

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 05-018

Approving a Lease of Real Property from Unico Properties, Inc. for Property Located at 421 SW Oak Street, Portland, Oregon

The Multnomah County Board of Commissioners Finds:

- a. Multnomah County leases approximately 110,000 square feet of office space in the Commonwealth Building, located at 421 SW Sixth Avenue, Portland, Oregon under three leases expiring on June 30, 2005. Programs of the Department of County Human Services and the Office of School and Community Partnerships are the primary tenants. In addition, related programs occupy approximately 9,900 square feet on Floor 14 of the Portland Building.
- b. The Facilities and Property Management Division has conducted and overseen an intensive and in-depth analysis of program space needs for the Commonwealth and Portland Building Floor 14 staff, including issuance of a broadly distributed Lease Terms Solicitation in October, 2004.
- c. After detailed space planning, financial sensitivity analysis, and operational and programmatic development, the Facilities and Property Management Division has negotiated the attached Lease Terms Letter, dated January 10, 2005, with Unico Properties, Inc. for lease of approximately 99,478 square feet in a property known as the Lincoln Building located at 421 SW Oak Avenue, Portland, Oregon, ("Property").
- d. It is in the best interests of the County to lease the Property on the terms and conditions set forth in the attached Lease Terms Letter dated January 10, 2005, and to relocate the Commonwealth Building and Portland Building Floor 14 staff to the Property on or about July 1, 2005.

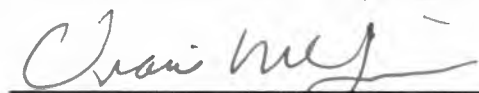
The Multnomah County Board of Commissioners Resolves:

1. The Board approves the attached Lease Terms Letter as the basis for a lease of the Property effective on or about July 1, 2005. The County Chair is authorized to execute a final lease substantially conforming to the terms of the attached Lease Terms Letter.
2. The County Chair is authorized to execute additional amendments to the lease without further Board action.

ADOPTED this 20th day of January, 2005.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON


Diane M. Linn, Chair

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By


John S. Thomas, Deputy County Attorney



January 10, 2005

111 SW FIFTH AVENUE - SUITE 2120
PORTLAND, OREGON 97204

Via Electronic Mail

David Reinhart
CRESA Partners
One SW Columbia, Ste. 1610
Portland, OR 97258

RE: *Multnomah County - Lincoln Building*

Dear David:

Enclosed for your review are the proposed business final terms regarding a new lease for Multnomah County ("Tenant") at the Lincoln Building. We appreciate the opportunity to provide this proposal and look forward to the possibility of a mutually beneficial relationship with Multnomah County.

Premises	Approximately 99,478 rentable square feet (RSF) in the Lincoln Building.
Measurement Standard	Tenant shall have a one-time right, prior to lease execution, to verify the measurements.
Occupancy	Upon Substantial Completion of the Premises, estimated to be July 1, 2005. In the event, due to Landlord delays, Tenant is unable to occupy the Premises on July 1, 2005, then Landlord shall reimburse Tenant for the hold-over expenses, currently estimated to be \$69,000 per month. Details regarding definitions of Landlord and/or Tenant delays shall be more accurately defined in the Lease.
Early Access	Tenant shall be permitted occupancy concurrent with construction of Tenant Improvements for the purposes of data cabling installation, and furniture installation. Such occupancy shall not trigger commencement.
Lease Term	One Hundred Thirty (130) Months. Tenant shall be granted Two (2) Five Year options at market rates upon Nine (9) Months prior written notice.



Lease Rate	<p>The base rental rate, exclusive of real estate taxes, for the term shall be:</p> <p>Months 1-10: \$0.00</p> <p>Months 11-12: \$15.00 per RSF per Year</p> <p>Months 13-24: \$15.50 per RSF per Year</p> <p>Months 25-36: \$16.00 per RSF per Year</p> <p>Months 37-48: \$16.50 per RSF per Year</p> <p>Months 49-60: \$17.00 per RSF per Year</p> <p>Months 61-72: \$17.50 per RSF per Year</p> <p>Months 73-84: \$18.00 per RSF per Year</p> <p>Months 85-96: \$18.50 per RSF per Year</p> <p>Months 97-108: \$19.00 per RSF per Year</p> <p>Months 109-130: \$19.50 per RSF per Year</p>
Taxes	<p>Tenant shall be responsible for its share of Real Estate Taxes. Tenant shall be solely responsible for obtaining an exemption from taxes, and Landlord shall cooperate with Tenant in obtaining an exemption. To the extent Tenant obtains such an exemption, Tenant shall not be liable for payment to Landlord of any additional sum for real property taxes, but shall remain liable for payment of any special assessments for which Tenant does not receive an exemption.</p>
Incentives	<p>Tenant shall be permitted to occupy the Premises rent-free for the first ten (10) months of the Lease Term. All moving costs shall be applied against the Tenant Improvement Allowance listed below.</p>
Tenant Improvements	<p>Landlord shall tender the lease space to tenant in "as-is" condition. Landlord shall provide tenant with an Improvement Allowance of \$25.00 per rentable foot leased to offset design and construction costs. All design and construction cost overages shall be at Tenant's sole cost and expense. All construction shall be in accordance with terms specified in Landlord's standard work agreement using Landlord's architect, and an approved contractor. Costs associated with final space planning, permitting, construction drawings and Landlord's construction management fee of 3% will be applied against the Improvement Allowance. Any unused allowance may be used towards other costs involved with Tenant's relocation, including moving, cabling, or project management fees.</p>
Refurbishment Allowance	<p>Landlord shall provide Tenant with a refurbishment allowance of \$2.00 per rentable square foot in the seventieth month of the Primary Term.</p>

Base Building Improvements	Landlord will deliver the space in "As-is" condition. Landlord intends to spend considerable dollars to refurbish the building common areas, as well as provide additional seismic upgrades to the Building. It is expressly understood by both parties that these building improvements are substantial in nature and may not be completed prior to occupancy by Tenant.
Space Planning	Landlord has provided for an initial space plan and pricing plan for the preparation of an initial construction budget. Any further modifications, value-engineering, and construction documentation shall be applied against the Improvement Allowance.
Right of First Offer/ Expansion	<p>Tenant shall be granted an on-going right of First Offer on any available space in the Building for the entire term of the Lease. For the initial eighteen (18) months of the Primary Term, Tenant shall be entitled to lease additional space under the following terms and conditions:</p> <ol style="list-style-type: none">1. Tenant shall be entitled to lease any expansion space currently vacant and available at Tenant's then current base rental rate.2. Landlord shall provide a Tenant Improvement Allowance not to exceed \$18.00 per rentable square foot.3. In the event Landlord receives a bona fide offer for any available space, Tenant shall be offered a Right of Refusal on that space. Tenant must match all terms of that offer, including base rental rate, and Tenant Improvements.
Partial Termination	Tenant shall be granted the one-time right, after the thirty-sixth month, to terminate the lease for a portion of the Premises, not to exceed 25% of the total leased Premises. The location of such space shall be subject to approval by Landlord. Upon delivery of notice by Tenant, no later than the end of the twenty-seventh (27 th) month of the Lease, Tenant shall pay to Landlord a termination fee. The termination fee shall be the unamortized costs involved with the completion of this transaction. Such costs are defined as leasing commissions paid, project management fees paid, any Tenant Improvement Allowance or other monetary allowances paid, and the value of the free rent given on that portion of the Premises. This right is null and void upon exercise of any extension options.



Termination Due to
Lack of Funds

Landlord is agreeable to the termination language proposed with the following clarifications/modifications/limitations:

1. Notice is within thirty (30) days of final budget approval action by the County Council, and the effective date of Termination is Nine (9) months from the date of notice to Landlord.
2. If notice is not given pursuant to #1, then Tenant specifically waives its rights to terminate until the following budget year.
3. The termination fee shall be the greater of (i) twelve (12) months base rent and additional rent for that portion of the Premises, or (ii) unamortized costs involved with the completion of this transaction.
4. Tenant may invoke this right only with respect to the department or user group eliminated due to the budget constraints.
5. This right is null and void upon exercise of any extension options.

More specific language shall be determined in final lease negotiations.

Termination Due to
Courthouse
Consolidation

Tenant shall be granted the one-time right after year eight to terminate this lease due to the exclusive purpose of consolidating into the Multnomah County Courthouse located at 1021 SW Fourth Avenue. Tenant shall provide twelve (12) months written notice, accompanied by an early termination penalty equal to unamortized costs involved with the completion of this transaction.

Operating Expenses

The base rental includes operating expenses for the calendar year 2006. Escalations for operating expenses shall be payable as additional rent beginning the first calendar year after the base year. Building will be grossed up to 95% occupancy.

Security Deposit

None

HVAC

Landlord shall provide building standard heating, ventilation and air conditioning Monday through Friday between the hours of 7am and 6pm, and Saturday from 8am to 1pm. Landlord will maintain a minimum temperature of 68 degrees, and a maximum of 75 degrees. Overtime air conditioning is available and the cost shall be passed on to Tenant at Landlord's actual cost. Landlord shall maintain the building HVAC system, the cost of which shall be included in operating expenses. Any costs to modify distribution, or add capacity as a result of Tenant's use or design of the Premises shall be applied against the Improvement Allowance.

ADA Compliance

Landlord shall be responsible for complying with all applicable building codes and regulations for the common areas of the Building. Tenant shall be responsible for complying with all applicable building codes and regulations for the Premises.



Signage	Building standard graphics shall be installed on the building directory and at the entrance to Tenant's suite(s). If Landlord and Tenant agree to the construction and/or designation of an exclusive exterior entrance for Tenant's use, appropriate signage shall be permitted designating such entrance.
Building Ownership	Unico Properties will hold an ownership interest in the Lincoln Building, as well as provide Management and Leasing services. The exact ownership structure is yet to be determined.
Emergency Power	A backup generator is on-site to provide for emergency power in the event of a power failure. Tenant shall be entitled to hook-up to the generator, at its sole cost and expense for critical systems.
Parking	Tenant shall be entitled to rent its pro-rata share of parking in the basement of the building at market rates. In addition, abundant parking is available in the U.S. Bancorp Tower garage, (also owned by Landlord) adjacent to the Lincoln Building at market rates.
Indemnity & Insurance	Exact terms and conditions regarding indemnity and insurance will be determined in final lease negotiations.
Timeline	Landlord fully intends to close on the purchase of the Lincoln Building. Should Landlord fail to close on the purchase, or remove all contingencies, Landlord shall be liable to Tenant for liquidated damages. The amount of damages shall be determined as follows: The rate of \$3,000.00 per day (\$90,000 per month) for each day after mutual lease execution, until such time as Landlord notifies Tenant that it has removed all contingencies to the close of escrow on the Lincoln Building, or has terminated the purchase contract. (i.e. if the lease execution date is February 1 st , and the Landlord terminates the purchase contract on March 1 st , Landlord would be liable to Tenant for \$84,000 (28 days)). Once Landlord has notified Tenant that it has removed all contingencies, Landlord will have no obligation to Tenant under this clause. Landlord intends to remove all contingencies prior to execution of the lease document.
Professional Representation	Unico Properties, Inc recognizes CRESA Partners in this transaction as Tenant's real estate representative and agrees to pay them a commission pursuant to a separate agreement.
Conditions Precedent	This proposal is an outline of the material terms of our proposed transaction. We expect to negotiate a lease agreement, which will be generally consistent with this letter. This proposal shall not constitute a formal agreement, is subject to the full execution of a mutually acceptable lease, availability of the space and the approval of the transaction by building ownership and any lender.



If the attached terms meet your approval, please sign and return a copy of the document as acknowledgment of your acceptance. This proposal stands valid until January 20, 2005. Lease documents are being prepared for your review. If you have any questions, please do not hesitate to call me at 503-425-6707.

Sincerely,

A handwritten signature in black ink, appearing to read "B Pearce", written over a horizontal line.

Brian Pearce

General Manager

AGREED AND ACCEPTED

BY:

A large, stylized handwritten signature in black ink, written over a horizontal line.

FOR: MULTNOMAH COUNTY

REVIEWED:
AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY

BY

A handwritten signature in black ink, written over a horizontal line.
ASSISTANT COUNTY ATTORNEY

DATE

1/29/05

APPROVED : MULTNOMAH COUNTY
BOARD OF COMMISSIONERS
AGENDA # R-5 DATE 01.20.05
DEBORAH L. BOGSTAD, BOARD CLERK