



INTEGRA TELECOM, INC.

Submittal

By

Gordon D. King, Michael D. Holzgang and Brad Christiansen

To

Commercial Association of Realtors

“THE FACTS”

Tenant: INTEGRA TELECOM, INC.
an Oregon corporation

Landlord: 1201 Lloyd Associates, Inc.

Building: 1201 Lloyd Building

Address: 1201 Lloyd Boulevard
Portland, Oregon

Building Type: New, Class A, 222,777 square foot office building

Square Feet: 51,191, plus the two related lease transactions outlined Below.

Term:

Brokerage Representation:

For Tenant: Colliers International
(Mike Holzgang, Gordon King, and Brad Christiansen)

For Landlord: CBRE (Dan Swift and Lana Baldock)
For 1201 Lloyd Associates

Interior Planning: Ann Wilson at ZGF Architects

Comments Regarding Additional and/or Related Transactions:

As referenced above, this consolidation and relocation of Integra Telecom’s headquarters and Oregon operations and sales offices, as well as its technical operations center involved three leases:

1. A 51,191 square foot lease for Class A office space at the 1201 Lloyd Building.
2. A 4,979 square foot lease short-term extension at the Columbia Square Building.
3. A 13,239 square foot lease for the technical operations/telecom center at the Oregon Square Building (827 NE Holladay St., Portland, Oregon).



1201 Lloyd Boulevard
1201 NE Lloyd Boulevard
Portland, OR 97232

Case Study

By

Mike Holzgang, Gordon King and Brad Christiansen

For

INTEGRA TELECOM, INC.

Integra Telecom is a locally headquartered provider of domestic and international dial-tone, high-speed Internet and data services, voice messaging and related telecommunications services, and management, as well as one of *Inc.'s* 500 fastest growing private companies in America.

In July 2002, Colliers International ("Colliers") provided Integra Telecom with an initial presentation regarding market conditions and specific availabilities in the entire Portland Metropolitan Area as a prelude to what Colliers viewed as the potential consolidation and relocation of its headquarters, sales and operations facilities. Colliers International was formally engaged in April of 2003 to provide brokerage assistance for the anticipated consolidation and relocation.

Challenges

- Integra Telecom was seeking a perimeter downtown location transaction that would provide "suburban-like" parking matched with "suburban-like" rental rates for its headquarters and Oregon operations and sales offices, as well as the availability of an on-site or nearby location for its technical operations/telecom center.
- Initially, the target relocation timeframe was defined as December of 2003, although the lease at the Amberglen Business Park expired in July 2004, and the lease at Columbia Square expired in September of 2003.
- Integra Telecom was seeking prominent building signage to reinforce an increasing business identity within the greater metropolitan marketplace.
- Work with a committee-oriented structure that required active interface with a telecom engineer serving as a project director, as well as the vice president of human resources, director of data support services, internal (and external) legal counsel, as well as the chief executive officer. Dudley Slater, Chief Executive Officer for Integra Telecom, was clearly the "group leader" and addressed issues in detail, but only when he determined they had "ripened" or the timing was appropriate.

Services

- Colliers corporate service brokerage team of Gordon King, Mike Holzgang and Brad Christiansen were hired by Integra Telecom pursuant to an advisory services agreement to represent the company's interest to provide the following services:
 - Develop a comprehensive market survey
 - Develop a time budget
 - Develop and present Requests for Proposal
 - Solicit final and best proposals
 - Develop and implement a negotiating strategy, and present all proposals and counter proposals, and assist with negotiating all business issues
 - Assist in reaching acceptable definitive agreement, preparing a letter of intent, and negotiating a lease that reflects agreements reached regarding all business issues.

- We did an initial comprehensive catalog of over 75 potential availabilities of 40,000 square feet or greater located throughout the Portland metropolitan area.

- We solicited proposals for the headquarters requirement at Columbia Square, the Brewery Blocks and the 1201 Lloyd Building.

- Where Columbia Square opportunity was categorized as a "back-up" opportunity because of insufficient signage and concerns regarding generator placement, we secured a short-term renewal for 4,979 square feet.

- PDC Funding: To set in motion the political approval process for PDC funding, Mike Holzgang contacted Ron Beltz, ex officio President of Portland Business Alliance, who introduced Integra to City Commissioner, Randy Leonard. Mike was also instrumental in introducing Integra to Pete Eggspuehler of the PDC to present all of the program elements that Integra could qualify for and to determine which would be of interest to Integra.

- During negotiations of the Letter of Intent and final lease documents at the 1201 Lloyd Building, we were involved in ensuring that all business issues were fully developed and, since the 1201 Building was a new Class A structure, in order to protect Integra Telecom's interest, we carefully developed clearly-worded building specifications and standards and building shell documents.

- Simultaneously, we actively negotiated and assisted in cost comparisons for the placement of the data center at the 1201 Building versus the Oregon Square Building, and actively negotiated and drafted the Letter of Intent for final placement of the technical operations/telecom facility at the Oregon Square Building.

- The lease for Integra Telecom's headquarters relocation to the 1201 Lloyd Building was signed in September 2003 with the following contingencies:
 - City of Portland approval of exterior sign
 - Execution and review of loan and grant documents from PDC
 - Completion of all plans and specifications (including location and installation of design of roof-top equipment)
 - Approval of tenant's board
 - Approval of landlord's lender

Results

- By the end of the year, the above-referenced lease contingencies were waived, and Integra Telecom announced its decision to consolidate its headquarters to Portland's Lloyd District.
- The 1201 Lloyd Building location will be the company's main facility for Oregon operations and will serve as both its sales office and national headquarters.
- Integra Telecom secured \$600,000 from the Portland Development Commission in the form of Quality Jobs Program "forgivable" loan, and an Economic Opportunity Fund grant (see attached supporting materials).
- The executive team's desire to obtain "suburban-like" rental rates was accomplished. Beyond the economic value brought by pursuit of a PDC participation, the change in economic value between the first proposals received from 1201 Lloyd and the Oregon Square and the final transactions negotiated at these locations saved Integra Telecom \$1,818,796 in rent over the ten-year leaseholds.
- When one adds the \$600,000 PDC participation to the negotiated savings, the overall economic value of our assistance was \$2,418,786.00 which is equivalent to \$4.73 per square foot per annum in rent savings for each year during this ten-year leasehold!
- Integra Telecom's identity within the community was enhanced by the City and Portland Development Commission's announcements regarding its relocation, and will be further enhanced by its new eastern-oriented, freeway visible, top-of-building corporate sign and logo.

- The lease provided for what could be considered, at a perimeter downtown location, a generous parking ratio of 2.5 stalls per 1,000 square feet on site.
- Employee morale will be enhanced by short commuting times, as a large portion of the Integra Telecom workforce lives in Vancouver.

Editorial

The Oregonian

Founded December 4, 1850. Established as a daily February 4, 1861.
The Sunday Oregonian established December 4, 1881.
Incorporating the Oregon Journal since 1982.

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Portland works on its rep

As every avid reader of advice columns knows, it's tough to shake a bad reputation. The best advice is not to develop it in the first place.

Over the past few years, the city of Portland has developed a reputation for giving a cold shoulder to business. Whether this reputation is richly deserved or a tad exaggerated, the deepening of the recession — and the net loss of an astonishing 45,000 jobs in the five-county region over three years — has made it urgent to dispel the perception and reverse the reality.

The city has embarked on a number of reversal strategies. These added together might be best summed up in a country-western refrain: We Ain't Never Been Awful But Lord Knows We've Changed. Now comes some backup for the city's tune.

Last week, Integra Telecom announced that it would relocate its headquarters to the Lloyd District in late April, thanks to a \$600,000 incentive package from the Portland Development Commission. That was the key, along with the city of Portland's swift approval of a large sign that will top the headquarters building.

Integra Telecom's sign application was submitted Nov. 13 and approved by Dec. 16, a turnaround that counts as

warp-speed in a bureaucracy. It didn't hurt, of course, that Commissioner Randy Leonard, whose bureau oversaw the approval, has made it clear that he prizes swift customer service. The PDC, Mayor Vera Katz and other bureaus collaborated, as well.

Officials from Integra Telecom say they just followed the city's rules. And they did, but there was a little abracadabra working for them, as well. Three hundred jobs were at stake. When jobs are at stake, we agree with the Portland Business Alliance's stance, that decision-makers should attempt, if at all possible, "to err on the side of job creation and economic development."

We hasten to note that these are not new jobs. Integra Telecom was already benefiting the entire region, with offices and employees dispersed in Beaverton, Portland and Vancouver. Nevertheless, once the company announced its intention to consolidate near downtown, it was imperative that Portland help make it happen.

As proof goes, one company's good experience only amounts to anecdotal evidence. But a city's reputation is bur-nished or tarnished by just such tales.

A bad reputation takes time to shake. One shrewd strategy is to fight anecdotes with anecdotes.



<http://www.pdc.us/new/releases/20040108.asp?>

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What's New

Integra Telecom announces consolidation in Portland

PDC and City aid company with programs aimed at job growth

Integra Telecom announced today (Thursday) a decision to consolidate its headquarters in Portland's Lloyd District.

The company has leased 51,000 square feet of new office space in the 1201 Lloyd Building located at NE 12th Avenue and Lloyd Boulevard and an additional 12,000 square feet of space in other Lloyd District facilities.

The new location will be the company's main facility for Oregon operations and will serve as the company's national headquarters. The company currently has 600 employees located in Hillsboro about half of which will be affected by the move.

"Integra is joining a growing list of companies who see the value in locating their headquarters in our Central City," Mayor Vera Katz said. "Coming on the heels of Northwest Airlines' announcement of non-stop service between Portland and Asia, Integra's announcement is another sign of Portland's continued and growing importance as a major commercial center in those industries and those markets where most of the business growth is projected to occur.

"I welcome Integra to downtown and am proud of the way we worked together to make this relocation happen," Mayor Katz added.

Integra contacted the Portland Development Commission (PDC) in July 2003 for assistance in their relocation and expansion. The company needed additional space, wanted to consolidate its employees in one location, and sought a more urban, visible address.

"Integra is a welcome addition to the Lloyd District," said Don Mazziotti, Executive Director of the PDC. "Integra's move there is proof that each area of the region has its own role to serve in supporting the regional economy. The Central City continues to be of unique value to a wide range of firms."

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"The decision also points to the importance of PDC's Quality Jobs Program (QJP) and the Economic Opportunity Fund (EOF), business assistance programs that were used in concert here in recognition of the combination of good jobs and new investment Integra will bring to the area," Mazziotti added.

PDC assisted the company with a \$466,423 QJP loan and a \$133,577 EOF grant. The QJP provides a loan based on average wage levels and job density, as well as investment in buildings and equipment. Qualifying companies can receive up to \$3,000 per employee in exchange for providing wages averaging more than twice the state minimum wage, job density, and a good benefits package. The benefit is doubled for the first 10 employees, a helpful incentive for small businesses. The benefit can also be enhanced by capital investments in excess of \$50,000 for up to an additional \$1,500 per employee. After two years of satisfactory performance, the loan is forgiven.

The Economic Opportunity Fund is a flexible, new incentive program designed to address the needs of companies that are expanding or relocating in eight of the city's urban renewal areas. Intended uses for the fund range from permit fees to tenant improvements and site acquisition. Integra will use the QJP and EOF funds to contribute to the completion of tenant improvements for their new national headquarters.

In addition to the assistance mentioned, City Commissioner Randy Leonard and his staff and Bureau of Development Services staff worked closely with Integra to handle early permitting issues.

Integra Telecom is an alternative integrated telecommunications carrier focused on small to mid-sized business customers in Minnesota, North Dakota, Oregon, Utah, and Washington. The company maintains nearly 170,000 access lines and offers local access, domestic and international long distance, Internet access and data services, as well as voice messaging, and telecommunications system services and management.

The company was formed in 1996 through the acquisition of OGI Telecom, which served the Oregon Graduate Institute and nearby office park, and It has expanded since then. Investors in the company include Nautic Partners, Bank of America, Boston Ventures, CIT Group, and Shaw Ventures. More information about the company can be found at: www.integratelecom.com.

Dan Swift, Lana Baldock and Koby Holley with C.B. Richard Ellis were the brokers representing the owners of the building in the transaction. The owner of the building is 1201 Lloyd Associates LLC, affiliates of Island Development Group, (Dallas, TX) and Transworld Properties (Houston, TX). "We are very pleased to have Integra as a major tenant at the 1201 Building and appreciate the efforts put forth by PDC in assisting with this very important lease transaction," said Barry Nelson, President of Island Development Group.

Mike Holzgang, Brad Christiansen and Gordon King of Colliers International were the brokers representing Integra.

For more information contact:

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