



“Providence secured a market-rate transaction that enables long-term growth at the current campus.”

# SUCCESS STORY

PROVIDENCE HEALTH SYSTEM



Davis Business Center  
Portland, Oregon

## TEAM

Mike Holzgang  
+1 503 499 0055  
[mike.holzgang@colliers.com](mailto:mike.holzgang@colliers.com)

Gordon King  
+1 503 499 0099  
[gordon.king@colliers.com](mailto:gordon.king@colliers.com)

Brad Christiansen  
+1 503 499 0054  
[brad.christiansen@colliers.com](mailto:brad.christiansen@colliers.com)

## SERVICES PROVIDED

- Land Lease
- Real Estate Consulting
- Pre-Development Consultation

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## CHALLENGE

For 10 years prior to working with Colliers, Providence Health System – Oregon, our state’s second largest employer, had worked directly with the owner of the Davis Business Center in anticipation of a need to expand the Providence Office Park. Over the course of that time, the Davis family had entered into a land lease agreement with Home Depot. Home Depot ultimately elected not to develop the site due to neighborhood resistance.

Providence, recognizing an opportunity to control its property, engaged Colliers not only to provide a fair market valuation of the site, but also to negotiate on behalf of Providence to control the site in anticipation of future growth.

## STRATEGY

Mike Holzgang had previously worked with Mr. Davis and understood some of the nuances of his business style and was able to discern the family’s needs in structuring a new transaction. By utilizing resources, including Colliers’ research department and a compilation of considerable information from local appraisers, Providence was able to get comfortable with the financial aspects of a land lease transaction structure to present to Mr. Davis.

## SERVICES

At the time, Mr. Davis had several other parties looking at redeveloping the property. Market interest in the property motivated all parties to reach agreement. Colliers secured a long-term land lease transaction with a “put” option for the lessor and an option to purchase for the lessee, enabling both parties to address all of their intended goals.

## RESULTS

Providence secured a market-rate transaction that enables long-term growth at the current campus. For one year, Providence was not responsible for any payments related to the lease as a result of the remaining lease term between Davis Business Center and Home Depot. This period of abatement of land lease payments enabled Providence to defray holding costs as they engaged in the planning process to ultimately consolidate their various business units into the Davis Business Center site.

Colliers was subsequently engaged to assist in interviewing developers for the eventual development of this site and assisting with the development of internal rental rate pro formas. Providence Health System recently completed construction of a 650,000-square-foot office structure for consolidation of nine business and administration units from various Portland area locations.