



CH2M HILL

Relocation, Renovation and Consolidation

Submittal For The

Office Transaction of the Year Award

On Behalf Of

The Corporate Service Brokerage Team of

Gordon King, SIOR, Michael Holzgang
and Brad Christiansen

To The

Awards Selection Committee

Of

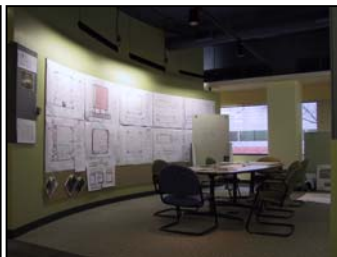
Society of Industrial and Office Realtors



Parkside Center
2020 SW Fourth Ave
Portland, OR 97201



Lloyd Tower



New Interiors



2112 SW 1st Ave

THE FACTS

Tenant: CH2M HILL

Landlord: Parkside Center Company, a joint venture between Oregon Pacific Investment and Development Company, and Oregon Pacific Capital Management Corporation

Building: Parkside Center
[To be renamed CH2M HILL Center]

Address: 2020 SW Fourth Avenue
Portland, Oregon

Building Type: Class A Central Business District office structure

Building Size: 218,810 Square Feet

Area Leased: **139,361 Square Feet** (63.69% of the building)

Partial Occupancy: November 1, 2005
[Completed occupancy of fully renovated Floors Seven, Eight and Nine]

Complete Occupancy: **February 1, 2006**
[Completed occupancy of completely renovated Floors Two, Three, Six, as well as a portion of Five]

Term and Rent: Subject to a nondisclosure agreement

Brokerage Representation:

For Tenant: Gordon King, SIOR, Mike Holzgang
and Brad Christiansen
Of Colliers International

In Concert With:
John Spencer, Vice President and Director
CH2M HILL Commercial Real Estate Division

For Landlord: Randy Lovre, as Co-President and Principal
For Oregon Pacific Capital Management Corporation

Legal Representation:

For Tenant:

Eugene Grant
Of Davis Wright Tremaine

For Landlord:

Stanley M. Samuels
Of Bateman, Seidel, Miner, Blomgren, Chellis & Gram, PC

Local Coordination:

Diane Whitehead
Of CH2M HILL

Karen Cochran
Of CH2M HILL

Interior Planning:

Bob Kirkendall
Of IDC Architects

Contractor:

Lease Crutcher Lewis

THE CLIENT

CH2M HILL

- CH2M HILL is an employee-owned, multinational firm providing engineering, security, environmental, communications, construction operations and related services to public and private clients on six continents.

- CH2M HILL was originally founded in Corvallis, Oregon in 1946. The idea for CH2M HILL began to grow in the mid-1930s as three Oregon State College students came under the influence of their civil engineering professor. The name CH2M HILL is derived from the names of the founders of the company. In 1946, Fred Maryfield (an Oregon State College civil engineering professor) and Holly Cornell, James Howland, and T. Burke Hayes (former students of Maryfield) formed CH2M using their initials to form the company name. In 1971, CH2M merged with Claire A. HILL and Associates to become CH2M HILL.

- While CH2M HILL of today differs considerably in size and capability from its early counterpart, it remains fundamentally unchanged. As an employee-owned firm, it retains the owner's original sense of entrepreneurial spirit, commitment to technical excellence, innovation, and an abiding emphasis upon client service.

- CH2M HILL's subsidiary, Industrial Design Corporation ("IDC") is a broadly diversified supplier of facility planning, design, construction and ongoing support services for the process-intensive, technology-related industries. Notable IDC business units include electronics, pharmaceuticals, clean rooms, and IDC Architects. IDC has recently focused upon providing leading-edge capability in the design and construction of the nanotechnology facilities.

SIOR OFFICE TRANSACTION OF THE YEAR AWARD SUBMITTAL

OUTLINE OF TRANSACTION HIGHLIGHTS

- Gordon King and Mike Holzgang originally called on CH2M HILL Northwest, at Parkside Center, in 1987.
- Gordon and Mike negotiated the 1991 relocation of CH2M HILL's regional headquarters, from Parkside Center to Lloyd Center Tower, to accommodate CH2M HILL's expansion and, ultimately, by moving CH2M HILL from Parkside Center, accommodated the rapid expansion at that time of Industrial Design Corporation ("IDC"). IDC was founded and headquartered in Portland and, at that time, was given operational freedom to act independently of CH2M HILL in order to pursue the fast-growing, high-tech manufacturing sector on a world-wide basis. Mike and Gordon subsequently assisted CH2M HILL with two lease renewals at the Lloyd Center Tower.
- Beginning in calendar year 2004, Colliers International's assignment, on behalf of CH2M HILL's Commercial Real Estate Division, began as an assignment to extend the CH2M HILL lease at Lloyd Center for three years, so the expiration would be approximately coterminous with Industrial Design Corporation's 2008 lease expiration at Parkside Center. CH2M HILL leased and occupied 54,985 square feet at the Lloyd Center Tower, while IDC leased 117,329 square feet (but only occupied 82,000 square feet) at the Parkside Center building.
- In the spring of 2004, John Spencer, Managing Director of CH2M HILL's Commercial Real Estate Division, located in Englewood, Colorado, interviewed seven Portland-based commercial real estate brokerages to determine the best brokerage suited for corporate representation services. Upon being re-engaged, Gordon and Mike immediately began cataloging the central city availabilities in order to address the short-term extension, or possibly relocation, of CH2M HILL, as its lease expired October 31, 2005! The properties initially examined included a renewal at the Lloyd Center Tower, as well as relocations to US Bancorp Tower, One Main Place, KOIN Center, 1515 Market Square, Wells Fargo Tower, Fox Tower, and Montgomery Park.
- Select buildings were toured in the fall of 2004. In October 2004, a request for proposal was presented by Colliers on behalf of CH2M HILL to US Bancorp Tower, One Main Place, 1515 Market Square, KOIN Center, as well as to Industrial Design Corporation. Since Industrial Design Corporation was under-utilizing its lease space at Parkside Center, CH2M HILL initially requested a sublease proposal from IDC to meet the short-term needs of CH2M HILL, with the intention of readdressing the larger marketplace upon expiration of IDC's lease in 2008.
- As exploration of central city alternatives continued, the long-term corporate goal of integrating CH2M HILL and IDC became more evident. CH2M HILL's commercial real estate division had recently completed consolidations of CH2M HILL and IDC offices in Phoenix and Pittsburgh.
- Since CH2M HILL and IDC had, for nearly two decades, acted as two separate and distinct organizations, a co-management committee entitled the CH2M HILL/IDC Facilities Space Utilization and Design Committee (a name only an engineering firm would use!) was formed to facilitate corporate integration.

- The Facilities Space Utilization and Design Committee meetings were held on a biweekly basis between CH2M HILL and IDC with Colliers International's active participation to develop a common viewpoint with regard to not only space utilization and design, but also related employee-sensitive issues such as parking and shared services.
 - The corporate space utilization goal was to attempt to reach an average square foot lease per employee of 200 square feet. CH2M HILL had approximately 240, and IDC had approximately 350 individuals who would need to find a "new business home" in any potentially consolidated space.
 - *Result:* At move in, the new business home accommodated 600 employees.
 - The square footage and spatial utilization guidelines were focused upon compliance with a corporate directive that new facilities move to a 70% open/30% enclosed floorplan. For two previous decades, CH2M HILL had a traditional consulting engineering office-oriented culture, and IDC had a 100% "high-tech" open space culture.
 - *Result:* Not only were general spatial utilization goals met, but the space provides a fully integrated office using upgraded Herman Miller Etho-Space furniture systems with enhancing glass panels, and significant "feature walls" that present CH2M HILL's product to both visitors and customers.
 - The committee debated as to whether or not the consolidation should be pursued under an integrated schedule under which CH2M HILL would occupy the newly renovated and consolidated space at a time certain, or pursuant to a staggered schedule.
 - *Result:* The schedule was, given delays in finalizing the lease, in fact, "split" due to CH2M HILL's need to move from its Lloyd Tower location prior to October 31, 2005 to avoid holdover penalties at the Lloyd Tower. Following completion of floors 7, 8 and 9, Lease Crutcher Lewis proceeded to complete floors 2, 3, 6, and a portion of 5.
 - *Result:* The entire phasing and construction of tenant improvements was accomplished both on time and on budget. CH2M HILL's corporate officers not only credit the initial careful team planning, but also the extraordinary effort by Lease Crutcher Lewis for this result.
 - The Facilities Space Utilization and Design Committee integrated "green" practices wherever practicable, and also integrated, where possible, standard cubicle height and configurations for all divisions. The final design called for "hard-wall" offices to be placed, when at all possible, at an interior location.
 - *Result:* The project used significant "green" applications including 100% recycled content in all carpeting, low VOC glue and painting materials throughout, and installation of Herman Miller furniture products – a manufacturer known for its sustainable practices. The breakroom and conferencing areas have designated

recycling areas, and progressive recycling programs were integrated throughout the space.

The space was designed to provide elevated natural light levels through the placement of offices (which all have ample and above-standard glass relites) in the interior of the space. Additionally, indirect lighting has been installed throughout the premises, and glass accents that allow additional natural light into cubicle work areas were installed throughout the Herman Miller furniture system.

- The Parkside Center building had two pre-existing data centers on the seventh and second floors – due diligence determined that the most effective location for this service was the second floor center, which was thoroughly remodeled and updated.
- Eight potential transactions were explored by Colliers International, with the finalists limited to a short-term renewal at Lloyd Tower; a relocation, renovation and consolidation at Parkside Center; or a short-term renewal at Lloyd Tower matched with a build-to-suit with OHSU in the South Waterfront area. The proposed relocation, renovation or consolidation at Parkside Center was structured as a lease settlement of IDC's remaining short-term obligation and the creation of a larger integrated, entirely new lease with CH2M HILL.
- In February and March of 2005, the negotiating team focused on due diligence issues at Parkside Center. There was a great concern regarding potential air quality degradation due to a leaking window seal system. The team reviewed indoor air quality reports from the Department of Environmental Quality (a two-floor tenant at Parkside Center) and Northwest Environmental Research.
- February of 2005 also brought active conversations and correspondence with Mark Edlen of Gerding/Edlen Development Company and OHSU regarding a build-to-suit building at the new South Waterfront District. OHSU, the city's largest employer, had made contact with the chairman of the board at CH2M HILL in Denver, Colorado and indicated an interest in pursuing a new 300,000-square-foot office building, approximately half of which would be occupied by CH2M HILL, within the South Waterfront District. Following a series of meetings with OHSU and Gerding/Edlen Development Company, the South Waterfront office building was eventually dropped from consideration because of the rising costs of new construction.
- When analyzing a three-year extension by CH2M HILL at Lloyd Tower [Colliers' original assignment], versus the relocation of CH2M HILL to Parkside Center, through the potential early forgiveness and reduction in IDC's remaining short-term rent obligation and the aggressive rental package offered by Parkside Center, CH2M HILL was presented with a consolidation opportunity that met, on an immediate basis, the long-term corporate goal of integration and did so at a substantial savings of more than \$5 million during the first three years of the leasehold – a savings equivalent to approximately 18 months of free rent!
- To confirm the potential of a relocation, renovation and consolidation at Parkside Center, a major test fit plan was completed by IDC Architects on March 11, 2005.

- Colliers International, in concert with CH2M HILL Commercial Real Estate Division and local management, interviewed potential contractors that would work directly with CH2M HILL on construction of 139,361 square feet of tenant improvements on seven floors of Parkside Center. Formal requests for proposals were sent to Wright Runstad's Special Project Division, R&H Construction, and Lease Crutcher Lewis.
- Lease Crutcher Lewis was selected and was responsible for the coordination for the entire construction process including, but not limited to, development of sub-contractor lists, shell modifications, completion of the bid process, completion of permits, ordering of materials, and management of construction until completion, including any and all post-occupancy punchlist items.
- In late March, IDC Architects produced test fit notes and packaged them with preliminary schematic drawings to generate an initial pricing estimate from Lease Crutcher Lewis for tenant improvements. As many tenants experienced in calendar year 2005, CH2M HILL received an initial tenant improvement bid that was \$20.00 above the negotiated tenant improvement allowance.
- In response to the unanticipated costs of tenant improvements, at CH2M HILL's request on April 15, 2005, Oregon Pacific Capital Management Corporation agreed to refine the initial proposal to CH2M HILL on behalf of Parkside Center dated November 5, 2004, to increase the tenant improvement allowance. Lease Crutcher Lewis, in concert with IDC Architects, then value-engineered the scope of tenant improvements to accomplish CH2M HILL's goal of completing all improvements on a "turnkey" basis within the tenant improvement allowance.
- The construction scheduling that ensured the timely occupancy of CH2M HILL was a challenge for IDC Architects and Lease Crutcher Lewis. The construction schedule required four distinct phases, and a two-phase occupancy, i.e., as previously-referenced floors 7, 8 and 9, were developed for occupancy before the October 31, 2005 Lloyd Tower lease expiration, and the balance of the space, floors 2, 3, 6, and a portion of 5, will be fully occupied on or before February 1, 2006.
- A letter of intent for the 139,361 square foot relocation, renovation and consolidation at the Parkside Center was drafted and received four major, heavily negotiated re-drafts under the active guidance of Gordon King of Colliers International, in concert with John Spencer, Director of the CH2M HILL Commercial Real Estate Division. This process continued from receipt of the first draft on May 10, 2005 until mutual signature of a final letter of intent on June 13, 2005, which prompted the generation of a draft lease agreement.

- A partial list of the rights that were negotiated into the Letter of Intent, and whose disclosure was not limited by the confidentiality agreement associated with this assignment, and subsequently placed into the lease agreement, included:
 - Contraction Option. The right of CH2M HILL to terminate the lease on one full upper floor at the fifth anniversary of the lease.
 - Option Space. The right to a continuous option to lease any and all space that is available in the building. Such tenant right to lease option space is superior to the rights of any future tenants.
 - Use of Binding Arbitration for the Contraction Option and Renewal Options.
 - Operating Expenses and Property Taxes Limitations. A negotiated and detailed list of more than two dozen operating expense exclusions, as well as “capped” controllable operating expenses at 4% per annum on a cumulative basis.
 - Sublease and Assignment. Tenant has the unfettered and unconditional right to assign or sublease all or a portion of the premises, subject only to review regarding subtenant or assignee’s use.
 - Non-Disturbance. Landlord shall secure a subordination non-disturbance agreement.
 - Security Deposit. Tenant is not required to deposit a security or pre-pay any rent.
 - Holdover Provision. Tenant has the right to holdover, at only 110%, for up to six months after the expiration of the lease.
 - Non-Personal Rights. Tenant’s rights, such as rights to lease additional space, extend the term and/or reduce the premises, or to building signage, etc. to be exercisable by the Tenant and also by Tenant’s assignee – they are not personal to CH2M HILL.

- As would be expected in a transaction of this magnitude, the building will be renamed “CH2M HILL Center.”

- Gene Grant, of Davis Wright Tremaine, was hired to assist CH2M HILL in lease review, and Sam Samuels represented Parkside Center in both the generation and negotiation of the lease from the landlord’s perspective. The final major conference call regarding lease review was completed on the evening of Thursday, July 14, 2005. The lease was fully executed by both parties on July 22, 2005.

- In order to accommodate the relocation and consolidation of CH2M HILL, the following relocations were accomplished:
 - LifeWise moved 1,649 square feet from the ninth floor to the first floor at Parkside Center.
 - Northwest Pine relocated 1,895 square feet from the ninth floor at Parkside Center to the sixth floor at the Harrison Square Office Building [Remember, the 9th floor was occupied on October 22, 2005 – three months after lease signature!].
 - IDC relocated 17,600 square feet from the second and third floors of Parkside Center to the Harrison Square Office Building on a temporary basis—until completion of 2nd floor improvements at Parkside Center.
 - In addition, Pace Video at 2,678 square feet, and Digital One at 4,082 square feet occupied a total of 6,760 square feet of sublease space on the 7th floor—these subtenants, pursuant to short-term sublease agreements, were given 60 days notice to relocate on June 12, 2005.

- Overall, accommodation for the construction of improvements for this relocation and consolidation caused the temporary off-site relocation of 17,600 square feet of CH2M HILL's work force, as well as the permanent relocation of four additional tenants, one of which, Digital One, co-leased 16,000 square feet at the 2112 First Avenue Building. An outline of this related transaction follows.
 - In May 2003, one year prior to Colliers' engagement on behalf of CH2M HILL, Brad Christiansen began working with Digital One, a media-oriented company that provides TV and radio spots. At that time, Digital One was located on the 7th floor of Parkside Center - as a subtenant to Industrial Design Corporation. Digital One had a small, 4,082 square-foot sublease space. Under its sublease agreement, either party could provide the other with 90 days written notice to terminate.
 - Following several tours of lease opportunities in the Central Business District, during the first year of his efforts, Brad formed a team with Group MacKenzie and Todd Hess Building Construction to work with both Digital One and a related business, Mission Control, that provides the video components to Digital One, on the potential lease and renovation of the 2112 First Avenue building.
 - In May of 2005, Gordon King indicated to Brad that it was highly likely that Digital One would receive notice of termination because of the impending CH2M HILL transaction. The notice to terminate was tendered June 12, 2005. This termination was extremely problematic because construction of highly technical improvements would take 90 to 120 days to complete! Under tight time constraints, a short-term sublease was signed with Opus NW at the 1000 Broadway Building in July, followed by a long-term lease agreement at the 2112 Building in October of 2005.
 - Effective January 27, 2006, Digital One will be located on the first floor, and Mission Control on the second floor of a like-new, fully remodeled, two-story office structure. The transaction provided a long-term, ten-year lease for the landlord, John Neidermeyer, and provided the tenants with a future option to purchase a portion of the building, in a condominium format, at a pre-determined price. This combined occupancy, with an option to purchase an office condominium, was the most notable "spin-off" transaction created by the assemblage of 139,361 contiguous square feet for completion of the CH2M HILL lease.

SUPPORTING MATERIALS

- Letter of Commendation from CH2M HILL.

CH2M HILL

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Fax 720.286.9250



CH2MHILL

January 19, 2006

Gordon D. King
Senior Vice President
Corporate Services
Colliers International
601 SW Second Avenue, Suite 1950
Portland, OR 97204

Re: CH2MHILL
Relocation, Renovation and Consolidation
Portland, Oregon

Dear Gordon:

We are pleased to have worked with you and Mike Holzgang since the late 1980s when we moved CH2MHILL from the central city to the Lloyd Center Tower.

In 2004, we began considering a short-term renewal at the Lloyd District, with a potential future consolidation in 2008 with our subsidiary Industrial Design Corporation. Working actively with you, we identified and explored appropriate relocation opportunities which eventually led to a well-negotiated, and more immediate, relocation and consolidation at Parkside Center.

This transaction met the corporate goal of consolidating these business units, plus it saved our firm over \$5 Million in rental costs during the first three years alone. Obviously, we were extremely satisfied with the outcome of this transaction.

We look forward to your continued assistance in the coming years.

Sincerely,

John B. Spencer
Vice President and Director
Corporate Real Estate
CH2MHILL