

Date: September 25, 2024

To: Board of Directors

From: Sam Desue, Jr.

Subject: RESOLUTION NO. 24-09-53 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING AN AMENDMENT TO THE LEASE WITH MADISON-OFC ONE MAIN PLACE OR, LLC FOR ADMINISTRATIVE OFFICE SPACE AT 101 SW MAIN STREET

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) authorize the General Manager or his designee to execute an amendment to the lease with Madison-OFC One Main Place OR, LLC for TriMet administrative office space at the One Main Place (OMP) building, located at 101 SW Main Street (Lease Amendment).

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Lease Amendment

3. Type of Contract Procurement

- Low Bid / Invitation to Bid (ITB)
- Request for Proposals (RFP)
- Request for Qualifications (RFQ)
- Other (inc. sole source) - Competitive real estate selection process led by broker

4. Reason for Board Action

Board approval is required for leases obligating TriMet to pay in excess of \$1,000,000.

5. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

6. Background

In January 2022, the Board passed Resolution No. 22-01-02, authorizing TriMet to enter into a lease with Madison-OFC One Main Place OR, LLC for its new administrative headquarters at One Main Place, located at 101 SW Main Street in downtown Portland. The original lease was for approximately 95,000 square feet of office space, and is in effect until July 31, 2034. TriMet staff began working in the building in June 2023.

In September 2023, the Board passed Resolution No. 23-09-45, authorizing TriMet to enter into an amendment to its lease with Madison-OFC One Main Place OR, LLC to add approximately 11,000 square feet on the second floor for construction of a boardroom, as well as additional workspace for about 40 employees. Construction was completed in June 2024, and this space is now occupied by TriMet.

In 2019, when TriMet began its search process for its new administrative headquarters, its original plan assumed that TriMet would need to lease approximately 120,000 square feet of office space to accommodate its workforce. However, when the COVID-19 pandemic interrupted TriMet's office search process and, by necessity, remote work became the norm, TriMet evaluated the information available at the time and decided to reduce its space requirements from 120,000 square feet to 95,000 square feet.

Earlier this year, TriMet decided to require all administrative employees to return to in-person work in the office at least three days per week. In order to facilitate this, each employee will be given a dedicated workstation. The previous hybrid work model assumed most administrative employees would work in the office two days per week. There were no assigned work stations, and employees were able to share desks with their coworkers who were in the office on different days. However, there are now too many employees in the office each day to share workstations, and in order to successfully implement the three days per week model, employees need their own dedicated workspaces. This means that TriMet needs more leased space.

Upon realizing that additional space in One Main Place would be required, TriMet began discussions with OMP building management. Management advised that there was additional space available for lease on the second floor of the building, and that they would be willing to relocate some tenants on the third floor to make nearly the entirety of the third floor available for TriMet as well. The total square footage available on the second floor is about 6,100 square feet, and the square footage available on the third floor is about 12,300 square feet. If the Board approves the proposed Lease amendment to add additional space on the second and third floors, TriMet would have approximately 118,580 square feet in One Main Place under lease for office use, plus approximately 6,200 square feet under lease for the boardroom.

TriMet staff and OMP building management have agreed that the additional second floor space would be leased under the same favorable economic terms as in the original lease. However, the third floor space will be leased under different terms, due to expenses building management will incur to relocate some existing tenants. The general economic terms of the proposed Lease Amendment for the second and third floors are as follows:

Second Floor:

- Lease Term: Through July 31, 2034
- Second Floor Leased Space: Approx. 6,114 square feet
- Free Rent: Through February 28, 2026 (value of \$183,832)
- Rental Rate: \$31.93/square foot (includes estimated operating expenses)
- Landlord Contribution to Tenant Improvements: \$677,064
- TriMet share of Tenant Improvements: Approximately \$200,000
- Additional Rent Obligation: Approximately \$2,432,364

Third Floor:

- Lease Term: Through July 31, 2034
- Third Floor Leased Space: Approx. 12,302 square feet
- Free Rent: Through February 28, 2026 (value of \$353,683)
- Rental Rate: \$34.50/square foot (includes estimated operating expenses)
- Landlord Contribution to Tenant Improvements: \$1,230,200
- TriMet share of Tenant Improvements: Approximately \$750,000
- Additional Rent Obligation: Approximately \$5,283,007

Board approval for this Lease Amendment is requested to allow time for the Parties to finalize all terms and execute the Amendment, and for the building management to start construction of the new TriMet leased space as soon as possible. Staff estimates that the process to finalize lease terms and to design and construct the new space will be completed in the first quarter of 2025.

7. Financial/Budget Impact

The total cost of the existing Lease at One Main Place is approximately \$37,700,000 over the 134-month term. Executing this Amendment will add approximately \$7,715,371 to the Lease amount, plus approximately \$950,000 for tenant improvement costs. A portion of this additional amount is included within TriMet's FY2025 budget. Going forward, the annual lease payments for the approximately \$45,415,371 cost of the amended Lease will be included in TriMet's zero-based budget for leased facilities over the term of the lease.

8. Impact if Not Approved

If the Board decides not to approve the Lease Amendment, TriMet would continue to utilize its existing footprint within One Main Place. However, this option is not preferred for the reasons discussed above.

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WHEREAS, TriMet has authority under ORS 267.200 to enter into an amendment of its lease with Madison-OFC One Main Place OR, LLC (One Main Place) for its administrative offices (Lease Amendment); and

WHEREAS, by Resolution No. 22-05-35, dated May 25, 2022, the TriMet Board of Directors (Board) adopted a Statement of Policies requiring the Board to approve all contracts obligating TriMet to pay in excess of \$1,000,000; and

WHEREAS, the total amount of the Lease Amendment exceeds \$1,000,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Lease Amendment shall conform with applicable law.
2. That the General Manager or his designee is authorized to execute the Lease Amendment to add approximately \$7,715,371 to the Lease amount and bring the total amount of the One Main Place Lease to approximately \$45,415,371 over the duration of the Lease, which will expire on July 31, 2034.
3. That the General Manager or his designee is authorized to proceed with tenant improvements in the approximate amount of \$950,000 for the additional leased premises at One Main Place.

Dated: September 25, 2024



Presiding Officer

Attest:



Recording Secretary

Approved as to Legal Sufficiency:



Legal Department