
From: DiLorenzo, John [mailto:johndilorenzo@dwt.com]

Sent: Wednesday, August 10, 2016 3:26 PM

To: Reeve, Tracy <Tracy.Reeve@portlandoregon.gov>; Moynahan, Karen <Karen.Moynahan@portlandoregon.gov>

Cc: Stuckey, Aaron <aaronstuckey@dwt.com>

Subject: Terminal 1

Dear Tracy and Karen,

I have reviewed the resolution adopted by the City Council today (<https://www.portlandoregon.gov/auditor/article/585889>) which directs the Bureau of Environmental Services (BES) to lease Terminal 1 to the Portland Housing Bureau for use as a mass homeless shelter. The resolution further directs the BES to use a specific form of lease which entitles it to only \$10,000 per month rent plus any expenses it incurs over and above that monthly rental amount. As you know, Commissioner Fish has declared Terminal 1 to be surplus property and the BES is currently entertaining offers to purchase it. The purchase proceeds, which are anticipated to be significant, would be dedicated to the Sewer Fund to provide ratepayer relief.

We have obtained a copy of an internal BES email which outlines the real market rental values associated with the property. I imbed it below in red:

We have consulted with our Broker, Colliers International and now have the most recent market value rent for the entire Terminal 1 property, surface and warehouse.

The most recent market Total is \$925,920/year for the building and land.

If you add in the dock space along with the dock moorage – this would increase to \$1,196,328/year.

The Broker did the following analysis:

There are four components of the 2400 NW Front Ave property that could potential generate lease income.

The 96,000/SF industrial building with 4 acre of land has a current lease rate value of \$0.35 per square foot NNN. (\$33,600 per month) The 10 acres of fenced, paved yard storage area would rent for \$0.10 per square foot NNN. (\$43,560 per month) The 1,600 linear feet of dock moorage would rent for \$10 per linear foot per month. (\$16,000 per month) The 3 acres of surface dock area could rent for \$.05 per foot per month NNN. (\$6,534) The current industrial vacancies are at historic lows though out the Portland area and NW Portland remains one of the strongest submarkets. I following is a link to our most recent industrial marketing report. [<http://www.colliers-international.com/portland/research/images/Industrial-Report-Button.gif>]http://www.colliers-international.com/portland/research/PDX_Ind_16Q2.pdf?mc_cid=edf3e8c186&mc_eid=%5bUNIQID%5d

BES is currently renting the property to 2 parties. One is using surface area only at \$.10 a sq ft. The other is renting surface (\$.10 sqft) and part of the warehouse at \$.30 sqft. The warehouse rate reflects the market rate before this most recent update of market factors. Those parties will continue to rent the property, and BES will continue to receive that rent, until Council directs otherwise.

JHB.

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It is obvious that the arrangement outlined in the ordinance deprives the sewer ratepayers of significant value. We believe the action is tantamount to commanding the Sewer Fund to deprive itself of value to perform a service which has no reasonable relation to the provision of sewer services, in blatant violation of the orders which have so far been issued in the Anderson v. City of Portland case which is still pending in the Circuit Court.

If the City Council does not within the next 10 days rescind the ordinance or increase the rental rates to match current market rents, we will file a supplemental complaint and ask Judge Bushong for a declaratory judgment or injunction declaring the arrangement as a violation of the charter.

Thank you for your time concerning this matter.

--John DiLorenzo, Jr.

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