

PORT OF PORTLAND COMMISSION POLICY

REAL ESTATE TRANSACTIONS

POLICY NO. 6.1.5

Approved Commission Meeting of September 8, 2004

The Port of Portland's real estate holdings are important strategic assets to the Port and the region. The following principles guide the Port's real estate policy:

- The Port's core businesses require large amount of land;
- The Port's core businesses also require expansion room for future growth;
- There is a need to plan ahead to avoid conflicting uses and to assure that an adequate supply of land is available for the Port's future growth;
- As a first priority , the Port's real estate assets will be used to support and enhance the Port's maritime and aviation facilities and activities which provide regional businesses with access to regional, national and international markets; and
- Other Port-owned land may be developed to provide a contribution to the Port's cash flow and to help foster growth and stability of the regional economy.

1. General Policies

Any lease or sale of Port property shall be consistent with the Port's applicable enabling legislation, all applicable federal, state and local laws, Port ordinances, Port Commission policies, the Port's business and master plans, applicable land use and development, real estate, risk management financial, and environmental guidance.

Waterfront property which has been identified by the Executive Director as being needed for strategic purposes will be for lease only. Waterfront parcels without strategic importance may be sold. The Executive Director shall report to the Commission whenever waterfront parcels are changed from a strategic to a non-strategic designation.

Land values, lease rates, tenant allowances for improvements, and other terms for Port property shall be based on market value and competitive market terms. Agreements which enhance the opportunity for the Port to accomplish goals set forth in its business and master plans may include economic incentives.

The Port shall lease or sell its property to entities which the Port considers capable of performing under the terms of their agreement or agreements with the Port.

The Port shall not subordinate its interest in real property except to another government entity if necessary to participate in the financing of infrastructure improvements through a Local Improvement District. This policy does not prohibit the Port from mortgaging or otherwise granting a security interest in its own properties to its own lenders.

The Port may construct tenant-specific improvements if (1) the cost of such tenant-specific improvements are recovered through additional rents during the lease term and (2) the Port receives sufficient security to assure the Port that the lessee will perform its obligations under the lease.

2. Options

Requests for options to lease or purchase Port property will be considered on a case-by-case basis. Criteria to be used to evaluate options will include, but not be limited to assurances that: (1) the option will not be adverse to the Port's interest; (2) The option property is marketable in the event the option is not exercised; and (3) The party requesting the option has the financial capability to complete the transaction.

Options for the purchase, sale, or lease of real property may be entered into by the Executive Director, but such options shall not commit the Port to any purchase or sale of real property (or any lease beyond the Executive Director's authority) without the approval of the Port Commission.

3. Brokerage Commissions

The Port may pay real estate commission to real estate brokers licensed in the State of Oregon who are the procuring cause of land, building, and improvement lease and sales. No commission shall be payable if the broker has an interest in the sale, rental, or lease transaction.

The Port will recognize a real estate broker as the procuring cause only after the real estate broker has registered the client in writing with the Port and the Port has determined that (1) the client has not previously contacted the Port, and (2) no other real estate broker has previously registered the client with the Port. The registration will be effective only when acknowledged in writing by the Port and will expire with out notice to the broker unless the real estate broker reports not less than monthly on the client's continued interest in the property.

In the event a conflict between brokers arises with respect to the right to a commission, the Port will first request the brokers to resolve the conflict among themselves. If the brokers are unable to resolve the conflict, the Port may complete the transaction but withhold payment of any commission until it has received one set of written instructions signed by all brokers or until a decision binding on all brokers has been rendered by a tribunal of competent jurisdiction. All costs associated with obtaining such decision shall be paid by the brokers.

Brokerage incentives may be offered to stimulate activity on selected properties, including increased commission rates over standard terms, bonus commissions and exclusive listings.

Commissions for sales will be payable at closing after transfer of deed. Commissions shall be payable on rentals and leases after acceptance and execution by both parties of the appropriate documents.

The Port's brokerage commission schedule is attached and shall become part of this Commission policy. The Commission will review this schedule periodically.

**PORT OF PORTLAND
REAL ESTATE BROKERS COMMISSION SCHEDULE**

Effective Date: April 13, 1994

1. Leases

Commissions for leases with “net” terms shall be 5 percent of the net rental to the Port for the first five years of the lease agreement, plus 3 percent of such net rental for the balance of the term. Net terms shall mean rent net to the Port with the lessee paying taxes, utilities, maintenance, insurance and other fees and assessments which may be associated with the property.

Commissions for office leases with “gross” rental terms shall be 4 percent of the gross rent to the Port for the first five years of the lease agreement, plus 2.5 percent of such gross rental for the balance of the term of the lease. Gross rental terms shall mean that the Port, as landlord, agrees to pay all or a portion of taxes, utilities, maintenance, insurance and other fees and assessments.

Commissions on leases shall not exceed the commission which would have been paid if the property had been sold rather than leased, based on the Port’s standard sales commission.

Commissions paid on percentage or concession leases shall be based on the minimum rent as established in the lease. Calculations of commissions shall be based on the guaranteed rent and shall not include percentage overrides, escalation of base rents, or other charges in addition to the original guaranteed rent.

2. Sales

Commission on the sale of Port property, improved or unimproved, shall be 6 percent up to and including the initial \$500,000 of the gross sales price, plus 2.5 percent of any portion of the sales price in excess of \$500,000.

3. Options

No commission will be paid on options to extended leases, renewals of expired leases, or on expansions of lease areas.

A commission will be paid if an option to purchase granted by the Port as part of a sale or lease of Port property is exercised within three years of the sales or lease. The total commission paid, including the commission on the initial transaction plus the commission on the option, shall not exceed the commission which would have been paid if the property had been sold as part of the initial transaction.

The Port reserves the right to withdraw or amend this schedule at any time.