



DATE: January 16, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-02
Authorizing an Amendment to the Pre-Development Services Contract with Mortenson Construction for Design of the 100 Multnomah Office Building in the Oregon Convention Center Urban Renewal Area

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7299

This action by the Prosper Portland Board of Commissioners (Board) will authorize an amendment to the Pre-Development Services Contract (Contract) with Mortenson Construction and increase Prosper Portland's investment in the 100 Multnomah Office Building (Office Building) at the southwest corner of NE Multnomah Street and NE 2nd Avenue in the Oregon Convention Center Urban Renewal Area (URA); see a Project Summary in Attachment A.

The Office Building is proposed to be located adjacent to and on top of the Prosper Portland-owned Convention Center Garage (Garage) that is currently under construction. Staff is requesting Prosper Portland Board approval since this increased investment exceeds the amount previously authorized for this project; if approved, the agency's commitment to the Office Building will increase from \$477,593 to \$1,602,052 and will enable Prosper Portland to complete the design work necessary to achieve approval by the Portland Design Commission.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The effort to design and construct the Office Building on top of the Garage aligns with Prosper Portland goals by: (1) creating healthy, complete neighborhoods by contributing to the continued growth and tenancing of the Lloyd District and the Convention Center area as a mixed-use, transit-oriented employment center; and (2) supporting the agency's financial sustainability, since this will maximize the development of the property's air rights and provide an opportunity for Prosper Portland to generate income to continue invest in public goals.

Amending the Contract will enable Prosper Portland to advance the Office Building through schematic design and 50 percent design development and prepare the associated cost estimates, including participating in a Design Advice Request and Design Review Hearing with the Portland Design Commission. Combined with continued tenancing and financing efforts, this enable the agency to further examine overall financial feasibility of the Office Building.

If the Office Building is determined to be feasible upon completion of this work, staff will likely seek future Prosper Portland Board approvals for the following phases of work, or the pursuit of a development partner who could assume these costs:

- Approving a Design-Build Contract with Mortenson Construction, including approximately \$1,500,000 to complete design development and construction documents and specifications;
- Approving the Contract Price for the Office Building; and
- Approving a \$12,000,000 to \$20,000,000 equity investment for construction of the Office Building.

On February 14, 2018, through Resolution No. 7263 the Prosper Portland Board, acting as the agency's Local Contract Review Board (LCRB), authorized exempting the Contract from low bid solicitation. Should Prosper Portland be the contracting entity for certain scopes of work, subsequent contracts with Mortenson Construction would also require LCRB exemption from low-bid solicitation.

BACKGROUND AND CONTEXT

The Oregon Convention Center Urban Renewal Plan was adopted in 1989 with the primary goal of establishing “at least one headquarters hotel in the immediate vicinity of the Oregon Convention Center to capitalize on the convention center’s capacity.” Between 2004 and 2012, Prosper Portland partnered with Metro – the owner and operator of the Oregon Convention Center – to accomplish this goal. In May 2012, Metro issued a competitive Request for Proposals for a development team to build, own, and operate a private convention center hotel; Metro Council ultimately selected the Mortenson Development, Inc. team, which includes Mortenson Construction as the general contractor. The Prosper Portland Board supported this selection on April 30, 2012 through Resolution No. 6942. Metro subsequently entered into a binding Development and Financing Agreement with Mortenson Development for the construction of the 600-room Hyatt Regency Portland at the Oregon Convention Center (Hotel), which is currently under construction and anticipated to open in fall 2019.

Through the Hotel design and development process, Prosper Portland, Metro, Mortenson Development, and Hyatt determined that the Hotel’s parking needs would best be met through construction of a stand-alone parking structure on the adjacent 0.88 acre Prosper Portland property known as Block 49. Through Resolutions No. 7165 (February 10, 2016) and No. 7222 (December 14, 2016), the Prosper Portland Board authorized entering into a Parking Structure Development Agreement with Mortenson Development to construct a 442-stall, seven-story parking garage (Garage) on Block 49 for an amount not to exceed \$32,200,000 to support the development and operation of the adjacent Hotel. Resolution No. 7222 and the related not-to-exceed cost included the foundation and superstructure within the Garage to support future development of an office tower above. The Garage is currently under construction and is anticipated to be operational in summer 2019.

During the Garage design and development process, the site was determined to have additional development and entitlement capacity beyond the Garage. Consequently, Prosper Portland directed Mortenson Development to prepare a preliminary plan to develop an approximately 100,000 square foot Office Building served by two additional levels of parking on top of the Garage. Mortenson Development completed this work and incorporated into the Garage design the systems and foundation superstructure necessary to support a potential Office Building.

On February 14, 2018, the Prosper Portland Board approved Resolution No. 7263, which authorized entering into a Pre-Development Services Contract (Contract) with Mortenson Construction for \$477,593 to complete conceptual design and associated cost estimate for the Office Building. Prosper Portland and Mortenson Construction subsequently entered into the Contract on July 12, 2018, with that work completed between July and December 2018. Concurrent with this design effort, Prosper Portland hired an office broker, Capacity Commercial Group, to evaluate market conditions and pursue tenanting opportunities, and a development advisor, Bruce Wood, to evaluate the development

feasibility and financing opportunities for the Office Building. The results of this work are summarized below:

Conceptual Design, Cost Estimate, and Schedule

Mortenson Construction prepared a conceptual design for the Office Building that includes the following programmatic elements (see Conceptual Design Building Perspectives in Attachment B):

- Ten stories including 139,940 gross square feet (117,810 rentable square feet);
- Enhanced corner lobby with reconfigured elevator core;
- One and a half floors of parking (101 parking spaces) serving the office use;
- Second floor amenity space that could include bathroom and showers and gym/workout space or large conference room with approximately 100-person seating capacity;
- The lower floors (three through five), which are adjacent to and abutting the Garage, consist of approximately 7,000 square feet with 15-foot clear ceiling height that provide a unique full floor presence for smaller tenants;
- The upper five floors that are above the Garage consist of approximately 20,000 square feet which is an efficient floor plate for individual tenants or a multi-tenant scenario; and
- Top floor lounge and amenity space with views overlooking the Willamette River, downtown Portland, and the West Hills.

Mortenson Construction estimates the total construction cost for the conceptual design to be \$56,785,163. This cost estimate includes \$6,700,000 in design, estimating, and construction contingencies and assumes compliance with prevailing wage and Prosper Portland Green Building and Business and Workforce Equity requirements.

The current schedule anticipates the following major milestones for the scope of work included in the proposed contract amendment:

- Completion of schematic design by February 2019; and
- Completion of 50 percent design development by May 2019.

Through future phases of work subject to future approvals, the current schedule anticipates the following major milestones:

- Completion of 100 percent design development by August 2019;
- Completion of 75 percent construction documents and submission of a building permit package by November 2019;
- Construction to begin by June 2020; and
- Construction to be completed by May 2022.

Market Analysis

Prosper Portland staff has consulted with brokerage advisor Capacity Commercial Group on the current state of the office market. Overall, the Portland office market has been strong this economic cycle. Staff used several key statistics to evaluate the Class A office market including vacancy rate, lease rates, deliveries (new office space that becomes available), and net absorption (change in occupied office space). From this data (see Table 1 below), staff has concluded that the Lloyd sub-market continues to outperform the overall Central City market and that furthering design and development of the office building is timely and prudent.

Table 1

	Central City Combined	Lloyd Sub-Market
Vacancy Rate	11.6 percent	2.2 percent
Rental Rates	\$22.21	\$33.64
Deliveries (in square feet)	148,702	0
Net Absorption (in square feet)	88,936	(14,794)

Additionally, staff evaluated the pipeline of new construction in pre-development, under construction, and recently built. The Office Building will compete primarily against other new buildings that deliver in late 2021 and early 2022, although there may be additional competition from existing inventory and other unleased or partially leased buildings that are recently built. Overall, 1,340,839 square feet of new space has been delivered in the past year, 817,795 square feet is under construction, and 1,032,140 square feet is in pre-development. In reviewing the specifics of where the vacancy in this pipeline is concentrated, it seems to be mostly focused in less desirable locations for office space. By contrast, the well-located, amenity-rich office space is leasing well before and during construction. For a detailed 2018 office market summary, see Attachment C.

Tenancing Strategy

Prosper Portland is evaluating leasing space in the Office Building to both public sector and private tenants. For private sector tenancing, Capacity Commercial Group is marketing the Office Building through conventional market methods. Marketing began on October 24, 2018 and includes direct outreach to the brokerage community and suitable tenants, industry standard venues such as CoStar and Vertical Email, and through Capacity Commercial Group's proprietary database. For public sector tenancing, Prosper Portland staff has been conducting direct outreach to public partners to discuss potential tenancing scenarios. Staff has had several meetings to date with possible public tenants that have expressed interest in the project and discussions are ongoing. Staff anticipates most leasing activity will occur after the Office Building has been approved by the Portland Design Commission.

Development Feasibility and Financing Opportunities

Prosper Portland staff has prepared a development proforma to evaluate total project costs (in addition to the total construction cost estimated by Mortenson Construction), financing scenarios, cash flows, and development metrics including internal rate of return and return on cost. As part of this effort, staff has contacted the City of Portland Debt Manager and private financing sources to provide insight into the availability of and terms for financing the Office Building, as there are insufficient Oregon Convention Center URA resources to fund full construction. Assumptions incorporated into this analysis include:

- Prosper Portland as the long-term owner and operator of the building (not intending to sell within two to three years after completion);
- Includes \$2,000,000 owner contingency. Together with the \$1,300,000 carried by Mortenson as construction contingency, this totals \$3,300,000 which equals 5.6 percent of total construction cost;

- Approximately \$900,000 in Regional Arts and Cultural Council funds for public art and \$900,000 in green energy technology costs for a total of \$1,800,000;
- Construction financing is likely to be available at rates ranging from 5.25 percent to 6.75 percent with 25-year amortization;
- Approximately 50 percent of the Office Building must be tenanted with reasonably high-quality tenants to secure financing;
- Lease rate of \$35 per square foot based on input from brokers;
- The higher the tenanting percentage and the higher the tenant quality, the lower the interest rate and equity requirements. Equity requirements could be as low as zero for a building fully tenanted with public agencies; and
- Financing terms are fluid and subject to negotiation. For example, leasing 50 percent or more of the building to a high-quality public or private tenant could significantly improve financing terms.

Staff evaluated several development scenarios and determined the following:

- Total project cost of the conceptual design, including all soft costs and financing costs, is approximately \$77,000,000;
- Prosper Portland development equity requirements range from \$12,500,000 to \$20,000,000; and
- Internal rate of return exceeds six percent, which is consistent with the agency's Financial Sustainability Plan.

In the event Prosper Portland decides to not pursue full development of the Office Building as developer and owner, investing in the incremental cost associated with the current proposed scope of work and subsequent work to complete the design through construction documents and permitting has merits. The result of that effort would be a fully permitted building (in accordance with the current International Building Code, which is subject to change effective December 31, 2019), which would be a marketable asset. If Prosper Portland were to pursue that approach, it could undertake issuing a solicitation for a development partner concurrent with the subsequent construction document phase or after receipt of building permits.

EQUITY IMPACT

Prosper Portland has a compelling interest to ensure that the agency's owned and sponsored projects provide opportunities for State of Oregon Certified firms (Minority-Owned, Women-Owned, Disadvantaged, and Emerging Small Businesses, or M/W/D/ESBs). Prosper Portland has established a 20 percent utilization goal for professional services costs and a 20 percent utilization goal for hard construction costs. For the \$477,593 in professional services awarded to Mortenson Construction in the Pre-Development Services Contract, Prosper Portland anticipates they will award 20.4 percent to M/W/D/ESB certified firms. For the \$1,130,000 phase of work included in this next phase, Prosper Portland anticipates Mortenson Construction will award 24 percent to M/W/D/ESBs.

Although the contract to construct the Office Building is not included as part of this work phase and will be awarded later subject to approval by the Prosper Portland Board, in terms of past and ongoing performance on Prosper Portland construction projects, Mortenson Construction has achieved:

- 24.1 percent M/W/D/ESB utilization on construction of the AC Marriott Hotel; and
- 21 percent M/W/D/ESB utilization on construction of the Garage to date.

Based on Mortenson Construction's results regarding both professional services and hard construction costs, Prosper Portland intends for Mortenson Construction to perform at a comparable or better level

during construction and to continue to take all reasonable and necessary steps to optimize opportunities for certified firms and achieve Prosper Portland’s equity goals.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland staff recently presented the conceptual design of the Office Building and intent to proceed with the continued design and feasibility of the Office Building to the Go Lloyd Board. In general, feedback has been supportive of making the Garage a mixed-use project and maximizing development adjacent to the MAX light rail, and of the building contributing to a vibrant Lloyd neighborhood with elements that reflect the Lloyd EcoDistrict concept. The Portland Design Commission also publicly discussed the Office Building as part of the consideration of the Hotel and Garage design. Public comments during those discussions expressed support for maximizing development on the site and pursuing a mixed-use project above the Garage. During this next phase of work, staff will seek approval by the Portland Design Commission and will continue to coordinate with and seek input from the Go Lloyd Board.

BUDGET AND FINANCIAL INFORMATION

The fiscal year (FY) 2018/19 Oregon Convention Center URA Revised Budget includes \$650,000 for Project Development for the Office Building in FY 2019/20 and \$2,500,000 forecast for FY 2019/20 (see Attachment D). The amount allocated specifically to this project in the current fiscal year is not sufficient to fund the additional scope; therefore, staff will seek Prosper Portland Board approval of a spring 2019 budget amendment incorporating a reallocation of these funds between fiscal years.

RISK ASSESSMENT

Investing in design and development of the Office Building as an owner includes the following inherent risks:

- Project cost increases due to design changes and construction inflation;
- Tenanting;
- Lease rates;
- Market trends; and
- Availability of and terms for construction and permanent loans.

For any one or a combination of these risks, the Office Building may be determined to be financially infeasible. To mitigate these risks, Prosper Portland has:

- Completed conceptual design and an associated cost estimate including design, cost escalation, and construction/owner contingencies;
- Hired a commercial office broker to assess market conditions, trends, and office lease rates, and to pursue a tenanting strategy;
- Contacted public agency partners that may be interested in tenanting the building;
- Contacted public and private financing sources to determine the availability and terms for securing construction and permanent loans; and
- Evaluated total project costs and financing strategies.

This work has indicated that while risks remain, there are no “red flags” cautioning that the project is infeasible. These conditions will continue to be monitored and evaluated as staff proceeds through the next design phase. In the event costs and/or financing and tenanting prospects were to change significantly, Prosper Portland can terminate the Contract at any point.

In the event Prosper Portland were to determine at some future date that the project is infeasible to develop on its own (for example due to inability to secure sufficient lease commitments or inability to commit the required equity to the project), Prosper Portland would still own a permitted, shovel-ready office building as a marketable asset that could be bundled with the air rights and potentially sold in whole or in part to a development partner. It is highly likely that through such a development partnership, Prosper Portland would be able to recoup the incremental costs associated with advancing design of the Office Building through Design Review approval, construction documents, and permitting.

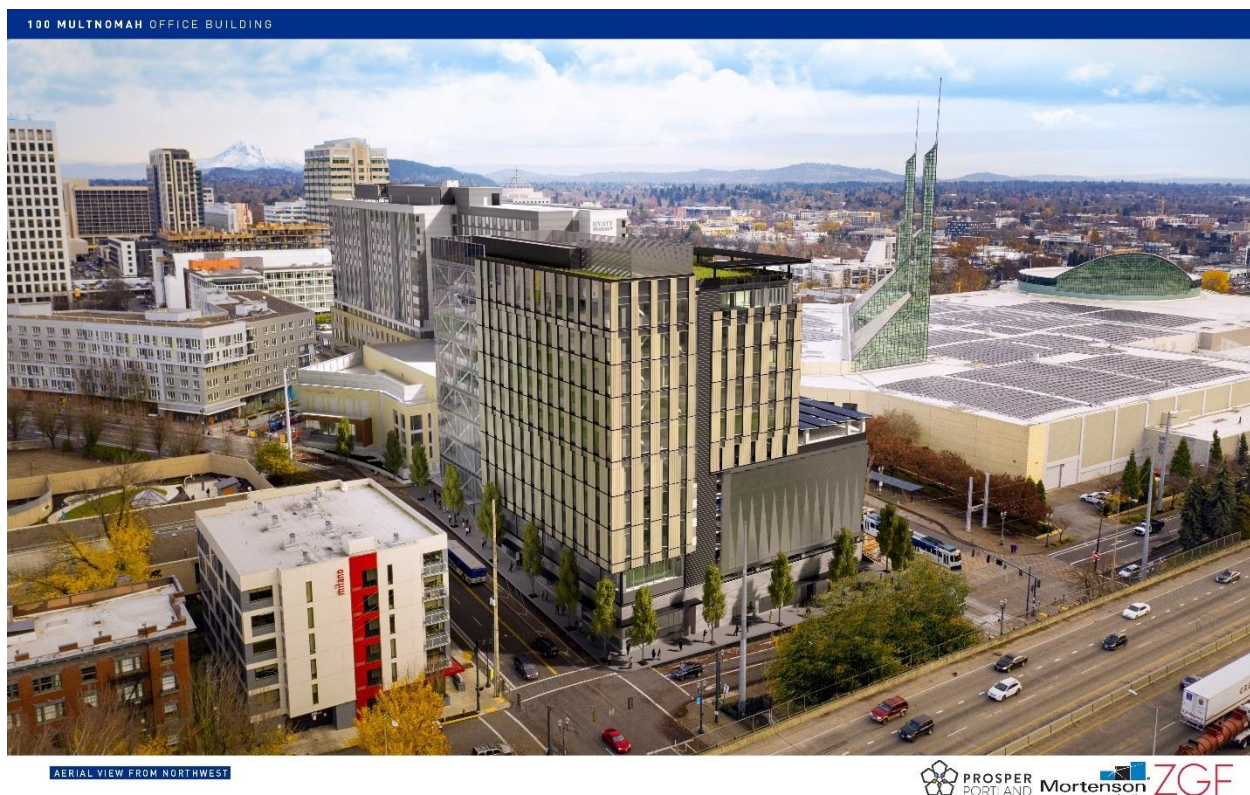
Not approving this action will result in schedule delays and inability to apply for permits under the current International Building Code, which the City of Portland anticipates amending effective December 31, 2019.

ATTACHMENTS

- A. Project Summary
- B. Conceptual Design Building Perspectives
- C. City of Portland 2018 Office Market Summary
- D. Oregon Convention Center URA Financial Summary

Project Summary

Project Name:	100 Multnomah Office Expansion
Description:	Authorize Amendment to the Pre-Development Services Contract with Mortenson Construction to increase scope and budget to \$1,602,052
Location:	Southwest corner of NE Multnomah Street and NE 2 nd Avenue
URA:	Oregon Convention Center Urban Renewal Area
Current Phase:	Conceptual Design
Next Milestone:	50 Percent Design Development and Design Commission Approval
Completion Target:	May 2019
Outcome:	Proceed with Schematic Design and 50 Percent Design Development concurrent with tenanting and financing efforts.



Conceptual Design Building Perspectives



ZGF
ARCHITECTS
Mortenson
CONSTRUCTION
PROSPER
PORTLAND

100 MULTNOMAH
OFFICE BUILDING
PORTLAND, OR

BUILDING
PERSPECTIVES



PDX

OFFICE MARKET

Q3 2018

CAPACITY COMMERCIAL GROUP
OFFICE TEAM

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Portland, OR OFFICE MARKET SUMMARY

INFORMATION PROVIDED BY: COSTAR AND CAPACITY COMMERCIAL GROUP, LLC

Portland’s Vacancy Decreases to 6.5 %

Net Absorption Positive 609,933 SF in the Quarter

The Portland Office market ended the third quarter 2018 with a vacancy rate of 6.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 609,933 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 332,543 square feet. Rental rates ended the third quarter at \$23.90, an increase over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 476,000 square feet, with 2,575,782 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Portland office market was positive 609,933 square feet in the third quarter 2018. That compares to positive 761,421 square feet in the second quarter 2018, negative (184,006) square feet in the first quarter 2018, and positive 324,218 square feet in the fourth quarter 2017.

Tenants moving out of large blocks of space in the third quarter 2018 include Bridgewell Resources moving out of 18,104 square feet at 5 Lincoln Center.

Tenants moving into large blocks of space in the third quarter 2018 include: Wells Fargo Bank moving into 103,279 square feet at Sunset Corporate Park Phase III - Wells Fargo; Fiserv moving into 65,496 square feet at Creekside Corporate Park - Bldg 9; and iovation Inc. moving into 62,033 square feet at US Bancorp Tower & Plaza.

The Class-A office market recorded net absorption of positive 408,225 square feet in the third quarter 2018, compared to positive 540,739 square feet in the second quarter 2018, positive 63,297 in the first quarter 2018, and positive 90,860 in the fourth quarter 2017.

The Class-B office market recorded net absorption of positive 181,634 square feet in the third quarter 2018, compared to positive 171,975 square

feet in the second quarter 2018, negative (170,742) square feet in the first quarter 2018, and positive 286,349 square feet in the fourth quarter 2017.

The Class-C office market recorded net absorption of positive 20,074 square feet in the third quarter 2018 compared to positive 48,707 square feet in the second quarter 2018, negative (76,561) square feet in the first quarter 2018, and negative (52,991) square feet in the fourth quarter 2017.

Net absorption for Portland’s central business district was negative (21,463) square feet in the third quarter 2018. That compares to positive 227,414 square feet in the second quarter 2018, negative (469,530) square feet in the first quarter 2018, and positive 165,269 square feet in the fourth quarter 2017.

Net absorption for the suburban markets was positive 631,396 square feet in the third quarter 2018. That compares to positive 534,007 square feet in second quarter 2018, positive 285,524 square feet in the first quarter 2018, and positive 158,949 square feet in the fourth quarter 2017.

Vacancy

The office vacancy rate in the Portland market area decreased to 6.5% at the end of the third quarter 2018. The vacancy rate was 6.6% at the end of the first and second quarters 2018, and 6.2% at the end of the fourth quarter 2017.

Class-A projects reported a vacancy rate of 7.8% at the end of the third quarter 2018, 8.0% at the end of the second quarter 2018, 7.7% at the end of the first quarter 2018, and 7.1% at the end of the fourth quarter 2017.

Class-B projects reported a vacancy rate of 6.9% at the end of the second and third quarters 2018, 7.1% at the end of the first quarter 2018, and 6.7% at the end of the fourth quarter 2017.

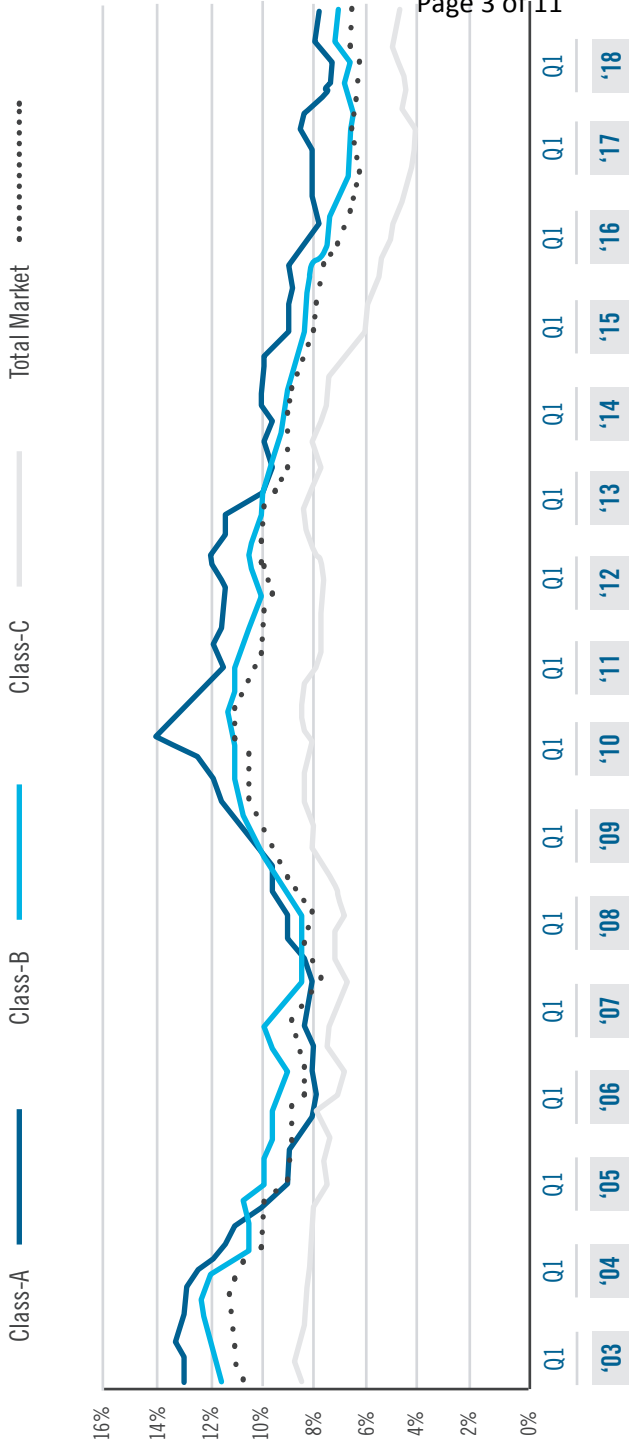
Class-C projects reported a vacancy rate of 4.4% at the end of the third quarter 2018, 4.5% at the end of second quarter 2018, 4.6% at the end of the

first quarter 2018, and 4.4% at the end of the fourth quarter 2017.

The overall vacancy rate in Portland’s central business district at the end of the third quarter 2018 increased to 10.2%. The vacancy rate was 10.1% at the end of the second quarter 2018, 10.7% at the end of the first quarter 2018, and 9.0% at the end of the fourth quarter 2017.

The vacancy rate in the suburban markets decreased to 5.5% in the third quarter 2018. The vacancy rate was 5.7% at the end of the second quarter 2018, 5.6% at the end of the first quarter 2018, and 5.5% at the end of the fourth quarter 2017.

Vacancy Rates By Class (2003-2018)



Portland, OR OFFICE MARKET SUMMARY

INFORMATION PROVIDED BY: COSTAR AND CAPACITY COMMERCIAL GROUP, LLC



Rental Rates

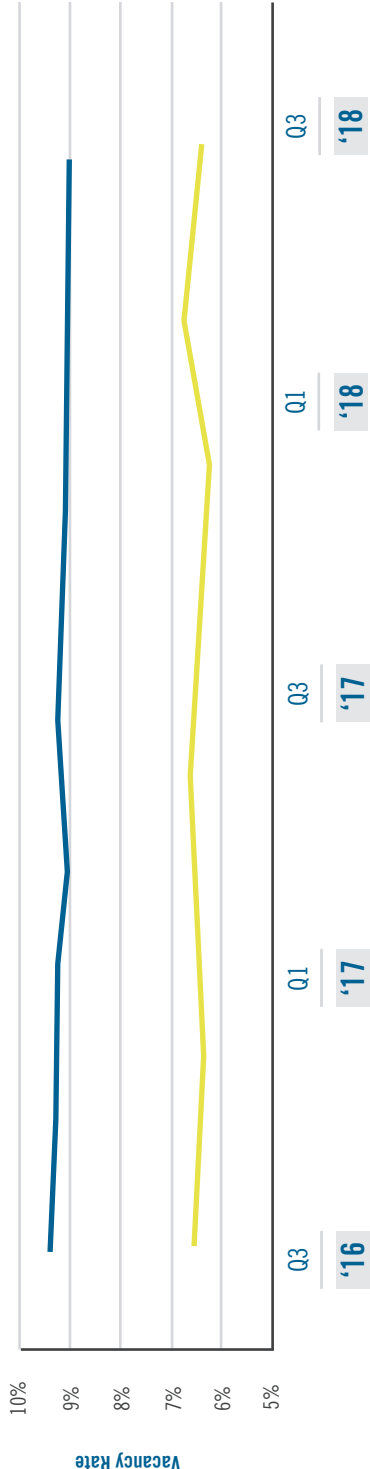
The average quoted asking rental rate for available office space, all classes, was \$23.90 per square foot per year at the end of the third quarter 2018 in the Portland market area. This represented a 0.2% increase in quoted rental rates from the end of the second quarter 2018, when rents were reported at \$23.85 per square foot.

The average quoted rate within the Class-A sector was \$30.41 at the end of the third quarter 2018, while Class-B rates stood at \$22.19, and

Class-C rates at \$17.92. At the end of the second quarter 2018, Class-A rates were \$30.14 per square foot, Class-B rates were \$22.33, and Class-C rates were \$18.45.

The average quoted asking rental rate in Portland's CBD was \$31.95 at the end of the third quarter 2018, and \$21.19 in the suburban markets. In the second quarter 2018, quoted rates were \$31.57 in the CBD and \$21.30 in the suburbs.

U.S. Vacancy Comparison (Past 7 Quarters)



Largest Lease Signings

The largest lease signings occurring in 2018 included: the 103,279-square-foot lease signed by Wells Fargo Bank at Sunset Corporate Park Phase III - Wells Fargo in the Westside market; the 60,152-square-foot deal signed by Vacasa Rentals at Heartline Building in the CBD market; and the 41,070-square-foot lease signed by RMCC Cancer Institute Partners at 12123 SW 69th Ave in the I-5 Corridor market.

Deliveries & Construction

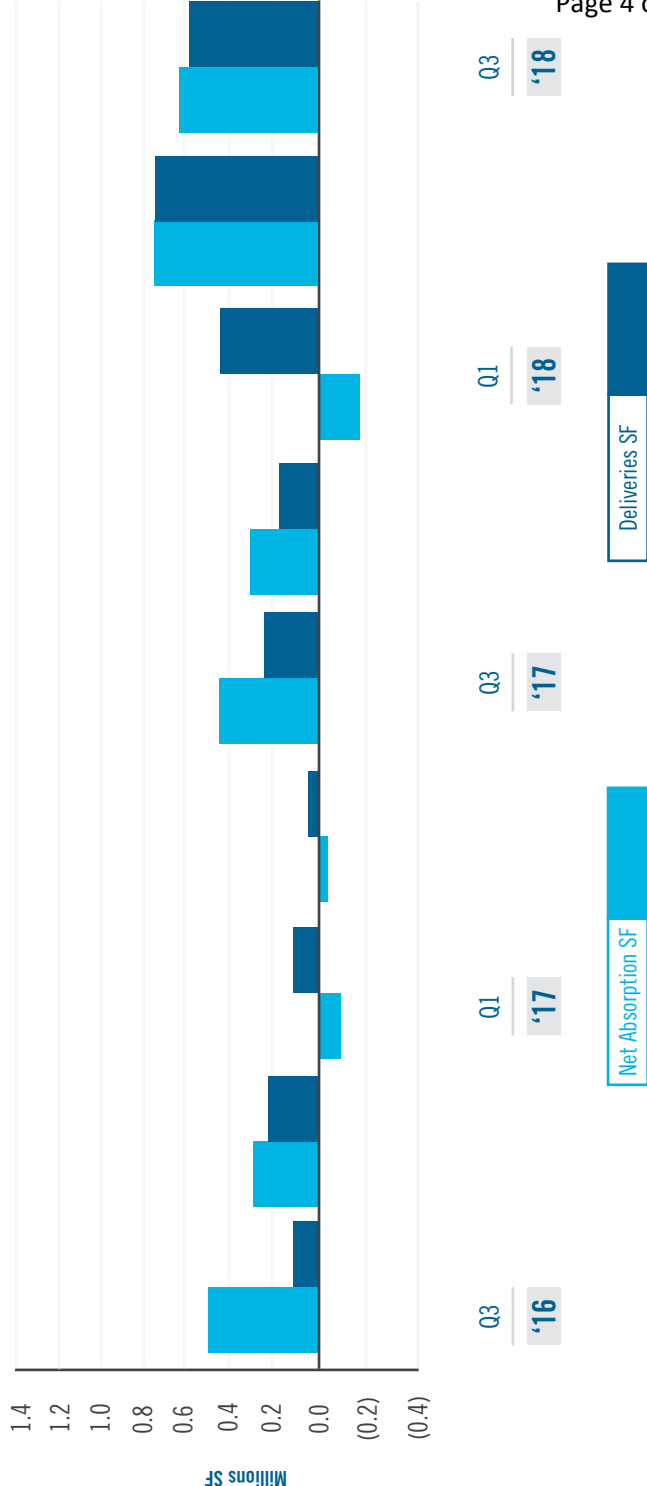
During the third quarter 2018, two buildings totaling 476,000 square feet were completed in the Portland market area. This compares to seven buildings totaling 760,358 square feet that were completed in the second quarter 2018, 11 buildings totaling 428,255 square feet completed in the first quarter 2018, and 167,629 square feet in six buildings completed in the fourth quarter 2017.

There were 2,575,782 square feet of office space under construction at the end of the third quarter 2018.

Some of the notable 2018 deliveries include: Nike North Expansion Bldg A, a 412,000-square-foot facility that delivered in second quarter 2018 and is now 100% occupied, and Knight Cancer Institute Research Building, a 320,000-square-foot building that delivered in third quarter 2018 and is now 100% occupied.

The largest projects underway at the end of third quarter 2018 were Nike North Expansion Building B, a 1,003,585-squarefoot building with 100% of its space pre-leased, and Block 29 Center for Health and Healing, a 360,000-square-foot facility that is 100%

Deliveries, Absorption & Vacancy (Past 9 Quarters)

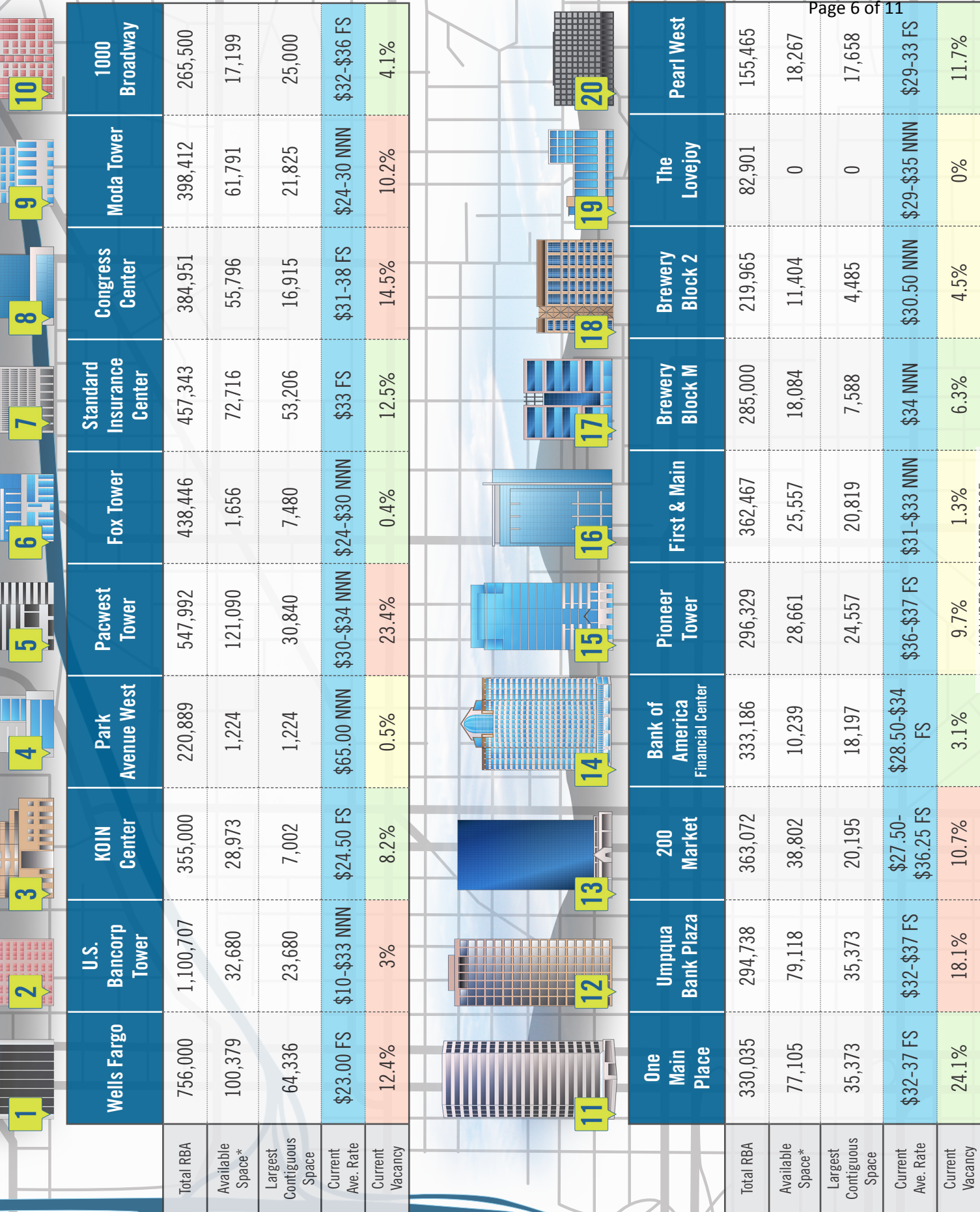
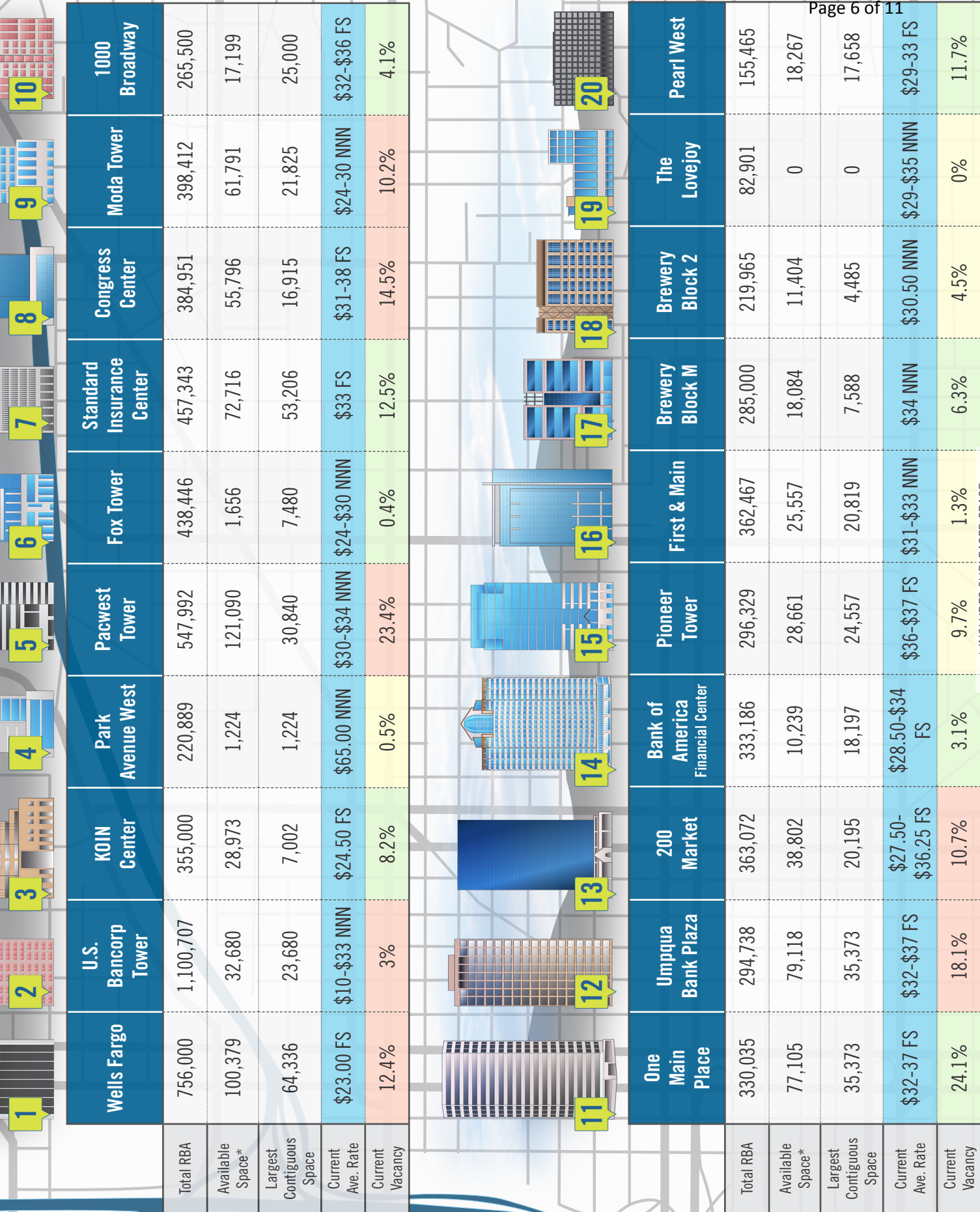


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UNDER CONSTRUCTION							
#	Building	Size	Stories	Rental Rate	Developer	Delivery	% Leased
1	Redfox Commons	60,000 SF	2	\$33.00 NNN	Langley	Q1 2019	0%
2	3rd & Taylor	181,295 SF	10	TBD	T&T Development	Q2 2019	100%
3	The Glass Lab	46,000 SF	2	\$25.00 NNN	SKB	Q2 2019	0%
4	7 SE Stark	78,500 SF	10	\$33.00-\$35.00 NNN	Harsch	Q2 2019	0%
5	District Office	72,000 SF	6	\$32.00-\$34.00 NNN	Beam	Q4 2019	90%
6	5 MILK Office	117,000 SF	5	\$35.00-\$37.00 NNN	Gerding Edlen	Q1 2020	0%
7	Press Blocks	133,000 SF	8	\$35.00-\$37.00 NNN	Urban Renaissance Group	Q2 2020	0%
8	100 Multnomah	130,000 SF	10	\$34.00-\$36.00 NNN	Prosper Portland	Q4 2021	0%
Total Construction		817,795 SF	Total Available 571,800 SF				

INFORMATION PROVIDED BY: COSTAR AND CAPACITY COMMERCIAL GROUP, LLC AS OF JANUARY 10, 2019

PORTLAND CLASS A SKYLINE

											
	Wells Fargo	U.S. Bancorp Tower	KOIN Center	Park Avenue West	Pacwest Tower	Fox Tower	Standard Insurance Center	Congress Center	Modia Tower	1000 Broadway	
Total RBA	756,000	1,100,707	355,000	220,889	547,992	438,446	457,343	384,951	398,412	265,500	
Available Space*	100,379	32,680	28,973	1,224	121,090	1,656	72,716	55,796	61,791	17,199	
Largest Contiguous Space	64,336	23,680	7,002	1,224	30,840	7,480	53,206	16,915	21,825	25,000	
Current Ave. Rate	\$23.00 FS	\$10-\$33 NNN	\$24.50 FS	\$65.00 NNN	\$30-\$34 NNN	\$24-\$30 NNN	\$33 FS	\$31-38 FS	\$24-30 NNN	\$32-\$36 FS	
Current Vacancy	12.4%	3%	8.2%	0.5%	23.4%	0.4%	12.5%	14.5%	10.2%	4.1%	
											
	One Main Place	Umpqua Bank Plaza	200 Market	Bank of America Financial Center	Pioneer Tower	First & Main	Brewery Block M	Brewery Block 2	The Lovejoy	Pearl West	
Total RBA	330,035	294,738	363,072	333,186	296,329	362,467	285,000	219,965	82,901	155,465	
Available Space*	77,105	79,118	38,802	10,239	28,661	25,557	18,084	11,404	0	18,267	
Largest Contiguous Space	35,373	35,373	20,195	18,197	24,557	20,819	7,588	4,485	0	17,658	
Current Ave. Rate	\$32-37 FS	\$32-\$37 FS	\$27.50-\$36.25 FS	\$28.50-\$34 FS	\$36-\$37 FS	\$31-\$33 NNN	\$34 NNN	\$30.50 NNN	\$29-\$35 NNN	\$29-33 FS	
Current Vacancy	24.1%	18.1%	10.7%	3.1%	9.7%	1.3%	6.3%	4.5%	0%	11.7%	

* INCLUDES SUBLEASED SPACE

NOTABLE SALES



CNF | Sold: 6.29.18
2151 NW Savier St
Price: \$34,000,000 (\$226.67/SF)
Building SF: 150,000 SF
Seller: XPO Properties Inc
Buyer: Cruzan




1631 Building | Sold: 10.26.18
1631 NW Thurman St
Price: \$25,700,000 (\$95.38/SF)
Building SF: 65,000 SF
Seller: Melvin Mark Companies
Buyer: Goldman, Sachs & Company



Historic Bank Block | Sold: 2.15.18
309 SW 6th Ave
Price: \$53,925,000 (\$259.39/SF)
Building SF: 207,895 SF
Seller: ScanlanKemperBard Companies
Buyer: Westport Capital Partners, LLC



The Yeon Building | Sold: 10.2.18
522 SW 5th Ave
Price: \$42,690,000 (\$336.45/SF)
Building SF: 126,885 SF
Seller: GAW Capital Partners
Buyer: Rockwood Capital LLC



Moda Tower | Sold: 9.28.18
601 SW 2nd Ave
Price: \$176,250,000 (\$442.38/SF)
Building SF: 398,412 SF
Seller: UBS Financial Services, Inc.
Buyer: American Realty Advisors




9North | Sold: 10.19.18
1250 NW 9th Ave
Price: \$96,355,175 (\$475/SF)
Building SF: 202,853 SF
Seller: Portland City of Pdc
Buyer: Miller Global Properties, LLC



38 Davis | Sold: 1.30.18
38 NW Davis St
Price: \$54,250,000
Building SF: 124, 006 SF
Seller: Ankorm Moisan Architects, Inc.
Buyer: Unico Properties



Town Storage | Sold: 11.15.17
17 SE 3rd Ave
Price: \$62,750,000 (\$627.36/SF)
Building SF: 100,022 SF
Seller: Westport Capital Partners, LLC
Buyer: CBRE Global Investors Ltd



The Weatherly | Sold: 7.31.18
516-540 SE Morrison St
Price: \$20,000,000 (\$314.43/SF)
Building SF: 63,608 SF
Seller: Mayfield Investments Co, Inc.
Buyer: Unico Properties

Portland, OR

OFFICE MARKET STATS

INFORMATION PROVIDED BY: COSTAR AND CAPACITY COMMERCIAL GROUP, LLC

Q3 2019

CBD Office Market

Class A Statistics by Submarket

Submarket	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vacancy %				
CBD	49	12,828,648	970,438	1,040,174	8.1%	(4,898)	70,702	401,707	\$34.87
Lloyd District	7	2,021,026	44,793	44,793	2.2%	(14,794)	0	119,570	\$33.64
NE Close-In	3	101,603	27,684	27,684	27.2%	4,248	0	24,300	\$29.97
NW Close-In	2	415,780	79,596	79,596	19.1%	34,963	0	0	\$0.00
SE Close-In	2	150,000	19,702	19,702	13.1%	69,417	78,000	90,778	\$34.80
SW Close-In	0	0	0	0	0%	0	0	0	\$0.00
Totals	63	15,517,057	1,142,213	1,211,949	11.61%	88,936	148,702	636,355	\$22.21

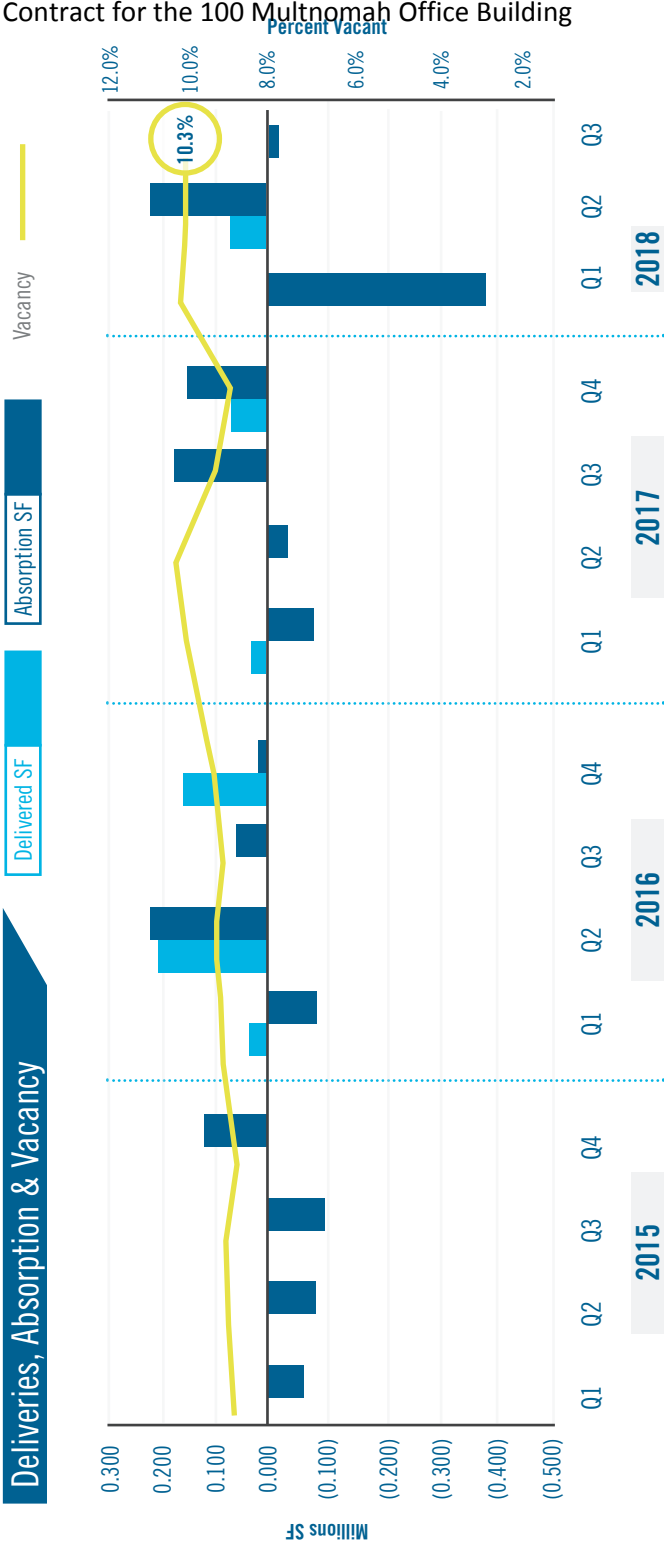
Class B Statistics by Submarket

Submarket	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vacancy %				
CBD	148	10,160,248	1,134,671	1,189,360	11.7%	(179,741)	0	190,825	\$30.99
Lloyd District	62	2,096,265	138,521	138,521	6.6%	88,394	0	70,000	\$28.32
NE Close-In	43	574,719	10,128	10,128	1.8%	5,170	0	0	\$23.11
NW Close-In	41	1,581,013	27,529	27,529	1.7%	28,402	0	0	\$28.38
SE Close-In	51	2,027,481	201,498	201,498	9.9%	12,074	106,594	0	\$27.58
SW Close-In	16	307,013	23,123	23,123	7.5%	8,019	0	0	\$23.75
Totals	361	16,746,739	1,535,470	1,590,159	6.53%	(37,682)	106,594	260,825	\$27.02

Total Statistics by Submarket

Submarket	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Construction SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vacancy %				
CBD	371	27,103,245	2,640,454	2,793,521	10.3%	(278,148)	70,702	592,532	\$32.27
Lloyd District	222	5,450,095	207,510	207,510	3.8%	68,001	0	189,570	\$28.43
NE Close-In	200	1,766,402	44,431	44,431	2.5%	24,615	0	24,300	\$24.05
NW Close-In	169	2,927,560	117,316	117,316	4.0%	62,074	0	0	\$27.97
SE Close-In	207	3,346,248	274,202	274,202	8.2%	55,452	184,594	90,778	\$26.54
SW Close-In	64	677,480	38,363	38,363	5.7%	14,569	0	0	\$21.60
Totals	1,233	41,271,030	3,322,276	3,475,343	5.75%	(53,437)	255,296	897,183	\$26.81

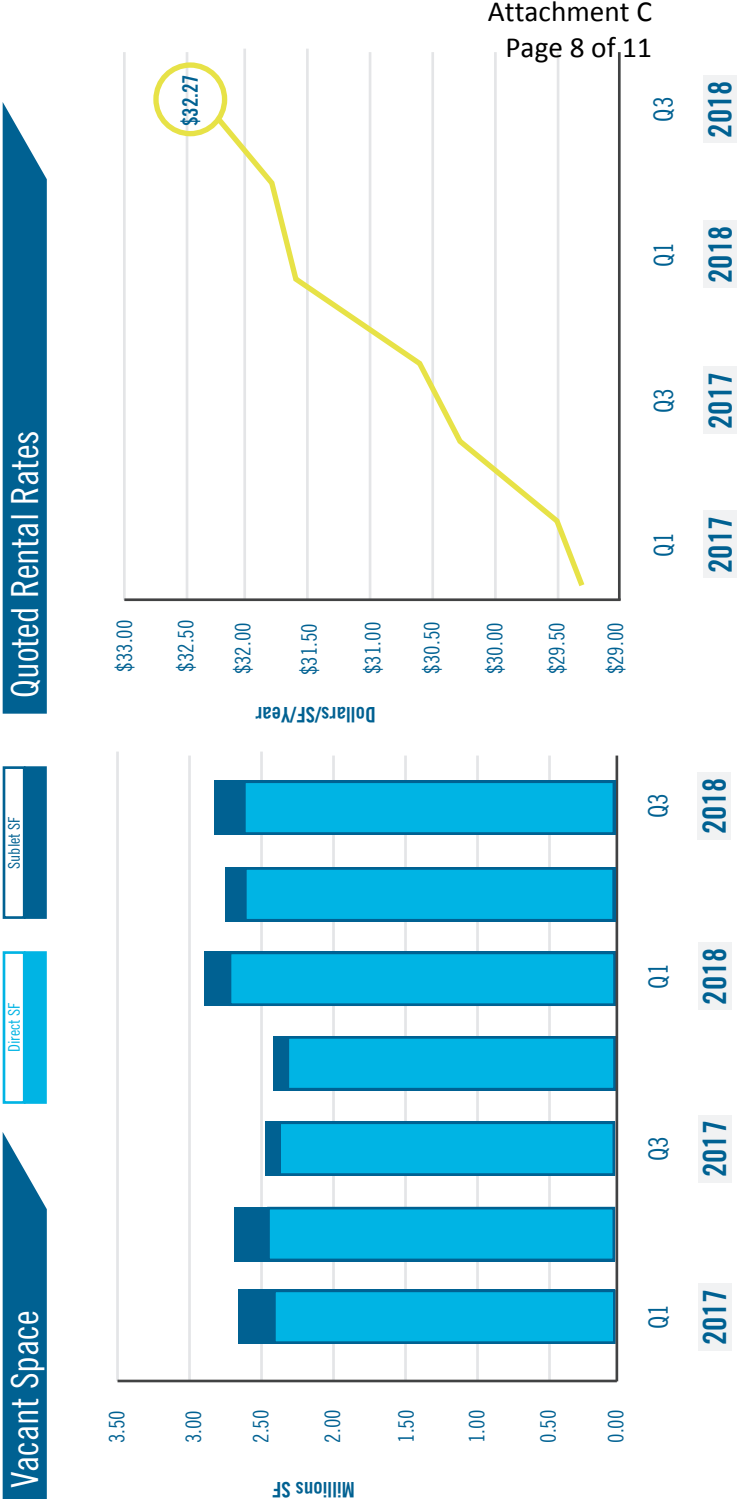
Deliveries, Absorption & Vacancy



Vacant Space



Quoted Rental Rates

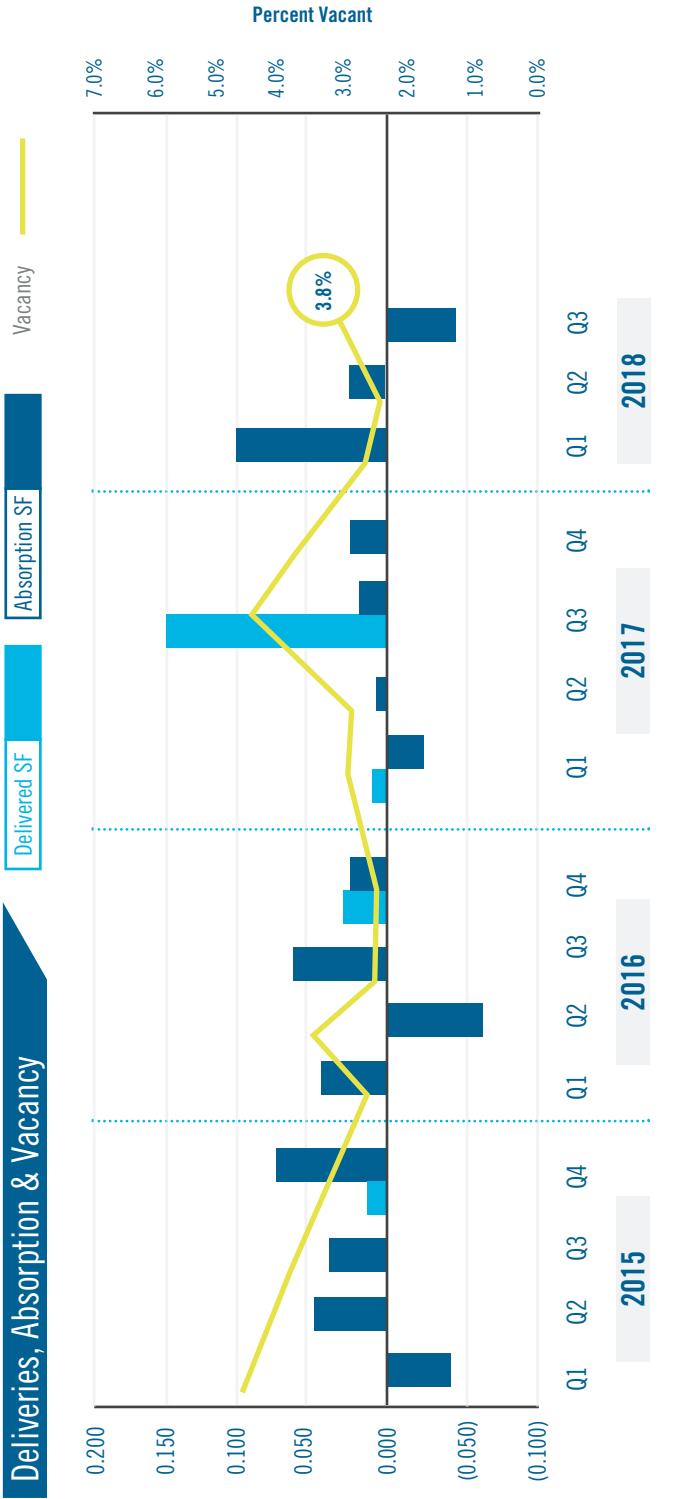


Lloyd District

Office Market

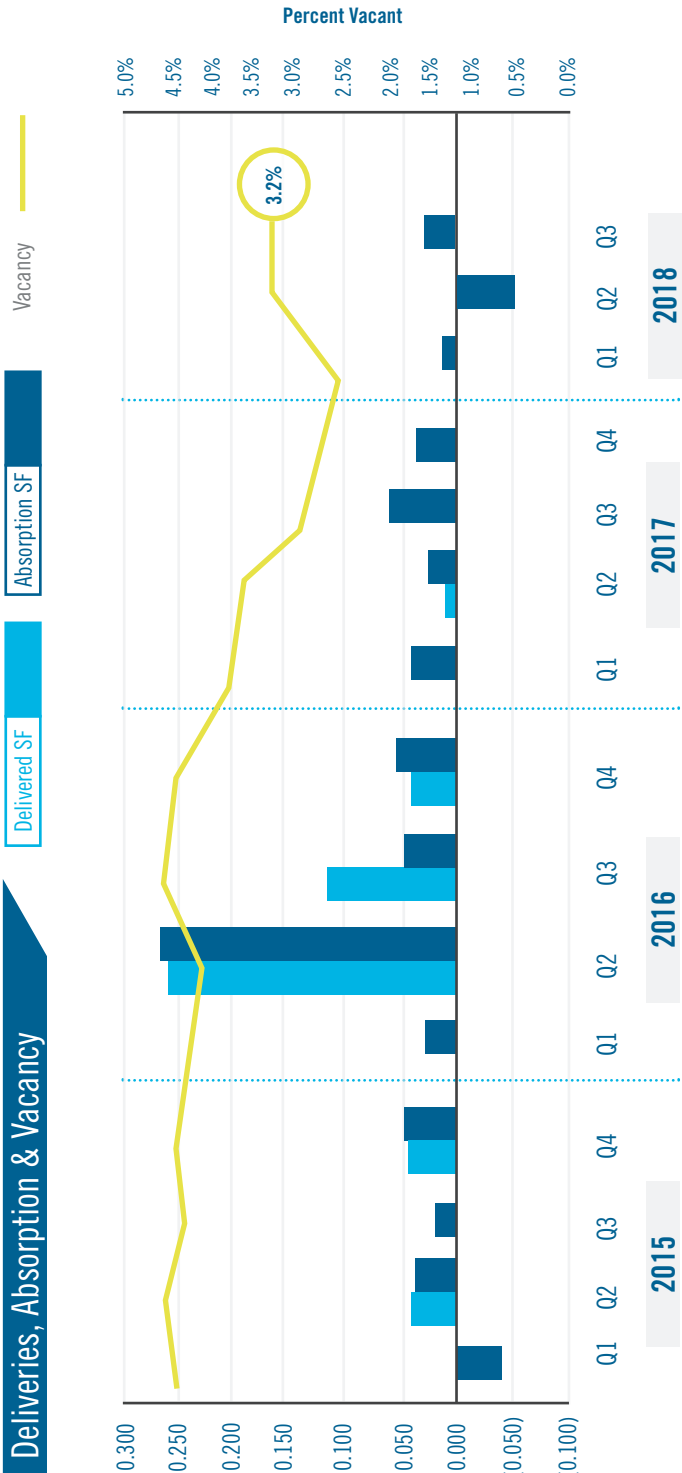
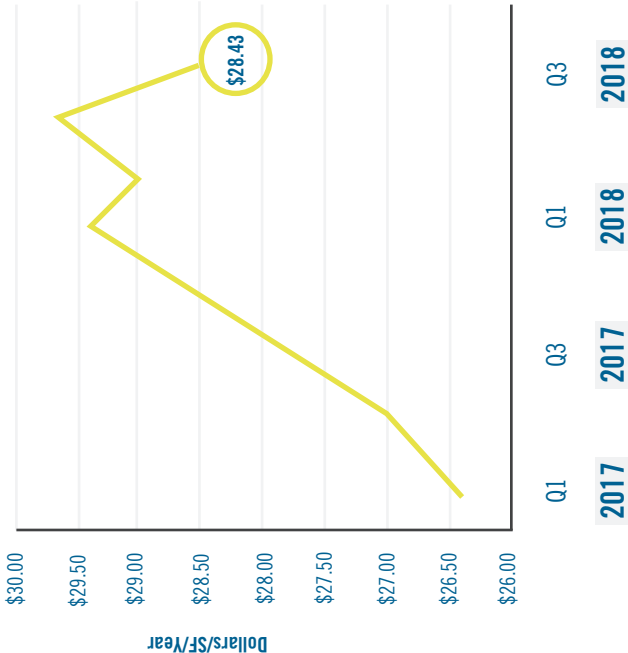
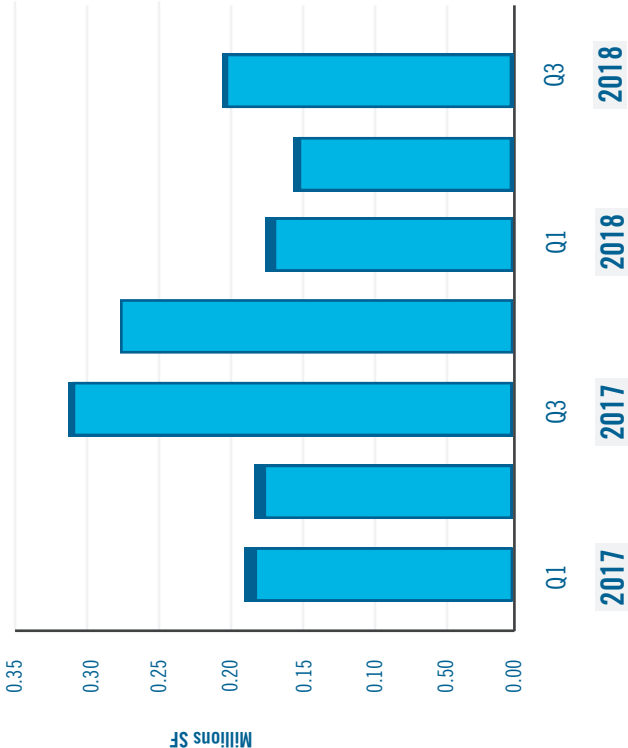
Northeast

Office Market



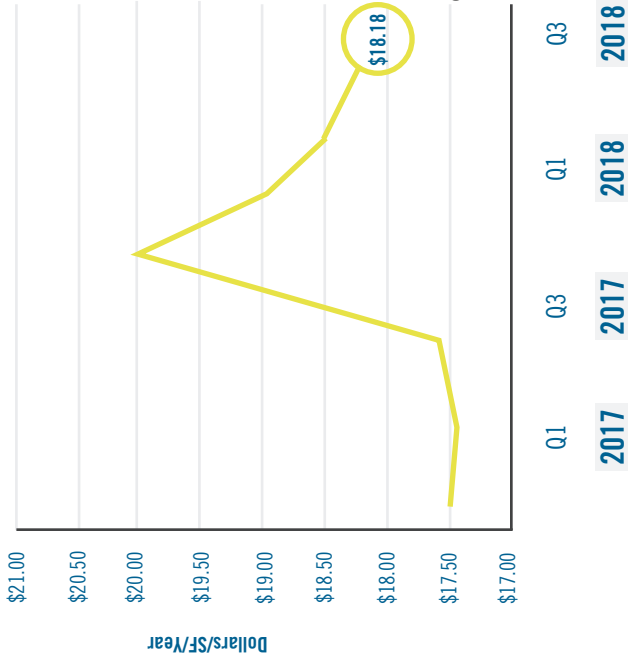
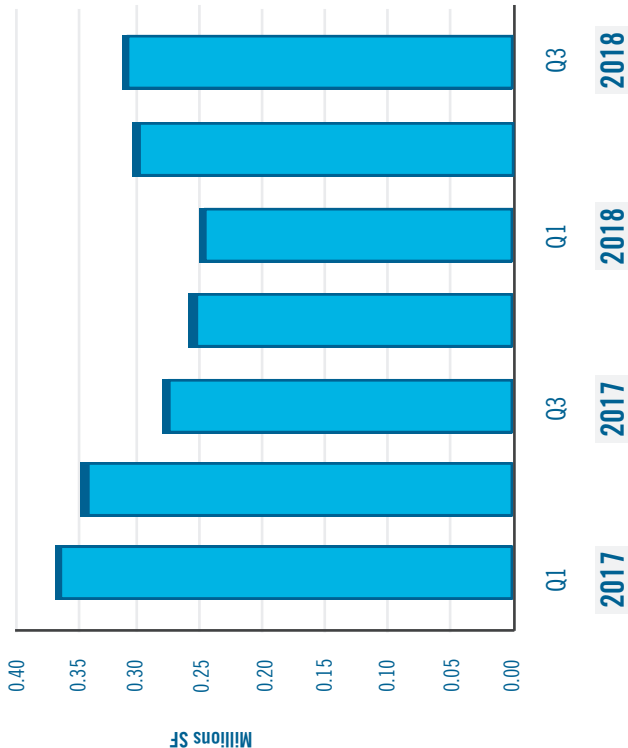
Vacant Space

Quoted Rental Rates



Vacant Space

Quoted Rental Rates



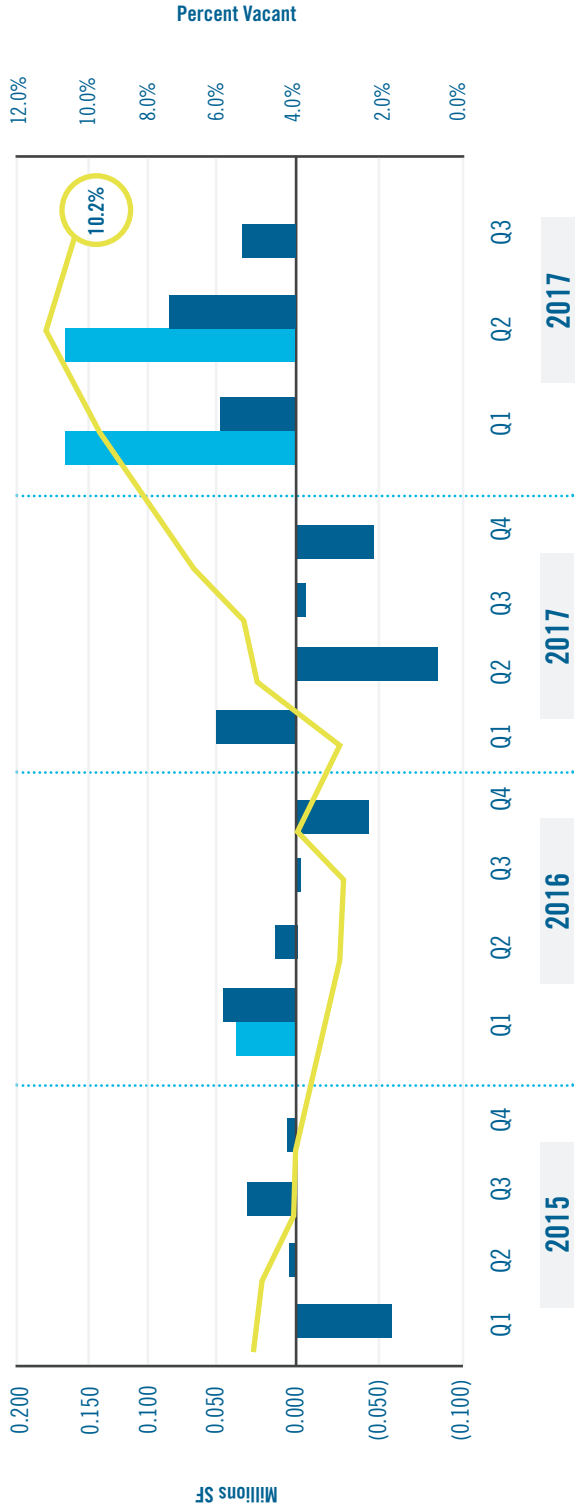
Northwest

Office Market

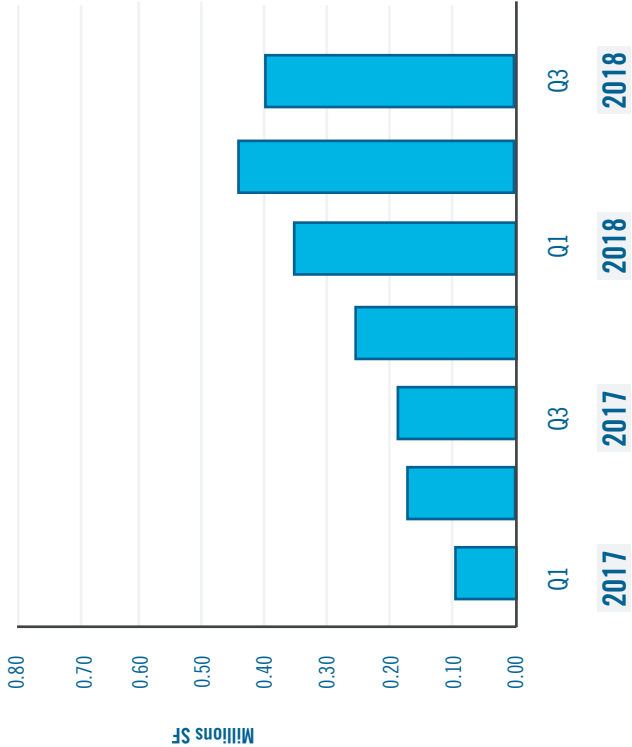
Southeast

Office Market

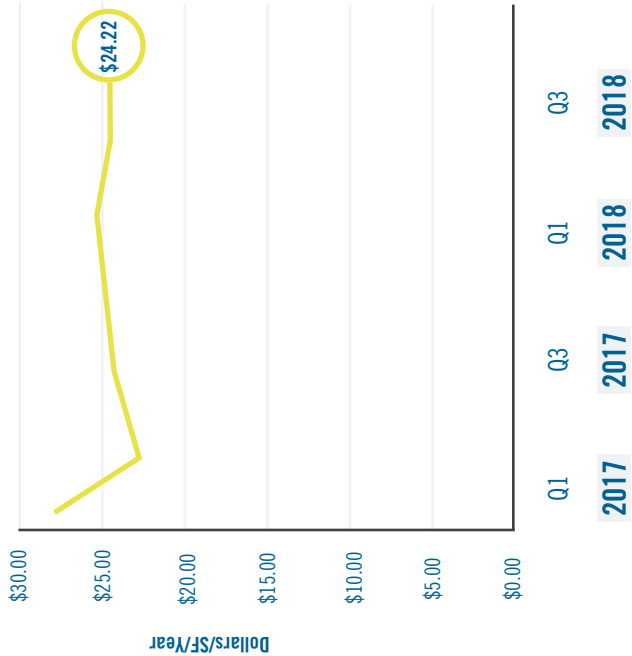
Deliveries, Absorption & Vacancy



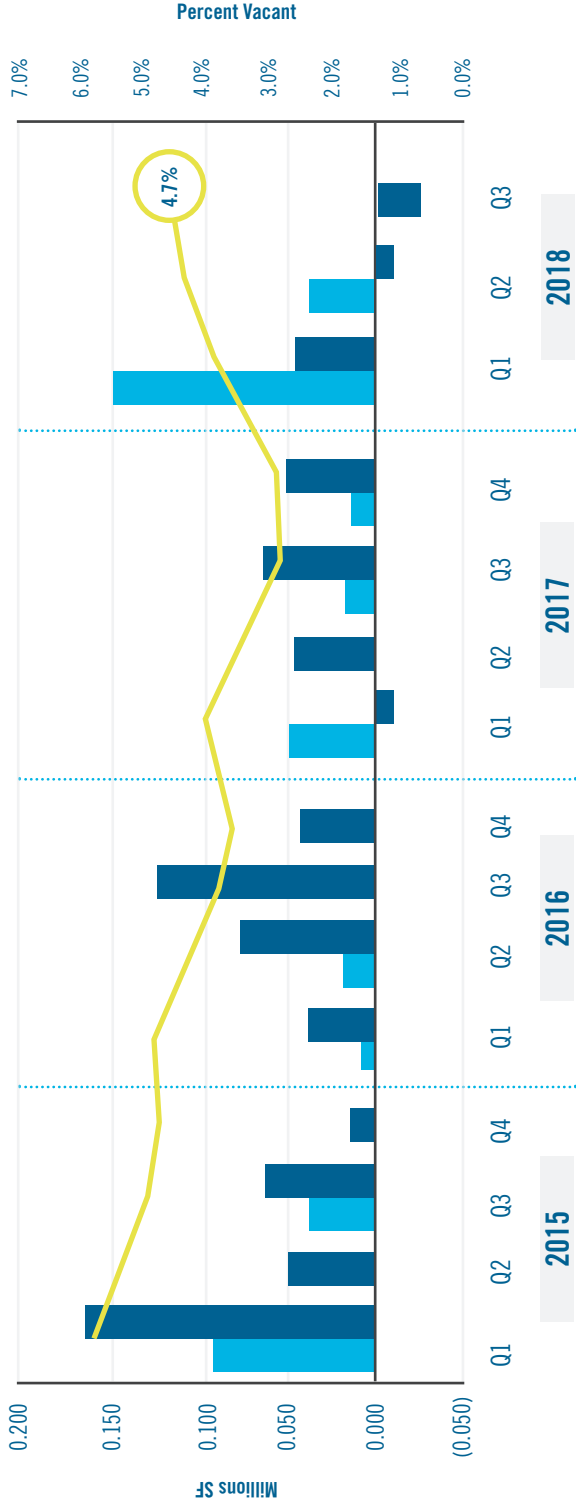
Vacant Space



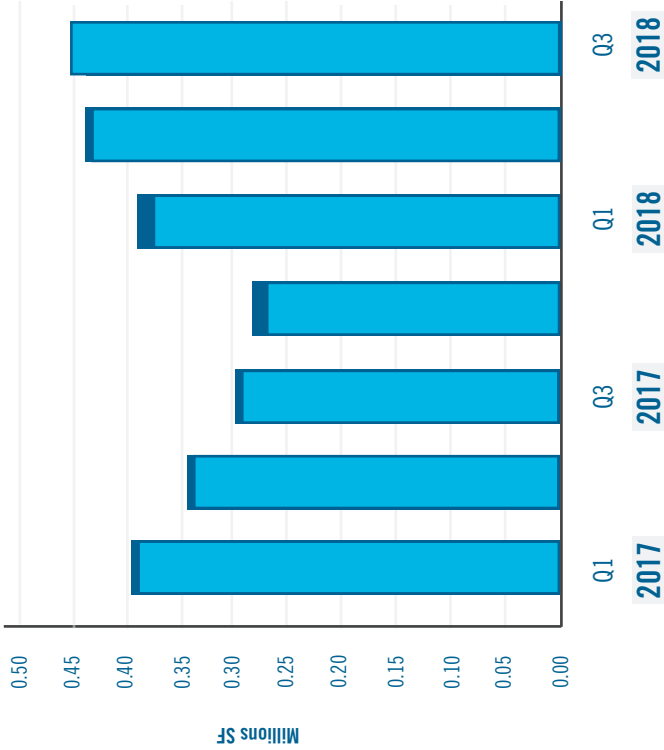
Quoted Rental Rates



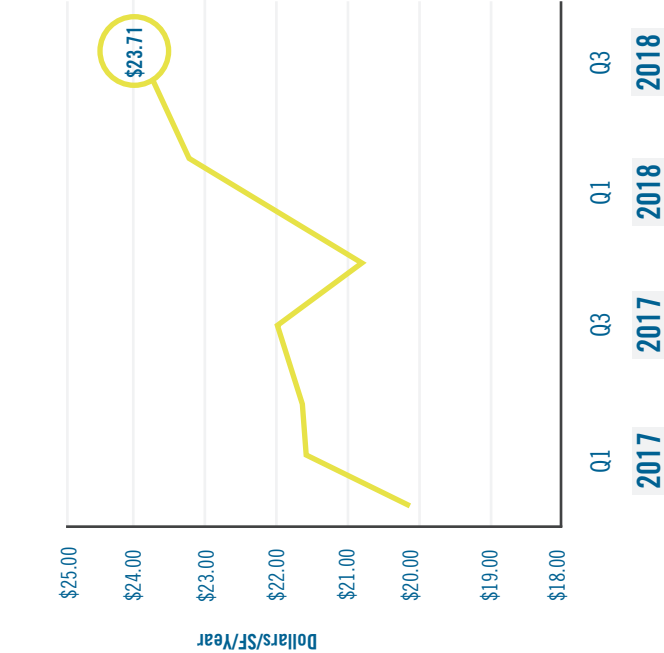
Deliveries, Absorption & Vacancy



Vacant Space



Quoted Rental Rates



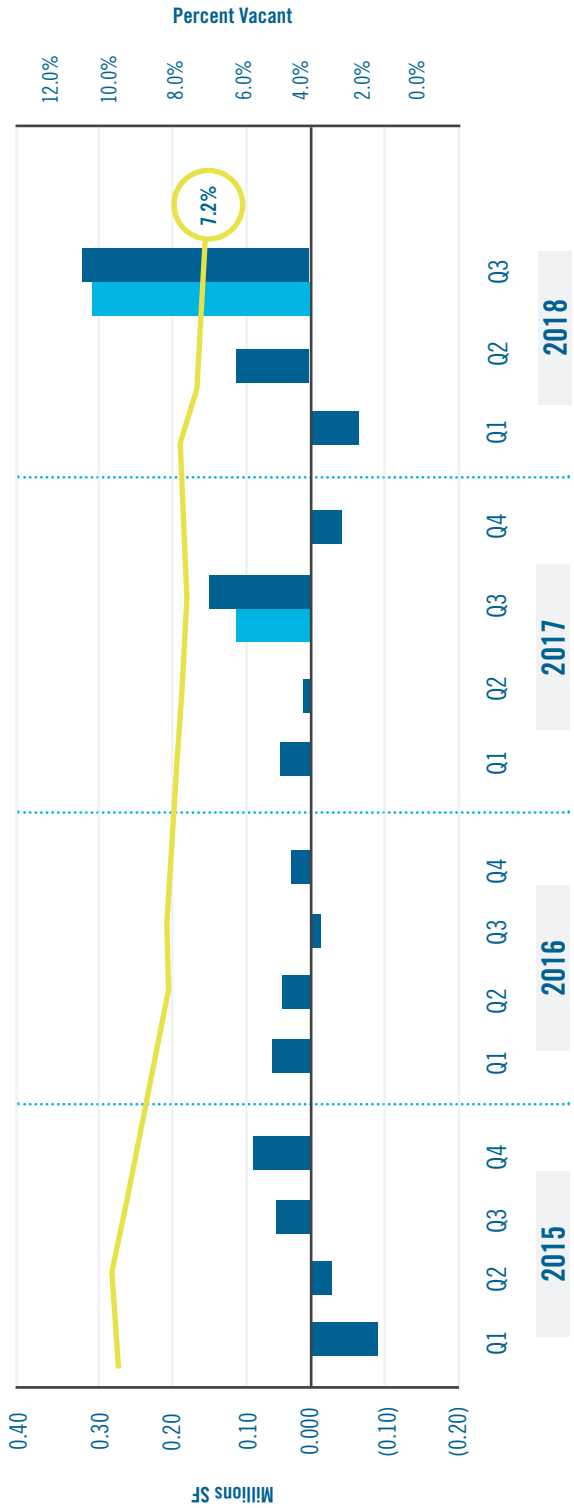
Q3 2018 Southwest Office Market

Deliveries, Absorption & Vacancy

Delivered SF

Absorption SF

Vacancy

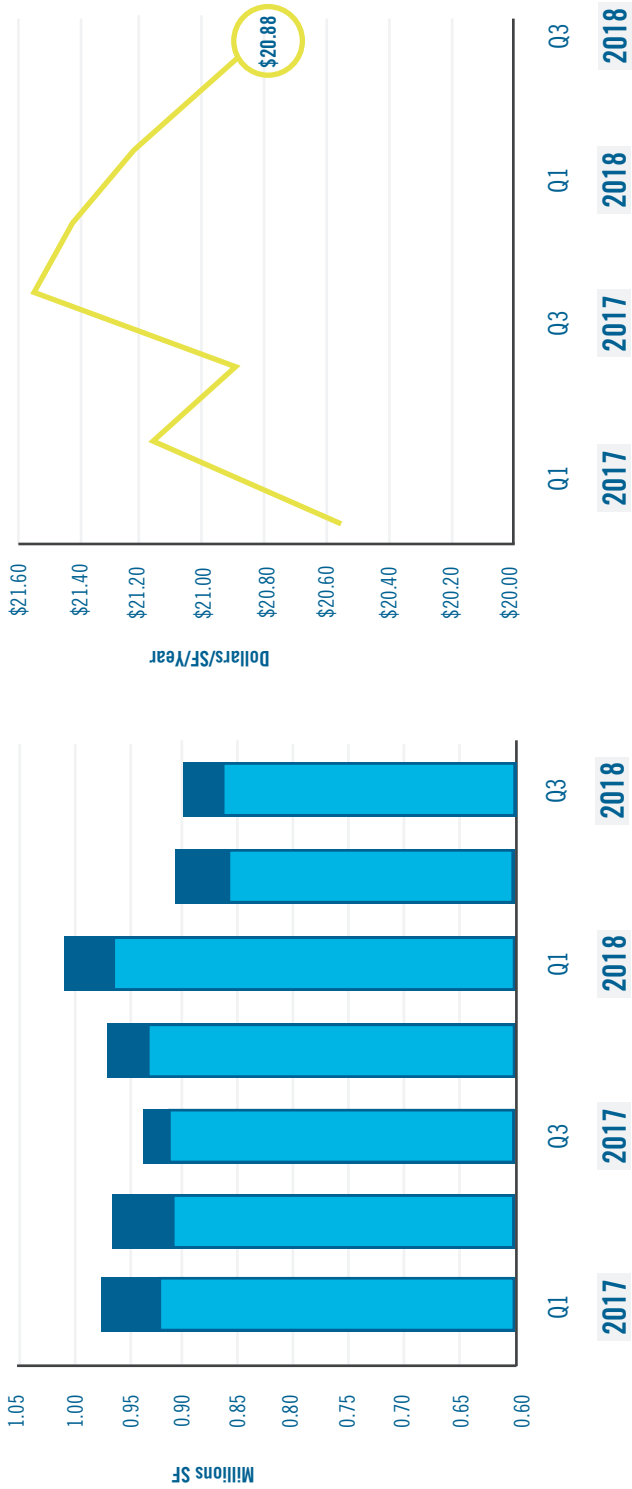


Vacant Space

Direct SF

Sublet SF

Quoted Rental Rates



805 SW Broadway, Suite 700
Portland, OR 97205

503.326.9000
capacitycommercial.com

URA Financial Summary

Financial Summary Five-Year Forecast

Convention Center URA Fund	Revised 1 FY 2018-19	Forecast FY 2019-20	Forecast FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23
Resources					
Beginning Fund Balance	35,045,366	400,325	5,899,624	3,734,747	1,615,448
Revenue					
Fees and Charges	7,678	6,074	4,998	4,998	-
Interest on Investments	374,596	-	-	-	-
Loan Collections	1,056,264	825,880	681,378	681,378	681,378
Other Debt	0	8,000,000	-	-	-
Property Sales	6,480,000	-	-	-	-
Rent and Property Income	2,616,656	5,500,153	5,572,241	5,646,130	5,646,130
Reimbursements	136,000	-	-	-	-
Total Revenue	10,671,194	14,332,107	6,258,617	6,332,506	6,327,508
Total Resources	45,716,560	14,732,432	12,158,241	10,067,253	7,942,956
Requirements					
Administration					
A00027-Debt Management-CNV	12,121	12,121	12,121	12,121	12,121
Administration Total	12,121	12,121	12,121	12,121	12,121
Business Lending					
A00206-BL -General-CNV	150,000	150,000	150,000	150,000	150,000
Economic Development Total	150,000	150,000	150,000	150,000	150,000
Housing					
A00168-Affordable Housing-CNV	5,088,225	-	-	-	-
Housing Total	5,088,225	-	-	-	-
Infrastructure					
Transportation					
A00521-Sullivan's Crossing Bridge-CNV	1,000,000	1,000,000	-	-	-
Infrastructure Total	1,000,000	1,000,000	-	-	-
Property Redevelopment					
Real Estate					
A00306-910 NE MLK Building-CNV	15,909	26,822	26,822	26,822	26,822
A00307-Fmr B&K Car Rental-CNV	7,000	-	-	-	-
A00309-Inn at Conv Ctr Mgmt-CNV	3,049,957	2,453,338	2,453,338	2,453,338	2,453,338
A00310-Block 49-CNV	0	1,050,408	1,631,216	1,651,209	1,671,603
A00312-Real Estate Mgmt-CNV	5,000	5,000	5,000	5,000	5,000
A00584-100 Multnomah-CNV	550,760	-	-	-	-
Commercial Property Lending					
A00363-CPRL-General-CNV	500,000	500,000	500,000	500,000	500,000
Redevelopment Strategy					
A00298-Eco District-CNV	2,500	-	-	-	-
A00303-Rose Qtr Master Plan-CNV	0	500,000	1,000,000	1,000,000	1,000,000
A00311-Project Development-CNV	650,000	2,500,000	2,000,000	2,000,000	1,000,000
A00437-Hotel Garage-CVN	25,444,354	-	-	-	-
Redevelopment Grants					
A00585-Prosperity Investment Program (PIP)	100,000	-	-	-	-
Property Redevelopment Total	30,325,480	7,035,569	7,616,377	7,636,370	6,656,763
Total Program Expenditures	36,575,826	8,197,690	7,778,498	7,798,491	6,818,884
Personnel Services	243,482	116,930	119,138	120,919	122,659
Total Fund Expenditures	36,819,308	8,314,620	7,897,636	7,919,410	6,941,544
Interfund Transfers - Indirect Charges	1,010,973	518,189	525,859	532,396	539,302
Contingency	7,886,279	5,899,624	3,734,747	1,615,448	462,110
Total Fund Requirements	45,716,560	14,732,432	12,158,241	10,067,253	7,942,956