

AS AMENDED  
5-25-16

## IMPACT STATEMENT

**Legislation title:** Authorize a new ten year lease with Urban Office and Parking Facilities, for the Bureau of Human Resources CityKids childcare operation relocation.

**Contact name:** Pauline Goble  
**Contact phone:** 503-823-6018  
**Presenter name:** Tom Schneider

### Purpose of proposed legislation and background information:

Due to the Portland Building Reconstruction Project, the City's child development/care center for the children of City employees requires relocation to ensure childcare continuity.

Childcare is a benefit offered to City employees and is essential to employee retention and recruitment. Childcare is an integral component for the City to position itself as an Employer of Choice. If the City does not approve this lease, it will be unable to offer childcare to employees during the Portland Building reconstruction.

The City has identified approximately 8,200 square feet on the first floor of the Crown Plaza Building at 1500 SW First Avenue as a space to provide childcare. This location was previously used for childcare and has been identified through a feasibility study to be suitable for City childcare usage. Although improvements are required, no major permitting or code usage changes for the space are needed.

The lease is to commence on September 1, 2016, for a term of 10 years. Authorization for this lease is required by May 25, 2016, in order for construction to begin on June 1, 2016 and the space ready for occupation in the Fall.

A ten year lease is required in order to obtain landlord tenant improvement subsidies that would otherwise not be made available to the City. A period of ten years also allows the City to make full use of the capital investment for improvements required of both the City and the landlord. Currently, enough demand exists from City employees to fill this center, and potentially fill an additional space in the Portland Building if made available for childcare services once the Portland Building Reconstruction is complete.

The lease cost for the new space will continue to be paid by bureaus contributing to the current childcare facility. The annual lease cost is expected to be approximately \$163,690 with a 3% increase per year, plus prorated building operating cost increases. Approximately \$0.40 per square foot is charged to City bureaus in the Portland Building, City Hall and the 1900 Building as a contribution to the Facilities Fund through which the lease is paid. In FY 2016-2017 the amount charged to bureaus is expected to remain the same for the base lease cost. In the future years the incremental increases will be charged to the bureaus. The tenant improvements will be funded from the existing daycare reserve fund, contributions from the landlord, and a \$200,000 contribution from the Facilities Operating Fund. Facilities will recoup these costs via interagencies with bureaus currently contributing to the childcare facility.

### Financial and budgetary impacts:

Annual increases over the remaining term of the new lease are approximately 3%, plus a proration of the building operating and utility cost increases. Funds will be available to cover the new base lease amount and incremental base increases through charges to the bureaus through the Facilities Interagency Agreements.

The landlord of the Crown Plaza property has offered to contribute a \$30 per square foot tenant improvement allowance totaling \$246,000, plus approximately an additional \$82,572 in landlord building core improvements, for a total of approximately \$328,572 in Tenant Improvements and landlord contributions in exchange for a 10 year lease to commence on September 1, 2016.

The total direct tenant improvement construction costs based on a construction estimate provided by Melvin Mark is estimated to be \$716,000. Based on this preliminary budget estimate, \$187,428 will be provided from the childcare equipment and improvement maintenance reserve, \$328,572 will be provided from the landlord, and \$200,000 from the Facilities Operating Fund, which will be recouped via interagencies.

### **Community impacts and community involvement:**

The lease is in support of childcare for City employees who pay tuition directly to the childcare provider. The availability of childcare near City office buildings enhances the City as Employer of Choice, assists with employee retention and recruitment, and reduces interruptions to work from normal childcare issues.

### **Budgetary Impact Worksheet**

#### **Does this action change appropriations?**

- ☐ **YES:** Please complete the information below.  
☒ **NO:** Skip this section

<b>Fund</b>	<b>Fund Center</b>	<b>Commitment Item</b>	<b>Functional Area</b>	<b>Funded Program</b>	<b>Grant</b>	<b>Sponsored Program</b>	<b>Amount</b>



187769

Office of Mayor Charlie Hales  
City of Portland

Proposed Amendment

DATE: May 24, 2016  
TO: City Council  
FROM: Mayor Charlie Hales  
SUBJECT: Proposed amendments for Item 544

Authorize a new ten year lease with Urban Office and Parking Facilities for the Bureau of Human Resources CityKids childcare operation relocation (Ordinance)

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Based on recommendations from the City Budget Office, the Mayor's Office is proposing the following amendments to Council Item 544:

- **In the ordinance, Section 1, Finding 6:**

The lease cost for the new space will continue to be paid by bureaus contributing to the current childcare facility. The annual lease cost is expected to be approximately \$163,690 with a 3% increase per year, plus prorated building operating cost increases. Approximately \$0.40 per square foot is charged to City bureaus in the Portland Building, City Hall and the 1900 Building as a contribution to the Facilities Fund through which the lease is paid. In FY 2016-2017 the amount charged to bureaus is expected to remain the same for the base lease cost. In the future years the incremental increases will be charged to the bureaus. The tenant improvements will be funded from the existing daycare reserve fund, contributions from the landlord, and a \$200,000 contribution from the Facilities Operating Fund. Facilities will recoup these costs via interagencies with bureaus currently contributing to the childcare facility. A one-time cash transfer from earmarked OMF General Fund resources will be transferred to Facilities to complete the tenant improvements by September 1, 2016.

- **In the Financial Impact Statement, under the "Purpose of proposed legislation and background information" section:**

The lease cost for the new space will continue to be paid by bureaus contributing to the current childcare facility. The annual lease cost is expected to be approximately \$163,690 with a 3% increase per year, plus prorated building

operating cost increases. Approximately \$0.40 per square foot is charged to City bureaus in the Portland Building, City Hall and the 1900 Building as a contribution to the Facilities Fund through which the lease is paid. In FY 2016-2017 the amount charged to bureaus is expected to remain the same for the base lease cost. In the future years the incremental increases will be charged to the bureaus. The tenant improvements will be funded from the existing daycare reserve fund, contributions from the landlord, and a \$200,000 contribution from the Facilities Operating Fund. Facilities will recoup these costs via interagencies with bureaus currently contributing to the childcare facility. A one time cash transfer from earmarked OMF General Fund resources will be transferred to Facilities to complete the tenant improvements by September 1, 2016.

- **In the Financial Impact Statement, under the “Financial and budgetary impacts” section:**

The total direct tenant improvement construction costs based on a construction estimate provided by Melvin Mark is estimated to be \$716,000. Based on this preliminary budget estimate, \$187,428 will be provided from the childcare equipment and improvement maintenance reserve, \$328,572 will be provided from the landlord, and \$200,000 from the Facilities Operating Fund, which will be recouped via interagencies. a one time cash transfer of earmarked OMF general Fund resources in the FY 2015-16 Over Expenditure Ordinance to the Facilities Fund.

Sincerely,



Charlie Hales  
Mayor of Portland