



AGENDA  
Regular Commission Meeting  
Port of Portland Headquarters  
7200 N.E. Airport Way, 8<sup>th</sup> Floor  
November 12, 2014  
9:30 a.m.

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**Minutes**

Approval of Minutes: Regular Commission Meeting – October 8, 2014

**Executive Director**

Approval of Executive Director's Report – October 2014

**General Discussion**

External Audit Results and Port of Portland Fiscal Year-End 2014  
Financials

*BOB BURKET  
PRICEWATERHOUSE-  
COOPERS*

**Consent Items**

1. CONSENT TO ENTERPRISE ZONE APPLICATIONS BY THE CITY OF TIGARD AND THE CITY OF OREGON CITY *LISE GLANCY*

Requests consent to the creation of two new Enterprise Zones located within the Port of Portland boundaries, one in the City of Tigard and the other in the City of Oregon City.

2. LEASE AMENDMENT – INTERNATIONAL RAW MATERIALS, LTD. – TERMINAL 4 *PATTI FREEMAN*

Requests approval of an amendment to add additional rail tracks to the International Raw Materials, Ltd., lease premises located at Terminal 4.

**Action Items**

3. RESOLUTION TO SELF-REPORT UNDER MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE BY U.S. SECURITIES AND EXCHANGE COMMISSION DIVISION OF ENFORCEMENT *TATIANA STAROSTINA*

Requests approval of a resolution to file a Municipalities Continuing Disclosure Cooperation Initiative Questionnaire for Self-Reporting with the U.S. Securities and Exchange Commission's Enforcement Division.

4. PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL  
BALANCING CONCOURSE E EXTENSION – PORTLAND  
INTERNATIONAL AIRPORT *STAN SNYDER*

Requests approval of an amendment to an existing personal services contract with Hennebery Eddy Architects, Inc., for the completion of project design for the Terminal Balancing Concourse E Extension project at Portland International Airport.

5. PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC  
IMPROVEMENT CONTRACT AMENDMENT – POST-SECURITY  
CONCESSIONS REDEVELOPMENT PHASES 1 AND 2 –  
PORTLAND INTERNATIONAL AIRPORT *DAN GILKISON*

Requests approval of two contract actions related to the Post-Security Concessions Redevelopment project at Portland International Airport.

**CONSENT TO ENTERPRISE ZONE APPLICATIONS BY THE CITY OF TIGARD AND THE CITY OF OREGON CITY**

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November 12, 2014

Presented by: Lise Glancy  
Regional Government Relations  
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests consent to the creation of two new Enterprise Zones located within the Port of Portland (Port) boundaries, one in the City of Tigard and the other in the City of Oregon City. These new Enterprise Zones will provide additional incentives to encourage existing or new companies to invest and add employees within the zones.

**BACKGROUND**

The Enterprise Zone program was enacted by the Oregon Legislature in 1985. 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. Oregon ports play a key role in economic development in the community. 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 offer tax and other incentives to induce additional investment and employment in areas meeting certain measures of economic hardship. The primary beneficiaries of Enterprise Zone benefits are manufacturing and other more industrially-oriented facilities serving other businesses. Most commercial and retail-type operations are ineligible. Enterprise Zones provide up to 100 percent property tax abatement on a company's new investment in facilities, equipment and machinery over a three- to five-year period if a job threshold is met (a 10 percent increase from base employment during the tax abatement period). Land, existing machinery and equipment is not tax exempt. Enterprise Zones have proven to be Oregon's key offering in the pursuit of business growth and expansion. Their effectiveness is due to a typically short-term (three-to-five years), but immediate, benefit for the business project's cash flow.

Based on continued positive interest in the Enterprise Zone program, the City of Tigard and City of Oregon City are seeking the Port Commission's consent for the creation of two new Enterprise Zones within Port boundaries. The proposed City of Tigard Enterprise Zone will include approximately 2.77-square-miles of commercial and industrial land along the Oregon Highway 217 and Interstate 5 corridors in the City of Tigard. The proposed Oregon City Enterprise Zone will encompass industrial areas along Beaver Creek Road, the Red Soils area and north of Highway 213 – an area of approximately 1.2 square miles.

CONSENT TO ENTERPRISE ZONE APPLICATIONS BY THE CITY OF TIGARD AND THE  
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The proposed Enterprise Zones would have no loss of current property tax levies to the Port or other taxing jurisdictions. Under the current tax levy, the Port will forgo approximately \$0.0710 per \$1,000 of assessed value of any *new* investment in the two Enterprise Zones until the exemption period ends. The impact on Port property tax revenue is expected to be relatively small (approximately \$2,030 impact for the Cities of Tigard and Oregon City Enterprise Zones over a three-year period if a \$5 million investment is made in each zone). Upon completion of the three- to five-year exemption period, the property will be fully taxed thereafter.

Tigard City Council adopted a resolution on the proposed Tigard Enterprise Zone on October 28, 2014. The Oregon City Council adopted a resolution on the proposed Oregon City Enterprise Zone on November 5, 2014. In order to move the two new Enterprise Zone applications forward to the Oregon Business Development Department for approval, the two jurisdictions are required, as the Enterprise Zone sponsors, to have the consent of the Port Commission for their applications. The City of Tigard and City of Oregon City have requested that the Port Commission provide a resolution consenting to the creation of these Enterprise Zones.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolution be adopted:

BE IT RESOLVED, that the Port of Portland Commission consents to an application by the City of Tigard and the City of Oregon City for the creation of the Tigard Enterprise Zone and Oregon City Enterprise Zone located within Port of Portland district boundaries.

**LEASE AMENDMENT – INTERNATIONAL RAW MATERIALS, LTD. – TERMINAL 4**

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November 12, 2014

Presented by: Patti Freeman  
Property Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval of an amendment to add additional rail tracks to the International Raw Materials, Ltd. (IRM), lease premises located at Terminal 4.

**BACKGROUND**

The Port of Portland (Port) and IRM entered into a lease in January 2000, under which IRM currently leases approximately 4.6 acres at Terminal 4 on which it operates a dry and liquid bulk transload and distribution facility (Premises). In addition to the Premises, IRM currently rents an additional 2,000-linear-feet of rail track. IRM previously constructed a pipeline to carry IRM's approved products between the Lease premises and Berth 408 (Old Pipeline). In 2010, the Port constructed a pipeline carriage system connecting IRM's tank farm to Berth 401 to promote future business development in the Pier 1 area of Terminal 4.

Recently, IRM has invested \$1.5 million in their facility, including a liquid bulk transloader, a new 3,000-foot pipe on the pipeline carriage system (Replacement Pipeline) to replace the Old Pipeline, together with various upgrades to the tank farm pipe delivery system. IRM is also expanding products handled at Terminal 4 to increase their throughput volumes. To continue to meet their current facility needs and prepare for anticipated increased throughput volumes of new products, IRM has now requested that additional track area be added to their lease Premises for the remainder of the lease term. The lease term expires on January 31, 2020, subject to two additional five-year extension options by mutual agreement of the parties.

**SCOPE**

Approximately 55,350 square feet of track area will be added to IRM's Premises under the lease, bringing their total Premises to 5.9 acres of land and improvements. IRM will repair and perform minor upgrades to the tracks to bring them into compliance with Class 1 track standards, a portion of which the Port will reimburse.

**BUDGET**

Fiscal-year 2013/2014 revenues from this lease and track rental, was \$259,752. Revenues from the lease will increase slightly by adding the additional rented track area to their Premises. IRM's track upgrade costs will be approximately \$83,000, approximately \$48,000 of which the Port will reimburse over a three-year period by reimbursement of exceedances, if any, of actual wharfage paid by IRM in excess of the Minimum Annual Guaranteed wharfage amount. The Port will also reimburse IRM \$35,000, in exchange for IRM's consent to waive a Port obligation under the lease to return to IRM the components of the Old Pipeline between the Premises and Berth 408, in the event the Port ever removes the Old Pipeline.

**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 International Raw Materials, Ltd., to add additional rail track area to its lease premises located at Terminal 4, 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.

RESOLUTION TO SELF-REPORT UNDER MUNICIPALITIES CONTINUING DISCLOSURE  
COOPERATION INITIATIVE BY U.S. SECURITIES AND EXCHANGE COMMISSION  
DIVISION OF ENFORCEMENT

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November 12, 2014

Presented by: Tatiana Starostina  
Senior Manager  
Financial Analysis and Projects

**REQUESTED COMMISSION ACTION**

This agenda item requests approval of a resolution to file a Municipalities Continuing Disclosure Cooperation (MCDC) Initiative Questionnaire for Self-Reporting with the U.S. Securities and Exchange Commission's (SEC) Enforcement Division.

**BACKGROUND**

On March 10, 2014, the SEC's Enforcement Division announced its MCDC Initiative, which gives issuers and underwriters the opportunity to self-report instances of material misstatements in bond offering documents regarding the issuer's prior compliance with its continuing disclosure obligations. The deadline for underwriters to self-report was September 10, 2014. The deadline for issuers (like the Port) to self-report is December 1, 2014.

**CONTINUING DISCLOSURE OBLIGATION**

In connection with most bond issuances, federal laws require issuers to agree to the ongoing disclosure of certain annual financial and operational information on the Electronic Municipal Market Access website, a service of the Municipal Securities Rulemaking Board. When bonds are issued, an issuer will typically execute a Continuing Disclosure Certificate, which determines the information subject to annual reporting, as well as specific events occurring after issuance that can have an impact on the ability of the issuer to repay the bond, the value of the bond if it is bought or sold prior to its maturity, the timing of repayment of principal, and any number of other key features of the bond, as well as a set of special events that require public disclosure within 10 business days after their occurrence.

**MCDC INITIATIVE**

Under the MCDC Initiative, the SEC has agreed to recommend favorable settlement terms for issuers and underwriters of municipal securities who voluntarily report materially inaccurate statements made in offering documents regarding prior compliance with continuing disclosure obligations. Issuers and underwriters can take part in the MCDC Initiative by completing and submitting a questionnaire by the required deadlines, September 10, 2014, for underwriters and December 1, 2014 for issuers.

If the SEC determines that the violations should be processed under the MCDC Initiative, the SEC will abide by a predetermined schedule of settlement terms that are relatively lenient and include certain remedial measures aimed at ensuring accurate disclosures.

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If an entity could have self-reported under the MCDC Initiative but failed to do so, and the SEC later decides to bring an enforcement action, the entity may potentially face more severe sanctions and penalties.

### **PORT OF PORTLAND'S POSITION**

The Port completed an independent audit of compliance with its continuing disclosure obligations between 2005 and 2013, which concluded that although the Port's continuing disclosures complied in all material respects with the requirements of the Port's continuing disclosure undertakings, in certain years, the Port included financial or operating information that varied slightly from the information specified in the continuing disclosure undertakings.

Many of these variations related to undertakings made for the benefit of holders of bonds that are no longer outstanding. Some of the variations occurred when, rather than filing stand-alone annual reports, the Port filed its latest official statements that provided essentially the same type of information but in more or less detail or in a different format than in the original official statements, and some variations occurred because information from third-party sources was not available before the filing deadline. Other discrepancies included reporting total amounts instead of percentages, total cost-center allocations instead of allocations by line-item and in several reports, two required statistics were omitted.

The Port filed notices of enumerated events timely except that the Port did not file a notice of each rating change in respect of its credit and liquidity providers (letter of credit banks and bond insurers).

The audit report also showed that in the past two years, the Port has corrected most of the deficiencies in its continuing disclosure reporting. The Port also disclosed them in its two most recent bond offering documents for Series 2012B and Series 22. In addition, the Port developed a compliance policy and procedures, set forth in Policy No. 7.2.15, adopted in February 2013, and created a standardized form of its annual continuing disclosure report.

### **PROPOSED ACTION**

While the Port does not believe that the omitted disclosure information was material, the Port in consultation with Orrick, its Bond Counsel, decided that it should submit the MCDC questionnaire to the SEC describing the types of discrepancies and omissions that it discovered, in order to prevent any disputes with the SEC and potential penalties in the future.

### **FINANCIAL AND LEGAL IMPLICATIONS**

The MCDC Initiative offers a procedure for the issuer to settle with the SEC and resolve any federal securities liability with respect to the misstatement without paying a financial penalty to the SEC. Under the MCDC Initiative, if the SEC concludes that the reported deficiencies were material, it may recommend a settlement by way of a cease and desist order, which would require the following:



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- Establish policies, procedures and training regarding continuing disclosure obligations within 180 days;
- Comply with existing continuing disclosure undertakings and bring all prior filings up to date within 180 days of the institution of the proceedings;
- Cooperate with any subsequent investigation by the SEC;
- Disclose the settlement terms in future official statements by the Port for the next five years; and
- Provide the SEC staff with a compliance certification regarding the applicable undertakings by the issuer on the one-year anniversary of the date of institution of the proceedings.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to submit the Municipalities Continuing Disclosure Cooperation Initiative Questionnaire for Self-Reporting Entities to the U.S. Securities and Exchange Commission's Enforcement Division for the purposes outlined in this agenda item; 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.

**PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E EXTENSION – PORTLAND INTERNATIONAL AIRPORT**

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November 12, 2014

Presented by: Stan Snyder  
Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval of an amendment to an existing personal services contract with Hennebery Eddy Architects, Inc., for the completion of project design for the Terminal Balancing Concourse E Extension project at Portland International Airport (PDX).

**BACKGROUND**

Approximately two-thirds of PDX passengers are currently served on the south side of the terminal with the remaining one-third being served on the north side. This imbalance has led to operational inefficiencies for both the airlines and Port operations and, in some regards, a less than optimal level of customer service. The recent strong growth in passenger traffic has exacerbated these conditions and it is anticipated that without certain improvements this situation will deteriorate as passenger count continues to rise.

The most serious issue related to the passenger load imbalance is the impact to the ground load experience at Concourse A. At peak times, these holdrooms are loaded beyond design capacity, resulting in operational inefficiencies and a reduced level of customer service. The deficiencies at these locations were noted in the 2010 Airport Master Plan.

Other impacts resulting from the imbalance are longer lines at the south security checkpoint, unbalanced wear and tear on the baggage handling system, and underutilized facilities and concessions on the north side of the terminal. The imbalance, with the two largest carriers at PDX currently located on the south, also limits airline growth potential.

The goal of this project is to provide the infrastructure and make the operational adjustments that will allow the Port to balance terminal usage between north and south, enhance operating efficiencies, enable carrier growth and improve the customer experience at PDX.

In 2013 the Port commissioned a study to look at alternatives that would alleviate the issues brought about by the imbalance described above. The recommended solution, and consequently the scope of the proposed project, includes relocating Alaska Airlines and Horizon Air (the heaviest users of ground load operations at PDX) to the north side of the Terminal on Concourse E, and moving United Airlines to the south side. Significant elements of the project as currently planned include:

- Extension of Concourse E by 210 feet, with an appropriately-sized ground-load holdroom, concessions, restrooms, vertical circulation and ground-load walkways.
- Revised aircraft parking layout for ground-loaded aircraft.

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E  
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

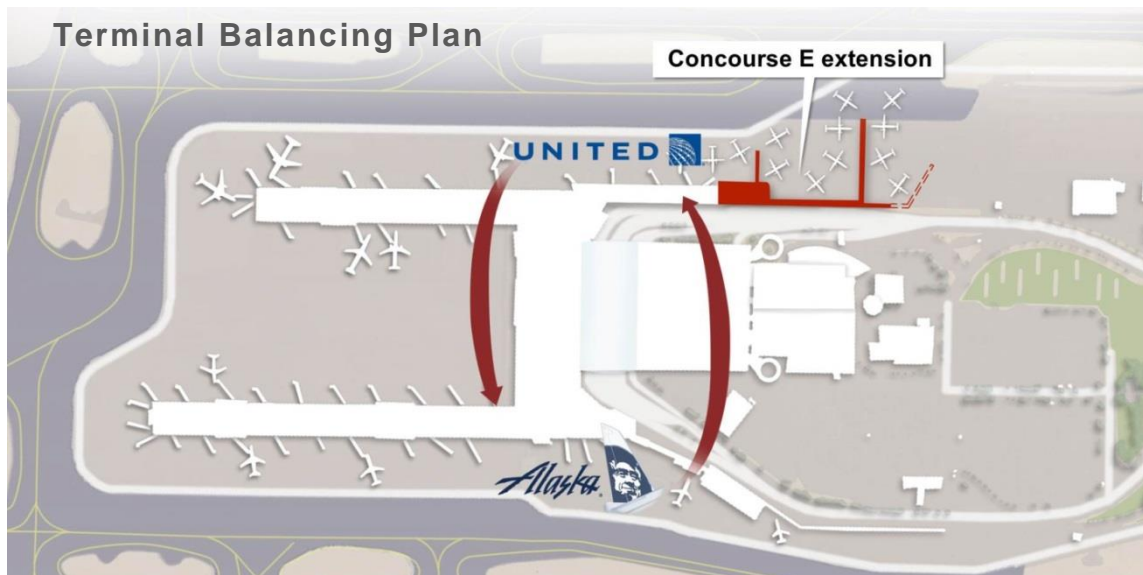
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- Build-out of operational spaces for the relocated airlines, such as ticket counters, ticket offices, bag claim offices, flight operations, bag make-up, maintenance, ground service equipment and member clubs.
- Temporary facilities as required for the relocations.
- New south curbside baggage conveyor.
- Wayfinding signage.

The project has been contingent on the approval by the Airport Airline Affairs Committee (AAAC). The initial phase of the project has been focused on the development of a conceptual design and project budget for AAAC consideration and approval. Conceptual design for the project started in late May 2014, to help the Port define and quantify the project elements and phasing requirements, and to develop a reliable construction cost estimate. The project was submitted to the AAAC October 9 and is expected to be approved by ballot November 10, 2014.

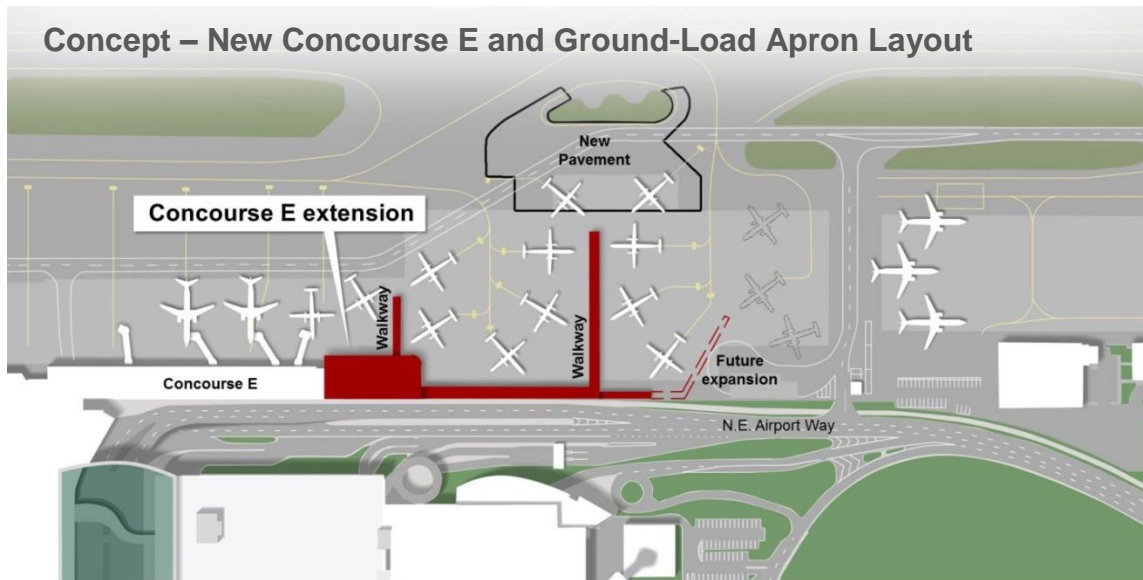
With approval of the project by the AAAC and approval of this agenda item, the project will transition to the design completion phase and the Port will commence the construction contractor selection process.



PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E  
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

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**AMENDMENT – PERSONAL SERVICES CONTRACT**

In March 2014 the Port advertised an RFP seeking qualified consultants to provide architectural and engineering design services for the project. Three firms submitted proposals. The Port's five-person evaluation team was composed of aviation management and engineering personnel. Hennebery Eddy Architects, Inc. (HEA), was the highest-ranked proposer primarily due to its team's strong experience with airport projects of this nature.

The Port's contract with HEA allows the Port to engage HEA to provide the required services through the entire project design and construction phases. However, the Port has intended to award the contract work to HEA in phases, as follows:

- Conceptual Design
- Design Completion (contingent on AAAC project approval)
- Construction Support

The Port awarded the first phase of this work to HEA for the negotiated, not-to-exceed amount of \$499,970, under the Executive Director's delegated authority. In this phase, which was successfully completed in September 2014, HEA developed the project conceptual design and cost estimate to a level appropriate for submission to the AAAC for approval.

In order to keep the design process moving forward in anticipation of AAAC approval, in October the Port amended the HEA contract to fund up to an additional \$467,730 in continued design services. This amendment was awarded under the Executive Director's delegated authority.

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E  
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

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The work scope of the contract amendment proposed in this agenda item is to continue the design through the completion of construction bid documents. Work will include coordination with the Port and the CM/GC for constructability, cost reviews and the development of early subcontractor bid packages. Staff has negotiated with HEA a not-to-exceed amount of \$6,875,000 for this proposed Design Completion amendment. HEA will be compensated based on previously-established hourly rates and approved reimbursables.

**HEA CONTRACT SUMMARY**

|   |             |
|---|-------------|
| Original Contract: Conceptual Design        | \$499,970   |
| Amendment 1: Additional Estimating Services | \$22,670    |
| Amendment 2: Continue Conceptual Design     | \$467,730   |
| Contract Total to Date                      | \$990,370   |
| Amendment 3: Design Completion (proposed)   | \$6,875,000 |
| New Contract Total                          | \$7,865,370 |

It is anticipated that a future amendment to fund construction support services will be presented to the Commission with the construction contract in 2015.

**SCHEDULE**

|  |                               |
|--|-------------------------------|
| Conceptual Design  | June 2014 – November 2014     |
| <b>Commission Action (Design Contract)</b>                                 | <b>November 2014</b>          |
| Commission Action (Exemption from Competitive Bidding for CM/GC Selection) | January 2015                  |
| CM/GC Selection Process  | January 2015 – March 2015     |
| CM/GC Preconstruction Services   | April 2015 – August 2015      |
| Design Completion  | December 2014 – December 2015 |
| Commission Action (CM/GC Construction Contract)                            | July 2015                     |
| Construction   | September 2015 – Late 2017    |

**PROJECT RISKS**

Risk: Disruption to airline and airport operations

Mitigation Strategy:

- Develop detailed phasing and transition plans with construction team, Port and airline stakeholders.

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E  
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

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- Appoint a tenant communications single point of contact for the project to ensure construction coordination with stakeholders.
- Establish and maintain regular communications to keep stakeholders updated on upcoming construction activities and operational changes.

Risk: Schedule impacts due to delayed response from airlines on critical design issues.

Mitigation Strategy:

- Identify the key airline contacts and keep them engaged through the design process.
- Be clear with respect to the schedule impacts of decisions needed from the airlines.
- Develop a strategy to elevate unresolved issues.

**PROJECT BUDGET**

|                       |                     |
|-----------------------|---------------------|
| Construction          | \$63,300,000        |
| Material Procurements | \$2,000,000         |
| Consultant Services   | \$10,100,000        |
| Port Staff            | \$5,600,000         |
| Contingency           | \$17,000,000        |
| Total Project         | <u>\$98,000,000</u> |

The contingency, representing 17.4 percent of the project budget, is considered reasonable given the early stage of the project, the nature of the work and the risk profile for the project.

The project cost will be funded by the Airline Cost Center in accordance with the PDX Airline Agreement.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to amend the existing personal services contract with Hennebery Eddy Architects, Inc., for the design of the Terminal Balancing Concourse E Extension project 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.

PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC IMPROVEMENT  
CONTRACT AMENDMENT – POST-SECURITY CONCESSIONS REDEVELOPMENT  
PHASES 1 AND 2 – PORTLAND INTERNATIONAL AIRPORT

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November 12, 2014

Presented by: Dan Gilkison  
Project Manager

**REQUESTED COMMISSION ACTION**

This agenda item requests approval of two contract actions related to the Post-Security Concessions Redevelopment project at Portland International Airport (PDX):

1. Amendment of an existing personal services contract with Carleton/Hart Architecture, P.C. (CHA) in the amount of \$2,140,000 for design and construction support services for the construction of utilities; and
2. Amendment of an existing public improvement contract with Hoffman Construction Company of Oregon (Hoffman) in the amount of \$3,300,000 to construct storefront improvements and utilities.

**BACKGROUND**

In September 2014, the Port of Portland (Port) Commission approved 11 new tenant leases as the first phase of a multi-year program to redevelop post-security concession operations at PDX. These tenants entered into lease agreements with the Port for existing spaces that have current leases expiring on or before December 31, 2014. The remainder of the program calls for 75 percent of post-security tenant or shell spaces to be developed or redeveloped between 2015 and 2017, as part of the larger 2022 Master Concessions Merchandising plan.

Under the terms of the leases, the Port will provide for each space: new storefront improvements, utility services and metering, and separation of fats, oils and grease (FOG) from other utilities in order to meet current specialty plumbing code requirements. In support of these lease agreements, the Port has committed to provide these improvements to allow six tenants to be in operation by January 1, 2015 (Phase 1) and five more tenants to be in operation by April 1, 2015 (Phase 2).

Due to the short timeframe between award of the leases and the subsequent tenant lease opening dates, and the uncertainty relating to differing tenant needs and requirements within each space, the Port was unable to use a conventional design-bid-build approach to perform the work. This agenda item sets forth the Port's plan to deliver the work within the limited time available, and seeks Commission approval to amend two contracts for that purpose.

PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC IMPROVEMENT  
CONTRACT AMENDMENT – POST-SECURITY CONCESSIONS REDEVELOPMENT  
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### New or Redeveloped Locations



### Typical Storefront Concept





PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC IMPROVEMENT  
CONTRACT AMENDMENT – POST-SECURITY CONCESSIONS REDEVELOPMENT  
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**PROJECT CONTRACTING OVERVIEW**

Storefronts and Seating Areas – Design (ZGF)

To design the new concessions storefronts and central seating areas, the Port engaged ZGF Architects LLP (ZGF), under an existing on-call contract, to perform preliminary and conceptual design services (originally competitively awarded in 2014). For the final design and construction administration of this specific type of work, the Port will continue to utilize the ZGF contract, using additional task orders as needed. No Commission action is requested at this time for the ZGF contract.

Utilities and FOG Separation – Design (CHA)

To design the new utilities and FOG separation elements of this project, the Port has taken one contract action already and proposes another action under this agenda item.

First, the Port engaged CHA to provide schematic design services for the utilities and FOG separation elements of this project. This was done by amending, under the Executive Director's delegated authority, the existing contract for CHA's design of the Terminal Grease Separation project (competitively awarded in January 2014). No Commission action is requested with respect to this contract action.

Second, under this agenda item the Port proposes to amend the CHA contract again to obtain sufficient utility and FOG separation design services to complete this specific type of work. The work scope included in the proposed amendment would include not just Phases 1 and 2 of this project but also Phase 3, which includes the remainder of spaces with leases expiring between 2015 and 2017. The Commission action sought for this contract action is described below.

Construction Services – Phases 1 and 2 (Hoffman)

To construct the new storefront, central seating area utilities, and FOG separation elements of this project, the Port has taken one contract action already and proposes another action under this agenda item.

First, in order to facilitate the procurement and installation of long-lead utility items in time for equipment commissioning and tenant construction and connection, the Port amended an existing public improvement contract, under which Hoffman is constructing the first phase of the PDX Replace Access Control project (competitively awarded in August 2014). This amendment, in the amount of \$300,000, was executed in October 2014 under the Executive Director's delegated authority. No Commission action is requested with respect to this contract action.

PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC IMPROVEMENT  
CONTRACT AMENDMENT – POST-SECURITY CONCESSIONS REDEVELOPMENT  
PHASES 1 AND 2 – PORTLAND INTERNATIONAL AIRPORT

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Second, in order to obtain all construction services necessary to complete the storefronts, central seating areas, utilities, and FOG separation elements of Phases 1 and 2 of this project, the Port proposes, under this agenda item, to engage Hoffman by further amending the existing Hoffman contract. The Commission action sought for this contract action is described below.

Construction Services – Phase 3 (Contractor to be Determined)

To obtain construction services for Phase 3 of this project, the Port intends to award a conventional, competitively-bid public improvement contract in approximately November 2015. No Commission action is requested with respect to this contract action at this time.

**PERSONAL SERVICES CONTRACT AMENDMENT**

As discussed above, the Port proposes to amend the existing CHA Terminal Grease Separation project design contract in order to procure additional design services for all phases of this project. Engineering and procurement staff have determined that amending the existing CHA contract to obtain these services is the best available procurement method under the circumstances, which includes the Port's obligation to meet the demanding schedule commitments described above.

The proposed amendment will continue the design for the utilities and FOG separation for Phases 1, 2 and 3 of the project, from schematic through the completion of construction bid documents and construction support. Work will include coordination with the Port and Hoffman for constructability and cost reviews, and coordination with tenant designers and contractors as part of the tenants' build-out process within the tenant spaces. Staff has negotiated a not-to-exceed amount of \$2,140,000 for this proposed amendment. CHA would be compensated based on previously-established hourly rates and approved reimbursables.

CHA Contract Summary – Terminal Grease Separation and Concessions Redevelopment

|  |                   |
|--|-------------------|
| Original Contract Amount (Terminal Grease Separation Project)                          | \$598,000         |
| Amendment 1: HQ Pipe Freeze Protection   | \$37,114          |
| Amendment 2: Schematic Design Services (Concessions Redevelopment Project)             | \$497,319         |
| Total to Date  | <hr/> \$1,132,433 |
| Amendment 3: (Proposed) Additional Design Services (Concessions Redevelopment Project) | \$2,140,000       |
| New Contract Total (Including Terminal Grease Separation Project)                      | <hr/> \$3,272,433 |

PERSONAL SERVICES CONTRACT AMENDMENT AND PUBLIC IMPROVEMENT  
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PHASES 1 AND 2 – PORTLAND INTERNATIONAL AIRPORT

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ZGF and CHA Design Contracts Summary – Concessions Redevelopment Project (Only)

Preliminary/Schematic Design

- |                                      |           |                    |
|--------------------------------------|-----------|--------------------|
| • Storefronts, Central Seating (ZGF) | \$138,195 | On-call Task Order |
| • Utilities and FOG (CHA)            | \$497,319 | Amendment          |

Final Design/Construction Administration

- |                                      |             |                     |
|--------------------------------------|-------------|---------------------|
| • Storefronts, Central Seating (ZGF) | \$493,000   | On-call Task Orders |
| • Utilities and FOG (CHA)            | \$2,140,000 | Amendment           |

|                        |             |  |
|------------------------|-------------|--|
| Total Design Contracts | \$3,268,514 |  |
|------------------------|-------------|--|

**PUBLIC IMPROVEMENT CONTRACT AMENDMENT**

As discussed above, the Port proposes to amend the existing Hoffman Replace Access Control project public improvement contract in order to procure construction services for storefront and central seating area improvements, utilities, and FOG separation for Phases 1 and 2 of this project. Again, engineering and procurement staff have determined that amending the existing Hoffman contract to obtain these services is the best available procurement method under the circumstances, which are summarized below.

The unique nature of this project, as well as the compressed schedule, requires significant experience working with Port tenants and the ability to work without impacting ongoing operations at PDX. Eleven new tenants will also be completing tenant improvement work within the same timeframe, which will require extensive coordination between the Port's project and the tenants' projects in each location. Storefront improvements, utility installation, commissioning and connections are necessary for the tenant work to be completed on time, which is the primary driver for this amendment. Staff anticipates that storefront work will require additional time to complete, which will be another point of coordination once tenants are open and operating.

Staff has negotiated a not-to-exceed amount of \$3,300,000 for this proposed amendment. Hoffman would be compensated under the previously-established compensation structure for this contract.

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Hoffman Contract Summary

|   |                    |
|---|--------------------|
| Original Contract Amount (Replace Access Control Project)                                       | \$1,933,000        |
| Amendment 1: Long-Lead Equipment Procurement, Concessions Redevelopment Project                 | \$ 300,000         |
| <b>Total to Date</b>  | <b>\$2,233,000</b> |
| Amendment 2: (Proposed) Construction Services, Concessions Redevelopment Project Phases 1 and 2 | \$3,300,000        |
| <b>New Contract Total</b>   | <b>\$5,533,000</b> |

PROJECT SCHEDULE

|   |                                |
|---|--------------------------------|
| Preliminary & Schematic Design                | June 2014 – September 2014     |
| Design – Phases 1 and 2                       | September 2014 – December 2014 |
| Design – Phase 3                              | January 2015 – November 2015   |
| <b>Commission Approval</b>                    |                                |
| <b>Design Contract – Phases 1, 2, and 3</b>   | <b>November 2014</b>           |
| <b>Construction Contract – Phases 1 and 2</b> | <b>November 2014</b>           |
| Construction Contract – Phase 3               | November 2015                  |
| Construction – Phases 1 and 2                 | November 2014 – April 2015     |
| Construction – Phase 3                        | December 2015 – December 2016  |

PROJECT RISKS

Risk: Accelerated/aggressive schedule for delivery of tenant spaces

Mitigation Strategy:

- Amend and issue task orders on existing design contracts to facilitate early start on design elements related to storefronts, central seating areas, utilities, and FOG separation. Amend existing construction contract to facilitate constructability reviews, early budget and estimating support within the necessary timeframe.

Risk: Inability to timely procure equipment for tenant utility connections

Mitigation Strategy:

- Amend existing construction contract to facilitate early ordering, delivery and construction of long-lead items.

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Risk: Utility shutdowns impacting terminal and tenant operations

Mitigation Strategy:

- Work with experienced contractor and Port maintenance staff to develop phasing plans and cutover schedules for critical utilities.
- Outreach to airline and tenant operations staff to identify potential impacts

Risk: New and existing tenant coordination

Mitigation Strategy:

- Work with experienced contractor to develop phasing plans to minimize disruptions.
- Tenant outreach and coordination to identify construction impacts.

Risk: Public impact

Mitigation Strategy:

- Work with experienced contractor to develop construction work plans that minimize impact to traveling public.
- Public outreach to notify of construction impacts.

**PROJECT BUDGET**

|  |                     |
|--|---------------------|
| Design – storefront and seating areas (ZGF)        | \$ 630,000          |
| <b>Design – Utilities and FOG Separation (CHA)</b> | <b>\$ 2,640,000</b> |
| <b>Construction – Phases 1 and 2 (Hoffman)</b>     | <b>\$ 3,600,000</b> |
| Construction – Phase 3                             | \$ 9,400,000        |
| Port Staff   | \$ 1,230,000        |
| Contingency  | \$ 2,300,000        |
| Total Project                                      | <u>\$19,800,000</u> |

The contingency, representing 18 percent of the project budget, is considered reasonable given the current stage of the project, the nature of the work and the risk profile for the project.

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

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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 amend the existing public improvement contract with Hoffman Construction Company of Oregon, to include the work scope set forth in this agenda item for the Post-Security Concessions Redevelopment Phases 1 and 2 project at Portland International Airport, in accordance with the terms stated in this agenda item; and

BE IT FURTHER RESOLVED, That approval is given to amend the existing personal services contract with Carleton/Hart Architecture, P.C., to include the work scope set forth in this agenda item for the Post-Security Concessions Redevelopment Phases 1 and 2 project at Portland International Airport, in accordance with the terms stated in this agenda item; 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.