



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
July 13, 2011
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – May 11, 2011
Approval of Minutes: Regular Commission Meeting – June 8, 2011
Approval of Minutes: Special Commission Meeting – June 24, 2011

Executive Director

Approval of Executive Director's Report – June 2011

Award Presentation

Marine and Industrial Development Safety and Health Achievement
Recognition Program Certification Presentation *WILLIAM KLOSTER,
OREGON OSHA*

Action Items

1. COLLECTIVE BARGAINING AGREEMENT – NAVIGATION DEPARTMENT *BRENDA MEECE*
Requests approval of a new four-year and one-month collective bargaining agreement between the Port of Portland and the International Union of Operating Engineers, Local 701.
2. CONCESSION LEASES – PARADIES-MY-REO, LLC, AND HOST INTERNATIONAL, INC. – PORTLAND INTERNATIONAL AIRPORT *REBECCA SONNIKSEN*
Requests approval to enter into two new concession leases with Paradies-My-Reo, LLC, and Host International, Inc., for the operation of 10 News and Gift locations at Portland International Airport.

COLLECTIVE BARGAINING AGREEMENT – NAVIGATION DEPARTMENT

July 13, 2011

Presented by: Brenda Meece
LR Consulting LLC**EXECUTIVE SUMMARY**

This agenda item requests approval of a new four-year and one-month collective bargaining agreement between the Port of Portland (Port) and the International Union of Operating Engineers, Local 701.

BACKGROUND

On April 28, 2011, the Port and Operating Engineers, representing up to 44 employees who work on the Dredge OREGON, entered into collective bargaining for a new contract to replace the agreement that expired on May 31, 2011. The parties have reached a tentative agreement, which the membership ratified on June 23, 2011.

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

Terms of Agreement: June 1, 2011, through June 30, 2015, with a provision that the contract can be extended one year if mutually agreeable to both parties.

Wages: Lump sum payment of \$350 to all employees who were on the Port's payroll on the date of the membership ratification vote.

Effective July 1, 2011, increase base wages from 0 to 2.1% depending on group.

Effective July 1, 2012, 2013 and 2014, the Port will meet the January 1 Prevailing Wage Rate (PWR) total compensation for that year.

Effective July 1, 2011, move Group C to Group B.

Effective the first pay period following Commission approval, increase Fill Cat Operator Lead's premium from \$0.75 to \$1.00 per hour.

Overtime: Port no longer required to pay time and one-half (1.5) pay for the entire shift when an employee is brought in for overtime prior to the start of the regular shift.

Travel Subsistence: Grandfather current travel subsistence pay for Zones 1 and 2 to \$19.00 and \$26.00 per day respectively. Increase Zone 3 from \$35.00 to \$48.45 and Zone 4 from \$40.00 to \$68.34 per day. Future travel subsistence pay to be based on IRS mileage reimbursement rate effective each January 1 based on mileage established for each zone.

COLLECTIVE BARGAINING AGREEMENT – NAVIGATION DEPARTMENT

July 13, 2011

Page 2

Increase the reimbursement amount of \$25.00 to \$40.00 for employees who worked for the Port the previous dredging season and who are required to take a drug test if the tests are conducted at a facility within a 15-mile radius of the individual's residence.

Benefits: Effective June 1, 2011, increase the hourly contribution to the Union Trust Fund from \$3.90 to \$4.55 per hour for non-PERS eligible employees.

Effective June 1, 2011, provide reimbursement for prescription safety glasses up to \$100 per contract year. This amount can be carried over one year to a maximum of \$200 if the benefit is not used the previous year.

Safety Shoes: Effective June 1, 2011, increase reimbursement from \$75 to \$100 per contract year. This amount can be carried over one year to a maximum of \$200 if the benefit is not used the previous year.

Miscellaneous: Revise the Alcohol and Controlled Substance Policy to reflect changes to Port policy.

Add language that allows the Port to establish a four-ten (4-10) hour day shift during non-dredging operations.

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 Union of Operating Engineers, Local 701, for a four-year and one month agreement beginning June 1, 2011, setting forth wages, fringe benefits and working conditions for the employees in the Navigation Department, 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 LEASES – PARADIES-MY-REO, LLC, AND HOST INTERNATIONAL, INC. –
PORTLAND INTERNATIONAL AIRPORT**

July 13, 2011

Presented by: Rebecca Sonniksen
Market Development Project Mgr.**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into two new concession leases awarded through a Request for Proposals (RFP), with Paradies-My-Reo, LLC (Paradies), and Host International, Inc. (Host), for the operation of 10 News and Gift locations at Portland International Airport (PDX).

BACKGROUND

The current News and Gift leases with HG Burch and Paradies are due to expire July 30, 2011. In preparation for awarding the new agreements, Port of Portland (Port) staff hosted meetings over the past nine months with interested proposers and researched several RFPs published by other airports. The purpose of the meetings and the research was to determine an approach that would secure for the Port the appropriate operators with the best concepts while increasing revenue.

As a result of this research, selection was made on an open and competitive RFP process that packaged the 10 News and Gift locations to be awarded to two operators.

The RFP was issued on December 1, 2010, to which four firms responded. All of the proposals included Airport Concession Disadvantaged Business Enterprise (ACDBE) participation, which was an important goal of the RFP. Proposers included current operators, HG Burch and Paradies, who formed a new company to include a joint venture partner, and Host International (Host), a current food and beverage operator at PDX. The final proposer was an on-the-rise company, Pacific Gateway Concessions. All four are national companies with concession locations throughout the country in all of the major airports.

Proposals were evaluated on management plan, concept, design, execution, financial offer, and small business participation. Following the initial scoring, the selection panel interviewed the two top scoring proposers, both of which have extensive experience in the industry and at PDX.

Based on the highest scores and interviews, the selection panel recommends that the 10 locations be split between Paradies and Host, with each operating five of the News and Gift locations.

The steps to evaluate and award, as outlined in the RFP, were consistent and standard with what has been done in past RFPs, and to what is done in other airports.

CONCESSION LEASES – PARADIES-MY-REO, LLC, AND HOST INTERNATIONAL, INC. –
PORTLAND INTERNATIONAL AIRPORT

July 13, 2011

Page 2

Paradies has proposed updating its successful concept of Your Northwest TravelMart with the addition of new partners and offerings that include fresh, prepackaged food from Reo's Ribs, Boyd's Coffee and regional gifts and collectibles from Columbia Empire Farms for four of its locations. Your Northwest TravelMart will also feature Glacier Water refill stations, electronic recharge stations and self-check areas.

For the fifth location at concourse C-west, Paradies proposes replacing the existing steel structure with Your Northwest MarketPlace, an open marketplace where travelers can gather with comfortable seating and food. Offerings include a sampling of local beers and wines in addition to the standard news and gift selection.

Host is bringing to three of its five locations two of Portland's most iconic brands: The Oregonian and Rich's News. Stephanie Jewell, an ACDBE operator with several brands at PDX, will be subleasing from Host one of The Oregonian locations. To complement these locations, the fourth location will be The Market, which combines the focus of a newsstand with a convenience store that offers a "taste of Portland." Food to go will feature items from Flying Elephants, Rogue and Rose's Deli.

For its fifth location in the south lobby, Host is pairing The Market with an exciting national brand, Kiehl's. As one store it offers merchandise focused on the healthy traveler. The Market will feature a selection of in-season local fruits and vegetables, homeopathic non-prescription medications, natural personal care products and books and CDs on fitness. Paired with The Market is Kiehl's, a branded New York apothecary since 1851. Kiehl's will be connected to The Market but with a separate presentation. Now only available in their NW 23rd Avenue store and in Nordstrom stores, a PDX presence is highly anticipated.

The execution of the News and Gift program is a key development in achieving the Port's business line goals of enhancing customer service and generating estimated annual rent revenues of over \$2 million dollars.

KEY BUSINESS TERMS

Paradies-My-Reo, LLC

- Location: Five Locations with two concepts; Your Northwest TravelMart and Your Northwest MarketPlace
- Term: Approximately 10 years and six months.
- Rent: Rent is the greater of Percentage rent which is 18% for the Core Package and 16% for the Premium Location or a Minimum Annual Guarantee (MAG) which is never less than \$690,038 annually.

CONCESSION LEASES – PARADIES-MY-REO, LLC, AND HOST INTERNATIONAL, INC. –
PORTLAND INTERNATIONAL AIRPORT

July 13, 2011

Page 3

MAG will be adjusted the second full Lease year based on 80% of rent paid the first full Lease year. Annual revenues to the Port for the Fiscal Year 2011-12, which reflect the build-outs, are projected to be \$975,612.

Tenant
Improvements: Tenant Investment over five locations is estimated to be \$250,000-\$1,000,000 per location.

No cost to the Port.

Open: Development phased over 12 months.

Certification: ACDBE Joint Venture Partner, with 15% ownership, to be certified by Oregon Department of Consumer and Business Services.

Standard Terms: Other lease terms for street pricing, quality assurance, customer service, cleanliness and operational efficiencies will also be included.

Host International, Inc.

Location: Five Locations with four concepts:
Rich's News, The Oregonian, The Market and Kiehl's.

Term: Approximately 10 years and six months.

Rent: Rent is the greater of Percentage rent which is 18% for the Core Package and the Premium Location or a MAG, which is never less than \$796,737 annually.

MAG will be adjusted the second full Lease year based on 80% of rent paid the first full Lease year. Annual revenues to the Port for the Fiscal Year 2011-12, which reflect the build-outs, are projected to be \$1,232,134.

Tenant
Improvements: Tenant Investment over five locations is estimated to be \$400,000-\$1,000,000 per location.

No cost to the Port.

Open: Development phased over 12 months.

Certification: ACDBE sublease to tenant certified by Oregon Department of Consumer and Business Services.

CONCESSION LEASES – PARADIES-MY-REO, LLC, AND HOST INTERNATIONAL, INC. –
PORTLAND INTERNATIONAL AIRPORT

July 13, 2011

Page 4

Standard Terms: Other lease terms for street pricing, quality assurance, customer service, cleanliness and operational efficiencies will also be included.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into two new concession leases with Paradies-My-Reo, LLC, and Host International, Inc., for the operation of 10 News and Gift locations at 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.