

**PORTLAND DEVELOPMENT COMMISSION**

Portland, Oregon

**RESOLUTION NO. 7074**

**APPROVING A SUBLEASE AGREEMENT FOR THE PORTLAND DEVELOPMENT COMMISSION-LEASED PROPERTY AND SITE IMPROVEMENTS OF UP TO \$1,249,000 AT CASCADE STATION IN THE AIRPORT WAY URBAN RENEWAL AREA**

**WHEREAS**, Cascade Station is a 120-acre parcel of land owned by the Port of Portland (the "Port") located at the southwest corner of the intersection of Interstate 205 and Airport Way, within the Airport Way Urban Renewal Area ("URA");

**WHEREAS**, in February 1999, the Portland City Council adopted the Cascade Station/Portland International Center Plan District ("1999 Plan District"), which established land use and development entitlements and restrictions for the development at Cascade Station;

**WHEREAS**, on June 11, 1999, the Portland Development Commission ("PDC") Board of Commissioners ( "Board") authorized Resolution No. 5278, executing a Development Agreement with Cascade Station Development Company, LLC, ("CSDC"), a joint venture of Ben UIC Holdings, Inc. and Trammell Crow Portland Development, Inc., ("Trammell Crow") which provided for, among other things, the development by CSDC of basic site infrastructure, light rail facilities, bridges, and landscaping, and established design standards, maximum development rights, plan approval processes, and PDC's goals for employment in the URA;

**WHEREAS**, in exchange for PDC's agreement to pay for a portion of the costs of the Airport MAX Line, streets, and other infrastructure at Cascade Station, the Port agreed to grant the rights for Cascade Station development to PDC, whose development rights were subsequently assigned to CSDC;

**WHEREAS**, on February 17, 2005, the Portland City Council adopted an ordinance amending the 1999 Plan District to allow a different mix of uses to facilitate the development of Cascade Station and to achieve the goals and objectives established by the City;

**WHEREAS**, on June 22, 2005, the PDC Board approved Resolution No. 6263 relating to the development at Cascade Station including approval of a First and Second Amended Development Agreement to allow for a different mix of uses and plan approval processes;

**WHEREAS**, pursuant to Resolution No. 6263, the PDC Board authorized acquisition of development and lease rights held by CSDC pursuant to that certain Ground Lease dated as of July 13, 2006, by and between the Port, as Lessor, and CSDC, as Lessee, which covers approximately thirty-six (36) acres in Cascade Station ("PDC Parcels"), all of which is more particularly described in (i) that certain Restructure Agreement dated as of May 17, 2006, by and among PDC, CSDC, and Trammell Crow and (ii)

that certain Assignment of Ground Lease dated as of July 13, 2006, by and between CSDC, as assignor, and PDC, as assignee;

**WHEREAS**, in fall 2013 Trammell Crow Company forwarded an offer to lease a 150-stall to-be-constructed parking lot on Parcel G of the PDC Parcels to be used primarily by Wells Fargo Bank; and

**WHEREAS**, PDC and Cascade Station Corporate Center 1, LP subsequently negotiated terms of a sublease commemorated in the form attached hereto as Exhibit A (the “Sublease Agreement Terms”).

**NOW, THEREFORE, BE IT RESOLVED**, that the Executive Director is hereby authorized to execute a sublease with Cascade Station Corporate Center 1, LP, for the sublease of a leasehold estate of approximately 59,000 square feet of land on Parcel G in Cascade Station;

**BE IT FURTHER RESOLVED**, that the Executive Director is further authorized to execute all other documents as may be necessary to complete this transaction;

**BE IT FURTHER RESOLVED**, that the Executive Director may approve changes to the Sublease Agreement Terms so long as such changes do not materially increase PDC’s obligations or risks, as determined by the Executive Director in consultation with PDC’s General Counsel; and

**BE IT FURTHER RESOLVED**, that this resolution shall become effective immediately upon its adoption.

**Exhibit A – Sublease Agreement Terms**

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|----------------|--|
| Property:      | Approximately 59,000 square feet<br>Parcel G, Cascade Station  |
| Background:    | <p>Cascade Station Corporate Center I, L.P. (“CSCC I”). CSCC I is the owner of the building at 9500 NE Cascades Parkway. The building contains 92,500 square feet, 53% of which is occupied by Wells Fargo (“WF”).</p> <p>WF desires to maintain a much denser employee population than can be accommodated by the onsite parking at CSCC I. The CSCC I site contains 319 parking stalls (3.4/1,000) and has some limited additional daytime parking available through cross easement rights on the adjacent properties, including the ITT Education Services, Inc. site at 9500 NE Cascades Parkway. WF had expected to be able to lease additional parking from a nearby property owner, but was unable to obtain the parking. At full occupancy, WF could provide approximately 380 family wage jobs at the facility, many of them new to Portland. Additional parking is needed to support WF’s targeted employment count.</p> <p>Not only has WF’s density increased the need for parking, but changes in ITT’s program mix, particularly the growth of its nursing program, have increased its need for daytime parking (vs nighttime) making the use of daytime stalls by WF a burden and complicating ongoing discussions regarding extending their lease.</p> <p>Providing an additional 150 parking stalls for use by WF, will allow WF to increase employment to its target level and eliminate any need to utilize parking on the ITT site during the day.</p> |
| Ground Lessor: | <p>The Port of Portland (the “Port”)</p> <p>The Portland Development Commission (the “PDC”). PDC already leases land at Cascade Station from the Port. PDC will sublease the Premises to CSCC I on an absolute net basis and construct a parking lot as further described below. In the future, if necessary because the adjacent property is ready to be developed, PDC will place the Premises into a ground lease separate from its current Cascade Station lease.</p>  |
| Sub lessee:    | CSCC I   |
| Premises:      | The Premises for the sublease shall be as outlined in the concept plan and shall consist of approximately 59,000 sf. The land value of this area is included in the estimated project costs below. The construction of the access driveway shall be included in project costs, but the land value shall not. In the future, if PDC separates the Premises into a separate ground   |

|                                    |   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
|------------------------------------|---|---------------|------------|---------|-----------|-------------|-----------|--------------------|-----------|---------------------------|------------|--------------|-------------------|-----------------------------|-------------|------------------------------------|-------------------|--------------------------------|-------------|
|                                    | lease in order to develop the adjacent property, access to the Premises shall be by easement. The access and the related easement may then be relocated by the developer so that it is part of a shared circulation system with the future development provided reasonable functionality is maintained. CSCC I shall be responsible for 100% of the cost of maintaining the access area until the adjacent property is developed and the driveway becomes shared circulation. At that time the cost shall be split evenly between CSCC I and the adjacent development.  |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Parking Lot Development:           | CSCC I or an affiliate will provide services to support the development of the parking lot on PDC's behalf and at PDC's expense. CSCC I will coordinate the application to the City for a parking adjustment, the DRC approval of the preliminary design, and the leasing of the project, and shall assist in negotiations of the transaction with the Port, if required. PDC will oversee the construction drawings, permitting, construction, and funding of the project and splitting of the premises into a separate ground lease (whether completed now or in the future). The project costs will include a development fee of 5% for CSCC I's development work. |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Project Costs:                     | <table> <tr> <td>Construction:</td> <td>\$ 886,500</td> </tr> <tr> <td>Design:</td> <td>\$ 59,500</td> </tr> <tr> <td>Permitting:</td> <td>\$ 40,400</td> </tr> <tr> <td>Legal &amp; Insurance:</td> <td>\$ 41,600</td> </tr> <tr> <td>Development Coordination:</td> <td>\$ 106,000</td> </tr> <tr> <td>Contingency:</td> <td>\$ <u>115,000</u></td> </tr> <tr> <td>Hard &amp; Soft Costs Subtotal:</td> <td>\$1,249,000</td> </tr> <tr> <td>Land (58,806 sq.ft. @ 9.50/sq.ft.)</td> <td>\$ <u>559,000</u></td> </tr> <tr> <td>Total Estimated Project Costs:</td> <td>\$1,808,000</td> </tr> </table>   | Construction: | \$ 886,500 | Design: | \$ 59,500 | Permitting: | \$ 40,400 | Legal & Insurance: | \$ 41,600 | Development Coordination: | \$ 106,000 | Contingency: | \$ <u>115,000</u> | Hard & Soft Costs Subtotal: | \$1,249,000 | Land (58,806 sq.ft. @ 9.50/sq.ft.) | \$ <u>559,000</u> | Total Estimated Project Costs: | \$1,808,000 |
| Construction:                      | \$ 886,500  |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Design:                            | \$ 59,500   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Permitting:                        | \$ 40,400   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Legal & Insurance:                 | \$ 41,600   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Development Coordination:          | \$ 106,000  |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Contingency:                       | \$ <u>115,000</u>   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Hard & Soft Costs Subtotal:        | \$1,249,000   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Land (58,806 sq.ft. @ 9.50/sq.ft.) | \$ <u>559,000</u>   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Total Estimated Project Costs:     | \$1,808,000   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Parking Rights:                    | The addition of 150 parking stalls tied in with CSCC I will cause the parking stall count for the project to exceed the maximum allowed under Portland's City Code. CSCC I will seek an adjustment from BDS to allow the additional parking. If CSCC I is unable to obtain the variance, PDC will allow the parking to be constructed as accessory parking to the FBI building, as allowed by the Plan District and consistent with PDC's right to do so as described in the Declaration of Development Rights and Limitations applicable to Cascade Station and the various supplements thereto.   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |
| Pursuit Expenses:                  | All costs of pursuing the transactions contemplated herein shall be borne by and at the risk of CSCC I until such time as the transaction documents are executed and approved by the various parties, except that each party shall bear its own legal expense. At the time the transaction documents are executed, PDC shall reimburse CSCC I for such costs and include them in Project Costs.   |               |            |         |           |             |           |                    |           |                           |            |              |                   |                             |             |                                    |                   |                                |             |

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| Base Rent:                               | Commencing upon the date of substantial completion, the annual Base Rent for the sublease shall be 8.75% of the actual project costs incurred by PDC to complete the project. The Base Rent shall be paid in monthly installments. The Base Rent shall increase 7.5% on each five year anniversary of the sublease.  |
| Operating Responsibilities and Expenses: | The Base Rent stated above shall be absolute net of expenses. CSCC I shall control and operate the property and be responsible for all costs thereof. CSCC I shall pay all taxes, assessments, tenant's association charges, and Port administrative fee directly or shall reimburse PDC for such amounts.   |
| Lease Documents                          | CSCC I has completed many subleases as ground lessee of the Port at Cascade Station. Negotiations of the sublease shall be based upon the form of sublease that CSCC I has entered into with WF, with adjustments to reflect the fact that the Premises is a parking lot rather than a building and the different expense structure. The sublease will provide that if CSCC I defaults on its payment of rent for the Premises, that PDC can collect such rent directly from Wells Fargo.  |
| Term:                                    | The initial term of the sublease shall expire 11/30/23. CSCC I shall have four options to renew for five years, by giving notice at least 180 days in advance of the lease expiration. The rent shall continue based upon the rent schedule of the initial term (including periodic increases) and shall be adjusted to the then current market rate for the three subsequent terms. Notwithstanding the above, CSCC I shall have the right to terminate the lease during any option period without penalty upon 180 day advance written notice. |
| Option to Relocate Parking:              | PDC may, during the Lease Term or any Renewal period, after providing 30 days written notice to Tenant, provide Tenant with substitute premises ("Substitute Premises"), in whole or in part, containing at least an equivalent number of parking spaces of similar quality as the Premises, provided the Substitute Premises is within a radius of the exterior walls of the Wells Fargo facility that is no farther than the distance from those walls to the most distant aspect of the Premises.   |