

**RESPONSIBLE STEWARDSHIP
AND STUDENT SUCCESS:
PPS HEADQUARTERS RELOCATION
OPPORTUNITY**



**ALB
INA**

THIS GROUND IS SPECIAL

COMMUNITY

Albina was home to 80% of Portland's Black population. Lower Albina used to be a creative, affordable and safe neighborhood, with world class public education models established for and by Black Portlanders.

DISPLACEMENT

Racist urban renewal policies displaced families and forced them to leave their stable and abundant community. The PEC was established through these same tools, on this same land.

FUTURE THINKING

The Albina Vision Trust (AVT) is building a nationally precedent-setting, restorative community that centers the re-rooting of Black people, families and culture in Lower Albina.



A CHILD-CENTERED COMMUNITY





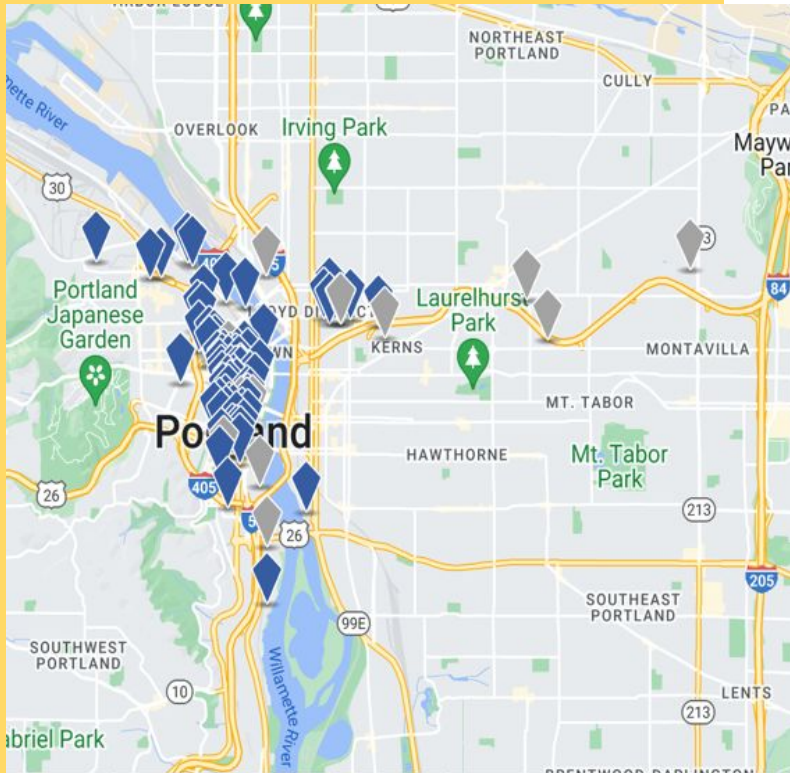
PPS' FINANCIAL FUTURE IS INSECURE

- Rising Deferred Maintenance
- Capital Improvements
- Seismic Upgrades
- Expensive to Operate

CAPITAL COST RISK TO PPS:

MINIMUM = \$14M IN DEFERRED MAINTENANCE

MAXIMUM = \$81 MILLION IF SEISMIC UPGRADES TRIGGERED



There are 82 office buildings in Portland greater than 125,000 square feet

UNIQUE REAL ESTATE MARKET... THE MOMENT IS NOW

DECREASED MARKET PRICES

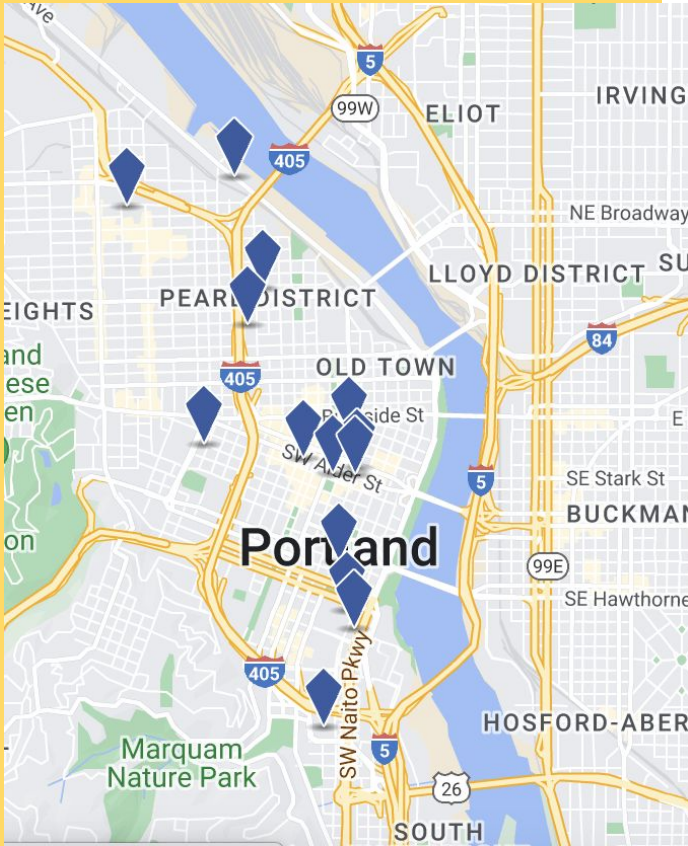
High interest rates for debt financing and high vacancy rates for commercial office buildings downtown have created **deep discounts** on acquisition price upwards of 30%-75% compared to previous valuations

UNIQUE MARKET CONDITIONS

The number of suitable buildings is likely to grow in the near term as office vacancy rates continue to rise, particularly in the Downtown. While office valuations are down, this has not decreased leasing rates. This market opportunity is centered on acquisition and owner occupancy

SHORT WINDOW

There is a short window for the acquisition of an existing, high-quality office building with high vacancy rates as interest rates and market sentiment could change, closing window of opportunity



14 potentially suitable office buildings

IS DOWNTOWN THE ONLY OPTION?

- 82 Office buildings in Portland > 125,000 SF
 - ◆ Eastside: 10 total, 3 in Gateway
 - 5 are hospitals/government buildings
 - 2 are too big (>250k SF)
 - 3 strong occupancy/no availability
 - **0 Potential Options**
 - ◆ Westside: 72 total
 - 37 too big (224k - 850k SF)
 - 2 nearly brand new/expensive (built 2018 and 2020)
 - 19 strong occupancy/no availability
 - **14 Potential Options**
- Further Study: Due Diligence

ALBINA VISION TRUST PROPOSES:

AVT and PPS form a **public-private partnership** where each party contributes their respective strengths and resources to achieve common goals.

AVT would provide PPS a **cost-neutral** relocation and facilitate the District's acquisition of a **high-quality**, downtown office building in exchange for the transferred ownership of the PEC to AVT.

Transfer will be **at or above market value of PEC site**.



AVT PROPOSAL VS ALTERNATIVE OPTIONS: STATUS QUO IS NOT ZERO

The AVT proposal allows for a cost-neutral solution to PPS. Creates between \$14M and \$81M in savings to PPS compared to staying in place, and \$220M in savings vs. a full renovation.

PPS Options	A. Stay-in-Place at PEC (Minimum Deferred Maintenance)*	B. Stay-in-Place at PEC (Maximum Likely Seismic Costs)**	C. Fully Renovate PEC***	Partnership with AVT
Total Net Capital Cost to PPS (Net of PEC Sales Proceeds)	-\$14M	-\$81M	-\$220M	\$0

*From Phase 1 Study. Minimum cost is *only* deferred maintenance and essential capital upgrades, excludes any seismic upgrades, and has not been escalated since its 2019 date.

** Deferred maintenance and capital upgrades from Phase 1 Study (2019 budget) plus current seismic estimate from similar comps.

***From Phase 2 Study.

AVT PROPOSAL VS ALTERNATIVE OPTIONS

The AVT proposal allows for a cost-neutral solution to PPS to be able to relocate.

PPS Options	D. Construct New Facility Offsite*	E. Acquire Exchange Building*	F. Lease Alternative: Liberty Center (Includes NPV of Rent Paid)**	Partnership with AVT
Total Net Capital Cost to PPS (Net of PEC Sales Proceeds)	-\$123M	-\$35M	-\$101M	\$0

*From Phase 2 Study. Only considers administrative office relocation costs (removes warehouse cost).

**Lease Alternative from Phase 2 Study. When annual rent is accounted for (Yr 1=\$4.6M, increasing at 3%), the Net Present Value of rent paid over 99 years greatly increases the Net Cost to PPS resulting in a cost of -\$101M. Additionally, PPS would not own an asset unlike all other scenarios which makes this more unattractive. Also removes warehouse cost.

Only
cost-neutral
outcome for
PPS

Over 1,000
units of
central city
housing

Healing
historic
harms

New HQ with
greater
walkability &
accessibility

BENEFITS OF RELOCATING PEC

Oregon's first
climate-positive
and
child-centered
district

Stabilizes
enrollment,
maximizes
current PPS
investments

Freeing PPS
from
long-term
liability



BENEFITS OF AVT PARTNERSHIP

1. **Certainty of Close:** Broadway Corridor has a second private developer after the first backed out which means time and money is wasted.
 2. **Flexibility:** Greater flexibility in leaseback/move-out timeline in partnership with AVT versus a private market sale.
 3. **Transaction Sequencing:** The transaction sequencing with a private market buyer would likely be infeasible.
 4. **Acquisition Support:** Partnership with AVT allows for additional support and resources in the acquisition of new office space as well as the resolution of County warehouse space.
 5. **Downtown Office Asset Appreciation and Long-term Growth:** PPS would likely see significant appreciation to a downtown office asset over a mid-term horizon based on the discounted acquisition price.
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THE TIME IS NOW



- Real estate market could have a short window

Cost of Waiting	Now	Later (Strong Market)
Cost of Relocation	-\$	-\$\$\$
Value of Land	\$	\$\$
Net Relocation Cost To PPS	-	-\$

- PPS commitment to relocation is necessary to catalyze public and private capital for 1,000+ units of housing
- PPS needs to demonstrate sound fiscal leadership, particularly as voters weigh future bond proposals

PROPOSED NEXT STEPS:

Feb 2024 - PPS Board
passes resolution to
prepare for sale of PEC



30 days to
establish
AVT/PPS
Work Plan.

Enter into Purchase
Agreements for new
Headquarters and PEC



6-9 month
Identification Period
(Identity and commit
to new HQ site and
warehouse)

Due Diligence, Acquisition, TI
Design and Buildout Period
before PPS Relocation



PPS Relocation to
new Headquarters

An aerial night view of a modern city skyline. The scene is dominated by numerous high-rise buildings, many of which are brightly lit from within, creating a warm glow against the dark sky. A prominent feature is a large, modern building with a curved, illuminated facade. In the foreground, a bridge with a red steel truss structure spans across a body of water. The sky is filled with soft, dramatic clouds, suggesting a sunset or sunrise. The overall atmosphere is one of urban vibrancy and modern architecture.

RECLAIM HOME. REBUILD WEALTH.

**ALB
INA**