingular Wireless, PCS, LLC for Co-Location of Cellular Communication Facilities on PDC-owned property at the Burnside Bridgehead Site

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6678

ACTION SUMMARY

This action will authorize the Executive Director to execute a Land Lease Agreement (the "Lease") with New Cingular Wireless, PCS, LLC, a Delaware limited liability company (otherwise known as "AT&T") for the leasing of an approximately 362 square foot site on property owned by the Portland Development Commission (PDC) near the Burnside Bridgehead site, and the maintenance of required landscaping outside of the lease area.

When PDC acquired the Convention Plaza building (which was part of the Burnside Bridgehead site acquisition), AT&T had communication facilities mounted on its roof as well as some mechanical space on the first floor. As part of PDC's relocation of the tenants from the building, AT&T temporarily relocated those facilities to the surface parking lot, known as Block 69, in April 2008 and is using ground space from PDC under a Temporary Use Permit.

This proposed Lease will provide for the co-location of AT&T's cellular communications facilities with those already installed by Verizon Wireless at an adjacent location on Block 69, under a land lease approved by the PDC Board of Commissioners (Board) on December 12, 2007. The benefits of co-locating facilities are significant in that, by sharing one cell tower, the visual impact on the surrounding area is minimized. Additionally, co-location minimizes the amount of land area needed by the second user.

The site is located underneath and between the two on-ramps to Interstate 84 from northbound and southbound Interstate 5 (see Site Map, Attachment B). The proposed work also includes the installation of a new curb cut to the parking lot to the south of the cell tower which is necessitated by AT&T's site design. This work, as with all other work, will be paid for by AT&T.

The Lease is for an initial 45-month lease term with three five-year extensions, which mirrors the term of the Verizon lease. The initial market lease rate is \$791 per month, which then escalates by 7.5% at each five-year extension. In arriving at the rental rate and term, staff relied in part on a 2003 Washington State Department of Transportation survey of 43 cellular facilities throughout the state.

Assuming the Lease is extended through its full term, total revenues to PDC would be approximately \$201,000 (in 2009 dollars). A summary of the proposed terms and conditions of the Lease is provided on Attachment A hereto.

PUBLIC BENEFIT

Finding a suitable replacement site for AT&T is important to PDC as it will allow for the demolition or re-use of the Convention Plaza Building as part of the redevelopment of the property. The location of the proposed lease on the site cannot be otherwise developed due to numerous freeway easements and zoning restrictions that effectively preclude any new construction, however, it does meet AT&T's service needs and will allow them to maintain service at an equal or better level.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

A Citizens Advisory Committee (CAC) was established by PDC to oversee the Burnside Bridgehead project on September 14, 2005. Since then, the CAC has had numerous meetings and has reviewed all aspects of the project. The CAC and Central Eastside Urban Renewal Advisory Committee support relocation of all tenants from the Convention Plaza Building as necessary for the redevelopment of the property. Co-location of the AT&T facilities here is consistent with that plan.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The proposed AT&T lease furthers the recommendations contained in the 1999 Eastbank at Burnside: Lower East Burnside Redevelopment Plan through the development of the Burnside Bridgehead project. The Plan was adopted by the PDC Board on February 17, 1999 (Resolution No. 5228), and by the Portland City Council on April 8, 1999 (Resolution No. 35784). Implementation of the Burnside Bridgehead project is consistent with the goals of that plan.

This action is also consistent with and follows upon previous related PDC Board actions including Resolution No. 6319, adopted by the Board on January 11, 2006, which authorized the acquisition of the Convention Plaza property for the Burnside Bridgehead Project.

Moreover, co-locating cellular facilities is sound public policy and strongly encouraged in the City Zoning code, Title 33, Chapter 33.274.040.

FINANCIAL IMPACT

The proposed lease, with its three extensions, would generate approximately \$201,000 in gross revenues (2009 dollars) to PDC over the next approximately 19 years. This program income can then be made available for other PDC activities in the Central Eastside Urban Renewal Area (URA). Expenses relating to the managing the lease are expected to be nominal since there are no operating costs to PDC except for a pro rata share of ad valorem taxes, which will be reimbursed by AT&T.

AT&T will be eligible for certain relocation benefits under PDC's Relocation Policy and Oregon state law for their moving costs from the Convention Plaza building. The final amount of money they are eligible to receive will be based on actual costs; however, sufficient funds are set aside in the Burnside Bridgehead budget to cover them.

The Central Eastside URA FY 2007-08 Revised Budget and Forecast has been included as a Financial Summary (Attachment C).

RISK ASSESSMENT

There is little or no risk to PDC in executing this Lease. AT&T will be responsible for all aspects of the installation, operations and maintenance of the facility and will provide PDC with acceptable certificate(s) of insurance. The Lease will not detrimentally affect the Burnside Bridgehead project since the lease location cannot be used for commercial development due to its zoning restrictions and various easement encumbrances.

WORK LOAD IMPACT

There is nominal impact on staff workload since most of the necessary documents needed to close this transaction have already been negotiated by PDC and AT&T. Project staff from the Real Estate, Development, and Legal departments are coordinating on the project.

ALTERNATIVE ACTIONS

The Board could elect not to enter into the Lease with AT&T or to modify the terms of the Lease. If the latter is chosen, staff would attempt to reach another agreement with AT&T and, if successful, would return to the Board at a later date.

CONCURRENCE

This proposed action is in furtherance of the Burnside Bridgehead Redevelopment Project, which has received support from the Central Eastside Urban Renewal Advisory Committee, the Central Eastside Industry Council and the Burnside Bridgehead Citizens Advisory Committee. PDC's interdepartmental Central Eastside Team has discussed and supports this transaction.

BACKGROUND

On August 16, 2004, PDC issued a Request for Proposals (RFP) for the Burnside Bridgehead Mixed Use Redevelopment Project proposed on 4.04 acres at the corner of NE Martin Luther King Jr. Boulevard and East Burnside Street. The RFP elicited responses from three teams and on April 27, 2005, the Board selected Opus Northwest, LLC to be the developer of the project. Opus and PDC subsequently executed a Memorandum of Understanding (MOU) for development of the site, however, that MOU expired on February 27, 2008. PDC is currently in discussions with Beam Development Co., who also submitted a proposal to PDC in response to the above-referenced RFP, about possible developing the site.

On May 11, 2006, PDC acquired the Convention Plaza property which makes up the majority of the land targeted for development. Numerous tenants occupied the building and many leases had to be renegotiated to allow for its demolition to occur. One of those leases was a leasehold held by AT&T for cellular communication facilities that are mounted on the roof of the Convention Plaza building and in a small room on the first floor.

In seeking a replacement site for AT&T, it became clear that co-locating AT&T's facilities with Verizon's would be in the best interests of all parties involved. The site is zoned industrial and encumbered by numerous easements and restrictions making it useless for redevelopment purposes, but well-suited for cell tower facilities.

PDC and AT&T have negotiated a Land Lease Agreement that is consistent with industry standards in terms of its rental rate, term and other conditions. In arriving at the rental rate and term, staff relied in part on a 2003 Washington State Department of Transportation survey of 43 cellular facilities throughout the state.

Following Board approval, AT&T will finalize permits and commence construction of the new facility.

ATTACHMENTS:

- A. Summary of Proposed Lease Terms and Conditions
- B. Project Summary and Map
- C. URA Fund Summary

SUMMARY OF PROPOSED TERMS AND CONDITIONS

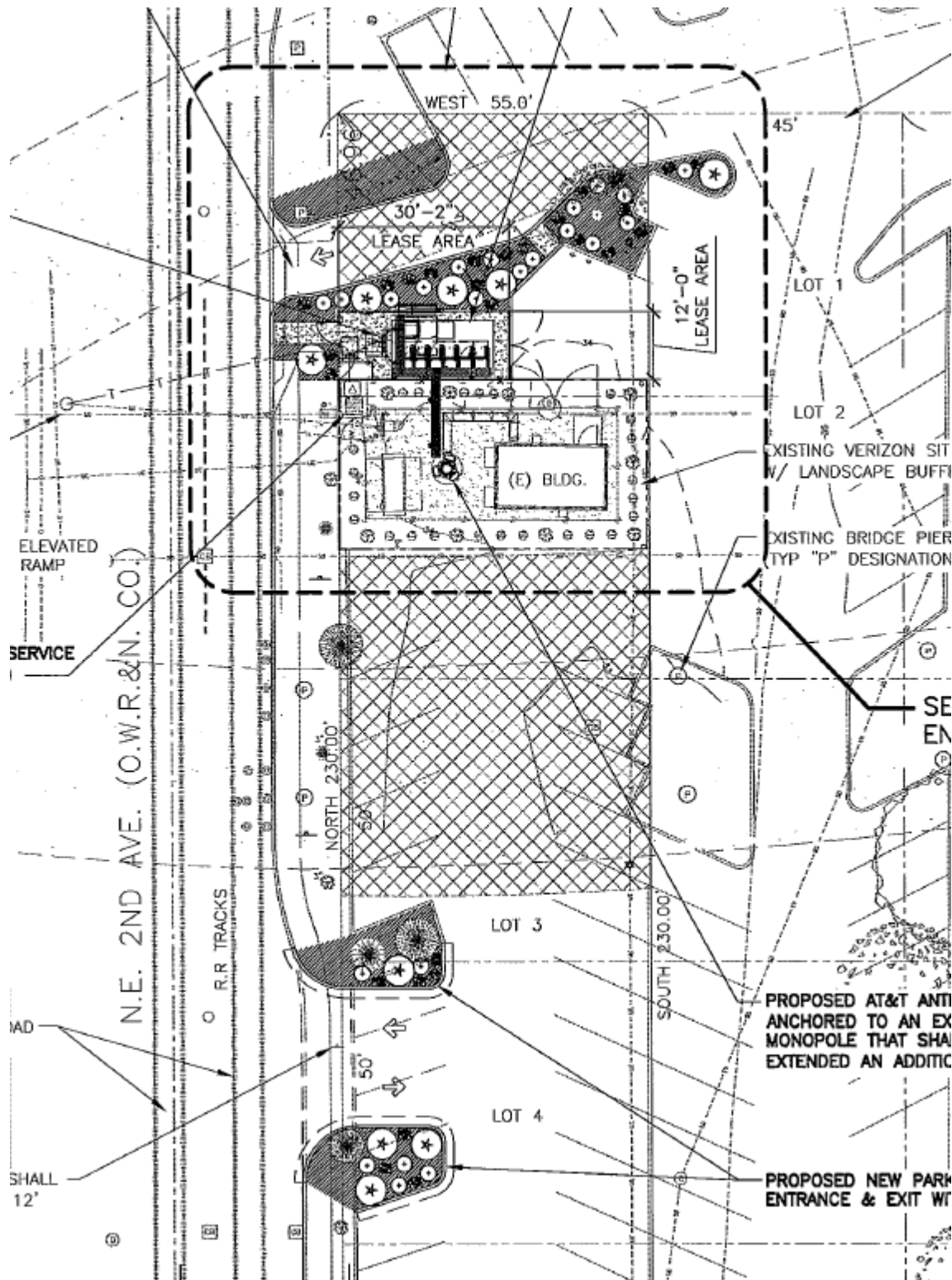
LEASE OF PROPERTY TO AT&T INC.

Site:	Approximately 362 square feet of land in the current parking lot of the PDC-owned Convention Plaza property (see attached map)
Proposed Use:	Cell tower equipment associated with co-locating antenna on Verizon Wireless’ adjacent cellular receiving tower; site screened with opaque fencing and landscaping
Lease Rate:	\$791 per month adjusted by 7.5% at each lease extension
Lease Term:	45 months with three five-year extensions. Total term, with extensions would go through December 31, 2027
Brokerage Fee:	None
Other:	Lease is triple net with AT&T paying all installation, operating and maintenance costs, including City-required landscaping outside of the lease area, and property taxes.

PROJECT SUMMARY

Project Name:	Land Lease Agreement with AT&T Inc. at Burnside Bridgehead
Description:	Lease of approximately 362 square feet of land and maintenance of City-required landscaping outside of the lease area
Location:	North of Davis Street on the PDC-owned Convention Plaza property
URA:	Central Eastside
Current Phase:	Lease Agreement
Next Milestone:	Construction of ground facilities associated with co-locating antenna on an adjacent Verizon Wireless adjacent cellular receiving tower
Completion Target:	Spring 2009
Outcome:	Completed and operating facility
Site/Project Map:	See next page for Map of Project Site & Lease Area

SITE MAP



**URA FUND SUMMARY
 (Draft Budget)**

CENTRAL EASTSIDE URA - Five-Year Budget Planning by Project for FYs 2010-2014

Resources	Adopted	2008-09	AMENDED	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
	FY	Actuals*	2008-09						
	2008-09	July-Dec	BUDGET						
3110 Tax Increment - S-T Debt	2,770,828	0	3,371,625	3,203,551	3,316,296	2,386,181	2,589,744	2,813,802	14,309,574
3120 Tax Increment - L-T Debt	5,984,010	0	931,068	4,295,700	4,031,060	1,798,200	1,198,800	799,200	12,122,960
3130 Loan Fee	0	2,615	0	0	0	0	0	0	0
3140 Loan Late Charges	0	130	0	0	0	0	0	0	0
3310 Loans - Principal Collection	67,827	46,534	67,827	65,050	59,065	56,500	44,915	44,915	270,445
3320 Loans - Interest Earned	70,813	33,150	70,813	65,050	59,065	56,500	44,915	44,915	270,445
3510 Rent and Property Income	0	26,356	0	0	0	0	0	0	0
3710 Interest - City Invest Pool	0	28,602	50,000	0	0	0	0	0	0
3810 Real Property Sales	0	36,600	0	0	5,000,000	0	0	0	5,000,000
3890 Miscellaneous Income	0	8,420	0	0	0	0	0	0	0
3999 Beginning Fund Balance	140,844	2,975,491	2,975,491	181	114,833	93,546	44,316	85,677	338,553
Total Fund	9,034,322	3,157,898	7,466,824	7,629,532	12,580,319	4,390,927	3,922,690	3,788,509	32,311,977
Requirements									
<i>Project Expenditures (These do not include Personal Services or Indirect Cost)</i>									
Development									
10019 CES Fin & Comm Outreach	10,000	892	11,000	11,000	11,000	11,000	11,000	11,000	55,000
10039 CES Redevelopment	0	1,141	0	0	0	0	0	0	0
10041 CES Streetcar Construction	0	4,367	5,000	0	3,184,000	3,000,000	0	0	6,184,000
10044 CES Bums/Couch Couplet	500,000	20	0	3,940,748	1,000,000	0	0	0	4,940,748
10048 Eastbank Park/Holman Bldg	0	8,609	20,000	0	0	0	0	0	0
10052 Washington Monroe	0	0	0	0	0	0	0	985,000	985,000
10060 CES Redevel Fund	300,000	0	100,000	0	0	0	500,000	500,000	1,000,000
10070 Sidewlk/Rtes to River Plan/Des	125,000	0	125,000	150,000	0	0	0	150,000	300,000
10071 Burnside Bridgehead Reloc	500,000	63,359	500,000	0	0	0	0	0	0
10073 Convention Plaza Build Interim Mgt	0	0	120,364	120,364	0	0	0	0	120,364
10074 Burnside Bridgehead Planning	0	0	25,000	100,000	0	0	0	0	100,000
10072 Burnside Bridgehead: Developme	925,000	223,471	300,000	600,000	5,000,000	0	0	0	5,600,000
Development Total	2,360,000	301,859	1,206,364	4,922,112	9,195,000	3,011,000	511,000	1,646,000	19,285,112
Economic Development									
10021 CES Storefront Grants	0	27,473	75,000	0	0	0	0	0	0
10023 CES Industrial Storefronts	100,000	3,176	100,000	100,000	100,000	100,000	100,000	100,000	500,000
70017 CES Business Finance	1,427,644	177,982	1,352,644	750,000	800,000	500,000	650,000	1,350,000	4,050,000
70247 CES Business Retention	150,000	24	150,000	0	0	0	0	0	0
Economic Development Total	1,677,644	208,654	1,677,644	850,000	900,000	600,000	750,000	1,450,000	4,550,000
Housing									
33423 CES Aff Homeownership	0	0	0	0	300,000	0	0	0	300,000
80021 CES Workforce Rental Housing	0	0	0	0	0	0	0	0	0
80028 CES Aff Rental Housing	0	0	0	0	0	0	0	0	0
80046 CES Clifford Apartments Rehab	2,500,000	0	2,500,000	350,000	0	0	0	0	350,000
80045 CES Hooper Center	0	0	0	75,000	0	0	1,925,000	0	2,000,000
Housing Total	2,500,000	0	2,500,000	425,000	300,000	0	1,925,000	0	2,650,000
Central Services									
59167 CES Debt Management	9,655	3,833	9,655	10,137	10,644	11,176	11,511	11,857	55,325
Central Services Total	9,655	3,833	9,655	10,137	10,644	11,176	11,511	11,857	55,325
Executive									
60041 CES Central City Study	72,000	38,561	72,000	55,000	0	0	0	0	55,000
Executive Total	72,000	38,561	72,000	55,000	0	0	0	0	55,000
Total Project Expenditures	6,619,299	552,906	5,465,663	6,262,249	10,405,644	3,622,176	3,197,511	3,107,857	26,595,437
Total All Personal Svcs & Indirect Costs	1,899,274	899,303	2,000,980	1,252,450	2,081,129	724,435	639,502	621,571	5,319,087
Total Fund Expenditures	8,518,573	1,452,208	7,466,643	7,514,699	12,486,773	4,346,611	3,837,013	3,729,428	31,914,524
Contingency	515,749	0	0	114,833	93,546	44,316	85,677	59,081	397,453
Ending Fund Balance	0	0	0	0	0	0	0	0	0
Total Requirements	9,034,322	1,452,208	7,466,643	7,629,532	12,580,319	4,390,927	3,922,690	3,788,509	32,311,977

*Please note that the 2008-09 Actuals data only shows revenue and expenditures which have been entered into Lawson as of December 31, 2008. These numbers DO NOT show or represent any encumbrances, since encumbrances may or may not spend in the current fiscal year.