PORT OF PORTLAND

AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
December 14, 2016
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – November 9, 2016
Approval of Minutes: Special Commission Meeting – November 9, 2016

Executive Director

Approval of Executive Director's Report – November 2016

General Discussion

Portland International Airport Capital Program Update *VINCE GRANATO*

Consent Item

1. CONSENT TO ENTERPRISE ZONE BOUNDARY CHANGES BY THE CITY OF PORTLAND *EMERALD BOGUE*

   Requests consent to minor boundary changes to the East Portland Enterprise Zone by the City of Portland.

Action Items

2. AMENDED AND RESTATED AGREEMENT AND LEASE – GEORGIA-PACIFIC CONSUMER PRODUCTS (NORTHWEST) LLC – RIVERGATE INDUSTRIAL DISTRICT *DEBBIE COLLARD*

   Requests approval to enter into an amended and restated agreement and lease with Georgia-Pacific Consumer Products (Northwest) LLC, for approximately 54.48 acres of land and improvements located in the Rivergate Industrial District.

3. COLLECTIVE BARGAINING AGREEMENT – MARINE SECURITY DEPARTMENT *BLAISE LAMPHIER*

   Request approval of a four-year collective bargaining agreement between the Port of Portland and the International Longshore and Warehouse Union, Local 28.

PORT OF PORTLAND

Agenda Item No. 1

CONSENT TO ENTERPRISE ZONE BOUNDARY CHANGES BY THE CITY OF PORTLAND

December 14, 2016

Presented by: Emerald Bogue
Regional Affairs Manager

REQUESTED COMMISSION ACTION

This agenda item requests consent to minor boundary changes to the East Portland Enterprise Zone by the City of Portland (City), located within Port of Portland (Port) boundaries, to provide additional incentives to encourage existing or new companies to invest and add employees within the zone.

BACKGROUND

In the 2005 legislative session, the state statute for the Enterprise Zone program was changed to require the governing bodies of a port district to consent by resolution to Enterprise Zone applications by a city or county within the boundaries of the port. This change was requested to ensure coordination of economic development activities within port districts. Since the statute changed in 2005, the Port Commission routinely receives requests from jurisdictions as they move forward with Enterprise Zone applications and/or boundary changes.

Enterprise Zones provide up to 100 percent property tax abatement on a company's new investments in facilities, equipment and machinery over a five-year period if a job threshold is met. The current job threshold is 110 percent increase from base employment average over five years. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of *current* property tax levies to the Port.

At this time, the City is working with a locally-grown company with an existing presence in Portland – Salt and Straw, LLC (S&S) – which is conditionally committed to making a significant investment in a building located at 110 SE 2nd Avenue in Portland within the proposed expansion of the East Portland Enterprise Zone. S&S is considering major expansion of its headquarters and production in Portland or parceling out its production and headquarters into California, Seattle, and Portland. S&S prefers to locate its expansion next to its existing office in Portland. The investment would create 40-60 new permanent full-time living-wage jobs plus benefits, and they would invest approximately $2 million in capital improvements and business operations if the Enterprise Zone boundary includes their expansion site.

In order to provide S&S with access to the Enterprise Zone program and ensure this project moves forward, the City is requesting that Business Oregon add this property (.92 acres) to the East Portland Enterprise Zone.

In addition to the investment and job creation benefits listed above, and in addition to the other regulatory requirements from the Enterprise Zone, S&S is willing to sign a public benefit agreement. Within this agreement, S&S is willing to provide enhanced benefits that will focus on partnering with the local food artisan community on entrepreneurship programs, identify and develop career ladder opportunities and training programs for underrepresented populations, and achieve diversity goals around hiring and training underrepresented populations.

The proposed re-designation of the East Portland Enterprise Zone would have insignificant loss of current property tax levies to the Port. Under the current tax levy, the Port will forego $0.0701 per $1,000 of assessed value on the new investments until the exemption period ends for new Enterprise Zone applications. For example, the Port would forego approximately $430 over five years on an investment with an assessed value of $2 million. Upon completion of the five-year exemption period, the property would be fully taxed.

The Enterprise Zone re-designation is scheduled to go before the City Council in late December or early January. In order to move the re-designation forward to Business Oregon for approval, the City is required to have the consent of the Port Commission for this expansion. The City has requested that the Port provide a resolution consenting to this Enterprise Zone re-designation.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That the Port of Portland Commission consents to a request by the City of Portland to add .92 acres to the Portland Enterprise Zone, located within Port of Portland district boundaries.

PORT OF PORTLAND

Agenda Item No. 2

AMENDED AND RESTATED AGREEMENT AND LEASE – GEORGIA-PACIFIC CONSUMER PRODUCTS (NORTHWEST) LLC – RIVERGATE INDUSTRIAL DISTRICT

December 14, 2016

Presented by: Debbie Collard
Manager, Contracts Administration

REQUESTED COMMISSION ACTION

This agenda item requests approval to enter into an amended and restated agreement and lease (Lease) with Georgia-Pacific Consumer Products (Northwest) LLC, as ultimate successor in interest to Waterway Terminals Company (Georgia-Pacific), for approximately 54.48 acres of land and improvements (Facility) located on the Willamette River at 13333 N. Rivergate Boulevard in the Rivergate Industrial District.

BACKGROUND

Georgia-Pacific is one of the world's largest manufacturers of consumer paper products. They operate nine facilities in Oregon, three of which are located in Portland. The Facility itself contributes 174 total jobs to the Oregon economy, while the company has 1,980 direct employees statewide and pays direct wages and benefits to Oregon employees in excess of $180 million annually.

The Facility consists of a wharf, a warehouse distribution building of approximately 600,000 square feet, office space, truck parking and vacant land. The wharf and warehouse were constructed in 1968 and financed with revenue bonds issued by the Port of Portland (Port) pursuant to Port Ordinance No. 134, which have been paid in full. The office space and truck parking were added by Georgia-Pacific in 2004.

Georgia-Pacific uses the Facility to store and distribute consumer goods and products (toilet paper, paper towels, and other paper products) manufactured at their mill located on the Columbia River in Wauna, Oregon. Products arrive at the Facility by barge, are transferred from the wharf to the warehouse using a trolley system and forklifts, and then loaded onto trucks for distribution in the Pacific Northwest and Northern California.

Georgia-Pacific leases the Facility under a Lease dated November 11, 1968 (1968 Lease). The 1968 Lease will expire on November 30, 2018. There are no remaining options to extend. Rent is currently $965,136 annually and has not been adjusted since December 2008. The 1968 Lease does not require Georgia-Pacific to pay common area maintenance assessments, and does not give the Port the right to require demolition of the portion of the Facility owned by the Port at the end of the 1968 Lease.

In September of 2015, the Port was contacted by Colliers International (Colliers), on behalf of Georgia-Pacific, and asked to respond to a request for proposal (RFP) with respect to a new leasehold for its paper products facility. Colliers indicated that Georgia-Pacific was evaluating its west coast operations to make informed decisions about expiring leases and future facilities. Recognizing the importance of keeping Georgia-Pacific as a tenant, the Port responded to the RFP, entered into negotiations to amend and restate the current lease, and the parties have agreed to the business terms set forth below.

BUSINESS TERMS

Term:	10 years
Options:	Two 10-year options
Annual Rent:	Approximately $1.1 million annually (an increase of 13%); based on 54.48 acres and fair market value of $5.75 per square foot.
Escalations:	Six percent every three years during initial term and each option term.
Maintenance:	To be performed by Georgia-Pacific.
Operating Expenses:	All taxes, utilities and insurance to be paid by Georgia-Pacific.
Common Area Maintenance Assessment:	Georgia-Pacific to pay assessment in the amount of $15,000 in the initial year, with increases capped at 10% annually.
Demolition:	Port to have option to require Georgia-Pacific to demolish Facility at the end of the term, provided Georgia-Pacific exercises the first option.
Broker Commission:	Port to pay real estate broker commission to Colliers in the amount of $360,000, consistent with Commission policy.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to enter into an amended and restated lease with Georgia-Pacific Consumer Products (Northwest) 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.

PORT OF PORTLAND

Agenda Item No. 3

COLLECTIVE BARGAINING AGREEMENT – MARINE SECURITY DEPARTMENT

December 14, 2016

Presented by: Blaise Lamphier
Labor Relations Manager

REQUESTED COMMISSION ACTION

This agenda item requests approval of a four-year collective bargaining agreement between the Port of Portland (Port) and the International Longshore and Warehouse Union, Local 28 (Union) representing 19 Port employees who perform marine security at Terminals 2, 4 and 6.

BACKGROUND

On March 16, 2015, the Port and the Union agreed to enter into bargaining for a new contract to replace the agreement that would expire on June 30, 2016. After holding 15 bargaining sessions through June 13, 2016, and two mediation sessions in August and September 2016, the parties reached a Tentative Agreement. On November 17, 2016, the Union reported to the Port that its membership had ratified this agreement.

Key terms of the changes to this agreement are outlined below:

Term of Agreement: July 1, 2015, through June 30, 2019.

Wages: Effective retroactive to July 1, 2015, wages for all steps shall increase by three percent (3.0%). All employees who are in a pay status as of the date of the Union membership's ratification vote shall be eligible for retroactive pay.

Effective July 1, 2016, wages for all steps shall increase by zero percent (0.0%).

Effective July 1, 2017, wages for all steps shall increase by a minimum of two percent (2%) and a maximum of four percent (4%) based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) Portland-Salem Second-Half index reported in January or February 2017, which covers the period from July through December 2015 to July through December 2016.

Effective July 1, 2018, wages for all steps shall increase by a minimum of two percent (2%) and a maximum of four percent (4%) based on the CPI-W Portland-Salem Second-Half index reported in January or February 2018, which covers the period from July through December 2016 to July through December 2017.

PORTshare: Employees will be eligible to participate in the Port's PORTshare Incentive Plan, pursuant to the program's rules and plans outlined in the plan document. Employees covered by this bargaining agreement will not be eligible for any potential payout under the program until after the completion of the 2016-2017 Fiscal Year. For the purposes of potential payout only, the employees covered by this bargaining agreement shall be covered by the plan document's formula for Grade 72-74 that is in place and in effect at the time of any potential payout made by the Port to employees covered under this bargaining agreement. The formula for Grade 72-74 that is currently in effect is subject to change.

The Union, on behalf of itself and the employees it represents, agrees to waive the specific right, both collectively and individually, it might otherwise have to file any and all grievances related to the administration of the PORTshare Incentive Plan. The Port retains the exclusive right to determine the terms of eligibility and conditions defined under the PORTshare program; the formula for calculating PORTshare; the evaluation of employees for the purposes of PORTshare; whether or not there is a PORTshare payment in a given year, either individually or collectively, since that is contingent upon the terms of the PORTshare plan document; or the elimination of the PORTshare program should the program be eliminated for all Port employees.

The Union also specifically waives any right it might otherwise have to demand to bargain over the decision or the impacts of changes made by the Port to the PORTshare plan document and the conditions made within, including any revisions described above.

<u>Health and Welfare</u>: Effective January 1, 2017, medical, dental, and vision plans provided under the Preferred Provider Organization (PPO) plan and the Health Maintenance Organization (HMO) plan will be the same plans and benefits that were provided to administrative employees as of January 1, 2016. Effective January 1, 2017, the PPO plan will be a high-deductible plan.

Effective January 1, 2017, the Port will establish Health Savings Accounts (HSAs) for employees who elect the high-deductible PPO plan and make contributions on the employees' behalf in accordance with a schedule that mirrors the schedule established for administrative employees begun in January 2015, including additional contributions for employees who successfully complete Port wellness activities as determined by the Port. Employees who elect the high-deductible PPO plan, but are not eligible for an HSA under IRS regulations, will receive equivalent contributions into a Health Reimbursement Account (HRA).

For calendar years 2017, 2018 and 2019, the Port will pay the entire amount of its contributions to HSAs during the first full pay period in January of those respective years.

Employees who enroll in the HMO plan will not receive a contribution to HSAs or HRAs. For calendar year 2017, all employees enrolled in the HMO plan will receive the same premium discount as administrative employees. For calendar years 2018 and 2019, employees enrolled in the HMO plan who successfully complete Port wellness activities as determined by the Port, will receive the same premium discount provided to administrative employees enrolled in the HMO plan who successfully complete Port wellness activities.

Upon being newly hired or during annual enrollment thereafter, employees may opt out of the Port's medical, dental, and vision plans at their own choosing upon written notification to the Employer via a Health Application and Change Form.

Critical Illness & Accident Plans: An employee-only critical illness plan and employee-only accident plan will be provided at the Port's expense. Employees may purchase additional elective coverage for the employee and for their eligible dependents at the employee's expense.

Disability Insurance: Employees will be placed on the same short- and long-term disability plans as administrative employees.

Lump Sum: A $1,000 lump sum bonus (grossed up) will be paid to employees who are on the Port's payroll on the date of ratification of this agreement. This payment will be made in the first full pay period subsequent to Commission approval.

Scheduler's Premium: The premium for the officer assigned the day-to-day responsibility for scheduling will be increased from seven-and-one-half percent (7.5%) to ten percent (10%) above the officer's base rate of pay.

Holidays: The day after Thanksgiving is added to the list of paid holidays beginning in calendar year 2017.

Lead Officer Pilot Program: The parties agreed to establish a Lead Officer Pilot Program to explore the possibility of utilizing lead officers on an ongoing basis as an alternative to the existing scheduling assignment. Eligibility for assignment to the lead officer designation shall be determined by the Port and criteria incorporated into the Standard Operating Procedures of the Marine Security Department. The Port has the sole authority of determining the designation of lead officers during the Lead Officer Pilot Program and the parties shall meet after no less than six (6) months after commencement of the program to discuss and evaluate it. Either party may dissolve the program with a thirty- (30) day written notice to the other party.

Arbitrator's Fee: The losing party in grievance arbitrations is responsible for the payment of any arbitrator costs, fees, or expenses.

Complaint Process: The complaint process that was parallel to grievance process is deleted from the agreement.

Discipline: The parties agreed on clarifications to the disciplinary process to improve understanding and efficiency.

Alcohol & Controlled Substances: The Port's "A Workplace Free From Alcohol and Controlled Substances" policy (No. 7.3.05), as revised on July 1, 2015, was incorporated into the Agreement.

Estimated Financial Impact (new dollars): The average annual cost increase per employee for wages and benefits is expected to be approximately $4,020 (3.96%). The anticipated cumulative annual increases over the last contract year of the prior collective bargaining agreement, as well as the anticipated aggregate total, are as follows:

Contract Year	Year Over Year Increase	Cumulative Increase Over Base Year
Year 1	$105,953	$105,953
Year 2	$35,907	$141,859
Year 3	$91,730	$233,589
Year 4	$71,933	$305,523
Total Increase:		$786,924

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 collective bargaining agreement with the International Longshore and Warehouse Workers, Local 28, for a four-year agreement beginning July 1, 2015, setting forth wages, fringe benefits, and working conditions, 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.