



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
August 10, 2016
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – July 13, 2016

Executive Director

Approval of Executive Director's Report – July 2016

General Discussion

U.S. Department of Transportation's TIGER Grant Award

*SUSIE LAHSENE
PHIL HEALY*

Small Business Development Program Overview

*KIMBERLY MITCHELL-
PHILLIPS*

Consent Item

1. GROUND LEASE AMENDMENT – MERLO CORPORATION – HILLSBORO AIRPORT

STEVE WINKLE

Requests approval to amend the ground lease with Merlo Corporation to add additional real property to Merlo's leasehold for development of additional ramp area at Hillsboro Airport.

Action Items

2. LEASE AMENDMENT AND PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING CO. – TERMINAL 6 AND RIVERGATE INDUSTRIAL DISTRICT

SEBASTIAN DEGENS

Requests approval to enter into a lease amendment with Auto Warehousing Co. (AWC) to add additional property and extend the term of their leasehold. Approval is also requested to enter into an Auto Processing Facility Expansion Contract with AWC for the construction of an Auto Processing Facility in the Rivergate Industrial District.

3. CONCESSION LEASE AWARDS – HOST INTERNATIONAL, INC., DBA TAMALE BOY; AND TENDER LOVING EMPIRE, LLC – PORTLAND INTERNATIONAL AIRPORT *SHANE ANDREASEN*

Requests approval to enter into concession leases with Host International, Inc., and Tender Loving Empire, LLC, for operations at Portland International Airport.

4. PROCUREMENT CONTRACT – TERMINAL FURNITURE – PORTLAND INTERNATIONAL AIRPORT *MARCEL HERMANS*

Requests approval to issue a purchase order under the existing contract with Arconas Corporation to acquire seating furniture for Portland International Airport.

GROUND LEASE AMENDMENT – MERLO CORPORATION – HILLSBORO AIRPORT

August 10, 2016

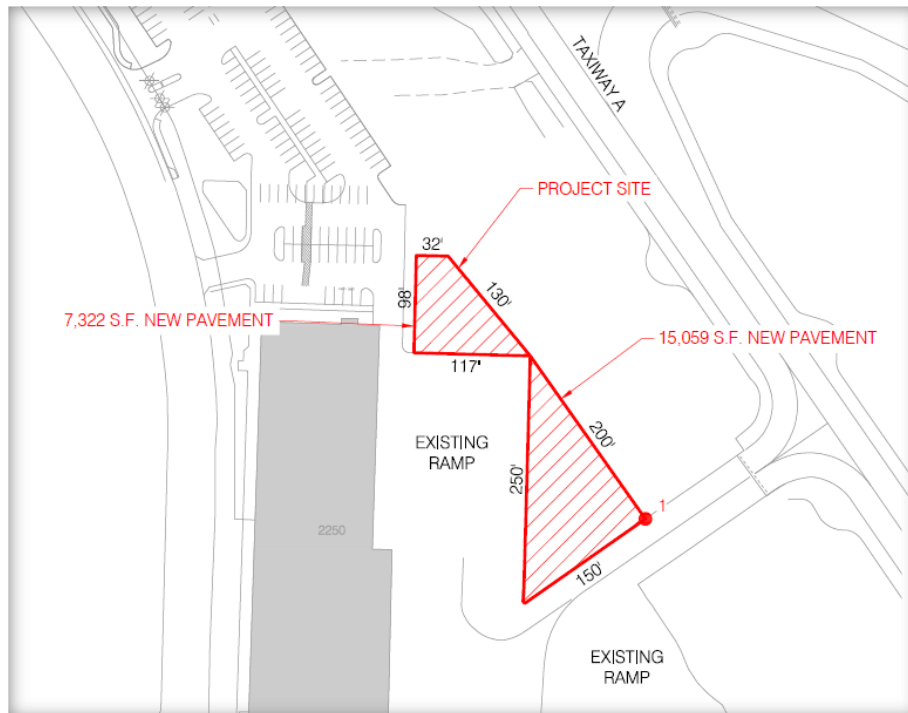
Presented by: Steve Winkle
Airside Real Estate Lease Mgr

REQUESTED COMMISSION ACTION

This agenda item requests approval to amend the ground lease with Merlo Corporation (Merlo) to add approximately 22,381 additional square feet of real property to Merlo’s leasehold for development of additional ramp area to serve its operations at Hillsboro Airport (HIO).

BACKGROUND

The Port of Portland (Port) and Merlo are parties to an Amended and Restated Lease (Lease) effective December 31, 2013, under which Merlo leases approximately 343,900 square feet of improved property at HIO from the Port, for the purpose of conducting fixed-based operations. Those operations are now being performed by Merlo's subtenant, Global Aviation, Inc., pursuant to a Sublease. Business at HIO is growing and the tenant wishes to expand the ramp by an additional 22,381 square feet adjacent to their leasehold for the purpose of adding additional aircraft parking and maneuvering space to their ramp (as shown in the graphic below).



The proposed transaction is an amendment to the Lease between the Port and Merlo that will add 22,381 square feet of adjoining ramp area to the current leasehold. This new area will become part of the Lease for the remaining Lease term, which expires December 31, 2043. The incremental rent revenue for the additional area is projected to be \$8,952 per year at the current ground rent rate.

BUSINESS TERMS

Lease Term:	Expires December 31, 2043
Additional Ramp:	22,381 square feet
Rate:	\$0.40 per square foot per year (based on current on-airport ground rent rate)
Revenue:	\$8,952 per year (based on current on-airport ground rent rate)
Amendment Effective:	September 1, 2016

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is granted to enter into an amendment to the Ground Lease with Merlo Corporation to add approximately 22,381 additional square feet of real property to support ramp operations at Hillsboro Airport, consistent with the terms presented to the 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.

LEASE AMENDMENT AND PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING CO. – TERMINAL 6 AND RIVERGATE INDUSTRIAL DISTRICT

August 10, 2016

Presented by: Sebastian Degens
Director
Marine Business Development

REQUESTED COMMISSION ACTION

This agenda item requests approval to enter into a lease amendment with Auto Warehousing Co. (AWC), adding an additional parcel of property and extending the term of their leasehold. Approval is also requested to enter into an Auto Processing Facility Expansion Contract (Expansion Contract) with AWC for the construction of an Auto Processing Facility in the Rivergate Industrial District. The Expansion Contract is a public improvement contract for purposes of the Oregon Public Contracting Code (ORS 279A, B and C).

BACKGROUND

AWC is a processor and terminal manager handling the export, import, and domestic distribution of finished vehicles. AWC has leased approximately 130 acres of Port of Portland (Port) property at Terminal 6 since April 2005. They currently handle the import of Hyundai vehicles into the United States and the export to China and Korea of Ford vehicles manufactured in Canada and the United States. Export volumes have grown steadily in the last several years, bringing the total vehicles moved by AWC to 126,000 in the last 12 months. AWC plans to expand its operations by leasing and developing a new 18.845-acre storage and staging yard to support the continued growth of vehicle exports.



LEASE AMENDMENT AND PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING
CO. – TERMINAL 6 AND RIVERGATE INDUSTRIAL DISTRICT

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The improvement project is estimated to cost approximately \$7,000,000. The Port has applied for a grant in the amount of \$2,628,700 from the *ConnectOregon* VI (COVI) transportation improvement program for the project and has committed up to \$871,300 from the Port's General Fund in local match. AWC has committed to funding the balance of the project. In the unlikely event the project costs more than \$7,000,000, the parties will negotiate in good faith appropriate shares of the additional amount. The Oregon Department of Transportation (ODOT) *ConnectOregon* program provides grant funding to public agencies for projects that benefit air, marine, public transit and rail transportation throughout Oregon. The final grant award is anticipated to occur on August 18, 2016.

Assuming the project receives the COVI grant, the project will be funded as follows:

<i>ConnectOregon</i> IV Grant	\$2,628,700
AWC match	\$3,500,000
Port of Portland match	<u>\$871,300</u>
Total project cost	\$7,000,000

The Port would be the sole recipient of the COVI grant and will enter into a grant agreement with ODOT for grant administration. The Port will pass the grant funding to AWC through the Expansion Contract.

LEASE AMENDMENT BUSINESS TERMS

The current lease with AWC is amended with the following key business terms:

Term:	Eight-year term with an additional four, 5-year options. If all options are exercised, the lease would extend to April 2045.
Rent:	Base rent for the 18.845-acre parcel to be added as new premises is \$238,057.56 per year, increasing annually by CPI-U. Rent for the existing parcel, based on the higher of base rent or wharfage (charge per vehicle handled), remains unchanged.
Tenant Capital Commitment:	AWC will permit, design and build the proposed Rivergate auto facility, provided the Port is successful in obtaining a COVI grant for the project, with a total commitment by AWC of up to \$3,500,000.
Port Capital Commitment:	The Port will provide up to \$871,300 in match.

LEASE AMENDMENT AND PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING
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EXPANSION CONTRACT

Under the Expansion Contract, the Port will reimburse AWC, on a progress payment basis, for AWC's expansion costs up to the amount of grant funding shown above and the Port's match. In coordination with the Port, AWC will oversee and hold a primary decision-making role in the design and construction of the expansion project. The Expansion Contract requires AWC to provide all information and coordination necessary to allow the Port to comply with its obligations under the grant agreement.

Competitive bidding is not required for the Expansion Contract based on the Port's existing sole-source class exemption under Contract Review Board (CRB) Rules 7 and 9.4(1)(a) previously approved by the Commission. Under these rules, on June 27, 2016, Bill Wyatt administratively granted an exemption from competitive bidding, allowing the Port to award the Expansion Contract to AWC as the tenant contemplated to have exclusive control over the premises. Commission approval, however, is still required to award the Expansion Contract because it exceeds the Executive Director's delegated contracting authority.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into a lease amendment with Auto Warehousing Co. to add the 18.845-acre Rivergate Industrial District site to the existing Auto Warehousing Co. leasehold, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to enter into a public improvement contract with Auto Warehousing Co. for the auto processing facility project in Rivergate Industrial District, consistent with the terms presented to the 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.

CONCESSION LEASE AWARDS – HOST INTERNATIONAL, INC., DBA TAMALE BOY; AND TENDER LOVING EMPIRE, LLC – PORTLAND INTERNATIONAL AIRPORT

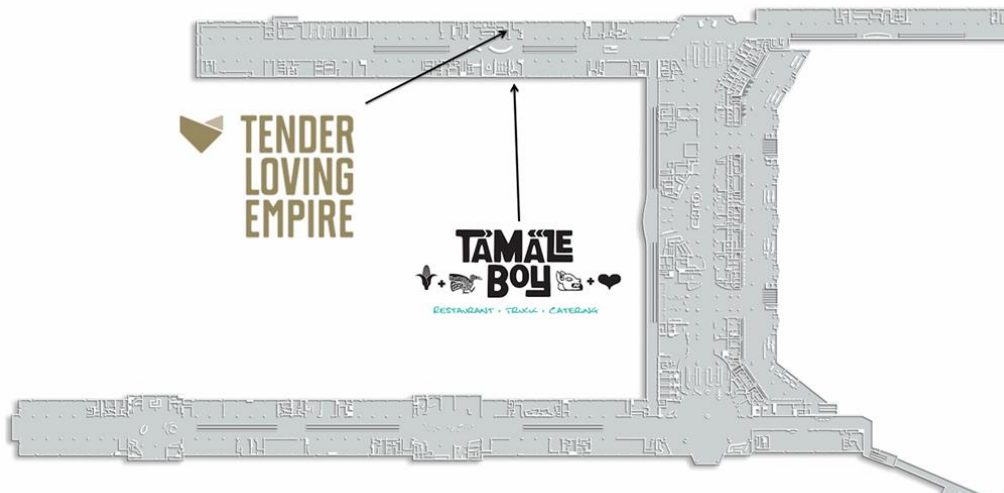
August 10, 2016

Presented by: Shane Andreasen
Senior Manager
Concessions Development**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into a Food & Beverage Concession Lease with Host International, Inc., for the operation of a Tamale Boy Mexican quick-serve restaurant; and a Retail Concession Lease with Tender Loving Empire, LLC, for the operation of a specialty retail store at Portland International Airport (PDX).

BACKGROUND

On January 13, 2016, the Port of Portland Commission approved the award of 11 new concession leases that were the result of a request for proposals (RFP) issued in 2015 for 26 locations throughout PDX. Several locations included in the RFP were not awarded to new concessionaires at that time. Since January, staff has continued discussions with several interested local and national businesses for concepts and brands that would further complement the PDX concessions program and maintain the variety and diversity of the concessions offering. Tamale Boy and Tender Loving Empire are two such concepts. Tamale Boy will be operated by Host International and will feature the same menu as Tamale Boy's local food truck and brick-and-mortar locations. Tender Loving Empire will offer travelers unique gifts and local products. This will be their first PDX location, but their fourth in Portland. Additionally, Tender Loving Empire qualifies as an Airport Concession Disadvantaged Business Enterprise (ACDBE) and is in the process of being certified as such by the State of Oregon. These concessions further the Port's goals of providing opportunities to businesses at both the national and local levels.



KEY BUSINESS TERMS

Locations

- Tamale Boy – Concourse D, approximately 1,031 square feet
- Tender Loving Empire – Concourse D, approximately 710 square feet.

Lease Terms

- Tamale Boy – 10 years, commencing June 1, 2017
- Tender Loving Empire – 7 years, commencing May 1, 2017

Tiered Rent Structure by Concept

- Quick-Serve Restaurant
 - 10% (\$0 – \$600,000)
 - 12% (\$600,000.01 – \$1,000,000)
 - 14% (\$1,000,000.01 +)
- Specialty Retail
 - 10% (\$0 – \$800,000)
 - 12% (\$800,000.01 – \$1,200,000)
 - 14% (\$1,200,000.01 +)

Street Pricing

The intent of the Street Pricing Policy is to maintain consistency in the quality, portion and pricing for food and beverage, and merchandise and services available at locations at the airport, compared to the same branded off-airport facilities within the Portland Metropolitan area.

Tenant Improvements

- Tamale Boy – \$450 per square foot
- Tender Loving Empire – \$300 per square foot

Standard Terms

Other lease terms for quality assurance, customer service, cleanliness and operational efficiencies will also be included.

Workplace Initiative

Workplace Initiative Principles, adopted by the Commission in April 2015, were incorporated into these leases. Consistent with these adopted principles, both concessionaires have submitted Employee-Employer Relationship Plans, to be included as a supplemental lease attachment.

CONCESSION LEASE AWARDS – HOST INTERNATIONAL, INC., DBA TAMALE BOY; AND
TENDER LOVING EMPIRE, LLC – PORTLAND INTERNATIONAL AIRPORT
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EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into new concession leases with Host International, Inc., and Tender Loving Empire, LLC, consistent with the terms presented to the 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.

PROCUREMENT CONTRACT – TERMINAL FURNITURE – PORTLAND INTERNATIONAL AIRPORT

August 10, 2016

Presented by: Marcel Hermans
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to issue a purchase order under an existing contract with Arconas Corporation (Arconas), to acquire seating furniture for Portland International Airport (PDX). The purchase order will not exceed \$1,800,000.

BACKGROUND

Several thousand seats are located throughout the PDX terminal, including the concourses near departure gates, the ticket lobby area and the baggage claim area.

The airlines are responsible for providing seating in some of the leased departure gates. The Port of Portland (Port) provides seating furniture in common-use gates, other leased gates, the ticket lobby and the baggage claim area.

The majority of the Port-owned seating in the terminal has become outdated and replacement furniture and spare parts are no longer available. Replacing seats and parts often requires custom fabrication, which is not cost-effective. As part of the PDXNext program, the Port is increasingly utilizing common-use gates. As a result, the Port is phasing out the existing seating and replacing it with updated furniture.

The Arconas “Flyaway” furniture line is an approved passenger seating furniture style under the PDX Terminal Design Standards.

SCOPE

This project will purchase and install approved seating furniture in departure gates within Concourses B, C and D, the ticket lobby and the baggage claim area. The Port will order a mix of seats in different configurations, armrests, footrests, side tables, power units and spare parts. Arconas will deliver and assemble the items.



SCHEDULE

Planning and Design	February 2016 – August 2016
Commission Action (procurement contract purchase order)	August 10, 2016
Fabrication and delivery	October 2016 – January 2017
Assembly and installation	March 2017 – May 2017

CONTRACT

The Port procured the existing contract utilizing a competitive sealed bid solicitation under ORS Chapter 279B. The solicitation was advertised on August 29, 2012, and Arconas’ unit-priced bid was received on September 17, 2012. The resulting contract allows for purchases through June 2017 at the original unit pricing, as adjusted annually (since award) consistent with the Consumer Price Index.

Since the initial contract, the Port has issued nine purchase orders for Arconas furniture items, for a total of \$549,519.

Once the Port has finalized the pending furniture order, which is anticipated in August or September of 2016, the exact amount of the purchase order will be determined. It will be based on the unit pricing in the contract, for a total not to exceed \$1,800,000.

BUDGET

Furniture purchase, assembly and delivery (not to exceed)	\$1,800,000
Port Staff and Contracted Services	\$107,000
Contingency	<u>\$93,000</u>
Total Project	\$2,000,000

The contingency, representing 4.7 percent of the project budget, is considered reasonable given the nature of the work and contracting method for the project.

The project cost will be funded from the Airline Cost Center.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to issue a purchase order under the existing procurement contract with Arconas Corporation, to purchase seating furniture for Portland International Airport, consistent with the terms presented to the 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.