Board Decision
Office Space Lease Negotiation

February 9, 2011

Summary

Authorize the Executive Director to negotiate and sign a lease for office space.

Background

- Energy Trust's current office space lease will expire on December 31, 2011.
- In April 2010, Energy Trust issued an RFQ for building brokers to assist in the selection of new office space. In June 2010, CresaPartners was chosen based on their demonstrated competence and efficiency.
- Developed with Board, OPUC and staff input, the following criteria were used to guide the search:
    - Low cost per square foot
    - Low overall price of relocation and tenant improvements
    - Location preferences in Portland's downtown core, inner SE, inner NE, Pearl, South waterfront resulting from desire for proximity to major contractors and others we work with regularly
    - Good transit access, particularly with MAX lines and transit mall
    - Ability to demonstrate evidence of energy efficiency
    - Potential to have all staff on either one floor or adjoining floors
    - Secure bicycle parking with at least forty spaces
    - Safety for employees after hours
    - Hotel offices for board members and other temporary uses
    - Sufficient meeting/conference rooms to accommodate business needs including board, advisory committee and training meetings
    - Maintain reasonable flexibility for growth or contraction of space needs
    - Shower facilities with changing rooms
    - Daylighting

- Staff analyzed space needs for current staff and contractors and estimated a margin for growth, indicating a need for approximately 31,200 square feet. This equates to approximately 175-250 square feet per person, a standard estimate for a mixed use area of predominantly cubicles, with some private office and ample conference room space to serve Energy Trust on-site requirements.

- Staff toured ten potential buildings meeting some or all of the above-listed criteria, and recommended a short list of four buildings. One of the four sites was eliminated as it met fewer of the priority criteria. This reduced the number of most likely sites to three and minimized the costs associated with further architectural and engineering for the following potential locations:

    - Pacific First Building, our current building at 851 SW 6th Avenue
    - Historic US Bank Building, 309 SW Sixth Avenue
    - Lincoln Building, 421 SW Oak Street

- In October 2010, CresaPartners issued an architectural services RFQ to complete a preliminary space plan. Of five respondents, Group Mackenzie was selected in November 2010, to perform test-fits and provide pricing information. Such pricing included real estate, tenant improvements, relocation and other pertinent costs for all three buildings under consideration.
- Pricing on the three buildings was completed and received by Energy Trust on January 21, 2011, and updated on January 22, 2011.
- Negotiations should begin immediately to maintain all viable options. Negotiating a longer term lease now, while the economy is still recovering, offers a better opportunity to lock down and secure rates and costs while commercial downtown real estate leases are lower than they might otherwise be in a stronger economy.

Discussion

- To protect Energy Trust's ability to negotiate the most favorable terms, the Executive Director seeks authority to negotiate a lease with any one of the three listed buildings, all of which satisfied the above criteria.
- Energy Trust's survey indicated the following ball-park averages for buildings meeting the above criteria:
    - Class A buildings: $25--$34 per square foot
    - Class B buildings: $17--$23 per square foot
- For purposes of negotiation, the following parameters would represent a cost-competitive package:
    - No more than $25.00 per square foot
    - At least 31,200 square feet of space
    - No more than $720,000 per year in lease costs and no more than $840,000 per year in total average occupancy costs which includes lease costs and tenant improvements, relocation and other costs
    - Lease term between seven and eight years
- In addition, the negotiations would seek to:
    - Minimize the cost of tenant improvements
    - Maximize flexibility related to both current and future space requirements
    - Enhance productivity and efficiency of staff functions and foster teamwork
    - Provide daylighting
    - Demonstrate the value and cost-effectiveness of efficiency measures that Energy Trust encourages other businesses to undertake
- In addition, the Executive Director will obtain review by the Board Finance Committee of the specific lease terms prior to signing a lease

Recommendation

Authorize the Executive Director to negotiate and sign a lease for building office space consistent with resolution #577 below.

RESOLUTION 577

AUTHORIZE EXECUTIVE DIRECTOR TO NEGOTIATE FAVORABLE BUILDING OFFICE SPACE LEASE TERMS

WHEREAS:

1. **Energy Trust's current building lease expires December 31, 2011.**
2. **Energy Trust has conducted a transparent and competitive process to identify and evaluate potential office space locations.**
3. **Comparative space planning, test-fits and pricing data have been received.**
4. **To maintain Energy Trust's ability to negotiate favorable terms, the board authorizes the executive director to complete negotiations within certain parameters.**

It is therefore RESOLVED:

The Board authorizes the Executive Director to negotiate and sign a lease consistent with the following terms:

a. **Cost per square foot may not exceed $25.00**
b. **Secure a minimum of 31,200 square feet of space**
c. **Pay no more than $720,000 per year in lease costs**
d. **Pay no more than $840,000 per year in total average occupancy costs, including lease costs and tenant improvements, relocation and other costs**
e. **Secure a lease term between seven and eight years**

- **In addition, the negotiations will seek to:**
  - **Minimize the cost of tenant improvements**
  - **Maximize flexibility related to both current and future space requirements**
  - **Enhance productivity and efficiency of staff functions and foster teamwork**
  - **Provide daylighting**
  - **Demonstrate the value and cost-effectiveness of efficiency measures that Energy Trust encourages other businesses to undertake**

- **The Executive Director will obtain review by the Board Finance Committee of the specific lease terms prior to signing a lease**

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]