

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** June 25, 2008

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Report Number 08-83  
Amendment to Site Lease for PDC-Owned Property at the Crescent Park Site at SE Market Street and Water Avenue in the Central Eastside Urban Renewal Area

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6607

#### ACTION SUMMARY

This action will authorize an amendment to an existing property lease with Fisher Broadcasting Inc., Portland TV LLC (KATU Television) (Tenant) for the placement and operation of a remote television camera on a former Portland General Electric microwave tower, which is located on Portland Development Commission (PDC)-owned property in the Central Eastside Urban Renewal Area.

The existing lease was entered into on or about August 05, 2003. The Site Lease had an initial expiration date of June 30, 2005, and was subsequently amended three (3) times. It currently expires on June 30, 2008, and the Tenant desires to continue this lease for a year or more, which requires approval by the PDC Board of Commissioners (Board).

The terms of the proposed Amendment Number Four will provide for an initial one-year extension of the lease period (through June 30, 2009), and will allow up to five (5) one-year extensions thereafter, if approved by the Executive Director. The initial lease rate is \$595 per month. Staff typically increases that rate approximately 5% annually.

In the event PDC decides that it is prepared to commence development of the property, the lease can be terminated upon 60 days notice.

#### PUBLIC BENEFIT

The public benefits derived from amending the existing Site Lease will be a continued revenue stream to the Central Eastside Urban Renewal District of more than \$7,000 per year.

#### PUBLIC PARTICIPATION AND FEEDBACK

There has not been any public outreach undertaken related to this lease amendment.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

This lease amendment is not a part of any adopted plans or policies, nor is it inconsistent with any such plans or policies.

## **FINANCIAL IMPACT**

The financial impact to PDC as a result of amending the Site Lease is positive as this is an income producing property that has generated revenues to PDC in the amount of approximately \$32,000 since August 5, 2003. Revenues generated from a one (1) year lease extension are anticipated to be \$7,140.00. Additional extensions to the Site Lease will likewise generate additional program income.

## **RISK ASSESSMENT**

There is little risk to PDC in executing this lease amendment. The terms and conditions of the Site Lease place most responsibilities and liabilities upon the Tenant.

If the lease was not amended as of July 1, 2008, PDC would forego approximately \$7,140.00 in revenues for the following year.

In the event PDC needs to terminate the Site Lease in order to undertake park improvements on the site, the Site Lease can be terminated upon 60 days notice.

## **WORK LOAD IMPACT**

The work load impact is minimal. PDC Real Estate Services has drafted the Amendment to the Site Lease and PDC Legal has reviewed and approved it for legal sufficiency.

## **ALTERNATIVE ACTIONS**

Alternative actions would include allowing the Site Lease to expire on June 30, 2008, renewal and extension under a shorter term, or renegotiation of the lease terms and conditions. If so directed, staff would attempt to reach different terms with the Tenant and return to the Board for their consideration at a later date.

## **CONCURRENCE**

Not Applicable

## **BACKGROUND**

On September 22, 2000, PDC purchased a 79,112 square foot parcel of land located on the east bank of the Willamette River adjacent to the Oregon Museum of Science and Industry (OMSI) for the purpose of eventually constructing park and trail improvements. Due to a reduction in anticipated tax increment resources in the District, however, plans to build the park improvements have been put on hold indefinitely. The property does not have a physical street address, but consists of two (2) outbuildings that are currently leased to OMSI, and a former

Portland General Electric microwave tower. A portion of the microwave tower has been and is currently leased by Fisher Broadcasting Inc., Portland TV LLC (KATU Television) (Tenant) for the placement and operation of a remote television camera.

The Tenant entered into a Site Lease for this tower on or about August 5, 2003. The Site Lease had an initial expiration date of June 30, 2005. The rental rate at the time of expiration was \$525.00 per month. The Site Lease was amended three times as follows. On or about June 21, 2005, the Site Lease was amended to extend the term of the lease for one additional year at a rental rate of \$551.00 per month. On or about June 30, 2006, the Site Lease was amended to extend the term for one additional year at a rental rate of \$567.00 per month. And, on or about October 5, 2007, the Site Lease was amended to extend the term for one additional year at a rental rate of \$567.00 per month. The current term of the Site Lease expires on June 30, 2008, and the rental rate is \$567.00 per month. The Tenant desires to continue this lease for a year or more.

The camera is used to provide TV viewers with live shots of existing weather and river conditions for Channel 2.

Current PDC Real Property Management Policy states:

“The Executive Director is authorized (See: PDC Resolution 5418) to enter into and execute a short term commercial lease of five (5) years or less representing PDC as the landlord. PDC Board of Commissioners (Board) approval is required for any commercial lease agreement for a term (including any option period) of more than five (5) years.”

The proposed Amendment Number 4 would extend the term of the Site Lease beyond five years, which requires Board approval.

Regarding termination, the proposed Amendment Number 4 to the Site Lease contains the following language:

“Lessor may terminate this Lease at any time and without cause by providing Lessee with a minimum of sixty (60) days advance written notice to vacate the Premises.”

**ATTACHMENTS:**

- A. Central Eastside URA Financial Summary
- B. Project Summary

**CC:** L. Bowers, Interim Development Director  
S. Bruce Allen, Senior Development Manager  
D. Elott, Interim General Counsel  
J. Jackley, Executive Operations Manager

**URA FINANCIAL SUMMARY**

**Financial Summary**

**Fund Summary - Five-Year Budget Projections**

	<i>Revised FY 2007-08</i>	<i>FY 2008-09 Proposed</i>	<i>FY 2009-10 Forecast</i>	<i>FY 2010-11 Forecast</i>	<i>FY 2011-12 Forecast</i>	<i>FY 2012-13 Forecast</i>
<b>Central Eastside URA</b>						
<b>Resources</b>						
Beginning Fund Balance	2,078,427	750,455	134,359	-9,133,751	-14,548,073	-15,556,309
Interest - City Invest Pool	25,000	0	0	0	0	0
Loans - Interest Earned	0	87,827	65,050	59,065	56,500	44,915
Loans - Principal Collection	53,206	70,813	65,050	59,065	56,500	44,915
Real Property Sales	0	7,000,000	0	0	0	0
Tax Increment - L-T Debt	6,670,000	5,984,010	774,225	1,703,295	1,749,763	1,645,481
Tax Increment - S-T Debt	3,119,817	2,770,828	3,172,220	2,947,446	3,096,898	3,233,248
<b>Total Fund Resources</b>	<b>11,946,450</b>	<b>16,643,933</b>	<b>4,210,904</b>	<b>-4,364,880</b>	<b>-9,586,412</b>	<b>-10,587,750</b>
<b>Requirements</b>						
<b>Project Expenditures (does not include Personal Services or Indirect Cost)</b>						
<b>Development</b>						
10041 - CES Streetcar Construction	0	0	3,184,000	3,000,000	0	0
10044 - CES Burns/Couch Couplet	497,757	3,630,000	6,020,000	0	0	0
10048 - Eastbank Park/Holman Bldg	42,836	0	0	0	0	0
10052 - Washington Monroe	3,815,000	0	0	0	0	985,000
10060 - CES Redevel Loan Fnd (Seismic)	300,000	300,000	300,000	300,000	300,000	600,000
10070 - Sidewlk/Rtes to River Plan/Des	75,000	125,000	0	250,000	325,000	0
10071 - Burnside Bridgehead - Reloc	1,325,000	0	0	0	0	0
10072 - Burnside Bridgehead: Developme	210,000	6,400,000	0	0	0	0
<b>Development Total</b>	<b>6,265,593</b>	<b>10,455,000</b>	<b>9,504,000</b>	<b>3,550,000</b>	<b>625,000</b>	<b>1,585,000</b>
<b>Economic Development</b>						
10021 - CES Storefront Grants	93,339	0	0	0	0	0
10023 - CES Industrial Storefronts	50,000	100,000	100,000	100,000	100,000	100,000
70017 - CES Business Finance	2,600,000	1,427,644	1,000,000	1,000,000	1,000,000	1,000,000
70247 - CES Business Retention	50,000	150,000	50,000	50,000	50,000	50,000
<b>Economic Development Total</b>	<b>2,793,339</b>	<b>1,677,644</b>	<b>1,150,000</b>	<b>1,150,000</b>	<b>1,150,000</b>	<b>1,150,000</b>
<b>Housing</b>						
33423 - CES Aff Homeownership	100,000	0	0	1,750,000	0	0
80021 - CES Workforce Rental Housing	0	0	500,000	0	1,250,000	0
80028 - CES Aff Rental Housing	35,000	2,500,000	500,000	0	1,100,000	0
80045 - Hooper Center	0	0	0	2,000,000	0	0
<b>Housing Total</b>	<b>135,000</b>	<b>2,500,000</b>	<b>1,000,000</b>	<b>3,750,000</b>	<b>2,350,000</b>	<b>0</b>
<b>Central Services</b>						
59167 - CES Debt Management	9,195	9,655	10,137	10,644	11,176	0
<b>Central Services Total</b>	<b>9,195</b>	<b>9,655</b>	<b>10,137</b>	<b>10,644</b>	<b>11,176</b>	<b>0</b>
<b>Total Project Expenditures</b>	<b>9,203,127</b>	<b>14,642,299</b>	<b>11,664,137</b>	<b>8,460,644</b>	<b>4,136,176</b>	<b>2,735,000</b>
Indirect Cost	1,992,878	1,867,275	1,660,519	1,743,544	1,830,721	500,000
<b>Total Fund Expenditures</b>	<b>11,196,005</b>	<b>16,509,574</b>	<b>13,324,656</b>	<b>10,204,188</b>	<b>5,966,897</b>	<b>3,235,000</b>
Contingency	750,445	134,359	0	0	0	0
Ending Fund Balance	0	0	-9,113,752	-14,569,068	-15,553,309	-13,822,750
<b>Total Requirements</b>	<b>11,946,450</b>	<b>16,643,933</b>	<b>4,210,904</b>	<b>-4,364,880</b>	<b>-9,586,412</b>	<b>-10,587,750</b>

## PROJECT SUMMARY

- Project Name:** Amendment Number Four to Site Lease for KATU remote television camera
- Description:** Lease of a portion of PDC-owned microwave tower to Fisher Broadcasting (KATU TV)
- Location:** PDC-owned property at the Crescent Park Site at SE Market Street and Water Avenue
- URA:** Central Eastside
- Current Phase:** Amendment to existing lease
- Next Milestone:** Execute Amendment to Site Lease
- Completion Target:** Execution of Amendment Number Four by July 1, 2008
- Outcome:** Continued lease revenues to PDC
- Site/Project Map:**

