Strategic Business Plan Work Session Questions:

- Of the proposed revenue opportunities, which three are expected to generate the highest net revenue over the next 10 years?

At this stage, staff has not completed the financial modeling necessary to rank opportunities by projected 10-year net revenue. That analysis is one of the purposes of the implementation phase following adoption of the Strategic Business Plan.
Based on our current understanding, however, the opportunities with the greatest long-term revenue potential are likely:

1. *Continued optimization and redevelopment of existing commercial and industrial real estate.*
2. *Marina Basin redevelopment, including Marina East and West.*
3. *Airport-related development, including aviation businesses, hangars, and other revenue-producing facilities.*

Other opportunities such as RV parks, overnight parking, flex-space development, and expanded marina services may also provide meaningful revenue, but each will require separate market analysis and financial evaluation before priorities are established.

- What assumptions are being used when evaluating opportunities such as RV parks, overnight parking, marina expansion, and flex space/incubator development?

No final assumptions have been established yet. Each opportunity will be evaluated using factors such as:

- *demonstrated market demand*
- *expected construction and operating costs*
- *lifecycle maintenance costs*
- *projected revenues*
- *return on investment*
- *grant availability*
- *compatibility with surrounding uses*
- *consistency with Port priorities*
- *community support*
- *regulatory constraints*
- *operational staffing requirements*

Several of these evaluations are specifically identified as implementation initiatives within the Strategic Business Plan. For example, the draft calls for evaluating overnight lodging options based on ROI, demand, and community interests, and preparing pro formas for flex-space development.

- What metrics are being used to determine when a proposed project generates sufficient return on investment to justify public investment?

There is no single metric that applies to every Port project.
Staff anticipates evaluating projects using a combination of:

- *financial return*
- *payback period*
- *lifecycle cost*
- *public benefit*
- *economic development*
- *job creation*
- *operational efficiencies*
- *grant leverage*
- *strategic importance*
- *regulatory obligations*
- *Commission priorities*

Because the Port is a public agency, some projects may be justified primarily because they improve public infrastructure or fulfill statutory responsibilities rather than maximize financial return.

- What percentage of our real estate portfolio is currently producing below-market returns?

  We do not currently have a complete portfolio-wide market rent analysis.
  One of the implementation initiatives specifically calls for:

- *reviewing Port rental rates against market rates,*
- *auditing buildings with below-market rents,*
- *assessing opportunities for rent adjustments,*
- *and ranking properties by long-term profitability.*

  Completion of that work will allow staff to provide a more precise answer.

- Will the Strategic Business Plan include formal performance expectations and accountability measures for Port assets?

Yes.
One of the reasons staff proposed semiannual planning sessions is to create a structured accountability process.
The Strategic Business Plan establishes the long-term objectives.
The semiannual planning sessions would then:

- *establish implementation priorities,*
- *assign responsibility,*
- *monitor progress,*

- *identify completed initiatives,*
- *defer lower priorities,*
- *and adjust priorities as conditions change.*

As implementation progresses, staff also anticipates developing asset-specific performance measures where appropriate.

- Which proposed initiatives are dependent on grants or external funds to be viable?

  Several initiatives are likely to rely, at least in part, on outside funding.
  Examples include:
- *Waterfront Roads Infrastructure*
- *Marina improvements*
- *Airport capital projects*
- *Brownfield redevelopment*
- *Flex-space/business incubator development*
- *Innovation District infrastructure*
- *Recreational improvements*
- *Trail and transportation connections*

  The Strategic Business Plan intentionally identifies these opportunities so staff can pursue funding as opportunities arise while maintaining flexibility if grant programs change.

- Are there projects the port should prioritize specifically because they become self-sufficient after the initial capital investment?

Potentially yes.
Examples could include:
- *commercial building redevelopment*
- *marina expansion*
- *airport hangars*
- *flex-space facilities*
- *overnight parking or RV facilities*

Once constructed, these facilities have the potential to generate ongoing lease or user revenues that offset operating costs and help fund future Port priorities. Whether any specific project meets that threshold will depend on detailed financial analysis completed during implementation.

- Which capital investment represents the greatest financial exposure if actual development costs exceed current estimates?
  - Same thought: Which projects are most vulnerable to schedule delays, and what financial impacts would those delays create?

Generally speaking, larger infrastructure projects carry greater financial exposure.
Examples include:

- Marina Basin redevelopment
- Airport capital improvements
- Innovation District infrastructure
- major waterfront infrastructure

Schedule delays can increase:

- inflationary construction costs
- financing costs
- grant timing risks
- consultant costs
- lost revenue opportunities

One purpose of future implementation planning is to continually reassess these risks as projects advance.

- How are we balancing community priorities against financial need and long-term sustainability when prioritizing projects?

That balance is one of the central purposes of the Strategic Business Plan.
Projects will ultimately be evaluated using multiple considerations:

- financial sustainability
- community benefit
- economic development
- public access
- environmental stewardship
- operational capacity
- Commission priorities
- available funding

The goal is not simply maximizing revenue, but ensuring the Port remains financially healthy while fulfilling its public mission.

- Do we have a comprehensive inventory of deferred maintenance liabilities across all Port assets?

Not yet.

- *Individual facilities have undergone assessments—such as the Jensen Building roof, marina infrastructure, airport facilities, and bridge capital planning—but staff has not yet completed a single comprehensive deferred maintenance inventory covering all Port assets.*
- *Developing a consolidated asset management inventory is something staff believes would be valuable as implementation of the Strategic Business Plan moves forward.*

- Beyond succession planning, what institutional knowledge is currently concentrated in a small group of key employees?

  Like most small organizations, the Port has specialized knowledge concentrated in several operational areas, including:

- facilities day-to-day operations
- grant administration
- bridge operations and tolling
- FAA compliance
- real estate leasing
- capital project management
- financial administration
- regulatory permitting
- marina operations
- tenant relationships

  The recently revised Succession Plan specifically addresses documentation, cross-training, knowledge transfer, and leadership development to reduce reliance on any one individual over time.

- How are we planning for organizational continuity during potential leadership transitions over the next five years?

The revised Succession Plan substantially strengthens this area.
New provisions include:

- *interim leadership assignments*
- *cross-training*
- *leadership development*
- *documentation of institutional knowledge*
- *workforce continuity planning for multiple vacancies*
- *partnerships with organizations such as SDAO, OCCMA, and OPPA for temporary assistance*
- *periodic review by staff and the Internal Personnel Committee*
- *ongoing evaluation of leadership readiness and organizational continuity.*

Strategic Business Plan Implementation Process
The Strategic Business Plan is intended to establish the Port's long-term direction—not to predetermine every future project or commit the Port to pursuing every implementation initiative. Instead, staff envisions a continuous implementation cycle:

1. Strategic Business Plan. The Commission adopts long-term objectives, goals, and implementation initiatives that establish the Port's strategic direction.

↓

2. Bi-Annual Planning Sessions. Twice each year, the Commission and staff review progress, identify emerging issues, and discuss new opportunities. New ideas, community input, legislative changes, or economic opportunities may be added for further evaluation.

↓

3. Staff Evaluation. Staff studies the highest-priority initiatives by preparing the appropriate level of analysis, which may include:

- *market research*
- *engineering or environmental studies*
- *financial pro formas*
- *grant opportunities*
- *operational impacts*
- *community outreach*
- *legal or regulatory review*

↓

4. Commission Review. Staff returns with recommendations, which generally fall into one of four categories:

- *Proceed – the project appears feasible and is ready to move forward.*
- *Modify – the concept has merit but should be revised before proceeding.*
- *Defer – conditions are not favorable today, but the concept remains worth considering in the future.*
- *Do Not Pursue – analysis indicates the project is not financially, operationally, or strategically justified.*

↓

5. Update Priorities. The Commission adjusts priorities based on completed work, changing circumstances, available funding, and new opportunities before beginning the next six-month cycle.

This approach creates a disciplined but flexible decision-making process. Rather than trying to predict today exactly which projects will be pursued over the next six years, the Strategic Business Plan establishes direction while allowing future decisions to be informed by better information, changing market conditions, grant opportunities, engineering analyses, and Commission priorities.

Regular Meeting:

- As staff evaluates implementation priorities, which proposed initiatives have the strongest business case today?

This question ties directly back to the Strategic Business Plan discussion. Most of the initiatives currently before the Commission originated through the previous Strategic Business Plan, Commission direction, annual budgeting, or the biannual planning sessions. Those planning sessions create an implementation feedback loop where Commission priorities, staff recommendations, emerging opportunities, and regulatory requirements are evaluated, studied, *and ultimately returned to the Commission with recommendations to proceed, modify, defer, or discontinue.*

Looking at this month's agenda, the initiatives generally fall into one of four categories:

Initiative	***Primary Driver***	***Business Case***
Strategic Business Plan	*Governance / statutory planning*	*Establishes long-term direction and implementation priorities.*
Jensen Building Roof	*Asset preservation*	*Protects a valuable revenue-producing asset and extends its useful life.*
200 W. Wasco	*Due diligence*	*Good example of the implementation process identifying that a concept is not financially feasible under current conditions.*
Marina Basin Master Planning	*Strategic planning*	*Positions the Port for future revenue opportunities while balancing public access and waterfront amenities.*
Succession Plan	*Governance*	*Promotes organizational continuity and long-term operational resilience.*
Big 7 Discussion	*Asset management*	*Evaluates reinvestment opportunities in an important industrial asset with deferred maintenance needs.*
Business Matters Resolution	*Governance*	*Updates Commission policies and administrative procedures.*
T-Hangars	*Revenue generation*	*Strong business case based on demonstrated market demand and recurring lease revenue.*
Airport Advisory Committee	*Governance*	*Ensures the committee continues to provide informed advice reflecting airport users and stakeholders.*
Marina East/West Redevelopment	*Economic development & Revenue generation*	*Creates the framework to evaluate a significant long-term waterfront redevelopment and revenue opportunity.*
DMV Lease	*Asset optimization*	*Strengthens a long-term tenancy while supporting future redevelopment flexibility.*
Lower Hanel Mill	*Strategic asset management*	*Potential sale could fund Commission priorities while creating opportunities for future private investment and long-term economic development.*

The business case for each project varies depending on its purpose. Some initiatives are intended to generate revenue, others preserve existing assets, fulfill governance responsibilities, or position the Port for future economic opportunities. One of the purposes of the Strategic Business Plan implementation process is to periodically reassess these priorities as new information becomes available.

- What initiatives require the largest future capital commitment from the Port?

The Port's largest future capital commitments are generally associated with major infrastructure and asset preservation projects. Current examples include:

- *Jensen Building roof replacement and other deferred maintenance on revenue-producing facilities.*
- *Big 7 Building improvements and other industrial property reinvestment.*
- *Airport development, including the T-Hangar program and future aviation infrastructure.*
- *Waterfront transportation and infrastructure improvements necessary to unlock waterfront economic development opportunity.*
- *Marina Basin redevelopment, depending on future Commission direction.*
- *DMV VIN inspection lane improvements (expected to be reimbursable by the tenant).*

Many of these projects are anticipated to leverage grants, tenant contributions, or private investment where appropriate to reduce the Port's direct financial commitment.

- Looking across all current capital projects, where does staff believe the Port has the greatest risk of cost escalation over the next two years?

The greatest risks to future project costs are largely external to the Port and include:

- *Inflation in construction materials and equipment.*
- *Labor availability and wage escalation.*
- *Interest rate fluctuations affecting financing costs.*
- *Supply chain disruptions for specialized building components.*
- *Regulatory or permitting delays.*
- *Unanticipated site conditions discovered during design or construction.*
- *Changes in grant funding availability or timing.*

For that reason, staff continues to update project cost estimates as design advances, pursue outside funding whenever possible, phase projects where appropriate, and bring significant changes in scope or budget back to the Commission for consideration before construction commitments are made.

Consent:

- Consent 4(b) - potentially pulling
    - Is replacement the most cost-effective, or were repair and phased replacements fully evaluated?

Yes. Over the years, the Port has invested in repairs to the roof, HVAC system, skylights, and other building components. Despite those efforts, the building continues to experience roof leaks and tenant complaints. Staff believes replacement is now the most cost-effective long-term solution to preserve one of the Port's highest-performing revenue-producing assets. With the transition away *from bridge toll revenues, preserving existing income-generating facilities becomes increasingly important. The replacement roof would also support future revenue opportunities, such as leasing rooftop space for communications infrastructure, while improving the experience for tenants and visitors.*

  - Does this change order affect the project's overall contingency budget?

No. This is not a change order. It is a new work order authorizing SUM Design to prepare the design, technical specifications, cost estimate, bidding documents, and construction administration for the roof replacement. SUM Design was competitively selected under the Port's Master Services Agreement in accordance with the Port's public contracting rules and Oregon procurement law. A detailed construction budget, including an appropriate contingency, will be developed as part of the design process and presented to the Commission before construction is authorized.

  - What remaining risks could impact project cost or schedule?

The primary risks are contractor availability, material pricing, and lead times for roofing materials. These risks will be evaluated during design and procurement, and the project budget and schedule will be updated before construction bids are solicited.

- Consent 4(c) - potentially pulling
  - Are there any financial, legal, or strategic liabilities associated with terminating the PSA?

Yes. Staff's recommendation to terminate the Purchase and Sale Agreement is based on information developed during the due diligence process, including financial, legal, operational, and property-related considerations. Those findings materially changed the risk profile of the transaction and will be discussed with the Commission during executive session before any public action is taken. The public recommendation before the Commission is to authorize termination of the Purchase and Sale Agreement.

- **Consent 4(d) - pulling**
  - What additional scope is being added, and why was it not included in the original contract?

The original contract included preparation of the 2026–2032 Strategic Business Plan and the Economic Impact Analysis. During the Commission's April 21, 2026 Spring Planning Work Session, the Commission directed staff to proceed with developing a Marina Basin Master Plan as a supplemental planning effort. Staff was directed to work with Points Consulting to develop a scope of work, schedule, and budget for Commission consideration.

The proposed $39,300 scope will establish a basin-wide vision and planning framework by documenting existing conditions and infrastructure, evaluating conceptual alternatives, and preparing a preferred concept plan. This first phase is intended to support future funding *opportunities, guide long-term planning, and provide a flexible framework for future implementation.*

- What is the amended total contract value, and how does this relate to our initial applications?

Amendment No. 1 increases the contract by $39,300, resulting in a revised not-to-exceed contract amount of $162,610. The amendment does not change the contract completion date, which remains December 31, 2026. This amendment does not change the scope or schedule of the Strategic Business Plan itself.

Business Oregon awarded the Port a $50,000 Strategic Planning Grant to help offset costs associated with preparing the Strategic Business Plan. The Marina Basin Master Plan is a supplemental planning effort that complements the Strategic Business Plan by providing more detailed planning for one of the Port's highest-priority opportunity areas.

- Is this economic impact analysis included or extra?

The Economic Impact Analysis is already included in the original Strategic Business Plan contract. It is not part of this amendment. This amendment only adds the Marina Basin Master Plan scope of work.

- Still on schedule and on the current budget?

The Strategic Business Plan remains on schedule for Commission consideration October 20, and Amendment No. 1 does not extend the contract completion date. The Marina Basin Master Plan work will occur concurrently with the Strategic Business Plan and is scheduled to be completed by December 31, 2026. The scope anticipates a project kickoff in late July, concept alternatives in October, and a preferred concept plan in early November.

Financial Report

- What is the single biggest financial risk facing the port over the next 24 months, and what actions are being taken to mitigate?

From a capital projects perspective, the Port's largest financial risk is uncertainty surrounding competitive grant funding. Several major projects—including the Airport Terminal/Hangar project and Waterfront Transportation Improvements—are dependent on grant awards. If funding is not secured, projects will be deferred until future grant opportunities or alternative funding sources are identified.

From an operating perspective, staff continues to monitor operating margins as inflation and increasing operating costs put pressure on the General Fund. Staff regularly evaluates revenue-generating assets, operating efficiencies, and the balance between in-house staffing and contracted services to control costs while maintaining service levels.

- Can staff confirm whether page 45 is intended to contain financial narrative, charts, or a summary? If so - need readable version

Page 45 is intended to be a three-quarter page narrative summary of the financial report. It does not contain charts or graphics.

- On the General Fund departmental page, the ending fund balance line appears confusing and may be misaligned. Can staff walk us through the beginning fund balance, net income, and ending fund balance calculation and confirm the correct ending balance?

The Total General Fund column is correct. The Beginning Fund Balance is inadvertently missing from the Non-Departmental YTD column but is correctly reflected in the Total General Fund column.

The calculation is: Beginning Fund Balance + Net Income = Ending Fund Balance.

This formatting issue will be corrected

- Can staff explain why some budget-to-actual percentages are shown as "NA" when both budgeted and actual activity appear to exist?

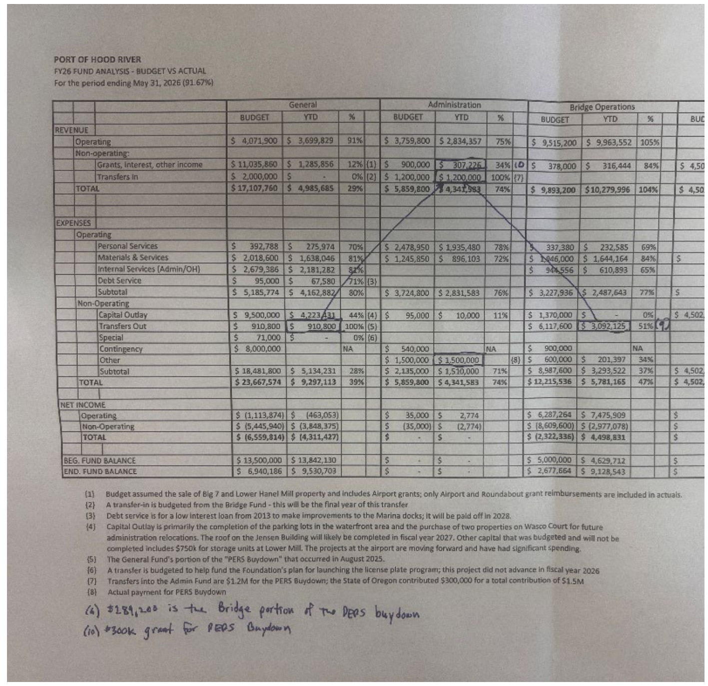
There are two locations where the spreadsheet formula incorrectly displays "NA" rather than the appropriate percentage (Administration Fund – HR/Payroll Grants and Administration Fund – Finance Subtotal). Those formulas will be corrected.

In other instances throughout the report, "NA" is intentional and indicates that no percentage can be calculated because no budget was established for that specific line item (or the budget amount is zero), even though actual activity may have occurred. In those cases, "NA" means "not applicable" rather than indicating missing information or a reporting error.

- There is a visible #DIV/0 formula error on the administrative fund analysis. Can staff correct the formula before this report is finalized?

Yes. The formula error will be corrected before the final report is issued.

- For the PERS side account activity, can staff explain how the $300,000 state contribution, $1.2 million transfer-in, and $1.5 million PERS payment are flowing through the Administration Fund?



PORT OF HOOD RIVER
FY26 FUND ANALYSIS - BUDGET VS ACTUAL
For the period ending May 31, 2026 (91.67%)

	General				Administration				Bridge Operations				
	BUDGET	YTD	%		BUDGET	YTD	%		BUDGET	YTD	%		BUD
REVENUE													
Operating	$ 4,071,900	$ 3,699,829	91%		$ 3,759,800	$ 2,834,357	75%		$ 9,515,200	$ 9,963,552	105%		
Non-operating:													
Grants, interest, other income	$ 11,035,860	$ 1,285,856	12%	(1)	$ 900,000	$ 307,226	34%	(10)	$ 378,000	$ 316,444	84%		$ 4,50
Transfers In	$ 2,000,000	$ -	0%	(2)	$ 1,200,000	$ 1,200,000	100%	(7)					
TOTAL	$ 17,107,760	$ 4,985,685	29%		$ 5,859,800	$ 4,341,583	74%		$ 9,893,200	$ 10,279,996	104%		$ 4,50
EXPENSES													
Operating													
Personal Services	$ 392,788	$ 275,974	70%		$ 2,478,950	$ 1,935,480	78%		$ 337,380	$ 232,585	69%		
Materials & Services	$ 2,018,600	$ 1,638,046	81%		$ 1,245,850	$ 896,103	72%		$ 1,946,000	$ 1,644,164	84%		$
Internal Services (Admin/OH)	$ 2,679,386	$ 2,181,282	81%						$ 944,556	$ 610,893	65%		
Debt Service	$ 95,000	$ 67,580	71%	(3)									
Subtotal	$ 5,185,774	$ 4,162,882	80%		$ 3,724,800	$ 2,831,583	76%		$ 3,227,936	$ 2,487,643	77%		$
Non-Operating													
Capital Outlay	$ 9,500,000	$ 4,223,431	44%	(4)	$ 95,000	$ 10,000	11%		$ 1,370,000	$ -	0%		$ 4,502,
Transfers Out	$ 910,800	$ 910,800	100%	(5)					$ 6,117,600	$ 3,092,125	51%	(9)	
Special	$ 71,000	$ -	0%	(6)									
Contingency	$ 8,000,000		NA		$ 540,000		NA		$ 900,000		NA		
Other					$ 1,500,000	$ 1,500,000		(8)	$ 600,000	$ 201,397	34%		
Subtotal	$ 18,481,800	$ 5,134,231	28%		$ 2,135,000	$ 1,510,000	71%		$ 8,987,600	$ 3,293,522	37%		$ 4,502,
TOTAL	$ 23,667,574	$ 9,297,113	39%		$ 5,859,800	$ 4,341,583	74%		$ 12,215,536	$ 5,781,165	47%		$ 4,502,
NET INCOME													
Operating	$ (1,113,874)	$ (463,053)			$ 35,000	$ 2,774			$ 6,287,264	$ 7,475,909			$
Non-Operating	$ (5,445,940)	$ (3,848,375)			$ (35,000)	$ (2,774)			$ (8,609,600)	$ (2,977,078)			$
TOTAL	$ (6,559,814)	$ (4,311,427)			$ -	$ -			$ (2,322,336)	$ 4,498,831			$
BEG. FUND BALANCE	$ 13,500,000	$ 13,842,130			$ -	$ -			$ 5,000,000	$ 4,629,712			$
END. FUND BALANCE	$ 6,940,186	$ 9,530,703			$ -	$ -			$ 2,677,664	$ 9,128,543			$

(1) Budget assumed the sale of Big 7 and Lower Hanel Mill property and includes Airport grants; only Airport and Roundabout grant reimbursements are included in actuals.
(2) A transfer-in is budgeted from the Bridge Fund - this will be the final year of this transfer
(3) Debt service is for a low interest loan from 2013 to make improvements to the Marina docks; it will be paid off in 2028.
(4) Capital Outlay is primarily the completion of the parking lots in the waterfront area and the purchase of two properties on Wasco Court for future administration relocations. The roof on the Jensen Building will likely be completed in fiscal year 2027. Other capital that was budgeted and will not be completed includes $750k for storage units at Lower Mill. The projects at the airport are moving forward and have had significant spending.
(5) The General Fund's portion of the "PERS Buydown" that occurred in August 2025.
(6) A transfer is budgeted to help fund the Foundation's plan for launching the license plate program; this project did not advance in fiscal year 2026
(7) Transfers into the Admin Fund are $1.2M for the PERS Buydown; the State of Oregon contributed $300,000 for a total contribution of $1.5M
(8) Actual payment for PERS Buydown
(9) $289,200 is the Bridge portion of the PERS buydown
(10) $300k grant for PERS Buydown

Yes. The Administration Fund received $1.2 million in transfers from the General Fund and Bridge Operations Fund, along with a $300,000 State contribution, for a total of $1.5 million deposited into the PERS Side Account. The payment to PERS is recorded as a non-operating expenditure from the Administration Fund. See the attached graphicwhicht may illustrate these transfers.

- Since the budget assumed proceeds from the sale of Big 7 and Lower Hanel Mill, and those proceeds have not materialized, do we need a revised year-end forecast that excludes those assumptions?

No. Under Oregon Local Budget Law, lower-than-budgeted revenues do not, by themselves, require a supplemental budget or budget amendment. A supplemental budget would generally be necessary only if the reduction in available resources required the Port to reduce appropriations or if expenditures were expected to exceed the adopted budget. At this time, staff expects expenditures to remain within the adopted budget; therefore, no revised year-end forecast or budget amendment is necessary.

- Can staff distinguish between Bridge Fund transfers, Bridge Authority reimbursements for admin services, and Bridge operation contributions to the PERS account so the Port Commission can understand which dollars are bridge-related vs reimbursements to HRWSBA?

The approximately $3.0 million transfer into the HRWSBA Fund originates from an interfund transfer from the Bridge Operations Fund to support bridge replacement activities. Timing differences between toll revenues collected and transfers recorded occur throughout the year and are reconciled at fiscal year-end. Bridge Authority administrative reimbursements are separate operating revenues that reimburse the Port for administrative and support services provided to the HRWSBA, primarily by the Finance Department. Those reimbursements are reported in the Administration Fund Breakdown under Non-Departmental → Operating Revenue. The PERS Side

Account contribution is a separate, one-time funding transaction and is not part of either the bridge replacement transfers or the administrative service reimbursements.

- We continue to see a decrease in bridge traffic - what assumptions are being used in the FY27 regarding traffic and toll revenue?

Staff budgets conservatively using year-to-date traffic trends together with historical seasonal patterns to project year-end traffic and toll revenues. These assumptions are updated annually during the budget development process. The current report notes that traffic through May was down approximately 7.7%, with June and July also trending lower.

- What point in reduced traffic creates a need for budget adjustment?

Reduced revenues alone do not require a budget adjustment. Under Oregon budget law, budget amendments are generally required only when expenditures exceed appropriated spending authority.

- Several capital projects appear to depend on future grant reimbursements. Which projects represent the greatest reimbursement risk?

Budgeted Capital projects most at risk to not receiving grant awards include the airport terminal/hangar project (high risk), waterfront transportation infrastructure (high risk), waterfront signage and landscaping are also dependent on receipt of grants (high risk), as well as reimbursement from FHWA for relocation costs (high risk). The t-hangars are low risk of not being reimbursed as the project is almost complete and reimbursements have been flowing per agreement.

Discussion -

9d Marina East/West - suggest moving this to after 9E

- Suggest moving this to after 9E –

  That seems reasonable

- What specific protections exist to ensure the port retains control of the vision if negotiations move forward?

An exclusive negotiation agreement or a memorandum of understanding has yet to be developed. If the Commission directs staff to proceed, staff would return with a proposed agreement for Commission review and approval before any agreement is executed. The discussion from the June regular meeting was helpful for staff in carrying the commission's vision moving forward. A committee made up of the Internal Real Estate Committee, and the management team will be looking to ensure a collaborative approach with CMLK that ensures public access is enhanced, while ensuring that the project financially benefits the Port. Any future development agreement or commitment would also require Commission review and approval. It is also important to note that *the purpose of an exclusive negotiation agreement or similar preliminary document is not to establish the final development vision or relinquish the Port's control over the property. Rather, its intent is to provide a structured framework for the Port to engage with a single developer to better understand the developer's approach, project feasibility, development process, financial considerations, and potential benefits to the Port. This early stage is intended to facilitate information sharing and due diligence by both parties. Any specific development requirements, design standards, public access expectations, performance obligations, and the Port's vision for the property would be negotiated and memorialized in a future development agreement, which would be subject to Commission review and approval before becoming effective.*

- What exclusivity rights are proposed to be granted

The specific terms have not yet been developed and would be subject to Commission review and approval. Typically, a public agency will negotiate in good faith and not enter into negotiations with other interested parties during negotiations. It does not obligate the Port to approve a project or enter into a lease or development agreement. The intent of any exclusivity provision would be limited to this preliminary negotiation phase and is intended to allow the Port and a single developer to work collaboratively through the initial due diligence and project exploration process. During this stage, developers often invest significant time and resources coordinating with community partners, local jurisdictions, utility providers, consultants, and Port staff to better understand site constraints, regulatory requirements, and project feasibility. Allowing multiple developers to undertake these efforts simultaneously can create inefficiencies, duplicate demands on staff and partner agencies, and potentially result in conflicting concepts being advanced at the same time. An exclusivity period provides a more organized and efficient process while the Port evaluates whether a mutually beneficial path forward exists. It does not commit the Port to a future development agreement or limit the Commission's authority to determine the ultimate direction of the property.

- What milestones must be met

The types of milestones that would be included in the MOU (or similar agreement) and expected for developer completion during the negotiating agreement include: due diligence, refining the concept development, public engagement, financial feasibility, regulatory review, preferred development concepts, and preparing initial drafts of the lease terms and development agreement. The Commission has been clear that it does not want the property to sit idle.

- What happens if the developer does not perform

The goal is to protect the Port's property and opportunity cost. Violations of the agreement could result in notices, an opportunity to cure deficiencies within a specified timeframe, termination of exclusivity, default, for example. It is also important to recognize that, at this stage, the developer's role is not to "perform" in the traditional sense of constructing a project or meeting development milestones. Rather, this phase is intended to allow the developer to invest its own time, expertise, and resources into evaluating the opportunity, conducting due diligence, coordinating with *stakeholders, and identifying potential constraints, opportunities, costs, and development strategies. The information developed during this process helps both the Port and the developer determine whether a viable project exists. These are activities that any prospective developer would ultimately need to undertake, and the benefit to the Port is that this work is completed at the developer's expense, allowing the Port to make more informed decisions before considering any future development agreement or financial commitment.*

- What financial commitments are expected from the port

All marketing, financial feasibility, design, construction financing and operational costs would be borne by the developer. The Port would continue to incur staff time associated with negotiating the agreement. Any future Port financial participation beyond that would require separate Commission discussion and approval.

- How will public waterfront access be protected

The MOU (or similar agreement) and any future Development Agreement can have provisions to protect the Commission's vision for the site. Ultimately, any future development agreements would return to the Commission for review and approval before implementation.

- At what point would the Commission have an opportunity to reevaluate or terminate negotiations if the project no longer aligns with Port priorities?

The Commission would retain multiple opportunities to evaluate whether negotiations should continue. Typically, the first opportunity would be in approving the MOU/ENA (or similar agreement). Additional decision points could occur following completion of due diligence, review of the preferred development concept, lease term negotiation, and establishing a future development agreement, for example.

9c Airport Committee

- What specific outcomes have led Airport Management to conclude that additional aviation-specific expertise is needed on the AAC rather than maintaining the broader mix of backgrounds and perspectives currently represented?

Airport Management has found that a growing portion of the AAC's work involves technical issues related to airport planning, FAA compliance, aviation safety, hangar development, lease policies, and operational matters. As the airport continues to expand, the Committee is increasingly being asked to provide informed recommendations on aviation-specific topics where direct operational experience adds value. The proposed amendment is intended to establish aviation involvement as the preferred qualification for future appointed members while recognizing that the Commission retains the authority to determine the committee's composition.

- Why is staff recommending a change to the AAC qualification criteria at the same time appointments are being considered, rather than applying the current standards and discussing future qualification changes separately?

The expiration of four appointments presented a logical opportunity for the Commission to consider both questions together. Airport Management believes the Commission should first determine the desired qualifications for future appointed members and then make appointments consistent with that policy direction. However, the two actions are independent. The Commission may adopt the proposed amendment, retain the current criteria, appoint members under the existing policy, or take no action on either recommendation.

- How does the recommended membership ensure the Committee continues to benefit from a diversity of perspectives, including airport users, businesses, neighboring property owners, and the broader community?

The recommended membership continues to include a variety of aviation perspectives, including pilots, aircraft owners, airport tenants, aviation businesses, flight instruction, and museum representation through WAAAM and the Fixed Base Operator. Airport Management believes these perspectives are most directly aligned with the AAC's advisory role on airport planning, operations, safety, and development.

9e DMV

- How does the proposed lease term compare with similar public-sector leases?

The proposed lease aligns with the State of Oregon's current standard lease template and represents a modernization of the long-standing lease relationship between the Port and the Oregon Department of Transportation, Driver and Motor Vehicle Services Division. The existing lease has been in place since 2002 and has been amended numerous times over the past two decades rather than being comprehensively renegotiated. This new lease establishes terms that are more consistent with current public-sector leasing practices while providing a clean, updated agreement going forward. The proposed ten-year initial term is consistent with market expectations for a public-sector tenant making a significant long-term investment in a leased facility. Under this proposal, DMV is funding 100 percent of the tenant improvements at its own expense, making a longer lease term appropriate to allow the State sufficient time to realize the value of that investment. In addition, the lease requires the tenant to pay 100 percent of its proportionate share of operating expenses, bringing the lease structure in line with current commercial leasing practices and ensuring the Port is appropriately reimbursed for the costs associated with operating and maintaining the property

- How does the proposed rental rate compare with current market rates for comparable properties?

The proposed rental rate is consistent with current market rates for comparable public-sector office space, while recognizing the unique structure of this transaction. Unlike many commercial leases, the State is funding 100 percent of the tenant improvements necessary to renovate and occupy the space at its own expense. As a result, the rental rate reflects a balanced allocation of investment between the parties—providing the Port with a market-based return while recognizing the significant upfront capital commitment being made by the tenant. Additionally, the tenant is responsible for paying 100 percent of its proportionate share of operating expenses, ensuring the Port is fully reimbursed for the ongoing costs of operating and maintaining the property.

- What tenant improvement obligations, if any, will be borne by the Port?

Under the proposed lease, the Port has no obligation to fund tenant improvements. For the first time since DMV became a tenant at this location, the proposed lease structure would result in the building operating as a positive revenue-producing asset rather than at a financial loss. The State is responsible for funding 100 percent of the tenant improvements necessary to renovate the space, while also paying 100 percent of its proportionate share of operating expenses. This significantly reduces the Port's financial exposure while preserving a long-term public-sector tenancy. As negotiations progress, the Commission may choose to consider alternative business terms if they are determined to be in the Port's best interest. For example, the Port could evaluate contributing toward a portion of the tenant improvement costs in exchange for a corresponding increase in rental income or other financial consideration. Any such proposal would be negotiated separately and would require Commission review and approval before becoming part of the lease.

- What was staff surprised to learn during this process?

One of the most valuable outcomes of this process has been gaining a clearer understanding of the State's willingness to modernize its long-standing lease relationship with the Port. Because the existing lease had been amended numerous times over more than two decades, there was an assumption that many of its historical provisions—including the Port's responsibility for significant building costs—were simply part of doing business with a state agency. Through these discussions, staff learned that the State was willing to negotiate a more contemporary lease structure that better reflects current market practices. This includes the State funding 100 percent of the tenant improvements and paying 100 percent of its proportionate share of operating expenses, resulting in a lease that is more financially sustainable for the Port while continuing to support an important public service.

- How does staff feel about current plans to develop Marina East / West /

Staff remains optimistic about the opportunity to thoughtfully develop Marina East and West and believes these properties represent one of the Port's most significant long-term real estate assets.

Their location, waterfront setting, and development potential provide a unique opportunity to generate long-term economic and financial value for the Port and the community.

At the same time, staff believes it is important to carefully evaluate both the timing and the approach to redevelopment. The Port benefits from existing long-term tenants that provide stable revenue and community value, and those benefits must be weighed alongside the financial opportunities that redevelopment may present. The decision is not simply whether to develop, but when development creates the greatest long-term value for the Port. Staff's role is to provide the Commission with the information necessary to evaluate all available options and ensure that any future decision reflects a thoughtful balance between current operational stability, community benefit, and maximizing the long-term value of these unique waterfront properties.

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