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Date: November 17, 2026

From: Commissioner Kathryn Thomas & Port Staff

RE: Commissioner Questions & Staff Responses – Fall Planning Work Session

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1. Fall Planning Session Questions - KG

- Which Port operations are financially sustainable today, and which are not?

General Fund Net Operating Income Comparison

Department	FY26 Final NOI	FY27 Budget NOI	FY27 Q1 Actual NOI
Industrial Properties	+$454,748	+$709,293	+$33,369
Commercial Buildings	−$186,463	−$118,312	+$1,563
Airport	−$344,442	−$174,279	−$9,938
Marina Basin	−$158,697	−$225,303	+$122,470
Waterfront Recreation	−$628,786	−$522,616	−$59,698
Parking	+$234,094	+$132,317	+$99,438
Total General Fund	**−$629,546**	**−$198,900**	**+$187,204**

Sources: Fall Planning packet, p. 14 (FY26 final departmental NOI), p. 24 (FY27 adopted budget and first-quarter actual NOI). Figures are from the NET INCOME — Operating row. The FY26 departmental figures should be checked against p. 14 before publication. The FY26 General Fund Q1 NOI was +187,204, though it would not be correct to assume that those numbers carried through the entire fiscal year.

- What projects are truly priorities versus projects we would simply like to accomplish?
    - Where should we be willing to say **not yet** if the funding or financial return is not there?

I believe the Port needs to distinguish between projects that are essential to our operations and long-term financial sustainability and those we would simply like to accomplish. Our highest priorities should be protecting existing revenue, investing in opportunities that generate new recurring income, and maintaining the facilities and services we are responsible for providing. Projects such as the 2nd Street/Riverside Roundabout, Marina East/West redevelopment (if there is a market rate agreement possible), the pFriem expansion, and additional airport ground-lease opportunities have the potential to improve the Port's financial position over time. At the same time, we need to recognize that some facilities, such as the Marina Basin and waterfront recreation areas, provide important public benefits even if they operate at a deficit. Where I think we need to be willing to say "not yet" is on projects requiring substantial capital investment without adequate funding or a demonstrated financial return. Major improvements to the Jensen

and Big 7 buildings, expansion of marina docks, First Street Realignment, and additional waterfront recreation improvements are examples where we should carefully evaluate costs, alternatives, and available outside funding before proceeding. This doesn't mean abandoning those projects, but rather being disciplined about when and how we pursue them. Ultimately, the Port's revenue-producing assets need to generate sufficient income not only to sustain themselves but also to help support the governmental and recreational services we provide to the community.

- What decisions do staff actually need from the Commission at this planning session?
    - What direction can wait until we have better information?

I believe the most important direction staff needs from the Commission at Fall Planning concerns the future use of Marina East, Marina West, and Wasco II. These properties are central to accommodating the bridge replacement project while positioning the Port to generate positive net operating income over the medium term. We need to establish a preferred approach that preserves flexibility, particularly if the Marina East/West redevelopment negotiations do not result in an acceptable agreement. Another priority is ensuring the Commission understands the municipal funding tools potentially available to support the 2nd Street/Riverside Roundabout and other waterfront infrastructure improvements. The Key Development agreement also warrants discussion because it involves an existing contractual obligation and requires timely Commission direction. Finally, the airport policy discussions regarding ground-lease rates and hangar ownership at lease expiration are important because those decisions will shape the airport's long-term financial sustainability. These are the areas where I believe staff has sufficient information to obtain meaningful direction at this planning session, and they align directly with the Commission's guidance over the past several years to improve the Port's financial sustainability. Other projects, particularly those requiring significant capital investment without identified funding or a demonstrated financial return, can wait until we have better information. The objective should be to leave Fall Planning with clear direction on these key issues rather than trying to make decisions on every project in the work plan.

- Are the decisions we are making today leaving the Port financially stronger and more flexible after bridge replacement? *Yes. In fact, that has been the Commission's primary direction to staff for several years. With bridge toll revenue no longer available to subsidize waterfront and airport operations following bridge replacement, the Port needs to become more financially self-sustaining. Our focus has been on protecting existing revenue, developing new sources of recurring income, reducing operating expenses where possible, and making more disciplined capital investment decisions. The projects and policy discussions at this planning session are intended to advance those objectives while preserving the Port's flexibility to respond to future opportunities and obligations. Ultimately, the goal is to ensure that the Port can continue providing important public services without relying on bridge toll revenue to support them.*

2. **Strategic Business Plan / Prior Direction**
   Page 3 - Department Deficits / Property Proceeds-DSW
   - Can staff quantify the actual operating deficit for each department identified as operating at a deficit? *See below*
   - How much of each deficit is structural versus related to one-time expenses or timing? *See below*

- Are we establishing an expectation that proceeds should be reinvested into assets that generate a financial return? *See below*
    - If so, what financial standard or return are staff using when evaluating those investments?

  The Port already provides monthly financial reports showing operating revenues, expenses, and net operating income by department, along with quarterly reports by individual asset. These reports allow the Commission to see which operations are generating revenue and which require financial support. Some of those deficits are structural, particularly in areas such as waterfront recreation, where the Port provides public services that are not expected to be self-supporting. Others, such as the airport, may improve as additional revenue-producing facilities and ground leases are developed. With respect to property sale proceeds, I believe the expectation would be to reinvest those funds in assets or improvements that strengthen the Port's long-term financial position. We have not established a specific minimum rate of return, but staff evaluates investments based on anticipated net operating income, capital requirements, ongoing maintenance obligations, and their ability to contribute to the Port's financial sustainability. Our goal is to ensure that revenue-producing assets generate sufficient income to help support the public services the Port will continue providing after bridge replacement.

Page 6 - PERS-DSW

- The PERS side account is identified as completed in July 2025. Why are we continuing to see PERS-related amounts in the financials? *The PERS-related amounts are in the last fiscal year update. If there is any specific reference to PERS in the current fiscal year it is an error.*
- Can staff distinguish between the completed PERS buy-down and any ongoing PERS obligation? *Our PERS rate is lower by 5% due to the side account. PERS will amortize the account over 20 years. This saves us about $100k per year, but PERS is an on-going expense for the Port.*

Page 7 - Passport / Parking System-MC

- What did the investigation into Passport/ParkMobile ultimately show? *Use of Passport and ParkMobile during the 2026 parking season has resulted in lower operating (software) costs and improved overall program efficiency, including appeal processing efficiency and reduced front office staff time. Citation management and payment processing have also been smooth and efficient, and Port staff feels the operational improvements have justified the change and that anticipated savings are being realized. When comparing 2025 to 2026, expenses are reduced and revenue has increased, resulting in positive net growth for parking revenue as compared to last year.*
- Now that the system has been operating for a season, are we realizing the anticipated savings? *See above*
- Are we also seeing the operational improvements that justified the changes? *See above*

3. **Financials**

Page 11 - FY25-26 Financials-DSW

- What does "within our legally appropriated budget" mean in practical terms for the Commission? *Each year the Commissioners adopt a resolution that sets a budget by fund, and that is called "legal appropriations". Within each fund, the expenditures are split between personnel services,*

materials and services, capital outlay, special, and contingency (note that not all categories are in every fund). The financial report presented to the Commissioners each month is formatted to show the legal appropriations. However the report also shows more detail for management purposes.

- What was the actual legal appropriation and how much capacity remained at year-end? *The first page of the monthly financial report shows those categories for each fund. As long as expenditures do not exceed budget we are within our legally appropriated budget.*
- The General Fund shows an operating loss of approximately $630,000. How much is structural versus timing, one-time expenses, or costs we expect to recover? *The operating budget is structural. One-time revenues and expenditures are reported as non-operating. Normally costs we expect to recover would be offset by recording the expected revenue at the same time.*
- What is the expected financial impact from improving tenant reimbursements under the triple-net leases? *Improving tenant reimbursements will provide higher net operating income.*
- What specifically needs to change for the General Fund to become financially sustainable (as opposed to relying on bridge revenue)? *We need to increase our revenue-producing assets (like our industrial properties and parking), make sure our tenants are covering the triple-net expenses they are supposed to be covering, and reduce operating expenses when possible.*

Pages 13-14 - Financial Notes and Assumptions-DSW/MC

- This was the final transfer from the Bridge Fund to the General Fund. What does the General Fund look like going forward without that revenue?
    - Are we projected to end this year at a deficit?

  Staff believes we will have a deficit, but for Net Operating Income and Net Non-operating Income. With only one quarter of data it is difficult to know the full picture. At September 30, 2026 the Port had positive Net Operating Income, but some of the Port's operating income, such as Parking fees, are cyclical with the majority of the revenue coming in July, August, and September. When looking at Net Non-operating Income we will likely have a positive net income because of the sale of the Lower Hanel Mill property closing.
- Before committing additional money to the Foundation license plate program, what is:
    - Total anticipated startup cost? *The anticipated start up cost is $71,000, which includes the estimated production and marketing costs.*
    - Port contribution? *The $71,000 license plate stand up cost is currently included in the Port budget. The intent is for the Port to fund the program start up, with future revenue from the license plate program paying back the Port's contribution. All revenue beyond the Port's startup costs would remain with the Foundation.*
    - Expected revenue? *At least 3,000 license plate vouchers must be sold before DMV will initiate plate production. Selling 3,000 vouchers is equivalent to $120,000. Plate sales beyond the initial 3,000 return $35 per plate to the Foundation.*
    - Break-even point? *Based on current assumptions, the sale of approximately 5,000 license plates is anticipated to generate sufficient revenue to recover the Port's initial investment in program development and implementation.*

- Financial risk to the Port? *The Port's financial risk is the $71,000 startup cost.*
- Community Requirement to keep the program running so the Port sees a financial impact? *The program requires sustained community interest and marketing by the Foundation. A minimum of 2,000 plates must be issued annually to maintain production. Additional recurring revenue is generated through license plate renewals, which generally occur every two years.*
- Why are we fronting the license plate investment rather than the Foundation funding its own program development? *The Port's initial investment in the license plate program stems from prior Commission direction, dating back to the November 19, 2024 Fall Planning Work Session. The intent was to provide the newly established Foundation with startup funding to develop a sustainable, independent revenue source that would support waterfront programs and reduce reliance on direct Port funding over time. (Kg- This was originally one of many new revenue generators to diversify off toll revenues. There were several other ideas that didn't make the cut.)*
- What is the direct community or Port benefit expected from that investment? *The benefit is funding for waterfront safety and access programs.*

- Why was only approximately 41% of the budgeted non-operating revenue realized? *Assuming this is in the Industrial Properties Dept., it was due to roundabout grants not materializing.*
- Was the unrealized revenue deferred, lost, or based on assumptions that changed? *It was based on an assumption that changed.*
- Are there other significant budget assumptions that did not materialize that the Commission should understand? *The other big budget assumptions were that we would sell Big 7, and that we would close on the Lower Hanel Mill property. The decision to sell Big 7 changed, and the Lower Hanel Mill Property will close in fiscal year 2026-27.*

Page 18 - Waterfront Recreation-MC/DSW

- Waterfront Recreation is operating at a significant loss. Is this level of subsidy sustainable? *The subsidy will need to be covered by surpluses in other categories, such as industrial properties and parking.*
  - How much of the deficit does staff believe can realistically be reduced? *Staff believes our other assets can be improved to cover the deficit. The only alternative is to reduce the level of service on our waterfront property.*
  - What is driving the largest portion of the deficit? *Maintenance is the biggest cost, both internal and contractual.*
- What should our financial target for Waterfront Recreation be over the next three to five years? *Staff believes assets can be improved to make sufficient net operating income to cover the Waterfront Recreation deficit in five years.*

4. **Waterfront Transportation / Roundabout**
   Pages 37-38 - Overall Funding-MC

- If none of the pending funding comes through, what is our Plan B? *The local funding and financing mechanisms identified in the FCS analysis (in the Fall Planning packet) are intended to be part of the contingency plan, should the pending funding requests not materialize. Any additional commitment of Port funds would require Commission approval.*
    - At what point does staff recommend we pause, resize, phase, or reconsider the project? *Staff recommends continuing to advance Phase I since the investments are critical to unlocking future development and revenue-generating opportunities for the Port. Staff will continue to advance Phase I through final design with existing, secured funding. Phase II is generally paused at this time until funding is identified to advance planning and design.*
- Before the Port makes a larger direct contribution or assumes debt, what is the maximum financial exposure staff believes is reasonable? *Staff does not have a recommended maximum financial exposure at this time and welcomes Commission feedback. The intent of the preliminary funding analysis is to identify opportunities to address the remaining funding gap while minimizing the impact to the Port's overall financial position.*
- What would staff recommend the Commission establish as financial guardrails? *Staff would recommend the Commission consider the available and minimum cash reserve requirements, maximum annual debt service obligation if financing is pursued, preservation of financial capacity to advance other projects, conservative assumptions regarding future development revenue generation, and a fully-funded construction plan prior to awarding a construction contract.*

Page 42 - BUILD / Grant Strategy-MC

- Why would we not pursue every viable funding opportunity available to us? *Staff does recommend pursuing all viable funding opportunities, yet evaluating each based on the likelihood of success, application and administration requirements, matching fund requirements and compatibility with existing committed funding.*
- Any concerns with applying for funding when it comes to being combined or stacked? *See below*
- If pursuing BUILD threatens the EDA funding already secured, can staff explain exactly how and why? *The Port secured $1.9M in EDA grant funding, with a $1.7M local match. However, since the original grant award, the project scope and cost have changed. EDA has indicated that both the original matching funds and the additional funds needed to cover the project cost must comply with EDA's matching fund requirements, which prohibit the use of other federal funding sources in this instance. Staff explored opportunities to divide the project into independent subprojects, with EDA and its required non-federal match funding one subproject. To date, however, the project team has not identified a feasible approach that would allow the EDA-funded portion to be delivered independently while still satisfying the project's purpose and need. Given the integrated nature of roundabout construction, this remains a significant challenge to leveraging both funding sources.*

Page 43 - Funding Gaps-MC

- The Phase I funding gap ranges from approximately $559,000 to $2.6 million. What variables are responsible for such a large range? *This range is based on pending funding requests, including the $1M Congressionally-Directed Spending request and the $1M Waterfront Urban Renewal closeout*

funding request. The lower end of the range assumes both requests are awarded. The higher end of the range assumes neither are awarded.

  - When will we know the actual Phase I funding gap? *The Congressionally-Directed Spending request timing is still unknown. The City is creating the process for the Waterfront Urban Renewal closeout funding, and more timing certainty should be available later this year.*

- Phase II has approximately a $10 million funding gap. What is the realistic strategy for closing it? *The $10M includes the total project cost, from initiating design through construction completion. The most realistic pathway to close the funding gap would be to first fund design, to determine the project elements and their associated construction costs. This would increase project competitiveness for future grants and would assist in developing a more realistic cost estimate.*

- At what point do we decide whether Phase II is financially achievable before continuing to invest in planning? *Phase II is generally paused at this time until additional planning funding is identified. Staff recommends an incremental approach to advancing the project (see above). Advancing planning and design does not commit the Port to construction, but is necessary to position the project for future funding opportunities.*

- Are there decision points we should establish now so we are not continually investing without a viable funding strategy? *For Phase II, yes. Staff recommends establishing key decision points aligned with major project development milestones, including: 1) prior to initiating planning and preliminary design, 2) prior to advancing final design and permitting, and 3) prior to proceeding with construction procurement and contract award. At each decision point, staff would evaluate updated project costs and available and anticipated funding.*

5. **Economic Development Assumptions**
   Pages 53-54 - Jobs / Development-KG

- Are we saying the roundabout itself generates 385 permanent jobs, or are those jobs dependent upon future private development? *No. The roundabout itself would not generate 385 permanent jobs. That figure represents the estimated employment that could be accommodated through future private development of Lot 1, the Maritime Lot, Nichols Lot, and the Barman property. The roundabout is an important infrastructure improvement needed to support those development opportunities. The 385 jobs are based on assumed future land uses and development densities, so they should be viewed as potential employment at full buildout, not guaranteed job creation. The purpose of including this estimate is to demonstrate the economic development opportunities that could be unlocked by the transportation improvements.*

- Can staff walk us through the assumptions supporting the 385-job projection?

  - How many of those jobs depend upon redevelopment that has not yet been committed?

The 385-job estimate represents potential employment associated with future redevelopment of four waterfront properties, rather than jobs directly created by the roundabout. These are planning projections based on assumed development scenarios, not committed jobs. Todd Chase will be attending Fall Planning to walk the Commission through the underlying assumptions, methodology, and economic development projections, and to answer questions about how the estimates were developed.

- What level of private development must actually occur for those projections to be realized? *The 385-job projection assumes full redevelopment of the four identified waterfront properties, representing approximately 300,000 square feet of new industrial, commercial, and hotel space. The actual number of jobs will depend on the extent, timing, and type of private development that ultimately occurs. Todd Chase will be available at Fall Planning to explain the development assumptions and how they translate into the employment projections.*

- What happens to the financial justification if development occurs:
    - More slowly?
    - At a smaller scale?
    - In a different form?
    - Or not at all?

  The economic development projections are based on an assumed level of future private investment, so the timing, scale, and type of development will certainly affect the ultimate benefits. If development takes longer or occurs at a smaller scale, those benefits will be delayed or reduced. However, the roundabout is also an important transportation improvement needed to address existing access and circulation constraints and make these waterfront properties more viable for development. Our objective is to secure as much outside funding as possible so the Port is not relying solely on future development revenues to justify the investment. Todd Chase will be available to discuss how different development scenarios affect the financial analysis and economic development assumptions.

- How much confidence should the Commission place in these projections when making today's funding decisions? *I believe the Commission should view these projections as reasonable planning estimates that demonstrate the potential economic development benefits of the transportation improvements, rather than guaranteed outcomes. The roundabout is an important infrastructure investment that addresses transportation constraints and creates opportunities for future development of Port-owned properties. Our funding strategy is intended to maximize outside funding and minimize the Port's financial exposure, recognizing that private development may occur over an extended period and at a different scale than currently projected. Todd Chase will be available to explain the methodology, assumptions, and limitations of the projections so the Commission can consider them appropriately when evaluating funding options.*

6. **Debt / Financing-DSW**
   Page 55
   - What are the risks to the Port if we take on debt for these projects? *At this point significantly more research will need to be conducted to answer this question.*
       - What revenues would actually secure repayment? *Revenue/financing options are presented on the two pages following the initial suggestion of issuing debt. There are numerous pluses and minuses for each of the suggestions in the table. Most of the suggestions would require buy-in from outside sources.*

- What happens if anticipated development does not materialize? *Regardless of development, the roundabout will still provide public benefit by improving safety, circulation, freight access, and bike and pedestrian connections, while also proactively addressing the functionality of the I-84 interchange. If there is no future waterfront development, the anticipated economic and financial returns may not be fully realized and financial obligations would need to be met without solely relying on future development. Staff consider this risk to be relatively low; the uncertainty is the timing and scale of future development.*

- What happens if SDC revenue, parking revenue, or partner contributions fall short? *This partly relies on the type of debt issued, but generally the Port would need to use other resources to pay the debt (we generally would issue "full faith and credit" debt to get the best interest rate, which means any Port revenue that can legally be used to pay back the debt would have to be used).*
- How would taking on this debt affect our ability to finance other Port priorities? *Rating agencies and debt issuers look at overall debt loads before they are willing to recommend additional borrowings. At some point it would affect the ability to borrow money for additional projects.*
- How does the debt affect us once bridge revenues change? *This will not affect us as we cannot guarantee debt with bridge tolls any longer (unless the debt is for a bridge project).*
- What is the maximum debt level staff believes the Port can prudently carry? *It would depend on repayment sources. Currently the General Fund is in an operating deficit, so would not recommend any additional debt until additional funding sources become available.*
- What financial conditions would cause staff to recommend that we **not** take on the debt? *See above.*

7. **Parking Program-MC**
   Pages 67-70
   - We issued 2,534 citations and had 531 appeals, with 325 appeals accepted. Why are we accepting such a high percentage of appeals? *Nearly 50% of accepted appeals were related to customer error, primarily not displaying annual passes or errors when entering license plate information. These appeals were generally accepted as a one-time courtesy when customers were able to provide proof of payment or pass purchase. While approximately 61% of appeals were accepted, accepted appeals represent approximately 13% of all citations issued.*
   - Does that indicate a problem with:
     - Signage?
     - Enforcement?
     - The pass system?
     - License-plate entry/Staff Attention to Detail?
     - Customer understanding?

     The appeal data does not necessarily indicate a systemic issue with signage or enforcement, but it does highlight opportunities to improve customer compliance (e.g., failure to display annual pass

and license plate entry errors). Physical pass display requirements have contributed to citation appeal acceptance. Transitioning to an electronic pass system would eliminate some of these steps and reduce opportunities for customer error.

- Which problems will an electronic pass system actually solve? *An electronic pass system would reduce administrative time spent processing appeals, as nearly 25% of accepted appeals are related to improper display of parking passes. It would also reduce front office staff time spent processing pass purchases and eliminate the need to design, print, and mail physical passes. It also would streamline enforcement, as staff can use the same license plate verification approach for all vehicles instead of having to look at each vehicle dashboard for potentially displayed passes as well.*
- How many of the citations issued remain unpaid? *As of November 15, 2026, 1,001 of the 2,534 citations issued in 2026 remained unpaid.*
- What is our collection process for unpaid citations? *Delinquent violation notices are sent 30, 60, and 90 days after the payment deadline. The Port does not currently use a collections agency for unpaid parking citations but is exploring options for adding a collections process for the parking program.*
- Before approving another annual software fee and per-pass fee, what is the **net financial benefit** of the electronic system? *The anticipated financial benefits of an electronic pass system are associated with operational efficiencies, including reduced staff time for pass issuance and distribution, physical pass production costs, enforcement activities and appeal processing. These savings would offset, at least in part, the annual software fee.*
- Are we evaluating this based on convenience alone, or does it provide a measurable financial benefit to the Port? *The electronic system provides both operational and financial benefits. While the exact dollar savings are difficult to quantify, the system reduces costs associated with printing and mailing physical passes, as well as staff time spent processing pass purchases, managing pass-related appeals, and administering citations resulting from improper pass display.*

8. Commemorative Donations
Pages 75-83-MC

- Once a bench is donated and becomes Port property, who is responsible for maintaining it? *The Port is responsible for maintenance of donated benches, with maintenance performed at the Port's discretion.*
- Who pays when a bench needs to be repaired or replaced? *Any necessary repairs would be the Port's responsibility, subject to staff discretion and available resources. To our knowledge, significant repairs or replacement of donated benches have not historically been necessary.*
- Are we creating a long-term Port liability every time we accept a commemorative bench? *Each bench introduces an operations and maintenance need for the Port.*
- Should the policy establish an expected useful life for donated benches? *The Port could consider establishing an expected useful life for donated benches; however, a specific timeframe may be unnecessarily restrictive. Staff recommends retaining discretion to determine when a bench has*

reached the end of its useful life based on its condition, maintenance needs, and operational considerations.

  - What happens when a bench reaches the end of that useful life? *Maintenance of donated items is at the discretion of the Port. The Port may remove the bench when it reaches the end of its useful life, consistent with the existing donation policy.*

- If the Port redevelops an area, what obligation do we have to:
  - Relocate the bench? *The Port reserves the right to move or remove the item at any time. There is no obligation to relocate the bench.*

    Replace it? *The Port is not obligated to replace donated items.*
  - Store it? *The Port is not obligated to store donated items if they are removed.*
  - Notify the donor or family? *The policy does not require notification to the donor family if an item is moved or removed.*

- Should redevelopment and future Port operational needs explicitly take precedence over a donor's requested location? *Yes. The Port's future operational needs and redevelopment plans take precedence over a donor's requested location. Port staff communicates this to donors during the donation process.*

9. Key Development Agreement-AR
Pages 85-86

- If we extend the development deadline to 2030, does that prevent or restrict the Port from pursuing another opportunity? *The proposed extension would not prevent the Port from pursuing other opportunities. It would preserve the Port's repurchase right on this property through 2030 while allowing the developer additional time to proceed. Any alternative opportunity involving this particular parcel would remain subject to the agreement and the developer's ownership.*

- What meaningful public benefit are we preserving by extending the agreement? *The public benefit is preserving the Port's ability to influence the future of strategically important waterfront property and support its highest and best use. If the developer does not move forward, the Port would retain the opportunity to reacquire the property under the agreement's terms. Given economic uncertainty, preserving that option has value even if purchasing the property today does not make financial or strategic sense.*

- What does the Port give up in exchange for another three years? *The Port would defer its opportunity to pursue repurchase based on the current development deadline and accept additional time without completed development. That is a meaningful tradeoff. However, the extension would preserve the repurchase right through 2030, when the Port could reevaluate development progress, market conditions, and its own priorities.*

- Is the developer giving the Port anything additional in return for the extension? *No payment or other consideration is currently proposed. The developer would receive additional time to continue its existing development path. The value to the Port is retaining its repurchase right without having to pursue a purchase now or relinquish that protection.*

- Would a shorter extension with clearly defined milestones give the Port greater flexibility? *A shorter extension would bring the decision back to the Commission sooner and provide an earlier opportunity to reassess progress. That could offer greater flexibility, although it may provide less certainty for a development process already affected by difficult market conditions.*
- Should an extension include performance or development milestones? *Yes, clearly defined expectations would help demonstrate that the additional time serves a public purpose. These could include periodic progress reports, an updated development schedule, and documented progress toward permitting, financing, or construction. Reporting requirements would provide accountability; any enforceable performance milestones would also need clearly defined consequences in the amended agreement.*
- At what point do we determine that the original public purpose has been satisfied? *That determination should be tied to the original objectives of the sale and the obligations established in the agreement. Staff's position is that the passage of time alone does not demonstrate that the public purpose has been fulfilled. The Commission should consider whether the intended development and economic benefits have been delivered and whether the Port's continued involvement still protects a meaningful public interest.*
- *Is there a point where continued Port involvement is no longer providing sufficient public benefit? Yes. Continued involvement should be evaluated against the practical value of the rights the Port retains, the likelihood of development, and the Port's willingness and ability to exercise its repurchase option. At this point, staff believes preserving that option remains valuable because waterfront property is a limited and strategically important asset. Extending the agreement would allow the Port to remain involved through changing market conditions, hold the developer accountable, and reevaluate in 2030 without committing to a purchase today.*

10. Port Property Portfolio

Pages 88-96 - Indian Creek Trail-KG

- The inventory continues to identify three Indian Creek Trail parcels as Port property, but I thought the Port previously approved their transfer to the City. Where does that transfer currently stand?
    - Are these still legally Port-owned?

Both the City Council and Port Commission approved the transfer of the three Indian Creek Trail parcels in September 2026. The transfer is now in the final stages of processing through AmeriTitle, including title review and preparation for recording. The City requested additional title assurances regarding potential liens or encumbrances, which has added some time to the process. Until the deed is executed and the conveyance is completed, the parcels remain in the Port's property inventory. Once the transfer is finalized, staff will remove them from the inventory.

Page 91 - Washington Bridge Parcel-KG

- What exactly does the Port own in Washington?
    - Why do we own this parcel?
    - What is its current purpose?
- Why have the boundary and acreage not yet been verified?

The Port owns approximately one-half acre in Klickitat County where the existing Hood River–White Salmon Bridge approach enters Washington State. The property is part of the existing bridge infrastructure and serves the bridge's transportation function. The parcel's boundaries and acreage are available through Klickitat County GIS. They were not included in the property atlas because the mapping exercise relied on Oregon county GIS data. This is simply an inventory mapping omission that can be corrected in a future update.

11. Artificial Intelligence Policy-KG

Pages 99-102

- I am comfortable with AI being used as an efficiency tool, but where are we drawing the line between assistance and substantive research or analysis? *I don't believe we should prohibit AI from assisting with substantive research or analysis. In fact, those are some of its most valuable applications. The distinction should be that AI can help staff gather information, evaluate alternatives, identify issues, and develop preliminary recommendations, but it cannot replace independent verification, professional judgment, or staff accountability. If AI assists with a financial analysis, legal research, or policy recommendation, the responsible employee must understand the analysis, verify the underlying information, and be prepared to explain and defend the conclusions. I personally use AI to help organize my thoughts, develop questions, and better understand technical issues before meeting with consultants or contractors. This allows me to make more productive use of their time and expertise, not replace it. I think our policy should encourage these types of applications while establishing clear expectations for accuracy, accountability, and appropriate human oversight. I don't believe we should prohibit AI from assisting with substantive research or analysis. In fact, those are some of its most valuable applications. The distinction should be that AI can help staff gather information, evaluate alternatives, identify issues, and develop preliminary recommendations, but it cannot replace independent verification, professional judgment, or staff accountability.*

- If AI is used to conduct research supporting a Commission decision, what independent verification is required?
    - Should our policy explicitly require AI-generated research and citations to be verified against primary or authoritative sources?
    - Should AI be used to develop actual recommendations to the Commission?

AI should never be the sole source of information supporting a Commission decision. Those decisions should be informed by the experience, analysis, and recommendations of qualified staff and technical professionals, including the consultants and contractors we retain for their specialized expertise. Using AI in place of those professionals, particularly for engineering, legal, financial, or other technical matters, would create unacceptable risks and is not something staff should be authorized to do independently. Regarding transparency, I also think we need to be practical. Requiring staff to identify or cite every instance of AI assistance could become another administrative burden without necessarily improving accountability. I would favor a broader disclosure on Commission agendas and the Port's website acknowledging that AI tools may be used to assist with research, analysis, and document preparation, while making clear that staff remain responsible for the accuracy and substance of the information presented. More specific disclosure could be appropriate when AI plays a significant role in developing substantive findings

or recommendations. Ultimately, I believe our policy should encourage responsible use of AI while establishing clear boundaries around professional expertise, verification, transparency, and accountability.

- There is a difference between AI helping staff organize information and AI recommending a course of action. Should the policy distinguish between those uses? *AI can assist staff with organizing information, evaluating alternatives, and suggesting potential courses of action, but its recommendations must be independently evaluated and verified by staff or qualified professionals. AI should never be used to make decisions unilaterally or replace the professional judgment and accountability of those responsible for Port decisions.*
- Recommendations should ultimately reflect staff's professional knowledge, experience, and judgment. How will the policy preserve that responsibility?
    - Who is accountable when AI-assisted work contains inaccurate information?

  The author of a staff report and the Executive Director are ultimately accountable for the accuracy, integrity, and reliability of information presented to the Commission, regardless of whether AI was used in its preparation. AI does not diminish that responsibility or excuse inaccurate, misleading, or deceptive information.

- Should the policy clearly establish that the staff member responsible for the work product remains accountable for:
    - Accuracy?
    - Research?
    - Analysis?
    - Recommendations?

  I don't believe that level of detail is necessary. Our existing expectations for staff accountability already apply to all work products, regardless of whether AI was used in their preparation.

- How are we addressing public records and retention requirements for AI prompts and outputs? *The draft policy recognizes that AI prompts and outputs related to Port business may constitute public records and must be retained in accordance with applicable Oregon law and the Port's records retention requirements. We will need to develop practical guidance for employees on what must be retained and how, recognizing that not every interaction with AI necessarily constitutes a record requiring preservation.*

12. Airport Ground Leases-AR/JR
Pages 103-111

- Are all existing airport ground leases currently at market-supported rates? *No. Four of the five private ground leases are below the low end of comparable airports. Together they bring in $8,833 a year, an average of $0.20 per square foot. Most were written 20 or more years ago and have had few or no rent adjustments since. Only Ground Lease 3, rewritten in March 2025, is at $0.30 with CPI.*

Lease	*Tenant*	*Sq ft*	*Current annual rent*	*Current $/sq ft/yr*	*Annual rent at $0.45*
Ground Lease 1	*Unimax Aviation*	*3,000*	*$440.88*	*$0.15*	*$1,350*
Ground Lease 2	*Bottomley / Holzman / Rajotte*	*5,400*	*$530.65*	*$0.10*	*$2,430*
Ground Lease 3	*Holzman / Cochran*	*3,200*	*$960.00*	*$0.30*	*$1,440*
Ground Lease 4	*Hood Aero*	*3,000*	*$750.00*	*$0.25*	*$1,350*
Blue Hangar	*Russell Werner*	*29,420*	*$6,151.20*	*$0.21*	*$13,239*
Total		***44,020***	***$8,832.73***	***$0.20 avg***	***$19,809***

Current rents are the 2026 billing figures from Port real estate staff. I recommend the new rate take effect as each lease comes up for renewal.

  - Are the airports being used for comparison truly comparable to Ken Jernstedt Airfield? *The closest matches are McCall and Sandpoint, Idaho. Both are small, publicly owned airports serving resort communities, like 4S2. They charge $0.40 and $0.45 per square foot per year with CPI. Sisters and Sunriver would be better matches, but they are privately owned and do not publish rates. Priest Lake does not publish lot rates either, so Sandpoint, run by the same county, is the best stand-in. The Oregon figures come from the 2021 statewide rates survey and are likely somewhat low today. The one airport well above $0.45, Coos County, is a commercial service airport and not a fair comparison. Separately, Tor Bieker surveyed similar airports across the American West and reached the same conclusion: $0.45 is fair and comparable.*

  - Before establishing a long-term standard rate, should we obtain an independent market-rate analysis or appraisal? *Yes, I would support that. Our FAA grant assurances require aeronautical rates to be reasonable and non-aeronautical rates to be at fair market value. An independent appraisal or rate study is the strongest way to defend whatever rate we set, especially if a tenant challenges it. One option is to adopt $0.45 as an interim rate for renewals now, then confirm or adjust it once the appraisal is complete.*

- If a lease extension is offered because a tenant proposes approximately $200,000 in improvements: *Yes, any extension offered in exchange for private investment should include specific performance milestones. I recommend these terms for any tenant who proposes improvements, such as the roughly $200,000 in this item:*

  - What exactly qualifies as an improvement? *Permanent capital improvements to the leased premises that extend the building's useful life or add aeronautical capacity. Examples include a new roof, hangar door, structural repairs, insulation, utilities or added hangar space. Routine maintenance, repairs the tenant already owes under the lease, and personal property or equipment will not count.*

- By when must those improvements occur? *The tenant will submit plans for Port approval before work begins. Construction will start within 12 months and be complete within 24 months of signing the extension, unless the Port grants more time in writing.*
- How will the Port verify the investment? *Approved plans and permits, paid invoices and lien releases, and a final inspection by the Airport Manager, with a certificate of occupancy or final building permit sign-off where one applies. The extension will take effect only after completion is verified.*
- What happens if the improvements are not completed? *The extension will be void and the lease will return to its original expiration date. As an alternative, the Commission could shorten the extension in proportion to the dollars actually invested.*

- Before deciding that hangar reversion is financially preferable, should we complete condition assessments on the buildings? *Yes. If a building reverts, the Port takes it as it is, so roofs, doors and structure become our cost. Each building should be inspected well before its lease ends. The reversion figures in my memo are planning estimates, not final numbers.*

- Are we comfortable establishing a long-term reversion policy before we have verified: *I am not asking the Commission to commit to taking back any specific building today. Several key inputs are still unverified:*
  - Actual building square footage? *The memo uses leased land area, not building area. The actual buildings are smaller, especially the Blue Hangar on its 29,420 square feet of ground.*
  - Building condition?
  - Fair market rents? *The building rent used in the estimate is an assumption, not an appraised figure.*
  - Maintenance needs?
  - Capital improvement needs? *These are covered only by a 30% allowance for maintenance, insurance and vacancy, not by inspection.*
  - Remaining useful life? *Each lease has its own expiration and exit terms, which legal counsel needs to review.*

13. Key Performance Indicators-DSW
Pages 113-115

- Are we measuring activity, or are we measuring whether our work is actually effective? *We are looking at both. Activity can be useful to track over time, and it can show things like how we can be more efficient by implementing software or changing our processes. It can also show whether we are being more effective, such as getting fewer customer complaints.*

- For social media, should we track more than follower count?
  - Number and consistency of posts?
  - Engagement with posts?
  - Engagement growth?

- Reach?
- Public questions or comments requiring response?

All of these are good ideas. We will need to determine what we can track without significantly impacting staff (for example, tracking total number of followers is easy. Staff has not looked into the availability of statistics showing the ideas above).

- For emergency closures or operational disruptions, should we measure the time between identifying an issue and notifying the public? *That seems possible.*
  - Should we track response time for significant public inquiries? *That seems possible. We will need to define "significant".*
- Can we establish KPIs that tell the Commission whether transparency is actually improving rather than simply measuring how much content staff produces? *Staff isn't sure what that would look like, but if we are given specific things the Commission would like to see we can look for ways to track that information.*
- Should we track financial self-sustainability by department? *We do that to some extent already with the financial reports, but we are always open to ideas for how to improve on this.*
- Should KPIs show year-over-year progress toward reducing the amount of General Fund support required for each operation? *That is a goal of implementing this and then tracking these indicators over time.*

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