

**Minutes of the Board of Commissioners
Multnomah Building, Board Room 100
501 SE Hawthorne Blvd., Portland, Oregon
Tuesday, September 18, 2018**

BOARD BRIEFING

Due to technical difficulties, the sound for this video is unavailable until 39:26 minutes into the meeting. Please refer to the transcript below.

Vice-Chair Lori Stegmann called the meeting to order at 10:09 a.m. with Commissioner Jessica Vega Pederson and Commissioner Sharon Meieran present. Chair Deborah Kafoury and Commissioner Loretta Smith were excused.

Also attending were Jenny M. Madkour, County Attorney, and Taja Nelson, Assistant Board Clerk.

Vice-Chair Stegmann: WELCOME TO THE BOARD OF COUNTY COMMISSIONERS MEETING. IT'S SEPTEMBER 18. I'M LOOKING FORWARD TO A BOARD BRIEFING ON OUR PROPERTY TAX SYSTEM.

B.1 Informational Board Briefing on Increasing Inequities Faced by Multnomah County Residents due to Property Tax Provisions of the Oregon Constitution. Presenters: Dang Dinh, Research Analyst; Jeston Black, Director; Rhys Scholes, Policy Manager.

Jeston Black: GOOD MORNING, COMMISSIONERS. I'M JESTON BLACK. I'M JUST GOING TO DO AN INTRODUCTION AND HAND IT TO THE GENTLEMEN TO THE RIGHT OF ME. I WOULD LIKE TO INTRODUCE RHYS SCHOLES WHO IS OUR POLICY MANAGER. YOU KNOW HIM VERY WELL. DANG DINH, AT THE INDEPENDENT OF THE COUNTER, HE IS ONE OF OUR INTERNS THIS SUMMER. HE IS ONE OF 36 COLLEGE STUDENTS PARTICIPATING IN ODE'S COLLEGE TO COUNTY MENTORSHIP PROGRAM. THE COUNTY WORK FORCE DIVERSITY INITIATIVE MENTEES ARE WORKING IN ALL COUNTY DEPARTMENTS ON THE SHERIFF'S OFFICE CARRYING OUT SUBSTANTIVE ASSIGNMENTS IN COUNTY OFFICES, PROJECT INCLUDE MENTAL HEALTH PLANNING, BRIDGE AND TRANSPORTATION PLANNING AND ENGINEER, GIS AND DIGITAL CONVERSION. I DON'T EVEN KNOW WHAT THAT IS. TAX ACCOUNTING AND I.T.. I WANT TO SAY THIS. IN THE FALL WE WERE HAVING A CONVERSATION ABOUT SHORT TERM POLICY OBJECTIVES AND LONG TERM POLICY OBJECTIVES. PROPERTY TAX REFORM IS ONE OF THOSE LONG TERM POLICY OBJECTIVES. WE STRUGGLE IN THE PROPERTY TAX REALM MAINLY BECAUSE OF TWO MEASURES PASSED IN THE MID '90S. IT HAS CREATED A LOT OF INEQUITIES AND SIDE EFFECTS THAT WE HOPE ARE UNINTENDED.

Jeston Black: BUT BECAUSE OF THAT, WE WANTED TO SPEND NOT ONLY THIS SUMMER BUT THE NEXT YEAR REALLY DOING SOME DEEP DIVES INTO SPECIFIC SIDE IMPACTS OF MEASURES 5 AND 50 AND COME TO YOU ON A REGULAR BASIS AND TALK ABOUT THESE. ORGANIZING THEY CALL THIS THE EDUCATION AND AGITATING PHASE. I WILL SAY I DON'T KNOW IF THERE IS A SILVER BULLET TO FIX ALL OF THIS. THE LEGISLATURE CAN ONLY DO SO MUCH. A LARGE PORTION OF THIS NEEDS TO BE DONE THROUGH THE INITIATIVE PROCESS. SO I'M SORRY WE DON'T COME TODAY WITH A QUICK SOLUTION FOR YOU BUT I THINK WHAT WE DO COME WITH IS A GREAT STORY ABOUT WHY CHANGES NEED TO BE MADE. SO I THINK I'M GOING TO HAND IT OFF TO YOU. FIRST HE'S BEEN WONDERFUL ALL SUMMER. HE'S REALLY PUSHED US. WE SHARE HIM WITH THE OFFICE OF SUSTAINABILITY. I KNOW HE'S BEEN DOING AN AMAZING JOB THERE. I'M NOT SURE HOW HE'S BEEN ABLE TO DO BOTH OUR WORKS. THIS IN ITSELF WAS A FULL-TIME JOB FOR THREE MONTHS. HE'S IN HIS THIRD YEAR AT A UNIVERSITY THAT I DON'T LIKE TO SPEAK OF, BUT HE'S AT OSU. [LAUGHTER] I GUESS EVERY UNIVERSITY HAS AT LEAST SOME PEOPLE THAT WE LIKE COMING OUT OF IT. BEFORE HE STARTS I WOULD REALLY LIKE TO THANK HIM FOR HIS WORK AND REALLY HAS BROUGHT THINGS TO LIGHT I DON'T THINK ANY OF US REALIZED. I WILL HAND IT OFF.

Dang Dinh: THANK YOU FOR THE OPPORTUNITY ESPECIALLY TO HELP ME COME HERE AND DO THE SUMMERWORK. I REALLY ENJOY IT. I HOPE WE WILL FIND A WAY TO COME BACK SOMETIME. GOOD MORNING, COMMISSIONERS. TODAY'S REPORT I WILL TALK ABOUT INCREASING IN MULTNOMAH COUNTY. SPECIFICALLY I HAVE THREE THINGS TO TALK ABOUT. FIRST BASIC INFORMATION OF THE PROPERTY TAXES. SECONDLY, IT'S ABOUT UNFAIRNESS THAT WE EXPERIENCE IN MULTNOMAH COUNTY, AND LASTLY I WILL TALK ABOUT THE UNINTENDED CONSEQUENCE, WHICH IS THE MOVEMENT OF COMMUNITIES OF COLOR IN MULTNOMAH COUNTY. SO BEFORE TALKING ABOUT PROPERTY TAXES, LET'S GET INTO SOME BASIC DEFINITIONS. SO FIRST ASSESSED VALUE. THIS IS THE VALUE FOR TAX PURPOSES. THE SECOND CONCEPT IS THE REAL MARKET VALUE, WHICH IS THE ASSESSMENT OR ESTIMATION OF PROPERTY VALUE BASED ON A GROUP OF SIMILAR PROPERTIES. WHAT I WANT TO EMPHASIZE HERE IS THE RATIO SIMILAR TO PERCENTAGE AND CALCULATED BY TAKING THE ASSESSED VALUE MULTIPLIED BY 100 DIVIDED BY THE REAL MARKET VALUE. THIS IS AN IMPORTANT CONCEPT. THE LAST NOTE IS SALE PRICE IS DIFFERENT WITH REAL MARKET VALUE. SO NOW IF WE GOT THE DEFINITION THEN WE WILL MOVE ON AND TALK ABOUT PROPERTY TAX.

SO THIS IS THE FORMULA OF THE PROPERTY TAX. WE HAVE TWO COMPONENTS TO MAKE UP THE FORMULA. THE RATE AND THE ASSESSED VALUE. SO MEASURE 5 PASSED IN 1990, PUT THE CAP ON THE FIRST COMPONENT OF THE FORMULA, WHICH IS RATE. SPECIFICALLY YOUR PROPERTY TAX CANNOT EXIST 15% OF THE REAL MARKET VALUE. THE

SECOND MEASURE, MEASURE 50, PASSED IN 1997, LIMITED THE GROWTH OF THE ASSESSED VALUE, WHICH IS THE SECOND COMPONENT IN THE FORMULA, SO BEFORE 1997, OR BEFORE MEASURE 50, WE DIDN'T HAVE THE SEPARATION OF ASSESSED VALUE AND REAL MARKET VALUE. BUT AFTER MEASURE 50, WE SEPARATE TWO CONCEPTS. NOW IF WE GOT THE FORMULA, LET'S LOOK AT SOME EXAMPLES OF HOW PROPERTY TAX IS CALCULATED. IN THE FIRST EXAMPLE, IN A MAP YOU CAN SEE THE RED AND BLUE DOT REPRESENT TWO PROPERTIES. SO THEY BELONG TO TWO DIFFERENT CITY BOUNDARIES. THE RED ONE BELONGS TO CITY OF PORTLAND AND AS YOU CAN SEE HERE THE STREET IS 162ND. THE BLUE DOT, THE BLUE PROPERTY, BELONGS TO CITY OF GRESHAM. SO EVEN THIS THEY HAVE SIMILAR REAL MARKET VALUE, SAME ASSESSED VALUE, BUT BECAUSE THEY BELONG TO TWO DIFFERENT AREAS, WHICH HAVE DIFFERENT RATES, THAT'S WHY WE CALLED THE FORMULA WHEN WE TAKE THE RATE MULTIPLIED WITH ASSESSED VALUE WE GOT A LITTLE BIT DIFFERENT IN THE PROPERTY TAX.

Dang Dinh: SO IN THIS EXAMPLE I USED A SIMILAR ASSESSED VALUE BUT DIFFERENT RATES. NOW LET'S SEE AN EXAMPLE THAT HAS THE SAME RATE AND DIFFERENT ASSESSED VALUE. SO HERE ARE TWO HOUSES ONLY TWO BLOCKS FROM EACH OTHER. SO THEIR REAL MARKET VALUES IS A LITTLE BIT DIFFERENT. THEY HAVE THE SAME RATE, 25 PER \$1,000. THE BIGGEST DIFFERENCE IS ASSESSED VALUE. ONE IS 1 MILLION AND ANOTHER ONE IS 400,000. WHEN WE TAKE THE RATE MULTIPLIED WITH THE ASSESSED VALUE WE GOT THE HUGE DISPARITY IN PROPERTY TAX. THESE TWO HOUSES ARE ONLY BLOCKS AWAY FROM EACH OTHER. RATIO OF THESE TWO HOUSES CALCULATED BY TAKING THE ASSESSED VALUE DIVIDED BY REAL MARKET VALUE. SO THE HOUSE ON THE LEFT PAID A PROPERTY TAX BASED ON RATIO OF 80% AND HOUSE ON THE RIGHT PAID A PROPERTY TAX BASED ON THE RATIO OF 39%. LET'S LOOK AT ANOTHER EXAMPLE WHERE WE HAVE SALE PRICE DIFFERENT WITH THE REAL MARKET VALUE. I HAVE TWO HOUSES SOLD LAST YEAR IN 2017. WE CAN SEE THEY HAVE SIMILAR SALE PRICES. THEIR RATES ARE QUITE CLOSE, 124, 125. REAL MARKET VALUE IS A LITTLE BIT DIFFERENT. BUT THE BIGGEST DIFFERENCE HERE IS THE ASSESSED VALUE. SO WHEN WE TAKE ASSESSED VALUE MULTIPLIED WITH THE RATE WE GOT THE DISPARITY IN THE PROPERTY TAX. NOW YOU MIGHT WONDER WHY WE HAVE SUCH A DIFFERENCE IN THE ASSESSED VALUES OF THESE TWO HOUSES. TO ATHENS QUESTION WE NEED TO LOOK AT THE HISTORY OF THESE TWO HOUSES. THE GRAPH ON THE TOP HERE WE HAVE YEAR FROM 1995 TO 2017.

IN THE Y AXIS WE HAVE THE VALUE IN TWO HOUSES. THE HOUSE ON THE LEFT PASSED THE REAL MARKET VALUE AND ASSESSED VALUE ONTO DARK BLUE AND LIGHT BLUE COLOR WHEREAS THE HOUSE ON THE RIGHT HAS THE REAL MARKET VALUE AND ASSESSED VALUE ON RED AND PINK COLOR. SO FIRST LET'S LOOK AT 2017. IN 2017 THESE TWO HOUSES HAVE CLOSED IN TERMS OF REAL MARKET VALUE BUT THE ASSESSED VALUE IS SO DIFFERENT. THERE

ARE TWO REASONS TO EXPLAIN FOR THE DISPARITY. FIRST THEY HAVE THE STARTING POINT IN THE PAST. YOU CAN SEE 1997 WHEN MEASURE 50 PASSED, THE SECOND REASON IS BECAUSE THE MEASURE 50 PUT THE CAP ON THE GROWTH OF THE ASSESSED VALUE, SO 3% FOR THE LOW ASSESSED VALUE INCREASES JUST A LITTLE BIT. BUT 3% FOR HIGH ASSESSED VALUE INCREASES A LOT. YOU CAN SEE THE DISPARITY GETTING BIGGER AND BIGGER IN 2017. IF WE CALCULATE RATIO OF THESE TWO HOUSES WE CAN TAKE THE ASSESSED VALUE HERE, DIVIDED BY THE REAL MARKET VALUE, SO WE HAVE THE HOUSE ON THE LEFT, 19 AND THE HOUSE ON THE RIGHT 67. SO IN THIS EXAMPLE WE ONLY LOOK AT THE DISPARITY OF TWO HOUSES. NOW I INVITE YOU TO LOOK AT THE DISPARITY IN THE WHOLE COUNTY.

Dang Dinh: FIRST THIS IS THE MAP OF PEOPLE PAY THEIR PROPERTY TAX BASED ON EXTREMELY LOW RATIO IN 2017. SO HERE'S THE RIVER. I-5 GO UP NORTH, 205 HERE. 82ND HERE. SO WE CAN SEE MOST OF THE PROPERTIES ARE CONCENTRATED AROUND NORTHEAST PORTLAND. AND WE HAVE AROUND 3600 PROPERTIES LIKE THIS IN 2017 IN MULTNOMAH COUNTY. THE NEXT MAP GOING TO BE THE ONE THAT PAY ABOVE 80%, EXTREMELY HIGH. SIMILAR MAP, THE RIVER, 205 HERE. SO THE WEST HILLS, WHICH IS THE WEST OF THE RIVER, THERE'S A LOT OF PROPERTIES THAT PAY THEIR PROPERTY TAX BASED ON REALLY HIGH RATIO, AND ON THE EAST SIDE OF 205 WE HAVE NUMBER OF PROPERTIES IN GRESHAM AREA, FAIRVIEW, A LITTLE BIT IN PORTLAND HERE. INTERESTINGLY, WE HAVE A SIMILAR NUMBER OF THE PROPERTIES, ABOUT 3600. SO NOW THE MAP OF THE WHOLE COURT BASED ON THE RATIO. ON THE LEGEND HERE WE CAN SEE THE COOLER COLOR REPRESENTS FOR LOW RATIO. THE HOTTER COLOR REPRESENT FOR HIGH RATIO. SO AGAIN, THE RIVER HERE, SANDY BOULEVARD HERE. 82ND RIGHT HERE AND 205 RIGHT HERE.

WE CAN FEEL THE HEAT FROM THE EAST SIDE OF 205 OR 82ND, AND THE WEST SIDE OF THE RIVER HERE FROM THE RIVER TO 82ND WE CAN SEE ALL ABOUT THE COOLER COLOR, ESPECIALLY THIS DARK BLUE AREA. THEY PAY EXTREMELY LOW BASED ON THE RATIO. SPECIFICALLY THIS AREA RELATES TO HISTORIC RACISM IN MULTNOMAH COUNTY IN THE PAST BECAUSE THEY HAVE SOME RED BOUNDARIES WHICH IS NEGATIVE NOTATION IN THE PAST. WHICH MEANS THAT ONLY BLACK AND AFRICAN-AMERICAN PEOPLE CAN BUY HOUSES IN THIS AREA. THAT'S WHY THIS AREA HAVE SUCH A LOW ASSESSED VALUE IN THE PAST AND BECAUSE OF THE MEASURE 50 PUT THE CAP ON THE GROWTH, THAT'S WHY NOW WE CAN SEE SUCH DIFFERENCE IN THE ASSESSED VALUE. SO THIS IS JUST A MAP OF 2017. NOW I INVITE YOU TO LOOK AT SOME RATIOS, SOME DISTRIBUTION OF THE RATIO IN THE PAST TO SEE THE MOVEMENT OF THE RATIO IN MULTNOMAH COUNTY. THIS IS THE NUMBER OF THE PROPERTIES ON EACH CATEGORY HERE. MOST OF THE PROPERTIES IN MULTNOMAH COUNTY IN 2017 PAID THEIR PROPERTY TAX BASED ON THE RATIO GOING FROM 30 TO 70. TWO NOTES THAT I WANT TO MAKE HERE. FIRST, THE YELLOW COLUMN AND THIS COLUMN, THESE TWO COLUMNS PAY AT

LEAST DOUBLE AMOUNT OF RATIO COMPARED TO THIS COLUMN BECAUSE THIS COLUMN PAID PROPERTY TAX BASED ON 30 TO 40 OF THE RATIO WHEREAS THESE TWO COLUMNS PAYS PROPERTY TAX BASED ON RATIO 60 TO 80. AND THE SECOND NOTE IS IF WE COMPARE THIS END ON THE LEFT, THREE COLUMNS, WITH THIS THREE COLUMNS ON THE RIGHT, WE CAN SEE THAT IN 2017, WE ACTUALLY HAVE MORE LOSER THAN WINNER.

Dang Dinh: WHAT I MEAN IS PEOPLE PAY THEIR PROPERTY TAX BASED ON EXTREMELY HIGH RATIO IS MORE THAN PEOPLE PAY THEIR PROPERTY TAX ON EXTREMELY LOW RATIO. NOW LOOK AT THE HISTORY OF THE DISTRIBUTION OF THE RATIO IN MULTNOMAH COUNTY. SO HERE IN THE "X" WE HAVE THE RATIO GOING FROM ZERO TO 100 AND THE Y AXIS IS THE NUMBER OF THE PROPERTY. SO THE YELLOW LINE IS THE DISTRIBUTION OF THE RATIO IN 2017. IT'S JUST A DIFFERENT WAY TO DEMONSTRATE THE DISTRIBUTION. IT LOOKS SIMILAR TO THIS KIND OF COLUMN. I JUST USED THE LINE TO REPRESENT THAT. THIS IS 2017. THE RED REPRESENTS FOR DISTRIBUTION IN 2010 AND THE BLUE LINE REPRESENTS FOR DISTRIBUTION IN 2000. AS WE CAN SEE IN 2000 MOST OF THE PROPERTY PAID THEIR TAXES BASED ON THE ARABO BETWEEN 50 TO 90, ESPECIALLY BETWEEN 70 TO 80,

WE HAVE ABOUT 91,000 PROPERTIES LIKE THIS. BUT THIS PEAK COLLAPSED IN 2010 AND 2017. [NO AUDIO] PEOPLE PAY HIGH GETTING SMALLER AND SMALLER, PEOPLE PAYING EXTREMELY LOW GETTING LOWER AND LOWER. WE CAN ALSO SEE THE MOVEMENT OF THE RATIO IN 2000 HERE, 2010 HERE, 2017. SO THE TENDENCY IS MOVE TOWARD THE LOW RATIO. IF WE DON'T ADJUST OR CHANGE MEASURE 50 I THINK IT'S MORE LIKELY TO CONTINUE TO MOVE FORWARD IN THIS DIRECTION, IN THE LEFT DIRECTION. SO THIS FINISH THE SECOND PART IN MY REPORT. NOW WE'LL MOVE ON AND TALK ABOUT UNINTENDED CONSEQUENCE, WHICH IS THE MOVEMENT OF PEOPLE OF COLOR. SO FAR I ONLY USED THE PROPERTY TAX DATA FROM THE COUNTY. NOW I COMBINE THAT WITH U.S. BUREAU, THE CENSUS DATA, TO SEE HOW PEOPLE OF COLOR MOVE OVER THE COURSE OF 17 YEARS FROM 2000 TO 2016. ONE NOTE THAT I WANT TO MAKE HERE, SO IN THIS ANALYSIS I ONLY CONSIDERED THE EAST SIDE FROM THE RIVER.

I ONLY CONSIDERED HERE. BUT I DON'T CONSIDER THE WEST HILLS, DOWNTOWN PORTLAND AND ON THE WEST SIDE OF THE RIVER. THE BLUE USED TO HAVE HIGH CONCENTRATION OF PEOPLE OF COLOR IN 2000. BUT AS YOU CAN SEE IN THE LEGEND, THEY LOSE PEOPLE OF COLOR, THEY HAVE LOST PEOPLE OF COLOR OVER THE COURSE OF 17 YEARS WHEREAS THE PINK SHAPES GET MORE AND MORE PEOPLE OF COLOR OVER THE COURSE OF 17 YEARS AND ACTUALLY THIS LINE IS 82ND. NOW I WILL COMPARE THE MOVEMENT OF PEOPLE OF COLOR WITH THE SALE PRICE AND THE RATIO TO SEE HOW THEY CORRELATE TO EACH OTHER. FIRST LET'S LOOK AT THE BLUE SHAPES OR THE BLUE CENSUS TRACK. IN THE BLUE CENSUS TRACK THE Y POPULATION INCREASED AND SPECIFICALLY THERE'S ABOUT 970 Y PEOPLE

MOVE IN THIS AREA PER YEAR ON AVERAGE WHEREAS ABOUT 570 PEOPLE OF COLOR MOVED OUT OF THIS AREA PER YEAR ON AVERAGE. IN THE BLUE SHAPES, THE PINK TRACK, THE WHITE POPULATION SLOWLY INCREASED OVER THE COURSE OF 17 YEARS BUT THE PEOPLE OF COLOR, COMMUNITIES OF COLOR, DOUBLED OVER THE COURSE OF 17 YEARS. SPECIFICALLY THERE'S ABOUT 1300 PEOPLE OF COLOR MOVE IN PINK SHAPES.

Dang Dinh: 590 HOMEOWNERS MOVING INTO THIS AREA PER YEAR ON AVERAGE. NOW LET'S LOOK AT THE SALE PRICE OF THE BLUE SHAPES. HERE ON THE GRAPH, ACTUALLY ONE LINE HERE REPRESENTS FOR THE MEDIAN SALE PRICE OF ONE BLUE SHAPE ON THE MAP. ON THE "X" AXIS WE HAVE THE YEAR GOING FROM 2000, 2016, THE Y AXIS IS THE VALUE. TWO NOTES THAT I WANT TO MAKE HERE. FIRST, MOVING FROM 2000 TO 2016, THE MEDIAN SALE PRICE GONE UP IN 2016 ABOUT 3.5 TIMES THE MEDIAN SALE PRICE IN 2000. IF WE LOOK AT THE MEDIAN SALE PRICE IN 2000 HERE IN THE MAP, IN THE GRAPH, WITH 2016, WE CAN SEE THAT THIS IS UNSTABLE AREA AS THE MEDIAN SALE PRICE SCATTER ALL THE WAY IN 2016. IN THE PINK AREAS, SIMILARLY IN MOVING FROM 2000 TO 2016, THE MEDIAN SALE PRICE ONLY DOUBLE THE MEDIAN SALE PRICE IN 2000. WHEN WE COMPARE THE MEDIAN SALE PRICE IN 2000 WITH 2016, IT IS REALLY STABLE. NOW LET'S PUT THESE TWO AREAS SIDE BY SIDE TO EMPHASIZE THE DIFFERENCE. THE LEFT SIDE IS THE MEDIAN SALE PRICE FOR BLUE CENSUS TRACK, THIS IS THE PINK SENSES TRACK. IN 2000 THE CENSUS TRACK THAT HAS BECOME MORE DIVERSE ACTUALLY HAVE HIGHER MEDIAN SALE PRICE BUT OVER THE COURSE OF 17 YEARS THE CENSUS TRACKS THAT BECOME WIDER CAUGHT UP IN TERMS OF MEDIAN SALE PRICE AND EVEN INCREASED FASTER. SO THE RATE OF CHANGE OF THE INCREASING IN SALE PRICE OF THIS CENSUS TRACK IS ABOUT 2.5 TIMES THIS CENSUS TRACK.

BASICALLY I TAKE 250 DIVIDED BY 100, 2.5, SO THE RATE OF CHANGE IS 2.5 TIMES FASTER THAN THIS AREA. NOW I'M GOING TO LOOK AT THE RATIO OF THESE TWO AREAS. SIMILARLY, THE LEFT ONE IS FOR THE BLUE AREA, THE RIGHT FOR THE PINK AREA. SO THE MEDIAN RATIO OF THE CENSUS TRACK THAT BECOMES WIDER, EXTREMELY LOW COMPARED TO THE RATIO IN THE CENSUS TRACK THAT BECOMES MORE DIVERSE, ACTUALLY JUST 30, THIS ONE ABOUT 60, SO ONLY HALF OF THE CENSUS TRACK ON THE RIGHT. THE RATE OF CHANGE OR THE RATE OF DECREASING OF THE AREA ON THE LEFT IS 2.5 TIMES FASTER, THIS AREA. IF WE TAKE 50, DIVIDED BY 20 WE GOT 2.5 TIMES. SO KIND OF SIMILAR TO THE SALE PRICE. SO IN THIS ANALYSIS WE CAN SEE THAT THE MOVEMENT OF PEOPLE OF COLOR IS HIGHLY CORRELATED TO THE RAPIDLY INCREASING IN THE SALE PRICE AND DECREASING IN THE RATIO. BUT I ONLY LOOK AT TWO FACTORS, WHICH IS THE SALE PRICE AND RATIO, WE STILL HAVE A LOT OF FACTORS TO CONSIDER. THAT'S WHAT I WANT TO EMPHASIZE. IT'S NOT JUST THESE TWO FACTORS BUT WE STILL HAVE A LOT OF FACTORS TO CONSIDER. PEOPLE MIGHT SAY THAT THIS AREA USED TO HAVE A LOT OF PEOPLE OF COLOR LIVING HERE SO ACTUALLY PEOPLE OF

COLOR BENEFIT FROM MEASURE 50 AND THEY PAY REALLY LOW FOR PROPERTY TAX. THIS WAS RIGHT IN THE PAST, BUT NOT ANY MORE AS PEOPLE OF COLOR NOW CONCENTRATE IN THIS AREA. BASICALLY THEY MOVED TO THE AREA THAT THEY PAY MORE FOR PROPERTY TAX AND THE WHITE POPULATION TENDS TO MOVE TO THIS AREA NOW THEY PAY REALLY LOW FOR PROPERTY TAX. IN SUMMARY, MULTNOMAH COUNTY NOW EXPERIENCE THE DISPARITY OF PROPERTY TAX AND IT WILL LIKELY TO INCREASE IN THE FUTURE IF WE DON'T ADJUST OR CHANGE MEASURE 50. ALSO PEOPLE OF COLOR HAVE LEFT THE LOW RATIO CENSUS TRACK AND MOVED TO INCREASINGLY FOCUSED ON THE HIGHER RATIO CENSUS TRACK. THANK YOU FOR THE OPPORTUNITY TO PRESENT THIS REPORT.

Vice-Chair Stegmann: THANK YOU SO MUCH. QUESTIONS, COMMENTS?

Commissioner Vega Pederson: THANK YOU SO MUCH FOR THIS PRESENTATION. I LOVE TALKING ABOUT TAX RATES AND I'M NOT JOKING. WHEN WE TALK ABOUT THE QUANDARIES THAT WE FIND OURSELVES IN AS A COUNTY, THE CITIES AND OTHER LOCAL GOVERNMENTS FACE THE SAME PROBLEMS. WE'RE IN ONE OF THE LONGEVITY ECONOMIC BOOM CYCLES IN HISTORY. YET BUDGET CYCLE AFTER BUDGET CYCLE WE'RE BRACING OURSELVES FOR HAVING EXPENSES THAT OUTPACE OUR REVENUE COLLECTIONS. I THINK MEASURE 5 AND MEASURE 50 WE CAN POINT TO AS ZONES WHY THAT'S HAPPENING. THIS IS PART OF A BALLOT INITIATIVE THAT WAS ACROSS THE NATION AT THE TIME TO CURB THE TAX RATES FOR DIFFERENT PLACES BUT OREGON AS WE ARE WON'T TO DO ON SO MANY THINGS DID IN A UNIQUE WAY THAT WE'RE BEARING THE BURDENS OF IN WAYS NO OTHER STATES ARE. CALIFORNIA HAD SOMETHING SIMILAR THAT PASSED THERE, PROP 13, BUT THE SIGNIFICANT DIFFERENCE THAT THEY DID THAT WE DIDN'T DO HERE WAS TO HAVE A RESET AT SALE SO THAT ASSESSED VALUE THAT WE HAVE TIED TO A 10% BELOW THE 1995 RATES, SEEM SEEMINGLY RANDOM PRICE POINT, NEVER, EVER CHANGES. IT ONLY GROWS AT THAT SET PACE.

SO AS THE REAL MARKET VALUE OF PROPERTIES, IN NORTH AND NORTHEAST PORTLAND WERE GOING UP IT WASN'T RESET AS NEW OWNERS, WHITE OWNERS CAME IN AND BOUGHT THOSE PROPERTIES. THEREFORE SOME OF THE BURDENS NOW ARE ON PEOPLE WHO ARE LIVING ELSEWHERE AND I REALLY THINK YOU DID AN AMAZING JOB OF CLARIFYING WHAT THAT LOOKS LIKE. I ALSO WANTED FOR OTHER PEOPLE WHO ARE INTERESTED IN THIS, THE AUDITOR'S OFFICE DID A GREAT MAPPING OF THIS AND TALKING A LITTLE BIT ABOUT THE CURRENT NEIGHBORHOOD INEQUITIES IN 2014 AND THAT'S AVAILABLE ON THEIR WEBSITE. THAT AGAIN HAS SOME REALLY GREAT IMAGES YOU CAN WALK THROUGH AND CLICK THROUGH THAT TALK ABOUT HOW THIS IS REALLY IMPACTING MULTNOMAH COUNTY. I'M REALLY GLAD WE HAVE TAKEN UP THIS DISCUSSION. I THINK THIS IS SOMETHING THAT'S NOT JUST AFFECTING MULTNOMAH COUNTY, IT'S AFFECTING COUNTIES AND LOCAL GOVERNMENTS ALL OVER THE STATE. WHILE IT'S A REALLY HARD

THING TO CHANGE BECAUSE IT IS EMBEDDED IN OUR CONSTITUTION I THINK THAT WE'RE FEELING THE IMPACTS OF HOW THIS LIMITS WHAT WE'RE ABLE TO DO AS GOVERNMENT AND ALSO HOPEFULLY GETTING TO A POINT WHERE WE CAN START TO MAKE SOME CHANGES TO THAT. SO THANK YOU.

Commissioner Meieran: I ALSO WANT TO ECHO WHAT COMMISSIONER VEGA PEDERSEN SAID AND ADD MY THANKS TO YOU FOR DOING SUCH AN INCREDIBLE JOB OF GOING THROUGH THIS AND ANALYZING JUST SUCH A COMPLEX ISSUE AND PRESENTING IT SO WELL. I COMPLETELY AGREE AND IT REALLY POINTS OUT THOSE UNINTENDED CONSEQUENCES AND THOSE STARK INEQUITIES THAT HAVE RESULTED. I'M GOING TO LOOK AT THE AUDITOR'S REPORT TOO. IT WOULD BE NICE TO ADDRESS SOME OF THAT IN SOME WAY.

Vice-Chair Stegmann: THANK YOU SO MUCH. TO BE REALLY FRANK, THIS ANGERS ME. I REPRESENT EAST COUNTY. WHAT WE'RE SEEING IS WHAT WE INTUITIVELY KNOW IS THE RICH KEEP GETTING RICHER AND THE POOR KEEP GETTING POORER. UNFORTUNATELY WE HAVE A HABIT OF EXPLOITING SOME OF OUR COMMUNITIES, AND I DO UNDERSTAND WHAT THE THINKING WAS BACK IN 1990 AND 1997 BUT I HOPE PEOPLE DIDN'T SEE THIS COMING. WE HAVE A SERIOUS, SERIOUS PROPERTY TAX ISSUE HERE, AND IT IS SO COMPLICATED TO TRY TO EXPLAIN THIS AT A NEIGHBORHOOD ASSOCIATION. THIS IS THE SECOND TIME I HAVE HEARD THIS PRESENTATION. IT'S BLOWN ME AWAY. OBVIOUSLY WHENEVER YOU HAVE DATA IT'S ALWAYS GOOD TO PROVE AND HAVE EVIDENCE BASED DATA THAT TELLS THE STORY. WE IN EAST COUNTY HAVE HAD A LOT OF MEASURES THAT HAVE PASSED, WHICH HAS BEEN GREAT. WE HAVE HAD SCHOOL BONDS. WE HAVE HAD THE HISTORICAL SOCIETY BOND. WE HAVE A HOUSING BOND. SO THESE ARE ALL GREAT THINGS, BUT THE CHALLENGE IS THAT WE REPRESENT DIFFERENT GEOGRAPHIC AREAS, AND WHILE SOME PEOPLE IN PORTLAND MAY BE ABLE TO AFFORD A PARTICULAR BOND, THAT IS JUST PATENTLY UNTRUE IN EAST COUNTY. SO IT REALLY IS A TALE OF TWO COUNTIES AND IT GOES BACK TO THE WORK THAT THE OREGON EMPLOYMENT OFFICE DID, CHRISTIAN KALER, THAT TALKS ABOUT YOUR MAP UP THERE, THAT'S THE 82ND DPS WILL YOU USE 205 AS THE DIVIDING LINE? SO THAT'S CLOSE.

I SAID THIS BEFORE AND I WILL CONTINUE TO SAY IT BECAUSE I THINK IT ILLUSTRATES THE INEQUITIES THAT EXIST IN MULTNOMAH COUNTY. THAT IF YOU TOOK MULTNOMAH COUNTY, YOU DIVIDED IT INTO TWO STATES, WEST MULTNOMAH COUNTY WOULD BE THE SECOND WEALTHIEST STATE IN OUR COUNTRY. EAST MULTNOMAH COUNTY WOULD BE THE SECOND POOREST. I THINK THAT THAT'S JUST THE EASIEST WAY TO KIND OF TAKE EVERYTHING THAT YOU'VE SAID AND BOIL IT DOWN. BUT TRYING TO GET DOWN INTO THE WEEDS OF HOW WE'RE EVER GOING TO RECTIFY THIS PROPERTY TAX SYSTEM IS DAUNTING TO SAY THE LEAST. BUT I'M REALLY EXCITED THAT WE HAVE HAD SUCH A CAPABLE INTERN. I HOPE YOU COME BACK BECAUSE THIS

IS JUST AMAZING INFORMATION, THAT WE CAN START TO BOIL THIS DOWN INTO BITE SIZE PIECES SO THAT WE CAN START EDUCATING PEOPLE IN OUR COMMUNITY TO UNDERSTAND. BECAUSE WITHOUT UNDERSTANDING WE'RE NOT GOING TO GET VERY FAR. THIS IS SO COMPLEX, AND I MEAN LIKE EVEN THINGS LIKE I DIDN'T REALIZE THE BALLOT MEASURE 50 AND 97, THAT THAT ACTUALLY BACKED UP 10%. SO THAT THEY STARTED WITH 10% BELOW THE 1995 VALUES AND THEN THEY LIMITED IT BY THE 3% GROWTH.

Vice-Chair Stegmann: SO THERE'S ALL THESE NUANCES THAT MAKE IT REALLY INCREDIBLY CHALLENGING. BUT AGAIN, PEOPLE IN EAST COUNTY ARE PAYING A MUCH, MUCH HIGHER RATIO AND ARE THE ONES THAT CAN LEAST AFFORD IT. THIS SYSTEM IS BROKEN. WE NEED TO FIX IT. I APPRECIATE YOU COMING FORWARD AND JUST BEING SO CLEAR ABOUT WHAT THE DATA SAYS. I'M ANGRY. [LAUGHTER] BUT EXCITED THAT WE'RE STARTING TO HAVE THESE CONVERSATIONS AND I LOOK FORWARD TO THE COUNTY AND OUR LEGISLATURE LEADING ON PROPERTY TAX REFORM. THIS HAS BEEN INCREDIBLE. THANK YOU SO MUCH. I HOPE YOU COME BACK. I THINK WE COULD FIND A PLACE FOR YOU AT THE COUNTY. [LAUGHTER] THANK YOU SO MUCH FOR THE PRESENTATION. [APPLAUSE] ON A LIGHTER NOTE, WE'RE GOING TO TALK ABOUT SURPLUS PROPERTY DISPOSITIONS.

B.2 Update on Surplus Property Dispositions. Presenter: Bob Leek, Interim Director, DCA.

Bob Leek: GOOD MORNING. MY NAME IS BOB LEEK, INTERIM DIRECTOR OF THE DEPARTMENT OF COUNTY ASSETS HERE TO UPDATE YOU ON A COUPLE OF THINGS. ONE IS ON THE PROCESS THAT WE FOLLOWED AROUND THE DISPOSITION OF TWO SURPLUS PROPERTIES THAT WE STARTED BACK IN NOVEMBER OF 2017, AND THE SECOND IS TO SHARE GREAT NEWS REGARDING THE COURTHOUSE. I'LL SAVE THE GREAT NEWS REGARDING THE COURTHOUSE FOR THE TOWARD THE ENDS OF MY PRESENTATION BECAUSE I NEED TO CATCH YOU UP ON ALL THE HARD WORK THAT'S HAPPENED OVER THE PAST FEW MONTHS. I AM ALSO GOING TO TOUCH ON WHERE WE ARE IN OUR PROCESS REGARDING THE MCCOY BUILDING. WE HAVE BEEN PROCESSING BOTH PROPERTIES MORE OR LESS ON A SIMILAR TIMELINE BUT TODAY WE'RE DISCONNECTING THE TWO PROPERTIES AND I'LL EXPLAIN WHAT THAT MEANS IN TERMS OF NEXT STEPS WHEN I SUMMARIZE AT THE ENDS OF THE PRESENTATION THIS MORNING. SO WE ARE OPERATING UNDER A POLICY THAT WAS ADOPTED ON JANUARY 18TH ESTABLISHING DECLARING REAL PROPERTY SURPLUS AND SOLICITING PUBLIC COMMENT AND SO THAT'S BEEN OUR GUIDING FOCUS AROUND THE PROCESS THAT WE HAVE BEEN ENGAGED ON OVER THE PAST FEW MONTHS. ACROSS THE BOTTOM I HAVE ADDED SOME CHEVRONS THAT WILL LEAD YOU THROUGH THE STEPS, THE MAIN STEPS IN THE PROCESS AND YOU'LL SEE US UPDATE THAT THROUGH THE NEXT SET OF SLIDES. BACK IN NOVEMBER OF 2017, THE FACILITIES AND PROPERTY MANAGEMENT TEAM BEGAN PRE-MARKETING ACTIVITIES ON THE

DOWNTOWN COURTHOUSE AND EXISTING MCCOY BUILDING. AS YOU'RE ALL AWARE, WE ARE REPLACING BOTH THOSE BUILDINGS. WE HAVE CONSTRUCTION PROJECTS UNDER WAY THAT ARE PROGRESSING ON THEIR RESPECTIVE TIMELINES TO BUILD THE NEW COURTHOUSE AND TO BUILD THE NEW HEALTH HEADQUARTERS BUILDING.

Bob Leek: BACK IN NOVEMBER WE ESTABLISHED WHAT WE WOULD CALL A REAL ESTATE TEAM MADE UP OF CROSS DISCIPLINARY GROUP OF FOLKS, A SMALL GROUP OF PEOPLE ACCOUNTABLE FOR ENSURING THAT THE PROCESS THAT WE'RE GOING TO FOLLOW MADE ITS PROGRESS ENGAGING WITH AN ORGANIZATION CALLED CBRE, AS OUR REAL ESTATE TEAM, AND ESTABLISHED THAT WE WERE GOING TO OPERATE THE SALE OF THESE TWO FACILITIES UNDER WHAT WE CALL A BLIND SALE PROCESS. WHAT THAT MEANS FOR US IS WE WERE NOT AWARE OF OR HAD ACCESS TO THE NAMES OF THE POTENTIAL BIDDERS. WE CALLED THEM OFFEREES AND BEADING ORGANIZATIONS TO PRESERVE THE HIGHEST LEVELS OF OBJECTIVITY AND INTEGRITY RELATED TO REVIEWING THE BIDS THAT WE ULTIMATELY ENDED UP RECEIVING. THAT'S THE PROCESS WE ESTABLISHED IN NOVEMBER AND WE STARTED MAKING PROGRESS RIGHT AWAY. THE TWO PROPERTIES THAT WE ARE WORKING ON NOW, ONE IS THE COURTHOUSE. I HAVE TWO SLIDES. ONE ON THE COURTHOUSE, THE SECOND ON THE MCCOY BUILDING. THIS IS LIFTED FROM A FACILITY ASSET STRATEGIC PLAN SLIDE DECK THAT COVERS DOZENS OF OUR FACILITIES AROUND THE COUNTY. WE TRIED TO PROVIDE SOME CONSISTENCY IN THE FORMAT AND THE LOOK OF HOW WE WERE GOING TO ADDRESS THE DISPOSITION OF EACH OF OUR PROPERTIES.

WHAT I WANTED TO HIGHLIGHT HERE IS THAT THE COURTHOUSE WAS DESIGNED AND BUILT IN THE EARLY 1900S. THE CITY OF PORTLAND LISTED THAT BUILDING AS AN HISTORIC LANDMARK IN 1970 AND THE BUILDING BECAME A NATIONAL HISTORIC LANDMARK IN 1979. HOWEVER, FACILITIES HAD DETERMINED THAT THE COURTHOUSE IS OPERATIONALLY AND FUNCTIONALLY OBSOLETE WITH THE MAJORITY OF THE SYSTEMS EXCEEDING THEIR USEFUL LIFE. THAT SENT US DOWN THE PATH OF BOTH BUILDING THE NEW COURTHOUSE AND GETTING GOING ON THAT CONSTRUCTION PROJECT AND BEGINNING THE EFFORT TO DISPOSE OF THIS PARTICULAR PROPERTY. WITH THE GLADYS MCCOY PROPERTY AGAIN A SIMILAR SLIDE, THE MCCOY BUILDING ALSO KNOWN AS THE J.K. GILL BUILDING AT 426 SOUTHWEST STARK DESIGNED AND BUILT IN 1922 COMPLETED IN 1923, IT HAS TEN FLOORS. BUT OUR ASSESSMENT OF THAT FACILITY IS IT WAS ALSO A LOW PERFORMING BUILDING AGAINST THE MEASURES THAT WE USE TO DETERMINE HIGH PERFORMANCE VERSUS LOW PERFORMANCE IN TERMS OF OUR FACILITIES. AND THAT THE FACILITY BECOMES REDUNDANT UPON COMPLEX OF NEW HEALTH HEADQUARTERS BUILDING THAT IS SCHEDULED TO OPEN NEXT SPRING. SO THOSE ARE THE TWO PROPERTIES I'M HERE TO UPDATE YOU ON TODAY. ON APRIL 19 OF THIS YEAR THROUGH R3 AND R4 THE BOARD COMPLETED ADOPTING THE RESOLUTION DECLARING THOSE TWO

PROPERTIES AS SURPLUS. WE THEN BEGAN OUR MARKETING EFFORTS AND SO ON MAY 9TH WE BEGAN WORKING WITH CBRE ON MARKETING FOR THOSE TWO PROPERTIES. I HAVE SOME DATA AND INFORMATION TO SHARE FOR EACH OF THESE PROPERTIES.

Bob Leek: ONE SLIDE ON THE COURTHOUSE, ONE ON THE MCCOY BUILDING. SO CBRE, THE WORLD'S LARGEST COMMERCIAL REAL ESTATE FIRM, MARKETED THE PROPERTIES TO REGIONAL, NATIONAL AND GLOBAL BUYERS UNIQUELY QUALIFIED FOR THESE TYPES OF PURCHASES SO WE TARGETED WOULD BE INTERESTED IN THESE TYPES OF FACILITIES. ALMOST 7,000 QUALIFIED BUYERS WERE PRESENTED WITH THE OPPORTUNITY FOR THIS LARGE SCALE PROJECT POTENTIAL. THE MARKET DEMAND OUTLOOK FOR OFFICE SPACE IN THE NEAR TO MEDIUM TERM IS PROJECTED TO BE SOMEWHAT FLAT WITH SIGNS OF SLIGHTLY COOLING OFF FROM THE RECORD SETTING LEASING DEMAND FROM 2014-16. FOR NOW, THERE ARE NO MAJOR RISK WARNINGS LOOMING BUT GLOBAL CAPITAL FLOWS ARE PROTECTED TO SLOW DOWN AND LENDING ENVIRONMENT IS BECOMING LESS ACCOMMODATING FOR BUYERS THAN IT HAS BEEN IN RECENT YEARS. THERE'S NEVER BEEN MORE CAPITAL INDICATED TO U.S. REAL ESTATE GROWTH MARKETS SUCH AS PORTLAND SIGNALING THE STRONGEST SELLER'S MARKET IN PORTLAND HISTORY. NOW IS THE BEST TIME TO ADDRESS THE SALE OF BOTH THESE PROPERTIES. CBRE HAD MARKETED THE COURTHOUSE AS A CREATIVE TROPHY REDEVELOPMENT OPPORTUNITY, AND ALSO IDEAL FOR A CREATIVE OFFICE OR HOTEL REDEVELOPMENT POTENTIAL. THE POTENTIAL BUYERS THAT GOT IN TOUCH WITH US THEN PROJECTED THAT THE COURTHOUSE WOULD REQUIRE SOMEWHERE BETWEEN 60 TO \$97 MILLION TO UPGRADE AND UPDATE THE BUILDING BEFORE ANY TENANT IMPROVEMENT DOLLARS MIGHT BE SPENT.

THOSE SIGNIFICANT CONVERSION COSTS AND THE CONSTRUCTION RISK PROFILE WITH THESE PROJECTS ARE REFLECTED IN THE VARIETY OF THE PURCHASE ORDERS THAT WE GOT. I'LL TALK THROUGH THE DETAILS OF THE VARIOUS OFFERS AND THE BIDS THAT WE DID RECEIVE. FROM OUR MARKETING EFFORTS, WE RESULTED IN RECEIVING 177 PRE-VISIT AGREEMENTS. THOSE ARE CONFIDENTIALITY AGREEMENTS, AGREEMENTS ON ACCESS TO THE PROPERTY, WORKING WITH US ON SCHEDULING TO COME AND VISIT THOSE PROPERTIES, TO VISIT THE COURTHOUSE BECAUSE AS YOU KNOW THE COURTHOUSE IS AN ONGOING OPERATION. SO THE 177 AGREEMENTS SHOWED TO US AN EXTREME AMOUNT OF INTEREST IN ORGANIZATIONS THAT WERE WILLING TO WORK AROUND THE SCHEDULE OF OUR DAY-TO-DAY OPERATIONS IN ORDER TO TOUR THE FACILITY AND REALLY TAKE A LOOK AT WHAT IT IS THAT THEY COULD POTENTIALLY DO WITH THAT. FROM THERE WE SCHEDULED DOZENS OF TOURS. IN FACT THE TOURS THAT WE HAD WERE SCHEDULED ON MONDAY NIGHTS AND WERE ACCOMPLISHED OVER A PERIOD OF ABOUT EIGHT WEEKS.

Bob Leek: WE ALSO HELD AN OPEN HOUSE ON MAY 8TH. WE WERE DISAPPOINTED THAT THERE WAS SOMEWHAT LOW ATTENDANCE BUT NO NEGATIVE COMMENTS CAME FROM THAT OPEN HOUSE. I'LL SUMMARIZE THE REST OF THE PUBLIC COMMENTS THAT WE RECEIVED BECAUSE WE DID HAVE A PUBLIC COMMENT PERIOD AS WELL. SO THAT WAS OUR MARKETING EFFORT ON THE COURTHOUSE. ON THE MCCOY BUILDING ON A SIMILAR TIMELINE, CBRE ALSO OFFERED THIS TO AROUND 7,000 POTENTIAL BUYERS, ALL HIGHLY QUALIFIED, PRESENTING WITH AN OPPORTUNITY FOR THIS UNIQUE RENOVATION POTENTIAL OPPORTUNITY.

THE BUYERS THAT CONTACTED US PROJECTED THAT THE MCCOY BUILDING WOULD REQUIRE BETWEEN 10 MILLION TO OVER 20 MILLION TO UPGRADE AND UPDATE THE BUILDING BEFORE ANY TENANT IMPROVEMENT DOLLARS WOULD BE SPENT. THESE SIGNIFICANT CONVERSION COSTS AND CONSTRUCTION RISK PROFILE WITH THESE PROJECTS ARE REFLECTED IN THE VARIETY OF PURCHASE OFFERS WE RECEIVED ON THE MCCOY BUILDING. I'LL DETAIL THOSE IN A SUBSEQUENT SLIDE. SIMILARLY TO THE COURTHOUSE, THE MCCOY BUILDING ALSO RECEIVED EXTREMELY HIGH NUMBER OF PRE-VISIT AGREEMENTS. ORGANIZATIONS INTERESTED IN COMING TO TOUR WITH US THAT TOTALED 163 OF THOSE AGREEMENTS. AGAIN, INDICATING TO US AN UNUSUALLY HIGH NUMBER OF INTERESTED PARTIES THAT WANTED TO LOOK INTO THE MCCOY BUILDING. AGAIN, THEY HAD TO TAKE THE BURDEN ON OF WORKING AROUND OUR SCHEDULE SINCE THE MCCOY BUILDING IS STILL OPERATING WITH ALL OF THE CLINIC SERVICES AND OTHER SERVICES THAT ARE PROVIDED OUT OF THAT BUILDING. THOSE TOURS WERE SCHEDULED TUESDAY NIGHTS OVER A PERIOD OF EIGHT WEEKS. SO ON AROUND JULY 6TH OUR MARKETING EFFORTS CONCLUDED. WE WERE IN RECEIPT OF NINE OFFERS ON THE COURTHOUSE AND EIGHT OFFERS ON THE MCCOY BUILDING. BEFORE I DETAIL THOSE OFFERS I WANTED TO TOUCH ON THE PUBLIC COMMENTS THAT WE HAD RECEIVED.

PURSUANT TO THE POLICY, WE HAD TO OPEN A PUBLIC COMMENT PERIOD. THAT WAS FACILITATED BY THE COUNTY FROM APRIL 20 THROUGH JUNE 19. ON THE COURTHOUSE WE RECEIVED A TOTAL OF 21 COMMENTS. ON THE MCCOY BUILDING A TOTAL OF 12 COMMENTS. ON THE COURTHOUSE, THE COMMENTS COVERED A NUMBER OF DIFFERENT AREAS OF INPUT FROM THOSE THAT PROVIDED COMMENTS. WE HAD MORE COMMENTS ASKING US TO PRESERVE THE BUILDING THAN COMMENTS RELATED TO TEARING DOWN THE BUILDING. WE ALSO HAD COMMENTS AROUND THE FUTURE USE OF THE FACILITY. SO THOSE FUTURE USE COMMENTS INCLUDED WE SHOULD USE THE COURTHOUSE FOR AFFORDABLE HOUSING, FOR OFFICE OR COMMERCIAL USE, OR THAT WE SHOULD SELL THE BUILDING AND USE THOSE PROCEEDS FOR AFFORDABLE HOUSING. THERE WERE ALSO ONE OR TWO COMMENTS EACH AROUND THE DESIRE TO KEEP THE BUILDING FOR HISTORIC PRESERVATION, TO TURN THE BUILDING INTO A HOMELESS SHELTER, AS A COMMUNITY CENTER, A HEALTH CLINIC, OR AS A SOCIAL SERVICES LOCATION.

Bob Leek: ALTHOUGH WE ONLY GOT 21 COMMENTS THEY COVERED A WIDE VARIETY OF INPUT FROM THE PUBLIC AND WE USED ALL OF THAT INPUT AS WE EVALUATED THROUGH THE OFFERS THAT WE RECEIVED. SIMILARLY ON THE MCCOY BUILDING WE HAD 12 COMMENTS. A NUMBER OF THOSE SPECIFICALLY NOTED TO USE THE BUILDING FOR AFFORDABLE HOUSING. WE HAD INFORMALLY CONTACTED THE PORTLAND HOUSING BUREAU ABOUT THE POTENTIAL USE FOR THE MCCOY BUILDING FOR AFFORDABLE HOUSING. THEY DECLINED TO PURSUE THAT AS AN OPTION, SO WE WANTED TO COVER THE ASPECT THAT IF THERE WAS A THOUGHT ON THE PART OF THE PORTLAND HOUSING BUREAU TO USE THE MCCOY BUILDING AS AFFORDABLE HOUSING WE WANTED TO ENGAGE IN THAT CONVERSATION EARLY. SINCE THEY DECLINED TO PURSUIT THAT WITH US WE PROCEEDED WITH OUR MARKETING EFFORTS LEADING UP TO THE OFFERS WE HAD RECEIVED.

THERE WERE SOME OTHER COMMENTS THAT WE RECEIVED. ONE A DESIRE FOR A DOWNTOWN ARTS CENTER TO USE THE MCCOY BUILDING AS AN ART CENTER, COMMUNITY CENTER, ONE COMMENT AS A HOMELESS SHELTER. ONE OFFERED TO USE THE FACILITY AS A LIBRARY, A LARGER FACILITY FOR THE LIBRARY. AND TO USE THE FACILITY AS A HEALTH CLINIC, WHICH WAS INTERESTING TO US SINCE IT'S CURRENTLY A HEALTH CLINIC IN ADDITION TO THE OTHER SERVICES THAT ARE PROVIDED THERE. SO THAT IS THE SUMMARY OF ALL THE PUBLIC COMMENTS THAT WE HAD RECEIVED. WE FELT THAT THIS WAS GREAT INPUT SO THAT WE COULD TAKE THAT AND CONTINUE WITH OUR PROCESS AROUND EVALUATING THE OFFERS. AT THE CONCLUSION OF THE MARKETING EFFORTS AND ON AROUND JULY 6TH WE BEGAN TO EVALUATE THE OFFERS THAT WE HAD RECEIVED. I'M GOING TO BEG YOUR PATIENCE BECAUSE I'M GOING TO TALK THROUGH SOME SPECIFIC DETAILS ON THE OFFER BUT IT'S IMPORTANT TO PUT THE OFFERS IN THE CONTEXT OF WHERE WE'RE GOING IN TERMS OF NEXT STEPS. I'M GOING TO TALK THROUGH THE COURTHOUSE FIRST.

ON THE COURTHOUSE, WE HAD RECEIVED OFFERS WHERE ONE OFFER WAS TO TEAR DOWN AND DEVELOP THE SITE. FOUR OFFERS TO CONVERT THE FACILITY INTO OFFICE SPACE. ONE OFFER TO CONVERT THE FACILITY INTO RETAIL, OFFICE OR HOTEL SPACE. ONE CONVERSION TO A HOTEL. THAT'S A WIDE VARIETY OF POTENTIAL FUTURE USES. FUTURE USE WAS ONE OF THE CRITERIA WE USED TO EVALUATE WHICH OFFERS WE WOULD CONTINUE TO MOVE FORWARD WITH. THE OFFERS RANGED FROM 20 MILLION TO 33 MILLION. WE ALSO HAVE TO CONTINUE TO STAY IN THE COURTHOUSE THROUGH THE SPRING OF 2020 WHEN THE SCHEDULED COMPLETION OF THE CONSTRUCTION PROJECT FOR THE NEW COURTHOUSE IS SLATED. THEREFORE WE ALSO KNEW THAT WE WOULD HAVE TO DO SOME TYPE OF LEASE-BACK ARRANGEMENT WITH A BUYER IF WE WERE TO SELL THE PROPERTY AT THIS TIME. THAT LEASE-BACK PERIOD WOULD BE IN THE NEIGHBORHOOD OF TWO YEARS.

Bob Leek: THAT'S A SIGNIFICANT PERIOD OF TIME TO CONTINUE TO OPERATE AS A COURTHOUSE WITHIN A BUILDING THAT WE HAVE SOLD. BUT ALL OF THE OFFEREES KNEW THAT THAT WAS THE DEAL. IT'S EXTREMELY DIFFICULT, ALMOST IMPOSSIBLE, FOR US TO MOVE COURTHOUSE OPERATIONS OUT OF THAT FACILITY. THIS WAS A KEY PART OF THE NEGOTIATIONS WE HAVE HAD AS WE HAVE GONE THROUGH THIS PROCESS. WE DETERMINED THAT THE QUALITY OF THE ORGANIZATIONS THAT ARE MAKING THE OFFER SEEMED VERY HIGH. THEY WERE SERIOUS PLAYERS. THEY ALL HAD STRONG BUSINESS PLANS. AND WE WERE PLEASED TO SEE THAT THERE WAS ONLY ONE OFFER THAT WAS INTENT ON TEARING DOWN THE COURTHOUSE. WE EXPECTED THAT THAT WOULD BE A LONG AND DIFFICULT PROCESS. I THINK WE SHARED WITH THAT PARTICULAR BIDDER GIVEN THE STATUS OF THE COURTHOUSE ON THE NATIONAL REGISTER. WE WERE PLEASED TO SEE THAT THAT PARTICULAR OFFEREE DROPPED OUT OF THE PROCESS AFTER THE FIRST ROUND SO WE DIDN'T HAVE TO DEAL WITH THE ASPECT OF THE POTENTIAL IMPACT OF TEARING DOWN THE COURTHOUSE.

EACH OF THE ORGANIZATIONS THAT OFFERED ALSO INDICATED THAT THEY HAD EQUITY PARTNERS IN PLACE, SO ONE OF THE KEY CRITERIA THAT WE WERE USING IS THE LIKELIHOOD TO CLOSE. THE CONFIDENCE IN THEIR CAPABILITY TO CLOSE. IT WAS GREAT TO HEAR THAT THERE REALLY WERE NOT ANY OFFERS WITH THE COURTHOUSE THAT HAD EXTENSIVE CONTINGENCIES ASSOCIATED WITH THEM. THE OFFEREES INDICATED THEY HAD FINANCING IN PLACE SO THAT WAS GREAT AS WE WERE EVALUATING THESE OFFERS. WE REVIEWED THE FIRST OFFERS AROUND JULY 18TH. WE ASKED FOR SECOND OFFERS AND TO TURN THOSE IN BY AUGUST 1ST. THOSE SECOND OFFERS WERE RECEIVED FROM EIGHT ORGANIZATIONS. WE HAVE REVIEWED THOSE AND WE DETERMINED AND ASKED FOR BEST AND FINAL OFFERS FROM ALL OF THOSE ORGANIZATIONS.

FROM THAT WE GOT TWO FINAL OFFERS. THE OTHER ORGANIZATIONS DROPPED OUT OR WE EVALUATED THEM AS LESS LIKELY TO BE ABLE TO ACTUALLY PURCHASE THE PROPERTY, SO WE FELT VERY STRONG AND VERY HAPPY THAT THROUGH THAT PROCESS WE HAVE ENDED UP WITH TWO HIGHLY QUALIFIED OFFERS FROM THAT INITIAL GROUP. WE PROCEEDED TO BEGIN TO WORK ON MAKING SURE THAT THE TWO PROSPECTIVE BUYERS UNDERSTOOD OUR LEASE-BACK NEEDS, THAT WE COULD MAXIMIZE THE PROCEEDS FROM THE SALE OF THE COURTHOUSE. SO I WILL SAVE THE REST OF THE NOTES FOR THE CONCLUSION AROUND THE COURTHOUSE WHICH I WILL TOUCH ON IN JUST A MINUTE. LET ME CATCH YOU UP AS WELL ON THE MCCOY BUILDING BECAUSE WE WERE DOING THESE IN PARALLEL AT THE SAME TIME. HIGHLY EFFICIENT FOR US. WE COULD EVALUATE BOTH OBJECTIVELY AND SO WE WERE GLAD TO BE ABLE TO DO THAT BECAUSE I THINK IT HAS TAKEN ADVANTAGE OF THE GREAT MARKET OPPORTUNITY TO

REALLY LOOK AT THESE TWO SIGNIFICANT DOWNTOWN FACILITIES IN THE TIME THAT WAS INDICATED.

Bob Leek: THERE'S NO BETTER TIME TO SELL A BUILDING IN DOWNTOWN PORTLAND THAN NOW. ON THE MCCOY BUILDING WE RECEIVED EIGHT OFFERS. THERE WERE EIGHT OFFERS. WE HAD ONE OFFER TO CONVERT THE FACILITY INTO A HOTEL. THE OTHER OFFERS WERE ALL CONVERSIONS INTO OFFICE BUILDINGS. THERE'S SOME UNIQUE CHARACTERISTICS TO THE MCCOY BUILDING THAT LED TO THE TYPES OF OFFERS THAT WERE PROVIDED. THAT FACILITY WAS CONSTRUCTED IN A TIME WHEN SOME OF THE BUILDING DESIGN CODES AROUND STAIRWELLS AND FIRE ESCAPES AND ALL OF THOSE SORTS OF THINGS WERE MUCH DIFFERENT THAN THEY ARE TODAY. BUT WE WERE HAPPY THAT WE GOT A TOTAL OF EIGHT OFFERS FROM THE ORGANIZATIONS THAT HAD INDICATED THEY WOULD BE INTERESTED. THOSE OFFERS RANGED FROM 5 MILLION TO \$17 MILLION.

WE HAD SET AN EXPECTATION WITH POTENTIAL BIDDERS THAT WE WOULD NOT ENTERTAIN ANY LEASE-BACK COSTS MAINLY DUE TO THE FACT THAT IMMEDIATELY, NEXT SPRING, WE'RE MOVING OUT OF THAT BUILDING AND SO SELLING THE BUILDING NOW AND CONTINUING TO OPERATE FOR A FEW MONTHS WAS NOT SOMETHING THAT WE FELT LIKE WE NEEDED TO PAY A LEASE-BACK FOR THE FACILITY. THE QUALITY OF THE ORGANIZATIONS MAKING THE OFFERS WE ALSO DEEMED VERY HIGH. PER THE INPUT THAT WE RECEIVED FROM CBRE IN TERMS OF THE ORGANIZATIONS THAT THEY WERE WORKING WITH. YOU MAY REMEMBER THAT THE REST OF THE BLOCK THAT MCCOY IS IN IS CURRENTLY UNOCCUPIED. WE WERE CURIOUS AS TO WHETHER THE CURRENT OWNER OF THE REST OF THE BLOCK MIGHT BE INTERESTED IN PICKING UP THE MCCOY BUILDING LOT AND THEN DEALING WITH A REDEVELOPMENT PROJECT FOR THE ENTIRE BLOCK, BUT THE CURRENT OWNER WAS NOT ONE OF THE PROSPECTIVE BIDDERS.

AGAIN, THE PAIRING OF THE PARTNERS FOR THE BIDDERS THAT WE DID RECEIVE IN TERMS OF EQUITY PARTNERS WAS SOLIDLY IN PLACE SO WE HAD SEVERAL OFFERS WE FELT HAD HIGH CONFIDENCE TO CLOSE AND EVALUATED IT AS SUCH. ONE NOTE THAT THAT RANGE OF 5 TO 17 MILLION FIVE OF THE EIGHT WERE BETWEEN 9 AND 10 MILLION. THAT SET FOR US AN EXPECTATION IN TERMS OF IF FIVE COMPANIES THINK IT'S WORTH 9 TO 10 MILLION, THAT WOULD INDICATE SOME ASPECT OF THE WHAT THE MARKET DEEMS THE VALUE OF THE MCCOY BUILDING TO BE. AGAIN, ON A SIMILAR TIMELINE WE REVIEWED THE FIRST OFFERS AROUND JULY 18, ASKED FOR SECOND OFFERS BY AUGUST 1. WE ONLY RECEIVED FOUR FOLLOW-UP OFFERS FROM THE INITIAL OFFER SET THAT WE GOT, SO SEVERAL ORGANIZATIONS DECIDED TO DROP OUT OF THE PROCESS BETWEEN THE FIRST OFFER AND THE SECOND OFFER. THEN WE ASKED FOR BEST AND FINAL. WE RECEIVED THREE FINAL OFFERS FROM THE FOUR THAT WE HAD THROUGH THE SECOND ROUND.

Bob Leek: WE DETERMINED THAT ONE OF THOSE THREE OFFERS WAS NOT VIABLE AND WE DISMISSED THAT OFFER FROM FURTHER CONSIDERATION. THE REAL ESTATE GROUP. WHERE WE ARE NOW IS THAT WE HAVE TWO FINALISTS THAT WE'RE WORKING WITH. THE MAIN DISTINGUISHING CHARACTERISTIC THAT IS ONE OFFER IS AT THE HIGHEST OFFER AMOUNT. THE 17 MILLION OFFER. THE SECOND OFFER IS AT 10.9 MILLION. THERE'S ALSO A LARGE DISTINGUISHING CHARACTERISTIC BETWEEN THE DUE DILIGENCE DAYS AND DAYS TO CLOSE. THE HIGHEST DOLLAR OFFER IS ALSO ASKING FOR THE LONG EST TIME TO EVALUATE THEIR SALE THROUGH DUE DILIGENCE AND THROUGH THE DAYS TO CLOSE. THE 11 MILLION OFFER HAS A VERY SHORT DUE DILIGENCE PERIOD AND A VERY, VERY SHORT DAYS TO CLOSE. SO WE'RE PRESENTED WITH THE BEST OF BOTH OPPORTUNITIES.

WE HAVE A HIGH DOLLAR OPPORTUNITY THAT MAY HAVE SOME RISK ASSOCIATED WITH IT BECAUSE OF THE LENGTH OF TIME ASSOCIATED WITH CLOSING. WE HAVE A MORE SURE BET TYPE OF OFFER WITH SHORTER DAYS TO FACILITATE THE SALE AND WE'RE IN THE MIDST OF EVALUATING THOSE AS WE SPEAK. I'LL SUMMARIZE THAT AGAIN IN JUST A SECOND. SO THAT'S ALL THE DETAILS THAT I WANTED TO TALK THROUGH ON THE OFFERS OF HOW WE ENDED UP WITH WHERE WE ARE. HERE'S THE GOOD NEWS ON THE COURTHOUSE. WE HAVE COMPLETED THE NEGOTIATIONS AND AS OF LAST WEEK WE HAVE A SIGNED PURCHASE AND SALE AGREEMENT TO SELL THE FACILITY AT A PURCHASE PRICE OF \$28 MILLION TO MVP CAPITAL, LLC. CLOSING TIMELINE AND DUE DILIGENCE DATES FOR THAT PARTICULAR BUYER ARE 30 DAYS OF DUE DILIGENCE, 30 DAYS TO CLOSE. WE HAVE ALSO NEGOTIATED THE LEASE AGREEMENT SO THAT WE CAN STAY IN THAT COURTHOUSE FACILITY FOR THE DURATION OF OUR REMAINING OPERATIONS UNTIL WE MOVE INTO THE NEW COURTHOUSE.

THE GOOD NEWS ON THAT IS THAT WE HAVE A ZERO DOLLAR LEASEBACK FOR 24 MONTHS FROM THE DATE OF CLOSE. WE ESTIMATE THE CLOSE TO OCCUR TOWARD THE END OF THIS YEAR WHEN THAT 24-MONTH CLOCK WOULD START. WE BUILT INTO THIS SALE AGREEMENT AND THE LEASE AGREEMENT THE CAPABILITY TO HAVE A LITTLE BIT OF A CUSHION RELATED TO THE CONSTRUCTION PROJECT OF THE NEW COURTHOUSE BECAUSE THE PLAN FOR THE NEW COURTHOUSE IS TO MOVE IN IN THE SUMMER. THIS EXTENDS OUR OPPORTUNITY FOR ANY ISSUES TO OCCUR WITH MOVING OUR OPERATIONS TO THE TUNE OF 4-5 MONTHS AFTER OUR CURRENT PLAN. SO THAT'S A NICE CUSHION TO HAVE. THEN IN ADDITION WE NEGOTIATED TWO TWO-MONTH EXTENSION OPTIONS WITH THIS BUYER. SO THAT IF FOR SOME REASON THE NEW CONSTRUCTION PROJECT HAS ANY ADDITIONAL RISK THAT COMES TO LIGHT THAT WE HAVE ACCOUNTED FOR ANOTHER FOUR MONTHS OF CAPABILITY TO CONTINUE TO OPERATE. I WOULD IMAGINE IF THE COURTHOUSE PROJECT IS SLIPPING AT THAT POINT THAT I HAVE BEEN IN FRONT OF YOU WITH SOME UPDATES AS TO WHY THAT'S HAPPENING.

Bob Leek: I DON'T ANTICIPATE ANY OF THAT. WHAT WE HAVE TRIED TO DO IS TAKE A VERY CONSERVATIVE APPROACH TO ENSURE THAT WE WON'T IMPACT THE COUNTY'S OPERATIONS CERTAINLY WITH THE COURTHOUSE THROUGH THE SALE OF THIS FACILITY. MY LAST NOTE ON THE COURTHOUSE IS WE'RE PLANNING TO COME TO THE BOARD ON THURSDAY, SEPTEMBER 20TH, WITH RESOLUTION TO PRESENT THAT TO YOU TO TAKE ADDITIONAL QUESTIONS AROUND THE SALE OF THE COURTHOUSE AND WE'RE PREPARING FOR THAT PRESENTATION IN A COUPLE OF DAYS. SO THEN ON THE MCCOY BUILDING, HERE IS OUR CURRENT STATUS WHERE WE SIT. WE'RE CONTINUING OUR NEGOTIATIONS WITH THE ORGANIZATIONS THAT I HAD MENTIONED EARLIER. FROM THERE, WE WILL FINALIZE THAT AND CREATE A PURCHASE AND SALE AGREEMENT. WE ALREADY HAVE VERY CLEAR SENSE OF WHAT THE LEASE AGREEMENT IS GOING TO INCLUDE, PARTICULARLY THE ZERO DOLLAR LEASE-BACK. AND AN ALLOWANCE FOR ANY CONCERNS OR ISSUES RELATED TO CONSTRUCTION AND OPENING OF THE HEALTH HEADQUARTERS BUILDING GIVEN THAT THAT IS ONLY A FEW MONTHS AWAY NOW I'M A LITTLE FRIGHTENED TO BE ABLE TO SAY THAT BECAUSE IT'S SO IMMINENT THAT WE'RE MOVING INTO THE NEW BUILDING.

WE'RE ON A PATH TO BE ABLE TO VACATE THE CURRENT BUILDING AND SELL THAT TO ONE OF THE PROSPECTIVE BUYERS. THAT'S WHAT WE'RE WORKING OUR WAY THROUGH. SO WE DON'T HAVE A BOARD MEETING SCHEDULED TO PRESENT THAT RESOLUTION AT THIS TIME. SO AS I MENTIONED WE HAVE BEEN OPERATING WITH BOTH FACILITIES IN PARALLEL WITH EACH OTHER NOW WE'VE DISCONNECTED THE TWO FROM EACH OTHER AND ARE READY TO PROCEED WITH PROCESSING FOR THE COURTHOUSE AND WILL HANDLE THE MCCOY BUILDING ON A SEPARATE TIMELINE. WITH THAT, THAT IS EVERYTHING THAT WE HAVE BEEN WORKING ON FOR ABOUT THE LAST NINE MONTHS RELATED TO THE SALES OF BOTH BUILDINGS AND I WOULD HAPPY TO ENTERTAIN ANY QUESTIONS AT THIS POINT.

Vice-Chair Stegmann: QUESTIONS? COMMENTS?

Commissioner Meieran: THANK YOU, BOB. THANK YOU, VICE CHAIR. I JUST HAD A COUPLE OF COMMENTS. FIRST OF ALL I WANTED TO JUST CLARIFY MY ROLE IN TERMS OF THE COURTHOUSE DISPOSITION PROCESS. YOU MIGHT REMEMBER IN APRIL I RECUSED MYSELF DUE TO THE POSSIBILITY, REMOTE BUT POSSIBLE, THAT MY BROTHER MIGHT BE INTERESTED IN LOOKING AT OR BIDDING ON THE PROPERTY. I TOOK THE STEP OF RECUSING MYSELF OUT OF AN ABUNDANCE OF CAUTION. HE HAS NOT PARTICIPATED IN ANY OF THIS, SO I DON'T HAVE THAT POTENTIAL CONFLICT OF INTEREST. I JUST WANTED TO LET YOU KNOW. I'M VERY HAPPY TO PARTICIPATE IN THIS DISCUSSION. JUST GIVEN MY REALLY MY PRIMARY EXPERIENCE WITH DISPOSITION OF SURPLUS PROPERTIES BEING WAPATO, THIS IS JUST SUCH A REALLY WONDERFUL CONVERSATION TO BE HAVING. I APPRECIATE THE THOROUGHNESS WITH

WHICH YOU HAVE GONE THROUGH ALL OF THESE STEPS. IT'S JUST GREAT TO SEE THIS HAPPENING AT THIS PARTICULAR TIME. LOOKING AT THE COMPREHENSIVENESS OF THE PROCESS THAT WE HAVE GONE THROUGH, THE OPPORTUNITIES FOR PUBLIC COMMENT, AND THESE ARE JUST REALLY EXCITING OPPORTUNITIES HERE. I'M LOOKING FORWARD TO JUST CONTINUING TO HEAR MORE INFORMATION AND TO ADDRESSING THIS ON -- IS IT NEXT THURSDAY?

Bob Leek: THIS THURSDAY.

Commissioner Meieran: TWO DAYS FROM NOW. YES. THANK YOU FOR YOUR PRESENTATION.

Commissioner Vega Pederson: THANK YOU, VICE CHAIR. THANK YOU, BOB, FOR THE PRESENTATION ON THIS. I'M ALSO GLAD TO HEAR THAT THE PUBLIC COMMENTS THAT WERE RECEIVED WERE INCORPORATED AS DIFFERENT OFFERS WERE BEING LOOKED AT. THAT PART OF THE PUBLIC INPUT WAS TAKEN INTO CONSIDERATION IN TERMS OF COMING TO THIS DECISION POINT THAT WE'RE AT NOW. I THINK IT'S ALSO INTERESTING THAT WE HAVE BEEN ABLE TO DO THIS IN PARALLEL WITH BOTH PROPERTIES AND HOPEFULLY USE ECONOMIES OF SCALE OR KNOWING WHERE THE MARKET IS AT FOR BOTH. MY QUESTION IS, DID HAVING THESE TWO PROPERTIES BOTH IN THE DOWNTOWN AREA, DID THAT AND HAVING THEM FOR SALE AT THE SAME TIME, DID THAT HELP INFORM THE DECISION MAKING PROCESS IN TERMS OF, LIKE, IF ONE WAS GOING TO BE USED FOR A CERTAIN PURPOSE AND ONE OF THE OFFERS ON THE OTHER BUILDING WAS FOR THAT SAME PURPOSE, DID THAT CHANGE OWE WE LOOKED AT THE OFFERS IN THOSE WAYS?

Bob Leek: ONE OF THE KEY CRITERIA WAS POTENTIAL FUTURE USE INDICATED THROUGH THE OFFERS. I WOULD SAY THAT WE ACCOUNTED FOR THAT. BUT WE DIDN'T HAVE A NEED TO EVALUATE ONE OFFER AGAINST ANOTHER BASED IN THAT FUTURE USE. IN OTHER WORDS WE WERE ABLE TO TAKE EACH FACILITY AND ITS POTENTIAL FUTURE USE AND THE RESULT OF WHERE WE ARE IS THAT EACH FACILITY HAS ITS USE, AND THERE'S BEEN NO COMPARISON BETWEEN THE TWO. NO INDICATION THAT WE NEEDED TO THINK IF THE BUYERS WANT TO DO THIS WITH ONE FACILITY AND SOMETHING ELSE WITH THE OTHER FACILITY, I DON'T SEE THAT THAT HAS HAD ANY IMPACT ON THE EVALUATION PROCESS.

Commissioner Vega Pederson: THERE WAS NO CONFLICT, SATURATING THE MARKET WITH A CERTAIN USE OR SOMETHING.

Bob Leek: THAT'S RIGHT. I THINK WHAT WE WERE HAPPY WITH IS THE EXTREMELY HIGH INTEREST IN EACH BUILDING. EACH HAS ITS OWN CHARACTERISTICS. WE WERE GLAD THAT WE COULD TREAT THEM

SEPARATELY BUT DO THEM ON THE SAME TIMELINE GIVEN THE MARKET OPPORTUNITY TO SELL NOW.

Commissioner Meieran: I THINK THE COURTHOUSE IS A BEAUTIFUL BUILDING. I'M GLAD IT'S NOT BEING TORN DOWN.

Bob Leek: ABSOLUTELY.

Vice-Chair Stegmann: THANK YOU FOR THE INFORMATION. I HAD A COUPLE QUESTIONS MORE OUT OF CURIOSITY. ALL THE FOLKS THAT BID, DID WE SEE FOREIGN VERSUS LOCAL INVESTORS OR I WAS WONDERING ABOUT THE MIX OF PEOPLE THAT WERE INTERESTED IN INVESTING IN PORTLAND.

Bob Leek: WHAT WAS SHARED WITH US WAS THERE WAS A MIX OF GLOBAL CAPITAL WAS THE WAY IT WAS PRESENTED TO US. SO WE COULD EXPECT THAT THERE WERE CAPITAL AND EQUITY PARTNERS THAT WERE BOTH DOMESTICALLY PLACED AND INTERNATIONALLY PLACED.

Vice-Chair Stegmann: SO THESE ARE LOCAL INVESTORS, THE ONE WE'RE GOING WITH ON THE COURTHOUSE?

Bob Leek; WE'LL BE ABLE TO PROVIDE MORE DETAILS OF THAT WHEN WE PRESENT THE RESOLUTION ON THURSDAY.

Vice-Chair Stegmann: I APPRECIATE YOU EXPLAINING HOW WE RESPONDED TO THE PUBLIC COMMENTS AND I APPRECIATE THAT YOU SAID THAT THE PORTLAND HOUSING BUREAU DECLINED TO BID. CAN YOU JUST TALK IN GENERAL ABOUT WHAT THE COST DIFFERENT LINKS, SOMETIMES PEOPLE DON'T UNDERSTAND. IF WE CAN GET 28 MILLION, WHAT IS THE HIGHEST AND BEST USE OF THAT MONEY? COMPARED TO, SO THAT WE CAN EXPLAIN TO PEOPLE WE'RE GETTING A FAR BETTER RETURN ON SELLING SOMETHING FOR 28 MILLION VERSUS BUILDING A SHELTER FOR X AMOUNT. DO YOU KNOW KIND OF LIKE CAN YOU JUST TALK ABOUT WHY WE CHOSE TO SELL IT VERSUS DO ANY ONE OF THE OTHER THINGS?

Bob Leek: I THINK WHAT WE TOOK INTO ACCOUNT AS A REAL ESTATE COMMITTEE IS THE INPUT FROM THE BUYERS AND THEN OUR OWN ASSESSMENT FROM A FACILITIES PERSPECTIVE ON IF WE WERE TO RETAIN THE BUILDING AND IDENTIFY A FEW USE THAT THE RANGE OF THE INVESTMENT NEEDED TO JUST GET THE PROPERTY TO THAT PLACE WAS SOMEWHERE BETWEEN \$65-\$97 MILLION. THE ALTERNATIVE OF RECEIVING 28 MILLION IN PROCEEDS FROM THE SALE OF THE BUILDING VERSUS MAKING AN INVESTMENT OF 64 TO 97 MILLION, THAT WE PUT ON THE TABLE AND THAT LED US DOWN THE PATH OF SAYING, COMING FORWARD WITH A RECOMMENDATION THAT SELLING THE PROPERTY WAS IN THE BEST INTERESTS OF THE COUNTY VERSUS MAKING A SIGNIFICANT INVESTMENT IN

THE COURTHOUSE FOR SOME TYPE OF FUTURE USE THAT THE COUNTY WOULD DETERMINE.

Vice-Chair Stegmann: GREAT. OBVIOUSLY IT'S MATH. RIGHT? SO GREAT JOB ON GETTING THE ZERO LEASE-BACK ON THE COURTHOUSE. CBRE, THEY HAVE DONE A TREMENDOUS JOB OF GETTING EVERYTHING ON OUR CHRISTMAS WISH LIST SO I'M EXCITED FOR ARE SANTA TO COME. I DON'T KNOW IF YOU CAN TALK ABOUT THIS, ON THE MCCOY BUILDING WE HAVE TWO OFFERS, 17 MILLION AND 11. YOU SAID THE 17 MILLION ONE WAS A MUCH LONGER DUE DILIGENCE AND CLOSING. WHAT'S THE DIFFERENCE BETWEEN THE TWO OFFERS AS FAR AS THOSE DAYS, TIME FRAMES?

Bob Leek: WE ARE CURRENTLY STILL NEGOTIATING, BUT THROUGH THE INITIAL EFFORTS, THE DUE DILIGENCE AND CLOSING DAYS FOR THE \$17 MILLION OFFER WERE IN THE 150 DAY RANGE. THE DUE DILIGENCE IN CLOSING DAYS FOR THE 10.9 MILLION OFFER WERE IN THE 45 DAY RANGE. YOU CAN SEE IT'S A SIGNIFICANT DIFFERENCE BETWEEN THOSE TWO AS WE'RE EVALUATING THE OFFERS PRESENTED TO US. THAT'S ONE OF THE KEY COMPONENTS OF WHAT WE'RE EVALUATING.

Vice-Chair Stegmann: SO DO YOU FEEL THAT BOTH THOSE POTENTIAL BUYERS ARE AMENABLE TO THE ZERO LEASE-BACK COSTS?

Bob Leek: WE HAVE NO INDICATION THAT THEY ARE NOT IN AGREEMENT WITH THE ZERO DOLLAR LEASE-BACK.

Vice-Chair Stegmann: GREAT. EXCELLENT WORK. THANK YOU SO MUCH. THANK YOU TO CBRE. ANYTHING ELSE? ALL RIGHT. THANK YOU, BOB. THAT CONCLUDES OUR BOARD BRIEFINGS. VERY INFORMATIONAL. THANK YOU.

ADJOURNMENT – 11:17 a.m.

[CAPTIONS PROVIDED BY LNS CAPTIONING AND MAY INCLUDE INACCURATE WORDS OR PHRASES DUE TO SOUND QUALITY, OTHER TECHNICAL DIFFICULTIES AND/OR SOFTWARE ERRORS.]

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