



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
November 9, 2011
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – October 12, 2011

Executive Director

Approval of Executive Director's Report – October 2011

Award Presentation

Aviation Safety and Health Achievement Recognition Program
Certification Presentation

*WILLIAM KLOSTER,
OREGON OSHA*

General Discussion

External Audit Results and Port Fiscal Year End 2011 Financials

*VINCE GRANATO
PRICEWATERHOUSE-
COOPERS*

Action Items

1. MASTER DEVELOPMENT AGREEMENT AMENDMENT - MEPT RIVERGATE III LLC – RIVERGATE INDUSTRIAL DISTRICT

JOE MOLLUSKY

Requests approval to amend the Master Development Agreement signed by the Port of Portland and MEPT Rivergate III LLC.

**MASTER DEVELOPMENT AGREEMENT AMENDMENT - MEPT RIVERGATE III LLC –
RIVERGATE INDUSTRIAL DISTRICT**

November 9, 2011

Presented by: Joe Mollusky
Real Estate Program Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to amend the Master Development Agreement (MDA) signed by the Port and MEPT Rivergate III LLC (MEPT) in July, 2007, for approximately 114.6 acres located on North Lombard Street (Property) in Rivergate Industrial District (Rivergate). The MDA currently expires on March 31, 2013.

BACKGROUND

The Port and MEPT have successfully executed two ground leases under the MDA:

- Ground lease for 27.3 acres in 2007. MEPT constructed a 573,000 square foot (sf) Building A and executed subleases with Colgate- Palmolive and United Stationers.
- Ground lease for 19.29 acres in 2010. MEPT constructed a 413,000 sf build-to-suit distribution center and executed a sublease with Subaru of America, Inc.

In response to unforeseen economic conditions negatively impacting the real estate market, the MDA terms will be adjusted to be competitive in a slowly recovering real estate market. The MDA 6th amendment will adjust the formula for calculation Basic Rent for new Ground Leases with respect to the approximately 68 acres of remaining unleased Property covered by the MDA.

The MDA provides for Prepaid Basic Rent for each Ground Lease to be calculated based on a lease rate at the commencement of the MDA of \$5.35 per square foot, multiplied by an Escalation Factor equal to 1.0041 per month compounded monthly from the Effective Date of the MDA to the date of the new Ground Lease (currently \$6.70). The lease rate used to calculate Prepaid Basic Rent for new Ground Leases under the MDA will now be adjusted to \$5.40/sf. This lease rate will be increased to \$5.60/sf on January 1, 2013 through December 31, 2013.

Under the MDA, MEPT has deposited a Take-Down Fee with the Port. The MDA provides for portions of the Take-Down Fee to be credited against Prepaid Basic Rent due under new Ground Leases of the Property. The remaining Take-Down Fee currently available for the Take-Down Fee Credit is \$233,712. Through December 31, 2013, the formula for the Take-Down Fee Credit shall be modified to allow MEPT to receive a larger portion of the Take Down Fee for new Ground Leases, as follows: the remaining amount of the Take-Down Fee multiplied by twice the total acres contained within the new Ground Lease parcel, divided by the total number of acres contained within the remaining unleased Property including the Ground Lease parcel.

MEPT shall be required to Take-Down the entire remaining Property (approximately 68 acres), by no later than December 31, 2013.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to amend the Master Development Agreement with MEPT Rivergate III LLC, consistent with the terms presented to the Port of Portland Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.