PORT OF PORTLAND

AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
January 9, 2013
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – December 12, 2012

Executive Director

Approval of Executive Director's Report – December 2012

Award Presentation

TSA Honorary Partnership Award – Port of Portland Police — *MIKE IRWIN*

Consent Item

1. APPOINTMENT AND DESIGNATION OF ASSISTANT SECRETARIES — *KRISTA KOEHL*

   This agenda item requests the appointment of a new Commission Assistant Secretary.

Action Items

2. GROUND LEASE – UNITED STATES OF AMERICA – PORTLAND INTERNATIONAL AIRPORT — *CHRIS MADSEN*

   Requests approval to enter into a new lease and accompanying supplemental agreements with the United States of America to support the Oregon Air National Guard mission at Portland International Airport.

3. PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING COMPANY – TERMINAL 6 — *TIM VAN WORMER, JOHN AKRE*

   Requests approval to enter into an Auto Processing Facility Expansion Contract with Auto Warehousing Company for the construction of an auto processing building expansion at the Berth 601 auto facility at Terminal 6.

4. CONTAINER CARRIER INCENTIVE PROGRAM FOR TERMINAL 6 — *SEBASTIAN DEGENS*

Requests approval to enter into a temporary Container Carrier Incentive Program.

General Discussion and Public Hearing

2013 Port of Portland Transportation Improvement Plan — *SUSIE LAHSENE*

General Discussion

Federal Legislative Update — *RICK FINN*

2013 Oregon State Legislative Session Overview — *ANNETTE PRICE*

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Agenda Item No. 1

APPOINTMENT AND DESIGNATION OF ASSISTANT SECRETARIES

January 9, 2013

Presented by: Krista Koehl
General Counsel

EXECUTIVE SUMMARY

This agenda item requests the appointment of a new Commission Assistant Secretary.

Assistant Secretaries are authorized to execute certain documents on behalf of the Port of Portland. In lieu of the Commission Secretary, the Commission typically has appointed the holders of the following positions as Assistant Secretaries: the Executive Director, Chief Financial Officer, Executive Assistant, General Counsel and Executive Administrative Supervisor. This agenda item seeks to add Krista Koehl, General Counsel, to those designated as Assistant Secretaries.

EXECUTIVE DIRECTOR'S RECOMMENDATION

BE IT RESOLVED, That effective January 9, 2013, Bill Wyatt, Cynthia A. Nichol, Pamela Thompson, Krista Koehl and Elise Neibert are designated Assistant Secretaries of the Port of Portland Commission and shall perform such functions and duties as the Commission shall authorize from time to time; and

BE IT FURTHER RESOLVED, That all previous Assistant Secretary designations be rescinded.

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Agenda Item No. 2

GROUND LEASE – UNITED STATES OF AMERICA – PORTLAND INTERNATIONAL AIRPORT

January 9, 2013

Presented by: Chris Madsen
General Manager
PDX Business & Properties

EXECUTIVE SUMMARY

This agenda item requests approval to enter into a new lease and supplemental agreements with the United States of America (Government) to support the Oregon Air National Guard mission at Portland International Airport (PDX).

BACKGROUND

Currently, the Government leases 240 acres of land at PDX from which it conducts its mission "to provide unequalled, mission ready units to sustain combat aerospace superiority and peacetime taskings in service to our nation, state and community." The Portland Air National Guard Base makes a dramatic contribution to our regional economy with approximately 1,500 jobs and over $44 million in annual salaries paid to Guard members who live in Oregon and Washington. As with all joint-use airports across the country, the Government leases land at PDX at a nominal fee, but pays certain ongoing costs. The current lease agreement is set to expire in 2029.

The parties have agreed to enter into a new lease with mutually beneficial terms and conditions. As a material inducement for the Port to enter into a new lease with a 50-year term, the new lease provides for increased environmental protections through updated lease language, and provides for a phased reduction of the Government's leased property over the term of the lease that provides the Port with flexibility to respond to future capacity requirements. The recently adopted PDX Master Plan indicates that the Government's leasehold is an appropriate location for the military use.

In addition to the lease with the United States, the Port will enter into two supplemental agreements with the Oregon Air National Guard. A Local Implementation Agreement will require the Guard to follow Airport Rules concerning operational issues that occur outside the leasehold. The second agreement is a Deicing Agreement setting out terms of use and payment requirements for the Guard to discharge deicing materials into the Port's Deicing System.

The restructured agreements provide the Port with increased flexibility to develop the airport as necessary to support PDX's public commercial airport function by protecting areas for future expansion while supporting the Government's military mission which provides valuable services to the region. The following are key business terms within the Ground Lease, Local Implementation Agreement and Deicing Agreement:

Ground Lease

Permitted Uses: The leased premises will be used for the Oregon Air National Guard mission and aeronautical support activities. During the term of the agreement, any changes to the use of the land will be subject to Port consent. There are no known anticipated changes to the uses at this time.

Environmental Provisions: The Government agrees to comply with all applicable environmental laws. Periodic environmental audits will be completed throughout the lease term and both parties will comply with the required corrective action plans identified in such audits. An environmental exit audit will be completed upon termination of any parcel and the Government will conduct all hazardous substance remedial activities in accordance with all environmental laws at its own cost and expense.

Construction Obligations: The Port will not have any ongoing construction, repair or maintenance responsibilities with respect to the Leased Premises.

Capital Project Commitments: The Government agrees to fund its proportionate share of the cost of capital improvements that support the activities of the Oregon Air National Guard. The Government's cost sharing commitments will be memorialized in separate Military Construction Cooperative Agreements. The Port will be responsible for certain construction items that are necessitated by the phased reduction of the Government's leasehold: 1) A fence with a gate that will connect to the Port's security perimeter fence will be installed around the perimeter area of the returned parcels C1 and C2 ; 2) Concrete bollards and a tire restriction device will be installed to prevent unauthorized entry; and 3) Certain roadway improvements adjacent to the returned parcels will be constructed to allow for access.

Leased Premises: The current ground lease expires January 1, 2029. This new ground lease reconfigures the leasehold into six parcels (A, B, C1, C2, D1 and D2) of land totaling approximately 240 acres and removes parcels over time from the long-term lease. The Government may terminate the Ground Lease at any time by providing 180 days advance written notice. The following lease terms for each parcel include:

Parcel A: Primary Parcel – Protected Area

Premises: 128.91 acres

Term: 50 years, effective January 9, 2013, through January 8, 2063.

Parcel B: Secondary Parcel

Premises: 74.78 acres

Term: 50 years, effective January 9, 2013, through January 8, 2063, with an early termination provision that, in the Port's sole option, identifies the need to commence planning for a third runway..

Parcels C1/C2: Early Surrender Parcels

Premises: 27.02 acres

Term: Upon Port acceptance of surrender (2 years or earlier).

Parcels D1/D2: Early Surrender Parcels

Premises: 17.94 acres

Term: Approximately 17 years, effective January 9, 2013, through January 8, 2031.

Local Implementation Agreement ("LIA")

The LIA includes commitments to comply with regulations concerning airport security, noise mitigation, airfield driving and compliance with applicable environmental laws. This agreement also requires the Guard to return parcels of land and improvements to the Port with required obligations met, such as separate shared utility services, obtain occupancy permits for improvements and providing detail reports such as "as-built" drawings, site utility maps, asbestos and lead paint surveys. The LIA also allows the use of the firing range for the Port of Portland Police. The LIA is co-terminus with the Ground Lease, effective January 9, 2013.

Deicing Agreement ("DA")

The DA will authorize discharge of deicing materials into the Port's Deicing System by the military subject to compliance with certain conditions of use such as compliance with the Port's National Pollutant Discharge Elimination System Permit, and paying a proportionate share of their operating costs. The DA is co-terminus with the Ground Lease, effective January 9, 2013.

Other Related Agreements

The Government is required by Federal law to pay the Port for the Government's reasonable share and proportionate cost of operating and maintaining the jointly-used facilities, which they do under a separate Airport Joint Use Agreement. The Guard also participates in programs to support the airport and ensure its safe operation.

In conjunction with the execution of the above-referenced documents, the Port and the Government have ongoing agreements, including a Stormwater Agreement, Storage Tank Agreements, Airport Joint Use Agreement and a Fire Reciprocal Agreement.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to enter into the lease and auxiliary agreements described herein with the United States of America to support the Oregon Air National Guard mission at Portland International Airport, consistent with the terms presented to the Commission; and
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> 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.

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Agenda Item No. 3

PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING COMPANY – TERMINAL 6

January 9, 2013

Presented by: Tim Van Wormer
Development Manager

John Akre
Terminal Manager

EXECUTIVE SUMMARY

This agenda item requests approval for the Port of Portland (Port) to enter into an Auto Processing Facility Expansion Contract (Expansion Contract) with Auto Warehousing Company (AWC) for the construction of certain improvements to AWC's auto processing facility at the Port's Terminal 6 (T6). The Expansion Contract is a public improvement contract for purposes of the Oregon Public Contracting Code (ORS 279A, B and C).

BACKGROUND

AWC has leased approximately 130 acres of Port property at T6 since April 2005. AWC plans to improve its auto processing facility at Berth 601 by constructing a 27,000-square-foot building expansion. AWC estimates that the total project cost will be $2,800,000. The Oregon Department of Transportation (ODOT) *Connect*Oregon IV (COIV) transportation improvement program provides grant funding to public agencies for projects that benefit air, marine, public transit and rail transportation throughout Oregon. In November 2011, the Port applied for a COIV grant to help fund AWC's planned expansion.

ODOT notified the Port in August 2012 that the project was approved for $2,240,000 in COIV grant funding. The project will be funded as follows:

*Connect*Oregon IV Grant	$2,240,000
AWC Matching Funds	$560,000
Total Project Cost	$2,800,000

The Port will be the sole recipient of the COIV grant and will enter into a grant agreement with ODOT for the project funding. To pass the grant funding through to AWC, the Port intends to enter into the Expansion Contract concurrently with the execution of the grant agreement.

Exemption from Competitive Bidding

The Port may award public improvement contracts without competitive bidding under certain circumstances. In this case, 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). The Commission, acting in its capacity as the Port's CRB, previously approved these rules. The rules authorize the Executive Director to administratively grant exemptions from competitive bidding without Commission action when certain criteria are met. On December 20, 2012, Bill Wyatt administratively granted such an exemption, allowing the Port to award the Expansion Contract without competitive bidding. However, Commission approval is still required to award the Expansion Contract because it exceeds the Executive Director's delegated contracting authority.

Contract Terms; Contracting Authority

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. AWC will be responsible for all project costs not covered by the COIV grant funding. 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. As stated above, however, the Port must obtain the Commission's authority 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 public improvement contract with Auto Warehousing Company for the auto processing facility expansion project at Terminal 6, consistent with the terms presented to the Commission; and
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> 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.

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Agenda Item No. 4

CONTAINER CARRIER INCENTIVE PROGRAM FOR TERMINAL 6

January 9, 2013

Presented by: Sebastian Degens
General Manager
Marine Business Development

EXECUTIVE SUMMARY

This agenda item requests approval to enter into a temporary Container Carrier Incentive Program in an amount not to exceed $1,000,000. This program is being proposed in conjunction with a rent rebate program for ICTSI Oregon, Inc. (ICTSI) that is still under development, the details of which will be presented to the Commission at a later date. The rent rebate program is being developed for the purpose of offsetting a portion of ICTSI's incremental operating costs attributable to lower labor productivity at Terminal 6, and the carrier incentive program is being developed as a commercial response to anticipated terminal rate increases to the container lines calling Terminal 6.

The increase in operating costs at Terminal 6 resulting from the labor productivity decline has rendered the operations at Terminal 6 financially unsustainable without significant rate increases, making a fully compensatory throughput rate schedule uncompetitive in the marketplace. The existing terminal use agreements expired on December 31, 2012 and current service is being provided to the carriers under a new rate schedule on a temporary basis. In order to promote continuity of container service to the local region, the Port is proposing a $10.00 per container incentive payment to calling carriers in a not-to-exceed program amount of $1,000,000 over an approximate 12-month period ending December 31, 2013. This program is justified as a means of helping sustain the mission critical nature of the container franchise to shippers in the State of Oregon and throughout the region. The carrier incentive payments would be paid out of rent received from ICTSI during 2012 and 2013 under the Terminal 6 Lease.

BACKGROUND

Beginning in early June 2012, Terminal 6 experienced a measurable and substantial decrease in both vessel and gate productivity. This productivity drop has been documented in a study performed by Parsons Brinkerhoff in November 2012.

The drop in terminal productivity coincided with the conclusion of the National Labor Relations Board (NLRB) hearing held in Portland in late May of 2012 aimed at addressing a dispute over union jurisdiction involving refrigerated container plug/unplug and monitoring at Terminal 6. Although the NLRB ultimately ruled that the Port's International Brotherhood of Electrical Workers employees should perform the disputed work, not ICTSI's International Longshore and Warehouse Union employees, the decreased and inconsistent terminal labor productivity has continued unabated and has added considerable additional expense for ICTSI and ultimately for the carriers calling Terminal 6.

In June and July of 2012, at the height of the dispute, the deterioration in terminal labor productivity was substantial enough to cause shipping companies to bypass Portland. Hanjin, the largest carrier calling Portland, omitted the Portland call for a sustained period at great cost to local shippers, the CKYH carrier alliance, and ICTSI. The Hapag-Lloyd service also bypassed several calls but resumed service in early July. In order to maintain service, the Port initiated a short-term incentive program for carriers. The Port paid $175,000 to the carriers under the Carrier Retention Program during the period June through August 2012. The Port also adopted a short-term Cost Sharing Program to share some of ICTSI's increased operating costs and lost revenues directly attributable to the labor dispute. To date, the Port expects to rebate or credit approximately $2.7 million to ICTSI from rents paid, or that otherwise would have been paid, by ICTSI during 2012.

The existing Terminal Use Agreements (TUAs) pre-date ICTSI's lease of the facility and were negotiated between the Port and the carriers during the time the Port operated Terminal 6. These TUAs were assigned to ICTSI in February, 2010 as part of the lease agreement between ICTSI and the Port, and expired December 31, 2012. ICTSI honored the rates and charges in the existing TUAs until their expiration, but is now seeking to reset them at rate levels that reflect ICTSI's current operational realities, including the decreased labor productivity.

The labor situation at Terminal 6 has resulted in a loss of business for ICTSI, financial loss and cargo diversion, and delays to the local and regional shipping community, as well as a substantial loss of confidence in Portland service by the local and regional shipping community and a loss of confidence by some of the shipping lines. While parties do believe that the labor issues and accompanying terminal productivity levels will eventually improve, that does not appear likely in the short term.

In order to facilitate implementation of long-term terminal use agreements that promote and maintain uninterrupted container service for the regional shippers and consignees, the Port is proposing to provide an incentive payment during 2013 to calling carriers of $10.00 per container moved (import or export, load or empty) through Terminal 6, in an aggregate amount not to exceed $1,000,000, and expiring on the earlier of the exhaustion of the not-to exceed amount or December 31, 2013. The source of funds for this program will come from non-tax revenues of the Port, specifically the rental payments from ICTSI to the Port under the Terminal 6 Lease.

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 program for payment of a per container incentive directly to calling carriers at Terminal 6 in an amount not to exceed $1,000,000, consistent with the terms presented to the Commission; and
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> 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.