



Development Analysis (2018)- Existing Buildings

JENSEN - Development Analysis (2018)

Jensen is a highly functional warehouse building with long term tenants. It has 4 loading bays, 19-foot ceilings and support office along the river. In the current market this is a highly sought-after property type due to the above mix of amenities. The loading bays are especially rare in Hood River as is pass-through access from either side of the building via roll up door. Goods can easily move in and out.

Performance: The building has been fully occupied for many years. The lease rates remain below market (\$0.67/sf). The cash flow is negative (-\$18,000 10 yr ave) due to large capital investments anticipated and debt service. There may be turn-over of the largest tenant due to potential new inventory, should that occur, a long-term vacancy is unanticipated due to the type and location of this building and re-leasing is expected to happen quickly.

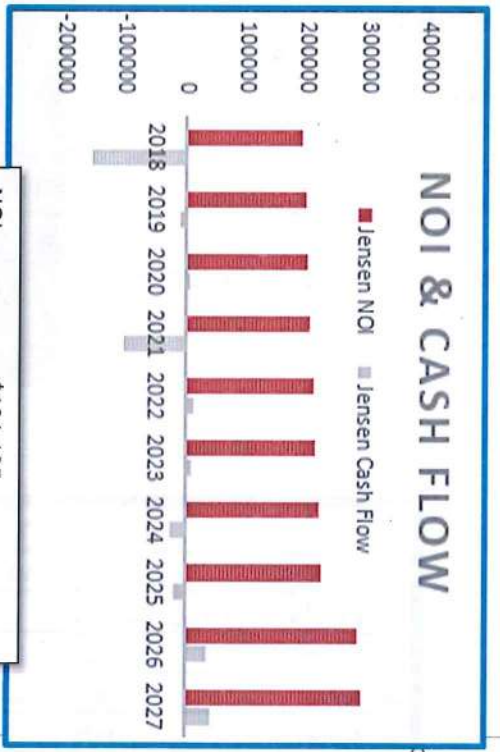
Improvements needed: The largest upcoming CIP is the roof. The skylights pose a continual leakage issue and the Port carries a replacement budget for the roof membrane and removal of the skylights. This project is anticipated to cost between \$200,000 to 300,000.

Address:	400 Portway Ave.
Property Size (acres):	3.5 acres
Building Age/Year Remodeled:	41 years old Built in 1977
Building Size (Square Feet):	55,518
Zone:	LI
Construction Type:	Concrete tilt up
Current Use:	Warehouse/Office



Tenant List					
Name	SF	blended rate	Monthly	Term	Renewals
Turtle Island Foods	30923	0.49	\$15,152.27	5/31/2019	5/31/2025
ServePro	5940	0.67	\$3,979.80	10/31/2019	
ServePro	3455	mezzanine not included in rent allocation			
Northwave	2042	0.99	\$2,347.00	10/31/2019	10/31/2021
RBS	10934	0.52	\$2,347.00	9/30/2020	
Big winds	Breezeway only		455	mo to mo	

Income Analysis		SF	rate/sf/mo	
	Vacancy/Credit loss	55230	\$ 0.44	\$291,324.00
	Reimbursable-utilities			\$88,300.00
	Reimbursable-Taxes			\$42,300.00
	Potential Gross income			\$421,924.00
	Reimbursible	Utilities		\$97,000.00
	not currently passed thru	Maintenance (fixed & misc)		\$20,000.00
	not currently passed thru	Taxes		\$44,000.00
	not currently passed thru	Insurance		\$5,900.00
	not currently passed thru	Professional Services		\$5,000.00
	Non-reimbursible	Salary Expense		\$61,100.00
		Reserves	NA	
	Effective Gross Income			\$233,000.00
	Net Operating Income			\$188,924.00
				55%



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Income										
Potential Gross Rent	\$298,607.100	\$306,072.28	\$313,724.08	\$321,567.19	\$329,606.37	\$337,846.53	\$346,292.69	\$354,950.01	\$363,823.76	\$372,919.35
Vacancy/Credit loss	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Reimbursible utilities	\$90,949.00	\$ 93,677.47	\$ 96,487.79	\$ 99,382.43	\$ 102,363.90	\$ 105,434.82	\$ 108,597.86	\$ 111,855.80		
Reimbursible Taxes	\$43,569.00	\$ 44,876.07	\$ 46,222.35	\$ 47,609.02	\$ 49,037.29	\$ 50,508.41	\$ 52,023.66	\$ 53,584.37		
Effective Gross Income	\$433,125.100	\$ 444,625.82	\$456,434.23	\$ 468,558.64	\$ 481,007.56	\$ 493,789.76	\$ 506,914.22	\$ 520,390.18	\$363,823.76	\$372,919.35
Utilities	\$99,910.00	\$ 102,907.30	\$105,994.52	\$ 109,174.35	\$ 112,449.59	\$ 115,823.07	\$ 119,297.76	\$ 122,876.70		
Maintenance	\$20,600.00	\$ 21,218.00	\$ 21,854.54	\$ 22,510.18	\$ 23,185.48	\$ 23,881.05	\$ 24,597.48	\$ 25,335.40		
Taxes	\$45,320.00	\$ 46,679.60	\$ 48,079.99	\$ 49,522.39	\$ 51,008.06	\$ 52,538.30	\$ 54,114.45	\$ 55,737.88		
Insurance	\$6,077.00	\$ 6,259.31	\$ 6,447.09	\$ 6,640.50	\$ 6,839.72	\$ 7,044.91	\$ 7,256.26	\$ 7,473.94		
Professional services	\$5,150.00	\$ 5,304.50	\$ 5,463.64	\$ 5,627.54	\$ 5,796.37	\$ 5,970.26	\$ 6,149.37	\$ 6,333.85		
Salary expenses	\$62,933.00	\$ 64,820.99	\$ 66,765.62	\$ 68,768.59	\$ 70,831.65	\$ 72,956.60	\$ 75,145.29	\$ 77,399.65	\$ 79,721.64	\$ 82,113.29
Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating Expenses	\$239,990.00	\$247,189.70	\$254,605.39	\$262,243.55	\$270,110.86	\$278,214.19	\$286,560.61	\$295,157.43	\$79,721.64	\$82,113.29
NOI	\$193,135.100	\$197,436.118	\$201,828.840	\$206,315.084	\$210,896.701	\$215,575.570	\$220,353.605	\$225,232.749	\$284,102.114	\$290,806.059
Less Debt Service	-145000	-145000	-145000	-145000	-145000	-145000	-145000	-145000	-145000	-145000
CIP budget	\$ (200,000.00)	\$ (60,000.00)	\$ (50,000.00)	\$ (160,000.00)	\$ (50,000.00)	\$ (60,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)
Cash Flow	-\$151,864.900	-\$7,563.883	\$6,828.840	-\$98,684.916	\$15,896.701	\$10,575.570	-\$24,646.395	-\$19,767.251	\$39,102.114	\$45,806.059



Development Analysis (2018)- Existing Buildings

HALYARD

The Halyard building is a modern and highly functional Flex building with 4 roll up doors, 27- foot ceilings and support office and retail. In the current market, this is a highly sought-after property type due to the mix of building amenities and the location. The building was originally designed for one tenant but was demised into four individual tenant spaces. However, Pfriem is now leasing the entire building and is utilizing it as one larger production space.

Performance: The building is fully occupied and has Pfriem Brewing, a notable Hood River Brewery, as a long-term tenant. The lease rate is at the low end of the market range (\$0.93/sf). Cash flow is good (\$107,000 10 yr ave).

Improvements needed: The HVAC system has been an issue with the brewing operations. Pfriem is undergoing a major improvement to the system (\$100,000) that is hoped to improve the functionality.

Address:	707 Portway Ave.
Property Size (acres):	1.28 acres
Building Age/Year Remodeled:	8 years old Built in 2010
Building Size (Square Feet):	19,848
Zone:	LI
Construction Type:	Concrete & metal frame
Current Use:	Flex



Tenant List				
Name	SF	blended rate	Term	Renewals
Pfriem	19540	0.93	1/31/2022	1/31/2029

Income Analysis	sf	rate/sf/mo	
Vacancy/Credit loss	19846	\$ 0.92	\$218,066.40
Reimbursable-utilities			\$128,000.00
Reimbursable-Taxes			\$57,400.00
Potential Gross income			\$403,466.40
Reimbursible	Utilities		\$133,000.00
not currently passed through	Maintenance (fixed &mi:		\$29,000.00
not currently passed through	Taxes		\$59,000.00
not currently passed through	Insurance		\$3,500.00
Non-reimbursible	Professional Services		\$3,000.00
	Salary Expense		\$63,900.00
	Reserves		
Effective Gross Income			\$291,400.00
Net Operating Income			\$112,066.40
		OEI	72%



NOI \$112,066
 Cap Rate 7
 Sales price \$1,600,948

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Income										
Potential Gross Rent	\$223,518,060	\$229,106,01	\$234,833.66	\$240,704.50	\$246,722.12	\$252,890.17	\$259,212.42	\$265,692.73	\$272,335.05	\$279,143.43
Vacancy/Credit loss	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Reimbursible utilities	\$131,840.00	\$ 135,795.20	\$139,869.06	\$144,065.13	\$ 148,387.08	\$ 152,838.69	\$ 157,423.85	\$ 162,146.57	\$167,010.97	\$172,021.30
Reimbursible Taxes	\$59,122.00	\$ 60,895.66	\$ 62,722.53	\$ 64,604.21	\$ 66,542.33	\$ 68,538.60	\$ 70,594.76	\$ 72,712.60	\$ 74,893.98	\$ 77,140.80
Effective Gross Income	\$414,480.060	\$ 425,796.87	\$437,425.25	\$449,373.84	\$ 461,651.53	\$ 474,267.46	\$ 487,231.04	\$ 500,551.91	\$514,240.00	\$528,305.52
Utilities	\$136,990.00	\$ 141,099.70	\$145,332.69	\$149,692.67	\$ 154,183.45	\$ 158,808.96	\$ 163,573.22	\$ 168,480.42	\$173,534.83	\$178,740.88
Maintenance	\$29,870.00	\$ 30,766.10	\$ 31,689.08	\$ 32,639.76	\$ 33,618.95	\$ 34,627.52	\$ 35,666.34	\$ 36,736.33	\$ 37,838.42	\$ 38,973.58
Taxes	\$60,770.00	\$ 62,593.10	\$ 64,470.89	\$ 66,405.02	\$ 68,397.17	\$ 70,449.09	\$ 72,562.56	\$ 74,739.43	\$ 76,981.62	\$ 79,291.07
Insurance	\$3,605.00	\$ 3,713.15	\$ 3,824.54	\$ 3,939.28	\$ 4,057.46	\$ 4,179.18	\$ 4,304.56	\$ 4,433.70	\$ 4,566.71	\$ 4,703.71
Professional services	\$3,090.00	\$ 3,182.70	\$ 3,278.18	\$ 3,376.53	\$ 3,477.82	\$ 3,582.16	\$ 3,689.62	\$ 3,800.31	\$ 3,914.32	\$ 4,031.75
Salary expenses	\$65,817.00	\$ 67,791.51	\$ 69,825.26	\$ 71,920.01	\$ 74,077.61	\$ 76,299.94	\$ 78,588.94	\$ 80,946.61	\$ 83,375.01	\$ 85,876.26
Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating Expenses	\$300,142.00	\$309,146.26	\$318,420.65	\$327,973.27	\$337,812.47	\$347,946.84	\$358,385.24	\$369,136.80	\$380,210.91	\$391,617.23
NOI	\$114,338,060	\$116,650,612	\$119,004,600	\$121,400,569	\$123,839,064	\$126,320,625	\$128,845,793	\$131,415,105	\$134,029,094	\$136,688,292
Less Debt Service										
CIP budget	\$ (25,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)
Cash Flow	\$89,338,060	\$106,650,612	\$109,004,600	\$111,400,569	\$113,839,064	\$51,320,625	\$118,845,793	\$121,415,105	\$124,029,094	\$126,688,292



Development Analysis 2018- Existing Buildings

Marina Park 1

Marina Park 1 (Chamber) is an office building that houses the Chamber of Commerce and four health and medical service businesses. It is comprised of two 2-story buildings connected via an internal lobby area. The building provides offices space for small, established businesses with walk-in traffic needs. The location and view are excellent and supplemented by abundant parking.

Performance: The lease rates are within market (\$1.27/SF/Mo on average) and the cash flow is small (ten year average of \$7,065). This property is fully occupied.

Improvements needed: The largest upcoming capital intensive project is the roof, which needs a small repair and is budgeted at \$15,000 for FY 2018/19. A major remodel was completed this year to three tenant spaces. The site is desirable for a variety of small, high traffic businesses.

Address:	700 E. Port Marina Dr.
Property Size (acres):	Part of the river parcel (193 acres)
Building Age/Year Remodeled:	45 years old Built in 1973
Building Size (Square Feet):	5,757 sf
Zone:	C2
Construction Type:	Wood Frame
Current Use:	Office



Tenant List				
Name	SF	Rate	Term	Renewals
Chamber of commerce	2627	\$1.04	12/31/2021	none
CR acupuncture	482	\$1.45	8/31/2022	8/31/2023
Aletta Wilson	313	\$1.35	8/31/2022	8/31/2023
Hearts of Gold	1400	\$1.26	8/31/2019	6/29/2023
Cookie Gilpatrick	197	\$1.25	8/31/2019	8/31/2021

Income Analysis	sf	rate/sf/mo	
Vacancy/Cre NA	5019	\$1.17	\$70,192.00
Reimbursabl NA			\$12,000.00
Reimbursabl NA			\$10,500.00
Potential Gross Income			\$92,692.00
Reimbursible	Utilities		\$14,000.00
not currently passed through	Maintenance (fixed & misc)		\$17,000.00
not currently passed through	Taxes		\$11,000.00
not currently passed through	Insurance		\$2,100.00
not currently passed through	Professional Services		\$2,000.00
Non-reimbursible	Salary Expense		\$37,400.00
	Reserves	NA	
Effective Gross Income			\$83,500.00
Net Operating Income			\$9,192.00
	OER		90%



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Income										
Potential Gross Rent	\$71,946,800	\$73,745,47	\$75,589,11	\$77,478,83	\$79,415,81	\$81,401,20	\$83,436.23	\$85,522.14	\$87,660.19	\$89,851.69
Vacancy/credit loss NA	NA	NA	NA	NA	NA	NA	-\$2,503.09	-\$2,565.66	-\$2,629.81	-\$2,695.55
Reimbursible utilities	\$12,360.00	\$12,730.80	\$13,112.72	\$13,506.11	\$13,911.29	\$14,328.63	NA			
Reimbursible Taxes	\$10,815.00	\$11,139.45	\$11,473.63	\$11,817.84	\$12,172.38	\$12,537.55	NA			
Effective Gross Income	\$95,121,800	\$97,615.72	\$100,175.46	\$102,802.78	\$105,499.47	\$108,267.38	\$80,933.14	\$82,956.47	\$85,030.38	\$87,156.14
Utilities	\$14,420.00	\$14,852.60	\$15,298.18	\$15,757.12	\$16,229.84	\$16,716.73	Fully Reimbursible			
Maintenance	\$17,510.00	\$18,035.30	\$18,576.36	\$19,133.65	\$19,707.66	\$20,298.89	Fully Reimbursible			
Taxes	\$11,330.00	\$11,669.90	\$12,020.00	\$12,380.60	\$12,752.01	\$13,134.58	Fully Reimbursible			
Insurance	\$2,163.00	\$2,227.89	\$2,294.73	\$2,363.57	\$2,434.48	\$2,507.51	Fully Reimbursible			
Professional services	\$2,060.00	\$2,121.80	\$2,185.45	\$2,251.02	\$2,318.55	\$2,388.10	Fully Reimbursible			
Salary expenses	\$38,522.00	\$39,677.66	\$40,867.99	\$42,094.03	\$43,356.85	\$44,657.56	\$45,997.28	\$47,377.20	\$48,798.52	\$50,262.47
Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating Expenses	\$86,005.00	\$88,585.15	\$91,242.70	\$93,979.99	\$96,799.39	\$99,703.37	(\$919.95)	(\$947.54)	(\$975.97)	(\$1,005.25)
NOI	\$9,116,800	\$9,030,570	\$8,932,760	\$8,822,797	\$8,700,087	\$8,564,010	\$8,564,010	\$8,564,010	\$8,564,010	\$8,564,010
Less Debt Service										
CIP budget	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cash Flow	(\$10,000.00)	(\$25,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$25,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)	(\$10,000.00)
	-\$883,200	-\$15,969,430	-\$1,067,240	-\$1,177,203	-\$1,299,913	-\$16,435,990	\$25,855,807	\$26,526,815	\$27,207,837	\$27,898,920



Development Analysis 2018- Existing Buildings

Marina Park 2

Marina Park 2 (DMV) is an office building that houses two businesses; a local branch of the Oregon Department of Motor Vehicles (DMV) and one other business. The building is one-story with a wrap-around deck. It provides offices space for small, established businesses with walk-in traffic needs. The location and view are excellent and supplemented by abundant parking.

Performance: The lease rates are within market (\$1.85/AF/Mo on average). However, the current cash flow is not great (\$198.00/10 yr. average). This is mostly due to a higher labor allocation. The property is currently fully occupied.

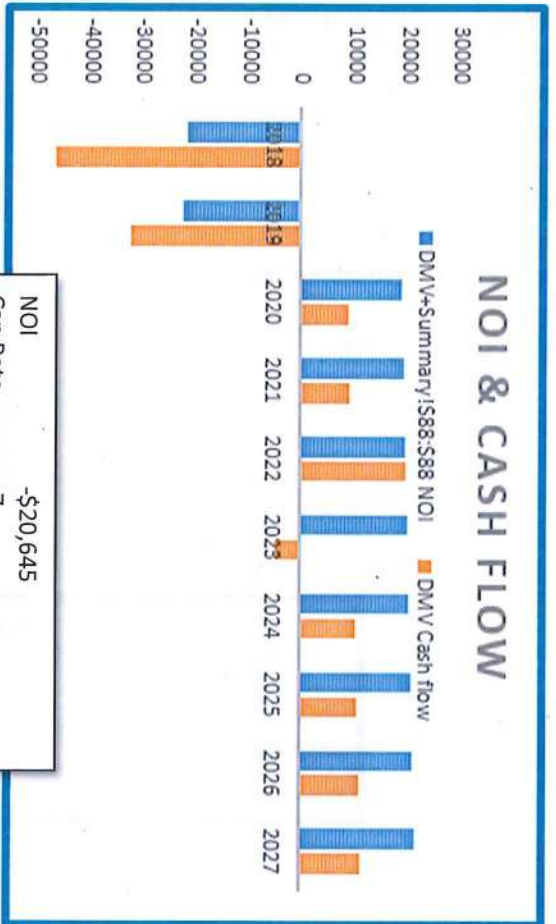
Improvements needed: The largest upcoming capital improvement is residing and painting which is budgeted this year for \$25,000. A major bathroom remodel was completed this year. The site is desirable for a variety of small, high traffic businesses and for future redevelopment.

Address:	600 E. Port Marina Dr.
Property Size (acres):	Part of the river parcel (193 acres)
Building Age/Year Remodeled:	45 years old Built in early 1970's
Building Size (Square Feet):	2,406 sf
Zone:	C2
Construction Type:	Wood Frame
Current Use:	Office



Tenant List				
Name	SF	blended rate	Term	Renewals
DMV	1200	2.07	12/31/2018	none
Walden For Congress	523	1.75	12/31/2018	none
Walden District Office	181	1.75	1/2/2019	none

Income Analysis		SF	rate/sf/mo	
		1904	\$ 1.95	\$44,555.00
	Vacancy/Credit loss			
	Reimbursable-utilities			
	Reimbursable-Taxes			
Potential Gross Income				\$44,555.00
Reimbursible	Utilities			\$8,000.00
not currently passed through	Maintenance (fixed)			\$27,000.00
	Taxes			\$2,000.00
not currently passed through	Insurance			\$1,000.00
not currently passed through	Professional Service			\$1,500.00
Non-reimbursible	Salary Expense			\$25,700.00
	Reserves			
Effective Gross Income				\$65,200.00
Net Operating Income				-\$20,645.00
				146%



Cash Flow Model											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Operating Income	\$45,668.875	\$46,810.60	\$47,980.86	\$49,180.38	\$50,409.89	\$51,670.14	\$52,961.89	\$54,285.94	\$55,643.09	\$57,034.17	
Potential Gross Rent	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Vacancy/Credit loss	\$0.00	\$0.00	-\$1,439.43	-\$1,475.41	-\$1,512.30	-\$1,550.10	-\$1,588.86	-\$1,628.58	-\$1,669.29	-\$1,711.03	
Reimbursible utilities	\$0.00	\$0.00	NA	NA	NA	NA	NA	NA	NA	NA	
Reimbursible Taxes	\$0.00	\$0.00	NA	NA	NA	NA	NA	NA	NA	NA	
Effective Gross Income	\$45,668.875	\$46,810.60	\$46,541.44	\$47,704.97	\$48,897.60	\$50,120.04	\$51,373.04	\$52,657.36	\$53,973.80	\$55,323.14	
Utilities	\$8,240.00	\$8,487.20	Fully reimbursible								
Maintenance	\$27,810.00	\$28,644.30	Fully reimbursible								
Taxes	\$2,060.00	2,121.80	Fully reimbursible								
Insurance	\$1,030.00	\$1,060.90	Fully reimbursible								
Professional services	\$1,545.00	1,591.35	Fully reimbursible								
Salary expenses	\$26,471.00	\$27,265.13	\$28,083.08	\$28,925.58	\$29,793.34	\$30,687.14	\$31,607.76	\$32,555.99	\$33,532.67	\$34,538.65	
Reserves	NA	NA	\$ (561.66)	\$ (578.51)	\$ (595.87)	\$ (613.74)	\$ (632.16)	\$ (651.12)	\$ (670.65)	\$ (690.77)	
Operating Expenses	\$67,156.00	\$69,170.68	\$27,521.42	\$28,347.06	\$29,197.48	\$30,073.40	\$30,975.60	\$31,904.87	\$32,862.02	\$33,847.88	
NOI	-\$21,487.125	-\$22,360.083	\$19,020.014	\$19,357.907	\$19,700.119	\$20,046.635	\$20,397.434	\$20,752.492	\$21,111.780	\$21,475.264	
Less Debt Service											
CIP budget	\$ (25,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (10,000.00)	
Cash Flow	-\$46,487.125	-\$32,360.083	\$9,020.014	\$9,357.907	\$9,700.119	-\$4,953.365	\$10,397.434	\$10,752.492	\$11,111.780	\$11,475.264	



Development Analysis (2018)- Existing Buildings

MARITIME

The Maritime building has been a very functional property. It is nearing the end of its useful life and the Port is undergoing a master planning process for the site. Site improvements are budgeted to begin in 2018/19 with a new building being constructed in 2020. The existing building will remain until at least 2021 at which time the site can be evaluated for redevelopment of that building as well. The existing building has one dock high door, 4 roll up doors and 12.5-foot ceilings, these building characteristics are generally out of line with modern industrial buildings. It has provided an essential and efficient warehouse space to waterfront businesses. The site provides easy semi-truck access and ample yard.

Performance: The vacancy rate remains at 0% for this building as it has for many years. The lease rates are at the low end of market (\$0.55/sf). Cash flow is excellent (\$112,000 5 yr ave).

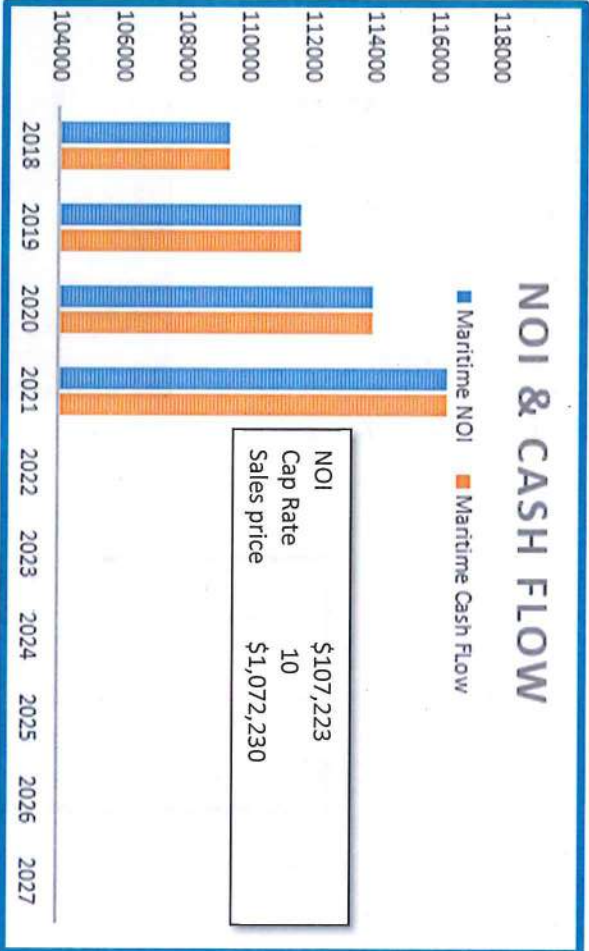
Improvements needed: HRD will be taking over the entire building in July of 2018. The Port will no longer maintain the major systems and the lease terminates as of June 30, 2021. The building skin and roof are failing as is most of the systems on the interior. The building will need to be demolished, potentially salvaged and redeveloped.

Address:	910 Portway Ave.
Property Size (acres):	4 acres
Building Age/Year Remodeled:	43 years old Built in 1975
Building Size (Square Feet):	38,500
Zone:	LI
Construction Type:	Metal
Current Use:	Warehouse



Tenant List				
Name	SF	blended rate	Term	Renewals
HRD	27700	0.43	9/30/2019	9/30/2021
Hitch Source	1421	0.75	6/30/2018	none
Pfriem Brewing	6200	0.57	6/30/2018	none
Elk Crossing	325	0.46	6/30/2018	none

Income Analysis	sf	rate/sf/mo	
Vacancy/Credit loss	36171	\$ 0.46	\$199,923.00
Reimbursable-utility			\$42,000.00
Reimbursable-Taxes			\$16,800.00
Potential Gross income			\$258,723.00
Reimbursible Utilities			\$67,000.00
not currently passed Maintenance (fixed &			\$20,000.00
Taxes			\$17,000.00
not currently passed Insurance			\$4,000.00
not currently passed Professional Services			\$5,000.00
Non-reimbursi Salary Expense			\$38,500.00
Reserves			
Effective Gross Income			\$151,500.00
Net Operating Income			\$107,223.00
		OER	59%



		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Cash Flow Model											
Operating Income											
Potential Gross Rent		\$204,921.075	\$210,044.10	\$215,295.20	\$220,677.58						
Vacancy/Credit loss	NA	NA	NA	NA	NA						
Reimbursible utilities		\$43,260.00	\$44,557.80	\$45,894.53	\$47,271.37						
Reimbursible Taxes		\$17,304.00	\$17,823.12	\$18,357.81	\$18,908.55						
Effective Gross income		\$265,485.075	\$272,425.02	\$279,547.55	\$286,857.50						
Utilities		\$69,010.00	\$71,080.30	\$73,212.71	\$75,409.09						
Maintenance		\$20,600.00	\$21,218.00	\$21,854.54	\$22,510.18						
Taxes		\$17,510.00	\$18,035.30	\$18,576.36	\$19,133.65						
Insurance		\$4,120.00	\$4,243.60	\$4,370.91	\$4,502.04						
Professional services		\$5,150.00	\$5,304.50	\$5,463.64	\$5,627.54						
Salary expenses		\$39,655.00	\$40,844.65	\$42,069.99	\$43,332.09						
Reserves	NA	NA	NA	NA	NA						
Operating expenses		\$156,045.00	\$160,726.35	\$165,548.14	\$170,514.58						
NOI		\$109,440.075	\$111,698.672	\$113,999.412	\$116,342.918						



Development Analysis (2018)- Existing Buildings

TIMBER INCUBATOR

Timber Incubator is a standard and functional warehouse building with 4 roll up doors, 1 loading bay, and 15-17 foot ceilings with a small office space. It is located in the John Webber Business park in Odell. In the current market, this is a highly sought-after property type as the suites are small (2,500 SF each) with doors and bay access on site. Tenants are a mix of long term and short term start-ups. Spaces are immediately snapped up when vacant.

Performance: The lease rates remain at or slightly below market (\$0.61/sf) with a reasonable cash flow (\$19,000 10 yr ave). There may be turn-over of the largest tenant if they build a building for themselves. Should that occur, a long-term vacancy is unanticipated.

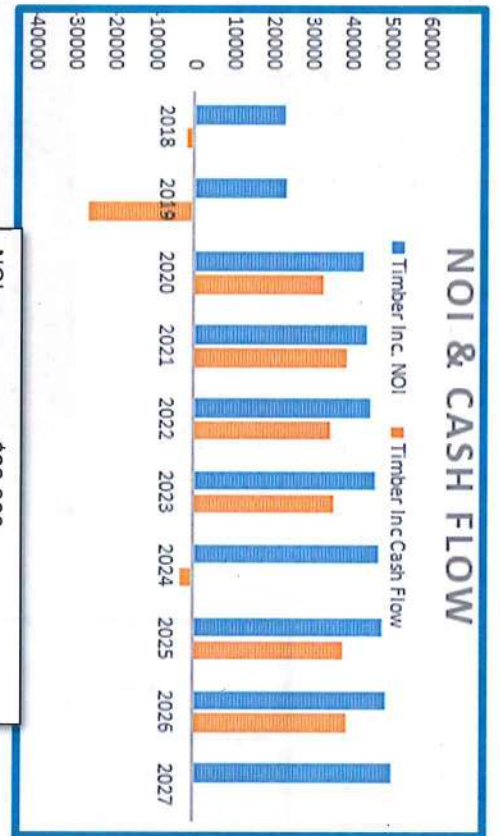
Improvements needed: The building is in good condition with improvements being done as tenants need them. The doors are being replaced this year along with some concrete work. The roof and gutter system will also be on the list in the short term.

Address:	3875 Heron Drive, Odell
Property Size (acres):	1.15 acres
Building Age/Year Remodeled:	24 years old Built in 1997
Building Size (Square Feet):	10,000 sf
Zone:	LI
Construction Type:	Metal
Current Use:	Warehouse/ production



Tenant List				
Name	SF	blended rate	Term	Renewals
W'yeast	5000	0.55	6/29/2018	none
Oregon Brineworks	2500	0.64	3/31/2018	3/31/2019
Chief Consulting	2500	0.65	10/31/2018	10/31/2022

Income Analysis	sf	rate/sf/mo	
Vacancy/Credit loss	10000	\$ 0.60	\$71,700.00
Reimbursable-utilities		NA	\$7,500.00
Reimbursable-Taxes			\$7,500.00
Potential Gross income			\$86,700.00
Reimbursible	Utilities		\$11,000.00
not currently passed through	Maintenance (fixed & mis		\$9,000.00
not currently passed through	Taxes		\$7,800.00
not currently passed through	Insurance		\$3,500.00
not currently passed through	Professional Services		\$3,000.00
Non-reimbursible	Salary Expense		\$29,500.00
	Reserves	NA	
Effective Gross Income			\$63,800.00
Net Operating Income			\$22,900.00
	OER		74%



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Income										
Potential Gross Rent	\$73,492,500	\$75,329,81	\$77,213,06	\$79,143,38	\$81,121.97	\$83,150.02	\$85,228.77	\$87,359.49	\$89,543.47	\$91,782.06
Vacancy/Credit loss	NA	NA	-\$2,316.39	-\$2,374.30	-\$2,433.66	-\$2,494.50	-\$2,556.86	-\$2,620.78	-\$2,686.30	-\$2,753.46
Reimbursible utilities	\$7,725.00	\$ 7,956.75	NA							
Reimbursible Taxes	\$7,725.00	\$ 7,956.75	NA							
Effective Gross Income	\$88,942,500	\$ 91,243.31	\$ 74,896.67	\$ 76,769.08	\$ 78,688.31	\$ 80,655.52	\$ 82,671.91	\$ 84,738.70	\$ 86,857.17	\$ 89,028.60
Utilities	\$11,330.00	\$ 11,669.90	Fully reimbursible							
Maintenance	\$9,270.00	\$ 9,548.10	Fully reimbursible							
Taxes	\$8,034.00	\$ 8,275.02	Fully reimbursible							
Insurance	\$3,605.00	\$ 3,713.15	Fully reimbursible							
Professional services	\$3,090.00	\$ 3,182.70	Fully reimbursible							
Salary expenses	\$30,385.00	\$ 31,296.55	\$ 32,235.45	\$ 33,202.51	\$ 34,198.59	\$ 35,224.54	\$ 36,281.28	\$ 37,369.72	\$ 38,490.81	\$ 39,645.53
Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating Expenses	\$65,714.00	\$67,685.42	NA	NA	NA	NA	NA	NA	NA	NA
NOI	\$23,228,500	\$23,557,893	\$43,305,929	\$44,230,623	\$45,173,696	\$46,135,466	\$47,116,252	\$48,116,380	\$49,136,178	\$50,175,977
Less Debt Service										
CIP budget	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Profit	-\$1,771,500	-\$26,442,108	\$33,305,929	\$39,230,623	\$35,173,696	\$36,135,466	-\$52,883,748	-\$51,883,620	-\$50,863,822	-\$49,824,023



Development Analysis (2018)- Existing Buildings

Wasco

Wasco is Class B office building with some flex use for open R & D and lab areas. It is a modern building with good visibility in a flex/office park. There are 2 floors with generous windows and spacious common areas. The tenant areas are large and open with view of Mt. Adams. The finishes are classy but simple allowing it to appeal to both office and flex tenants.

Performance: The lease rates are below (\$0.87/sf) market and the cash flow is good (\$48,000 10 yr ave). There is currently no vacancy.

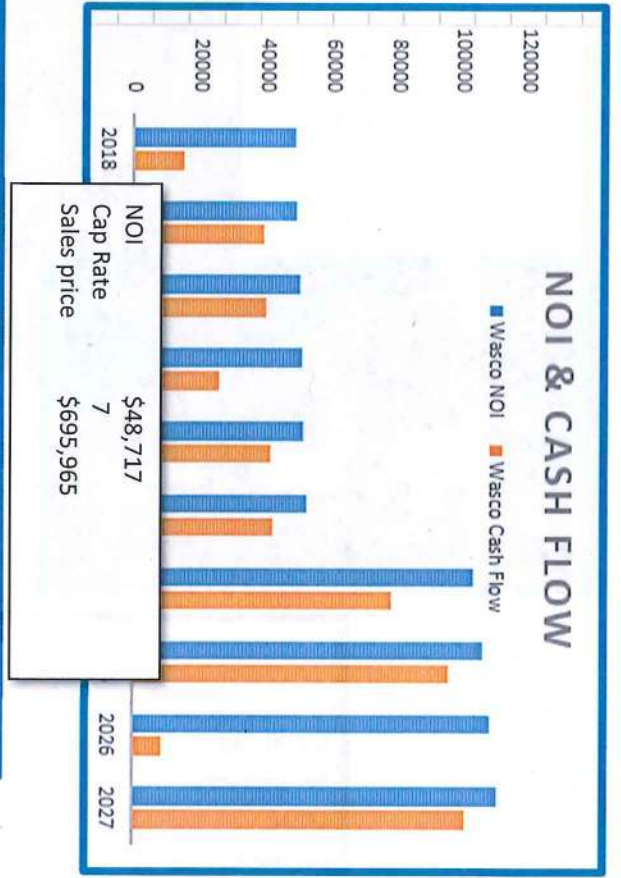
Improvements needed: The building is in excellent condition. There is some landscape improvements being completed this year. Due to the age of the building, we also hold a reserve for eventual HVAC unit replacement. The building has thus far needed only minor improvements (e.g. new paint, keys).

Address:	205 Wasco Loop
Property Size (acres):	0.75 acres
Building Age/Year Remodeled:	14 years old Built in the 2004
Building Size (Square Feet):	12,895 sf
Zone:	
Construction Type:	Concrete and metal
Current Use:	Flex



Tenant List				
Name	SF	blended rate	Term Expiration	Renewals
Cloud Cap	6461	0.94	6/30/2019	6/30/2023
Renaissance	4844	0.89	8/31/2019	none
MCAC	310	0.85	7/31/2019	none
Pacific Source	1073	0.85	7/31/2019	none
Cry Consulting	207	0.83	1/30/2018	none

Income Analysis		Sf	rate/sf/mo	
		12895	\$ 0.91	\$140,782.00
	Vacancy/Credit loss		NA	
	Reimbursable-utilities			\$24,300.00
	Reimbursable-Taxes			\$23,200.00
				\$188,282.00
Potential Gross income				\$188,282.00
Reimbursible	Utilities			\$28,000.00
not currently passed through	Maintenance (fixed & misc)			\$38,000.00
	Taxes			\$17,600.00
not currently passed through	Insurance			\$4,100.00
not currently passed through	Professional Services			\$4,000.00
Non-reimbursible	Salary Expense			\$48,600.00
	Reserves		NA	
				\$140,300.00
Effective Gross Income				\$140,300.00
Net Operating Income				\$47,982.00
			OER	0.75



		Cash Flow Model									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Income											
Potential Gross Rent		\$144,301.550	\$147,909.09	\$151,606.82	\$155,396.99	\$159,281.91	\$163,263.96	\$167,345.56	\$171,529.20	\$175,817.43	\$180,212.86
Vacancy/Credit loss	NA	NA	NA	NA	NA	NA	NA	-\$5,020.37	-\$5,145.88	-\$5,274.52	-\$5,406.39
Reimbursible utilities		\$25,029.00	\$ 25,779.87	\$ 26,553.27	\$ 27,349.86	\$ 28,170.36	\$ 29,015.47	NA	NA	NA	NA
Reimbursible Taxes		\$23,896.00	\$ 24,612.88	\$ 25,351.27	\$ 26,111.80	\$ 26,895.16	\$ 27,702.01	NA	NA	NA	NA
Effective Gross Income		\$193,226.550	\$ 198,301.84	\$203,511.35	\$208,858.65	\$ 214,347.43	\$219,981.44	\$162,325.19	\$166,383.32	\$170,542.90	\$174,806.48
Utilities		\$28,840.00	\$ 29,705.20	\$ 30,596.36	\$ 31,514.25	\$ 32,459.67	\$ 33,433.46	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible
Maintenance		\$39,140.00	\$ 40,314.20	\$ 41,523.63	\$ 42,769.33	\$ 44,052.41	\$ 45,373.99	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible
Taxes		\$18,128.00	\$ 18,671.84	\$ 19,232.00	\$ 19,808.96	\$ 20,403.22	\$ 21,015.32	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible
Insurance		\$4,223.00	\$ 4,349.69	\$ 4,480.18	\$ 4,614.59	\$ 4,753.02	\$ 4,895.61	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible
Professional services		\$4,120.00	\$ 4,243.60	\$ 4,370.91	\$ 4,502.04	\$ 4,637.10	\$ 4,776.21	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible	Fully Reimbursible
Salary expenses		\$50,058.00	\$ 51,559.74	\$ 53,106.53	\$ 54,699.73	\$ 56,340.72	\$ 58,030.94	\$ 59,771.87	\$ 61,565.03	\$ 63,411.98	\$ 65,314.34
Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Operating Expenses		\$144,509.00	\$148,844.27	\$153,309.60	\$157,908.89	\$162,646.15	\$167,525.54	\$58,576.43	\$60,333.73	\$62,143.74	\$64,008.05
NOI		\$48,717.550	\$49,457.569	\$50,201.750	\$50,949.769	\$51,701.277	\$52,455.906	\$103,748.759	\$106,049.595	\$108,399.167	\$110,798.427
Less Debt Service		\$ (25,000.00)	\$ (10,000.00)	\$ (10,000.00)	\$ (25,000.00)	\$ (10,000.00)	\$ (10,000.00)	-25000	-10000	-10000	-10000
Cash flow		\$15,309.000	\$39,457.569	\$40,201.750	\$25,949.769	\$41,701.277	\$42,455.906	\$78,748.759	\$96,049.595	\$8,399.167	\$100,798.427



Appendix B-Existing Building Strategy

BENCH MARKS

Characteristics. The Port currently owns 4 types of properties: Industrial, Commercial, Open space/recreational and the airport. We have 208,000 sf of buildings within these 4 property types. This report analyzes each building (excepting the marina and airport) separately and provides an overall recommendation.

It helps to first understand the buildings and characterize them in a way that is easily benchmarked by data. Staff created a 10-year cash flow analysis for each building which includes: current leases and terms, expirations, current expenses and income, current capital expenditures as reflected in the 30 year model

The building portfolio, excluding the airport, consists of 8 multi-tenanted buildings, with a total square of 186,885. The average age is 38.4 years with a vacancy rate of 1%.

	Industrial						Commercial		Average/Total
	Big 7	Wasco	Maritime	Jensen	Halyard	Timber Inc.	DMV	Chamber	
Age	67	13	52	50	7	30	44	44	38.375
SF	41,671	15,309	38,400	53,582	19846	10000	2320	5757	186,885

Buildings follow a standard life cycle and it helps to understand what stage each building is at.

Portfolio life cycle stages:

Retain/Maintain-Stable cash producers, minor repairs (paint, flooring, doors)
Building age: 1-20 years *Portfolio percentage: 22%*
Halyard and Wasco

Remodel- Major Building system replacements required (Roof, HVAC, siding, windows)
Building age: 25-50+ years *Portfolio percentage: 67%*
Big 7, Timber Incubator, Jensen, DMV, Marina Park,

Redevelop- Major Structural repairs/changes needed. Demolish and rebuild or major remodel.
Building age: 40-50+ years *Portfolio percentage: 11%*
Maritime,

Sell- Location or use no longer fits with mission of the Port. Selling of the asset will fund a project that fits mission. *Portfolio percentage: 0%*

Performance

There are a few ways to measure building performance. Income tracks rental payments as well as tenant reimbursements. Operating Expenses include all expenses, less capital expenditures and debt service. Net Operating Income (NOI) is the difference between the two. Profit or Cash Flow is what is left after all expenses (including debt service and capital expenses) are paid and is a what an internal rate of return is based upon.

- A. Lease Structure:
 All Port industrial leases are Modified Gross, meaning, the tenant pays for only some of the costs. The idea being that the rental rate will make up the difference between allowed pass through costs and actual costs. Taxes and utilities for tenant spaces are passed through, insurance, maintenance, management (salaries) and common area utilities are not. In our case, costs have gone up but lease rates have not thus lowering performance of the buildings.

B. Lease performance.

The following are projections for all buildings in 2018, based on the budget and changes in leases since budget approval.

These performance markers do not drill down to how expenses relate to income. Operating Expense Ratios (OER) illustrate that relationship. The Operating Expense Ratio (OER) range for the industry is between 30-45%. Below is the current benchmark for Port industrial buildings, which are much higher than industry standards. In the case of our commercial property, they are more than double. This means that our expenses are much higher than they should be for the income that we are getting.

Operating Expense Ratio Average 67% (total income/total expenses)

Utilities are the largest operating expense in the industrial buildings. However, these are reimbursed at over 80% and therefore only contribute slightly to the OER. The same goes for taxes. If you calculate expenses after reimbursements the following is the break-down of average operating expenses for all eight buildings.

Utilities	Maintenances	Taxes	Insurance	Professional Services	Salary Expense
11%	30%	2%	4%	4%	49%

OPTIONS

Retain/maintain:

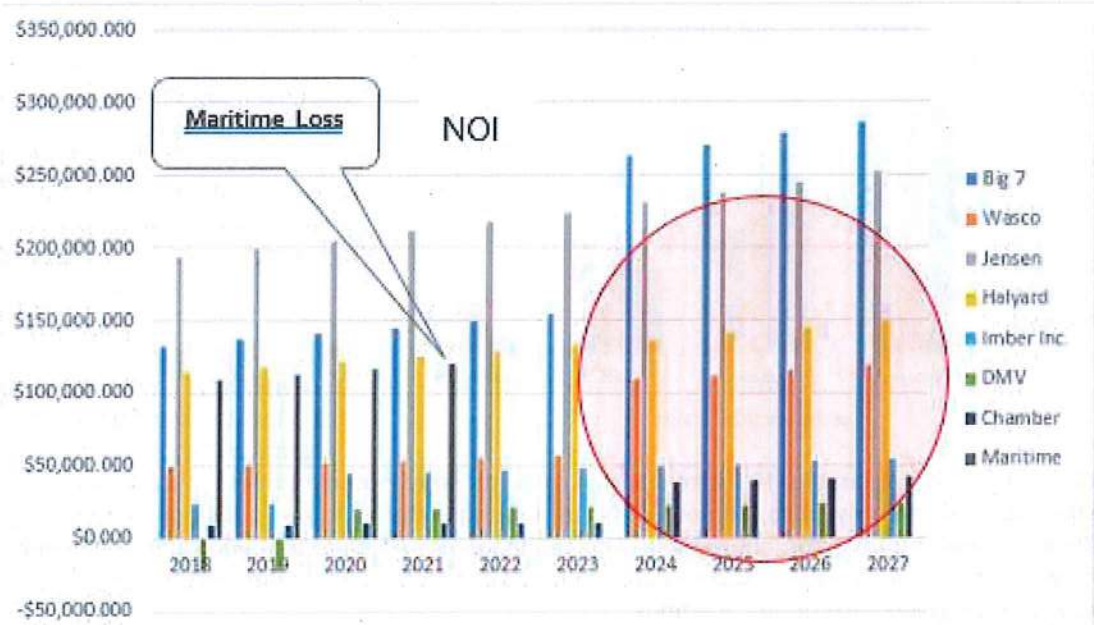
The Port's options to reduce the OER are: 1. To change the lease structure and pass through actual expenses to the tenant. 2. Increase rental rates 3. Decrease expenses.

Lease Structure: The Port has many long-term leases which don't allow for renegotiation of lease structure. Over the next 5 years most of these leases are expiring. Instead of renewing these leases in the current structure, Staff would like to renegotiate these into NNN or like kind leases. This will allow the Port to pass through actual operating expenses excepting employee salary. This change will increase NOI, essentially doubling at two buildings and improving others. That change alone will increase the Lease performance significantly (9% per year). Rental rates will not necessarily have to increase as most of the buildings are in line with the market and the structure change will improve performance enough. The Jensen building will need a rental increase, but all others are ok.

	2019	2022	2024
Income	\$ 1,915,699.42	\$ 1,756,319.16	\$ 1,653,939.70
Expenses	\$ 1,294,722.36	\$ 1,152,313.79	\$ 881,659.46
NOI	\$620,977.064	\$604,005.365	\$772,280.239
Cash Flow	\$ 224,977.06	\$ 344,005.37	\$ 372,280.24

Sell:

A few issues contribute to the degradation of a portfolio over time: age, condition and market changes. As more of our buildings reach the end of their useful lives, rental rates go down, CIP's go up as does maintenance. This is when an owner makes a choice weather to sell the asset and roll it into

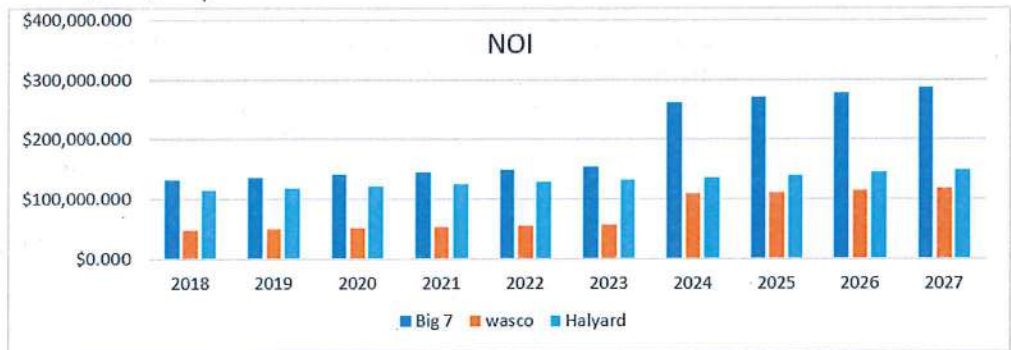


another project, invest in the asset through renovations, or redevelop the site entirely.

Over the past few years, the Port has been approached to sell the Big 7 building, Wasco and the Halyard building.



The NOI of these three buildings provided 47% of the industrial portfolio in 2018 (\$295,000). If the Port follows the recommendation to move to a NNN lease structure, the Big

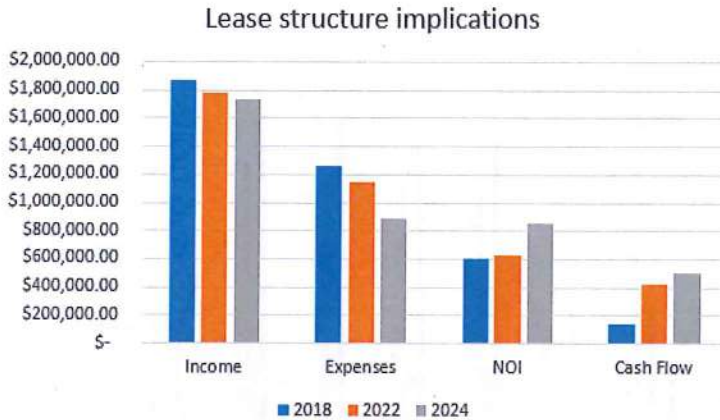


7 and Wasco's building profits increase significantly (\$507,442) in 2024. Selling any of these buildings would require replacing that cash flow.

If the Port did want to sell these buildings the following is a projected sales price for each one based on today's cash flow and selling the buildings in 2019.

	Current NOI	Cap rate	Sales price
Big 7	\$130,100.00	9	\$ 1,445,555.56
Wasco	\$ 47,982.00	8	\$ 599,775.00
Halyard	\$112,066.00	8	\$ 1,400,825.00

In 2021 the Maritime building will be torn down. However, even with this loss of \$109,000 annually, NOI increases by 40% or 8% per year if the proposed lease structure change is implemented. If not implemented costs will continue to outpace increases in lease rates and performance will continue to decline.



Lowering the OER through passing through more operating expenses not only improves cash flow and performance for the Port, but should we ever want to sell a building, the proforma will be much more attractive.

Reduce expenses. We may want to revisit how employee salaries are allocated per building to determine if the current

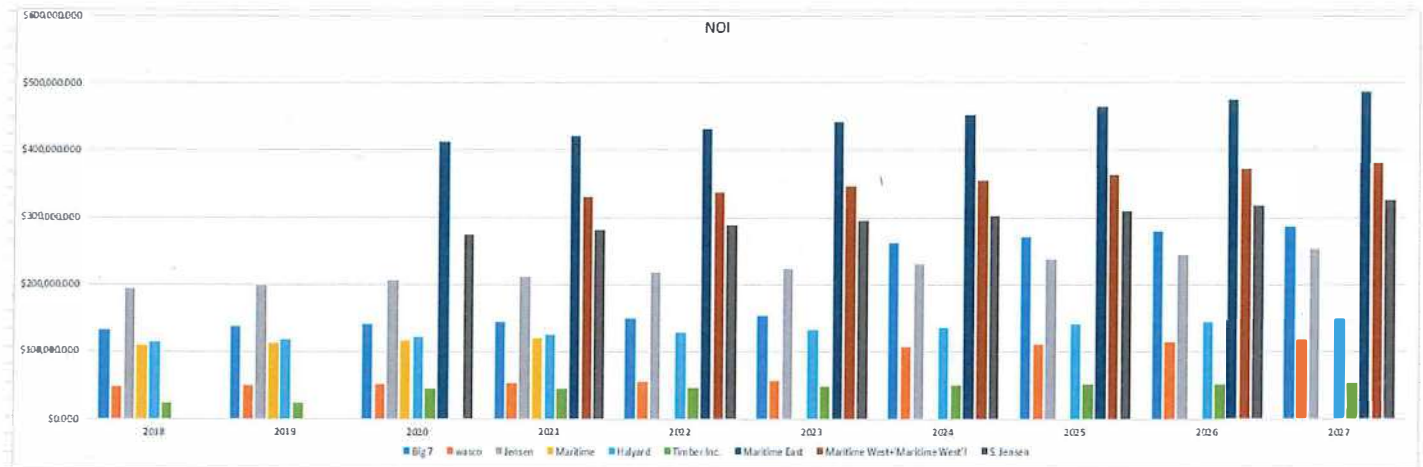
allocations are reasonable. Major re-lighting projects have occurred that reduced utility expenses considerably. Also, all new HVAC or lighting installed in our buildings is high efficiency and improves on energy use. Our buildings are aging and maintenance will likely increase, however, being able to pass those items through will help our bottom line and our tenants take good care of our buildings.

Increase rental rates. The Port’s rental rates are mostly in-line with the local market. Most of our buildings are older and due to their condition, the rates are ok. The Jensen building does have a very low rate for one long term tenant. However, when that lease expires we have opportunity to increase the rate.

This appendix is meant to illustrate impacts of a lease structure change on existing buildings. However, staff also wanted to briefly address the impacts to portfolio performance if three new buildings are constructed and leased.

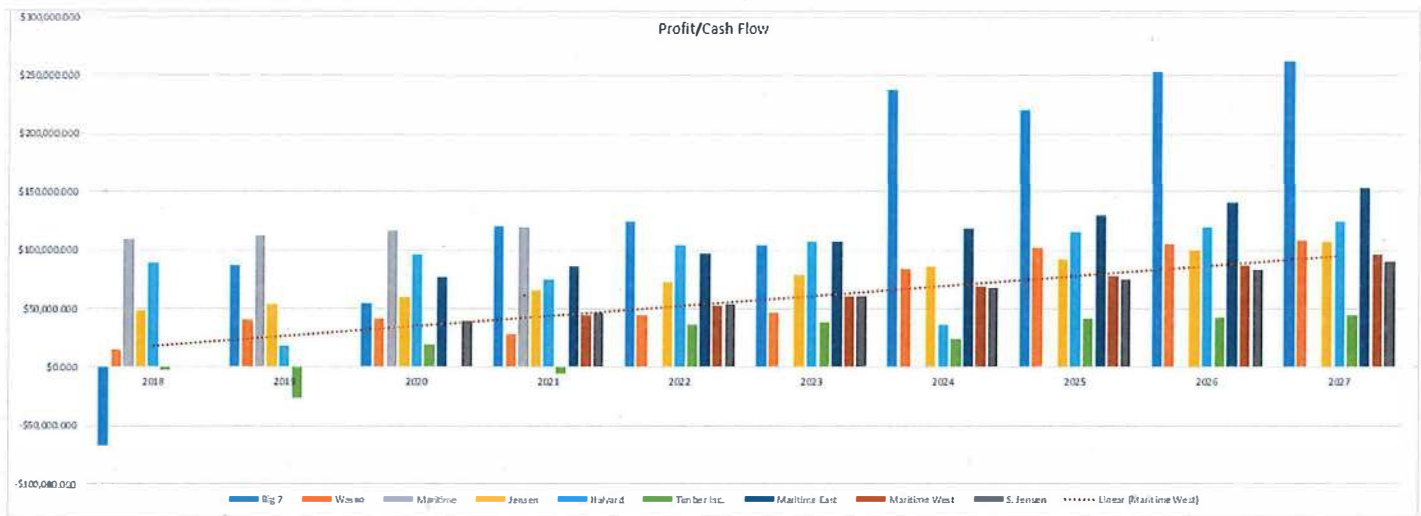
Example of how new buildings may impact overall cash flow.

In addition to increasing the lease performance on existing buildings, below is a brief look at how Cash flows could be impacted by the construction and development of 3 new buildings.



Cash flow improves from \$285,286 in 2019 to \$504,042 in 2020 with these two buildings.

If the Port had the willing tenants and could build 3 buildings in 2019, 20 and 21 the following impacts would be made:



	Current	2021
NOI	\$621,637.00	\$1,730,826.00
Cash flow	\$201,637.00	\$869,238.00
OER	64%	42%

The amount of equity needed to build these three buildings is \$7,395,570. In our current 10-year model, there is \$5,000,000 in the budget for a building in 2020 and \$4,000,000 in 2021.

The 10-year return on this capital is about 1% with the 20% year return equaling 4.5%. The Port's goal for an internal rate of return is 4%. These investments meet that goal. By year 20, there will be no debt service on the buildings and the cash flow will be significant.

APPENDIX C: METHODS

An understanding of the Port's real estate portfolio will help the Port's decision makers strategize on real estate decisions. The purpose of the detailed analysis was to (1) revisit existing building performance metrics to understand where each property stands in terms of cash flow, anticipated future capital expenses, etc., and (2) analyze Port owned developable land to better understand potential future development opportunities.

This *Strategy* only considers Port-owned real estate assets, which are divided into the following categories:

- **Existing Buildings:** These properties that contain existing buildings that are leased to tenants.
- **Future Development Opportunities (FDOs):** These properties are available for development. Most are vacant land without any buildings or other improvements.

Port staff used the following methods to analyze existing buildings and Future Development Opportunities (FDOs):

Existing Buildings:

Income Analysis. For each property, Port staff analyzed existing building incomes to show current cash flows and understand the balance of income to expenses. The analysis considered existing cash flows and current budgeted amounts, plus any changes that have recently occurred to the property's cash flows (e.g. new leases or recent capital expenditures). The cash flow model results in a Net Operating Income (NOI) data point for each property. NOI is a common real estate performance metric used by real estate professionals to show the property's net revenue before debt service and planned capital improvements.

Operating Expense Analysis. Then, Port staff calculated each property's Operating Expense Ratio (OER) to determine how operating expenses relate to operating income. A higher OER means that expenses are higher relative to the property's income. Measuring OER helps us understand if lease rates or structures may need adjustment.

Cash Flow Projection. Finally, Port staff performed a straight line 10-year cash flow projection to show future potential cash flows with no present value discount.¹

Future Development Opportunities (FDOs): The purpose of this analysis was to illustrate the impact of retention, disposal, or lease of the FDO properties to the Port's portfolio over time. To evaluate the Port's options, Port staff conducted a cash flow analyses for three scenarios:

1. a *land lease scenario* using land lease comparable rates from around the region and
2. a *land sale scenario*.

¹ Another standard real estate financial analysis is a Discounted Cash Flow (DCF) analysis. Because the Port has long-term investments and cannot determine the initial investment costs over the term of ownership, and because the Port is tax-exempt, a DCF is less useful and therefore was not conducted.

3. a *development scenario*. For properties where the prospective investment amount is known, Port staff also performed hypothetical discounted cash flow analysis. For those properties, Port staff calculated the performance over time of each potential asset using Net Present Value (NPV) metric and an Internal Rate of Return (IRR) metric.

DEFINITIONS AND KEY ASSUMPTIONS

Key Assumptions: For a public agency that does not intend to sell many of its real estate assets, long-term real estate projections should focus on how property performance affects budgeting for planned and possible future expenditures. Further, the strength of these analyses is only as good as the inputs and key assumptions that are used. In any prospective analysis, it is impossible to know how rates and expenses in the future will change. Port staff have primarily used assumptions from today's market and projected these forward as warranted for each analysis. Here are a few other key assumptions used in these analyses:

- ***The marina was left out of the analysis.*** There is currently no master plan for the marina and therefore no data regarding what could be developed there. Redeveloping the Marina will be a separate process in the future.
- ***For Lot 1, staff chose one commercial and one industrial parcel as a representative sample.*** The other buildings will be similar in use, construction costs, and lease rates, therefore the numbers can be interchangeable for analysis purposes.
- ***For the airport, staff chose to analyze a box hangar and commercial hangar.*** These can be applied to any similar project.

Development Pro Forma Modeling Assumptions:

- Lease rates were determined based on current rates for each property type for new buildings or top of market. Port staff based these rates on a survey of existing lease rates on the waterfront as well as in the County as a whole. These rates are considered attainable and at market for each property type.
- Low vacancy rates – to reflect the latent demand in the current market, Port staff used current market vacancy rates at 3%.
- Expenses were based on standard NNN lease structure with a standard 6% “salary expense” or management fee.
- Reserves were added for each building at 2% of gross income.

Development Costs: Port staff adapted development cost assumptions that ECONorthwest and Walker Macy had used for analysis related to the Lot 1 properties. Port Staff amended these numbers for off-waterfront properties using a combination of ECONorthwest's research numbers and other inputs from the market.

Financing Assumptions: Port staff used a 4.25% interest rate on a 20-year fixed term with 20% equity. An interest rate hike will also likely impact construction and financing in the near to mid-term. While not directly analyzed, the Port Commission considered increased interest rates in their final decision making.

Discounted Cash Flow: The opportunity cost for the Port is estimated at 5%. An NPV was determined using a 20-year cash flow projection.

Internal Rate of Return (IRR): Port staff determined the Port initial investment, the cash flows over 20 years, and a final projected sales price and performing the IRR calculation.

Capitalization Rates: A capitalization rate was chosen based on current Portland rates, with some adjustment depending on the property. For existing buildings, Port staff used NOI from the current year to determine a potential sales price. For FDO's, Port staff used NOI from year 20 to determine sales price.

