



PROSPER
PORTLAND
Building an Equitable Economy

DATE: August 14, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-41
Authorizing the Executive Director to Enter into Exclusive Negotiations
with NY Life/REEP 220 NW Owner LLC for an Office Lease

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7336

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to enter into exclusive negotiations for a ten-year office lease agreement (Lease) with NY Life/REEP 220 NW Owner LLC (220 NW Owner) per the terms of Resolution No. 7336. If approved, and a Lease is executed, Prosper Portland will move its operations to 220 NW 2nd Avenue (see a site map in Attachment A) by or on June 30, 2020.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action aligns with the following Prosper Portland Strategic Plan goals: i) maintaining the agency's presence in Old Town/Chinatown and helping create a healthy, complete neighborhood, and ii) operating an equitable, innovative, and financially sustainable agency. Furthermore, executing the Lease is consistent with the agency's Financial Sustainability Plan objectives.

BACKGROUND AND CONTEXT

On April 18, 2000, through Resolution No. 5440, the Prosper Portland Board authorized entering into a ten-year lease of 222-234 NW Fifth Avenue (Mason-Ehrman Building) as an incubator for small technology and marketing companies known as the Creative Services Center. After trying without ultimate success to master lease the Mason-Ehrman Building to tenants, Prosper Portland abandoned the Creative Services Center concept and in 2004 elected to move its staff into and occupy the entire Mason-Ehrman Building as the new Prosper Portland office.

In 2010, nearing the end of the agency's ten-year lease term, Prosper Portland issued a request for interest for professional office space. After receiving 13 proposals and short-listing two tenant options, the Park Avenue West Building and the Mason-Ehrman Building, Prosper Portland chose to remain in the Old Town/Chinatown neighborhood and renegotiated its lease for another ten years. Since 2010, as the agency shrunk in size, Prosper Portland has gradually consolidated operations within the Mason-Ehrman Building and now occupies the fifth, sixth, and seventh floors.

In September of 2018, in anticipation of the expiration of its lease, Prosper Portland issued a request for proposals (RFP) for tenant representation brokerage services for a potential relocation and ultimately awarded the contract to Apex Real Estate Partners (Apex), a brokerage located in Old Town/Chinatown and the only certified minority-owned commercial brokerage firm in Portland.

After reviewing over a dozen options for relocation sites, Prosper Portland short-listed two options, the Mason-Ehrman Building and 220 NW 2nd Avenue (commonly known as the NW Natural Building) and began negotiating with both landlords through Apex. As part of the negotiation process, Prosper Portland staff engaged in space planning exercises with each landlord's respective architectural team to determine the optimal layout for staff needs, programmatic delivery, and consistency with agency mission and values. Once bids were received for the respective space plans, Prosper Portland, through Apex, exchanged letters of intent with each landlord. Based on the analysis of each option, staff recommends relocating to 220 NW 2nd Avenue as the most fiscally prudent and programmatically sound option. Per the terms of the Lease, 220 NW Owner will make significant tenant improvements to the 220 NW 2nd Avenue prior to staff moving into the building.

EQUITY IMPACT

There are three notable equity impacts from authorizing the Lease negotiations: i) the tenant improvement work will be subject to Prosper Portland's Business and Workforce Equity program requirements, ii) the new space will be fully compliant with American with Disabilities Act requirements, and iii) remaining in Old Town Chinatown will affirm Prosper Portland's commitment to an underserved neighborhood.

COMMUNITY PARTICIPATION AND FEEDBACK

While there was no formal community outreach, Prosper Portland staff provided critical feedback on lease considerations through an anonymous survey and all-staff, union, and Equity Council meetings.

BUDGET AND FINANCIAL INFORMATION

The lease terms are well below market for Class A office space in the downtown market, which is indicative of 220 NW Owner's strong motivation to sign Prosper Portland as their anchor tenant. 220 NW Owner is also investing approximately \$14,500,000 into 220 NW 2nd Avenue to renovate interior systems, common spaces, and exterior features. These upgrades result in operational efficiencies and cost savings from which tenants directly benefit.

The total cost to Prosper Portland over the ten-year term is \$13,000,000, resulting in an average annual rent expense of \$1,182,000. Current projections for administrative expenses associated with the Lease and facilities are projected at \$1,337,000 annually. Therefore, executing this Lease is estimated to result in approximately \$155,000 in annual savings to Prosper Portland. In addition, Apex is donating approximately \$117,000 to Prosper Portland, equivalent to 25 percent of the brokerage fee 220 NW Owner will pay Apex upon lease execution.

RISK ASSESSMENT

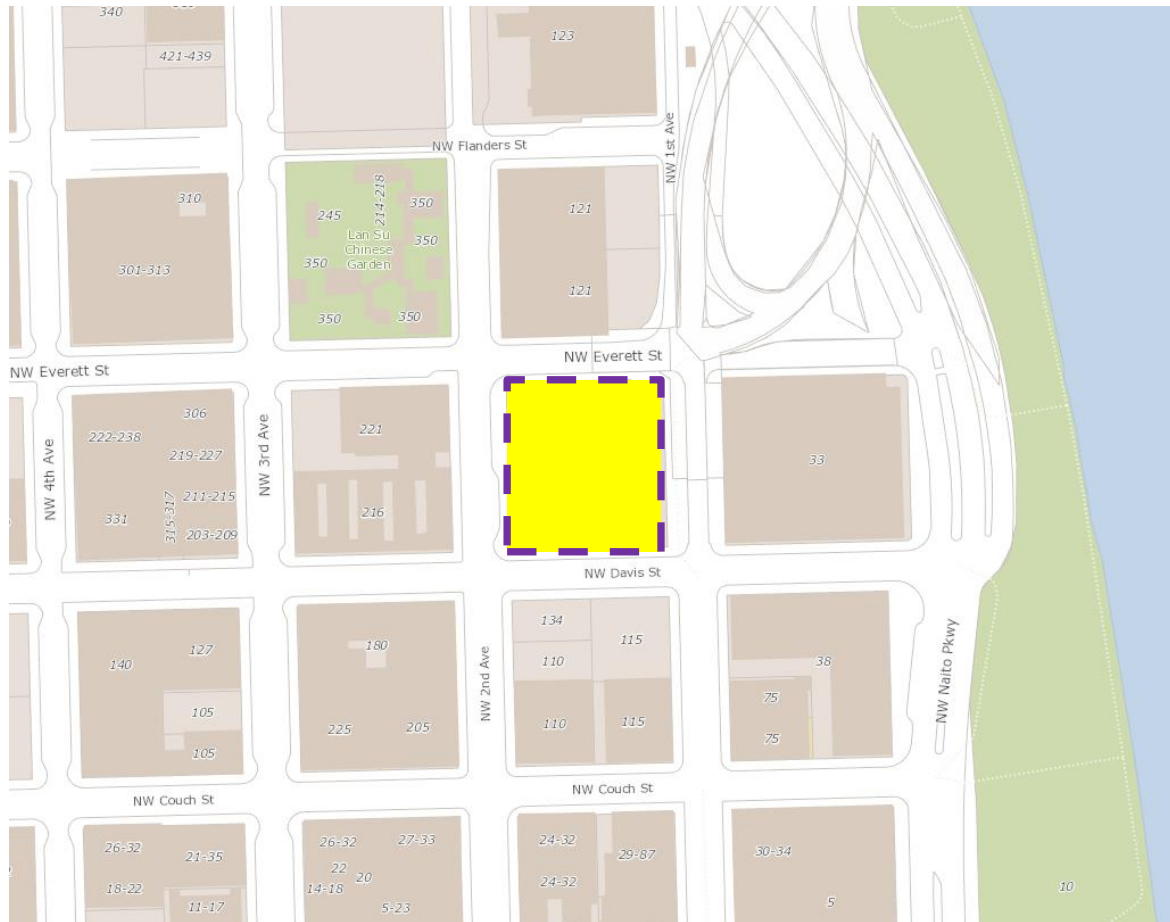
The primary risks of this action pertain directly to the tenant improvement work to be completed prior to the expiration of the current lease. Specifically, any delay in the completion of the work could result in financial risk to Prosper Portland in the form of hold-over rent to the current landlord at 125 percent of the current base rent for each month that the move is delayed.

In addition, any increase in the cost per square foot of tenant improvements may result in additional cost to the agency, if such increases cause the total tenant improvement cost to exceed the total tenant improvement allowance of \$115 per rentable square foot. This risk is mitigated by adhering to the current space plan as bid by Howard S. Wright, which has guaranteed the bid price upon Lease execution.

ATTACHMENTS

- A. Site Map

SITE MAP



220 NW 2nd Avenue, Portland, Oregon, 97209