



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
November 11, 2015
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – October 14, 2015

Executive Director

Approval of Executive Director's Report – October 2015

General Discussion

External Audit Results and Port of Portland Fiscal Year-End 2015 Financials	<i>BOB BURKET PRICEWATERHOUSE- COOPERS</i>
Citizen Noise Advisory Committee Annual Update	<i>MARK CLARK KELLY SWEENEY</i>
Governor's Trade and Logistics Initiative	<i>KAREN GODDIN DAN SMITH</i>

Consent Item

1. CONSENT TO ENTERPRISE ZONE BOUNDARY CHANGES BY THE CITY OF TIGARD AND THE CITY OF LAKE OSWEGO
Requests consent to a boundary expansion of the Tigard Enterprise Zone. *LISE GLANCY*

Action Items

2. PUBLIC IMPROVEMENT CONTRACT – TERMINAL BALANCING CONCOURSE E EXTENSION – PORTLAND INTERNATIONAL AIRPORT
Requests approval to award a public improvement contract to Skanska Building USA Inc. to construct the initial phase of the Terminal Balancing Concourse E Extension Project at Portland International Airport. *DAN GILKISON*
3. RESTATED AND EXTENDED GROUND LEASE – NUSSMEIER PROPERTY – SWAN ISLAND INDUSTRIAL PARK
Requests approval to enter into a restated and extended ground lease for the Nussmeier property, located at Swan Island Industrial Park, and to assign the new lease to Daimler Trucks North America. *SCOTT KILGO*

CONSENT TO ENTERPRISE ZONE BOUNDARY CHANGES BY THE CITY OF TIGARD AND THE CITY OF LAKE OSWEGO

November 11, 2015

Presented by: Lise Glancy
Manager, Strategic Partnerships**REQUESTED COMMISSION ACTION**

This agenda item requests consent to a boundary expansion of the Tigard Enterprise Zone, 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 body 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 provide up to 100-percent property tax abatement on a company's new investment in facilities, equipment and machinery over a five-year period if a job threshold is met (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.

The Port Commission approved a resolution in support of the Tigard Enterprise Zone on November 12, 2014. At this time, the City of Tigard is seeking the Port Commission's support to expand the enterprise zone boundary to include 109 acres of industrial and commercial land in Lake Oswego's southwest employment area.

In order to move the Tigard Enterprise Zone expansion application forward to the Oregon Business Development Department for approval, the City of Tigard and City of Lake Oswego are required, as co-sponsors, to have the consent of the Port Commission. The sponsoring cities are seeking a Port Commission resolution in support of this boundary amendment.

Under the current tax levy, the Port will forgo approximately \$0.0710 per \$1,000 of assessed value of any new investment in this area until the exemption period ends. For this boundary amendment, the impact on Port property tax revenue is expected to be relatively small (approximately \$4,260 impact over a three-year period if a \$20-million investment is made in the zone). Upon completion of the three- to five-year exemption period, the properties will be fully taxed thereafter.

CONSENT TO ENTERPRISE ZONE BOUNDARY CHANGES BY THE CITY OF TIGARD AND
THE CITY OF LAKE OSWEGO

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The Lake Oswego City Council and Tigard City Council are scheduled to adopt resolutions on October 20 and October 27, respectively, expanding the boundary and becoming co-sponsors of a re-named Tigard/Lake Oswego Enterprise Zone.

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 Tigard and City of Lake Oswego to add 109 acres in Lake Oswego to the Tigard Enterprise Zone, located within Port of Portland district boundaries.

**PUBLIC IMPROVEMENT CONTRACT – TERMINAL BALANCING CONCOURSE E
EXTENSION – PORTLAND INTERNATIONAL AIRPORT**

November 11, 2015

Presented by: Dan Gilkison
Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award a public improvement contract in the amount of \$25,000,000 to Skanska Building USA Inc. (Skanska) to construct the initial phase of the Terminal Balancing Concourse E Extension Project at Portland International Airport (PDX).

PROJECT 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 the airlines and Port of Portland (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 hold rooms 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.

PROJECT SCOPE AND DESIGN

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 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 hold room, concessions, restrooms, vertical circulation and ground-load walkways.

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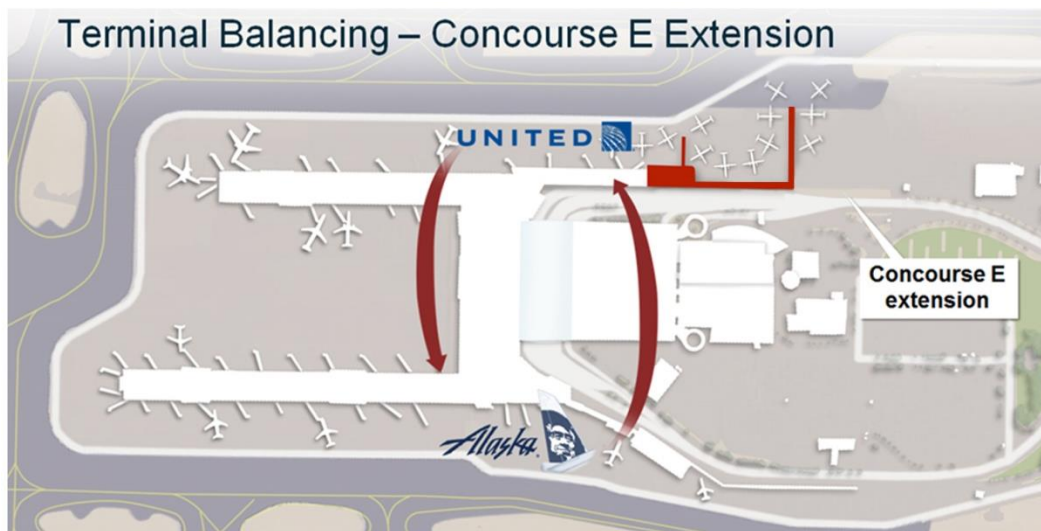
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- Revised aircraft parking layout for ground-loaded aircraft.
- Build-out of operational spaces for the relocated airlines, such as ticket counters, ticket offices, bag claim offices, flight operations, bag make-up, maintenance, ground service equipment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

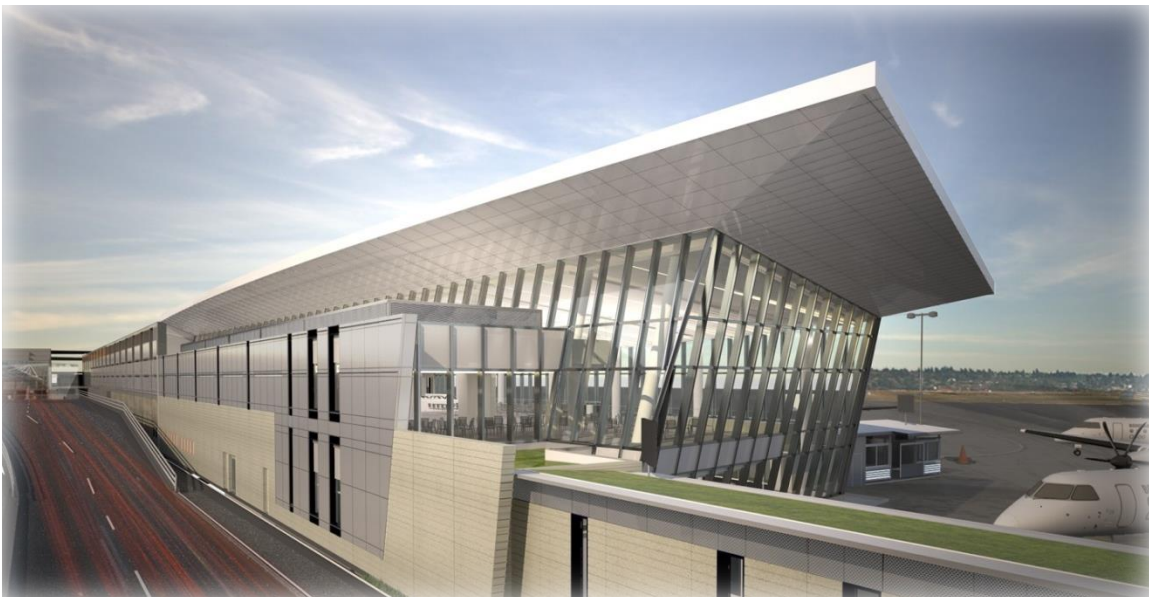
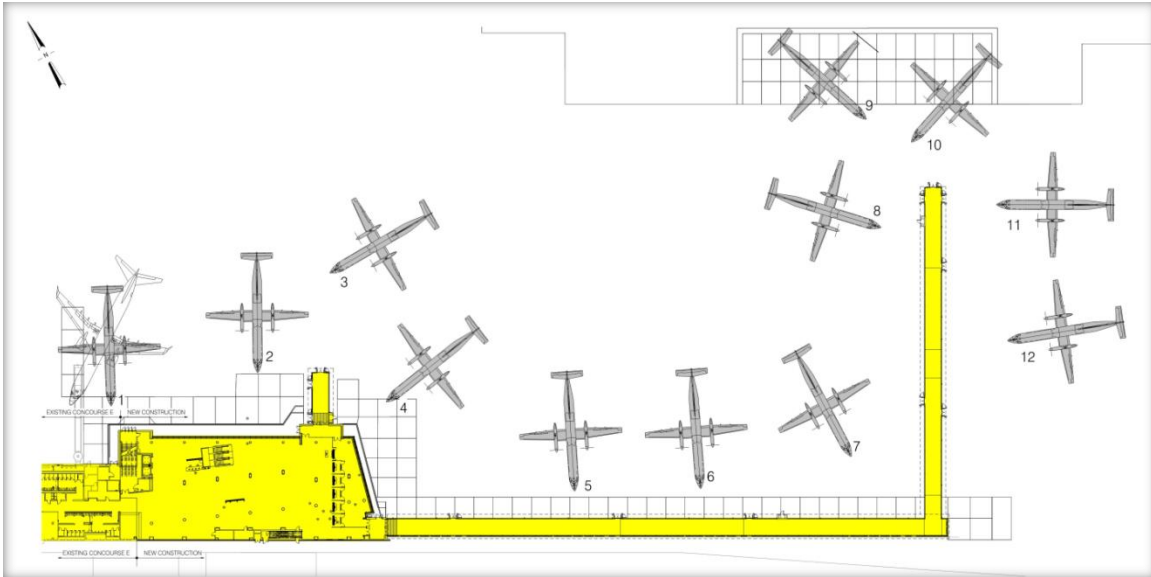
In May 2014, the Port awarded a personal services contract to Hennebery Eddy Architects (HEA) to provide the required architectural and engineering design services for the project. Conceptual design for the project started in June 2014, to define and quantify the project elements and phasing requirements and to develop a reliable construction cost estimate. The project was approved by the Airport Airline Affairs Committee (AAAC) in November 2014. After AAAC approval, the project transitioned to the design completion phase and contractor selection process.

The design contract is being awarded in phases, with the next phase to be awarded in early 2016 for construction support services. Commission approval will be sought to award that phase of the design contract at that time.



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Concept – New Concourse E Layout (Overview)



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Concept – New Concourse E Layout (Interior)



WORKFORCE PARTNERSHIP AGREEMENT

In April 2015, the Commission approved a recommendation to require that a Workforce Partnership Agreement (WPA) be implemented for the project. The WPA is a pre-hire collective bargaining agreement that will be applicable to this project only, but which will be unique to the Port and crafted to specifically serve the Port's stated interests. While the final parameters of the WPA are being developed by Skanska with Port oversight, the WPA is intended to foster workforce stability; to ensure continued, open competition for all contractors to the maximum extent possible; and to preserve and enhance opportunities for small businesses and members of the construction workforce.

PROJECT CONSTRUCTION

In December 2014, the Port Commission approved an exemption from competitive bidding to allow the Port to use a competitive request for proposals (RFP) process to select a construction manager/general contractor (CM/GC) to construct the project. The Port advertised the RFP in February 2015 and three construction firms responded: Skanska, JE Dunn Construction and Hoffman Construction. A Port evaluation team determined that Skanska was the most qualified proposer.

Preconstruction Services Contract

In May 2015, under the Executive Director's delegated contracting authority, the Port awarded a preconstruction services contract to Skanska. Under the preconstruction services contract, Skanska has closely collaborated with the design team throughout the design development

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phase of the project. Skanska has implemented small business participation plans, prepared construction cost estimates, provided value engineering analysis and constructability recommendations, developed phasing plans and schedules, analyzed manpower and materials availability, made recommendations on potential early bid packages and negotiated a WPA as described above.

Public Improvement Contract

The RFP allowed the Port to also award a CM/GC public improvement contract to Skanska for project construction, at the Port's election should Skanska perform satisfactorily under the preconstruction services contract. In general, a CM/GC acts as general contractor and provides associated expertise, holds all subcontracts, self-performs portions of the work as the Port may allow, coordinates and manages the building process and continues to act as a member of the project team. CM/GC contracts also generally establish a guaranteed maximum price for all construction work.

Port staff has negotiated a CM/GC public improvement contract with Skanska on terms that are acceptable to the Port and now seeks authority from the Commission to award the contract.

Public Improvement Contract Terms

The Port intends to award the public improvement contract in phases. This item seeks approval to award the initial phase, to facilitate early construction activities. As the design progresses and additional construction activities are required, the Port will seek Commission approval to increase the amount of the public improvement contract to fund that work.

The project implementation strategy requires that early construction activities occur prior to design completion for the remainder of the work. This initial phase of the public improvement contract will allow Skanska to begin the procurement and subcontracting process for the following schedule-critical items:

- Demolition and underground utilities relocations
- New underground utilities
- Piling
- Elevators and escalators
- Curtain wall design assist/construction
- Baggage handling
- Structural concrete
- Steel mill order

Under the public improvement contract, the Port will reimburse Skanska for its construction costs based primarily on competitively-awarded subcontracts, with a maximum negotiated contract price (NCP) for this initial phase of \$25,000,000. The NCP includes a fixed fee of \$650,000, equaling 2.60 percent of the NCP. The contract also provides for an incentive fee of 0.3 percent that the Port may award, provided Skanska meets established performance criteria.

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The contract includes small business subcontractor participation goals to maximize subcontracting opportunities on the project for disadvantaged, minority and women-owned, and emerging small businesses. The overall goal is that 20 percent of project construction costs be spent on subcontracts with qualifying small businesses, with sub-goals of 5 percent for African American-owned firms and 6 percent Latino American-owned firms.

The contract also includes a workforce utilization goal for each apprenticeable trade, calling for registered apprentices to perform 20 percent of the hours worked in those trades. Diversity sub-goals call for 15 percent of those apprentice hours to be performed by minority apprentices, and 6 percent by women apprentices.

PROJECT SCHEDULE

Conceptual Design	June 2014 – September 2014
Commission Action (approve design contract award)	November 2014
Concept and Design Development	November 2014 – September 2015
CM/GC Selection Process	November 2014 – April 2015
Commission Action (approve public improvement contract award for early construction activities)	November 2015
Commission Action (approve amendments to design and public improvement contracts to facilitate remaining project work)	March 2016
Construction	December 2015 – March 2018
Miscellaneous Equipment Procurements	TBD

PROJECT RISKS

Risk: Disruption to airline operations and the traveling public.

Mitigation Strategies:

- Develop detailed safety, phasing and transition plans with construction team, Port operations, airline, and customer service stakeholders.
- Appoint a tenant and operations communications single point of contact for the project to ensure construction coordination among the stakeholders identified above.
- Establish and maintain regular communications to keep stakeholders updated on upcoming construction activities and operational changes.

PROJECT BUDGET

CM/GC Contracts (Preconstruction Services and Public Improvement)	\$59,000,000
Procurements/Equipment	\$7,000,000
Consultant Design Services	\$10,100,000
Port Staff/Administrative	\$4,800,000
Contingency	<u>\$17,100,000</u>
Total Project	\$98,000,000

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

The project cost will be funded by passenger facility charges and 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 award a Construction Manager/General Contractor public improvement contract to Skanska Building USA Inc. for the construction 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.

RESTATED AND EXTENDED GROUND LEASE – NUSSMEIER PROPERTY – SWAN ISLAND INDUSTRIAL PARK

November 11, 2015

Presented by: Scott Kilgo
Senior Manager
Marine and Industrial Real Estate

REQUESTED COMMISSION ACTION

This agenda item requests approval to enter into a restated and extended ground lease for the Nussmeier property, located at Swan Island Industrial Park, and to assign the new lease to Daimler Trucks North America (DTNA) following the sale of improvements to DTNA.

BACKGROUND

Nussmeier-Stalick Development Company entered into a ground lease with the Port of Portland (Port) for development of a retail facility. The lease was later assigned to Donald Nussmeier and Corine Nussmeier (the Nussmeiers). Their facility has provided many services that Swan Island businesses and their employees use for banking, medical, dining and other retail needs. This lease currently has 20 years of term before expiration. The map below identifies the current leasehold in yellow, easement area in red and potential expansion area in green.



DTNA is developing a new headquarters building and parking garage across the street from the Nussmeier facility. DTNA approached the Port with a concept to expand and update the retail facility, which would be very beneficial to the businesses at Swan Island. DTNA and the Nussmeiers have reached agreement on terms for DTNA to purchase the leasehold improvements. To enable DTNA to purchase and update the improvements, the current ground lease needs to be restated and extended. This will allow additional time for DTNA to amortize the significant investment to purchase and update the facility improvements.

The restated lease includes updated terms and improves the Port's financial position, while also aligning with DTNA's goals for facilities at Swan Island. Due to the sale of the improvements needing to occur concurrently with the approval of a restated lease, an escrow process will be established that includes instructions that trigger the sale of improvements with the approval of the restated lease by the Port Commission. Once the sale of improvements is closed and the restated lease is fully executed, the restated lease would be assigned to DTNA.

BUSINESS TERMS

<u>Term Length</u>	40 years
<u>Leasehold Area</u>	Approximately 2.62 acres (current leasehold of 2.231 acres and additional leasehold of .388 acres)
<u>Rent</u>	Initial annual rent: \$72,138.91
<u>Rent Escalation</u>	Rent will be adjusted by appraisal on a five-year cycle, starting at the beginning of the eleventh full lease year.
<u>Environmental</u>	Each party will be responsible for environmental contamination conditions they cause. Once the lease is assigned, DTNA will also be responsible for any contaminated soil or subsurface conditions encountered during construction of improvements that, even if caused by the Port, could legally be left in place but for the construction. Post assignment, the Nussmeiers will remain liable for any historical contamination they caused.
<u>Authorized Use</u>	Use remains commercial and retail, or other as approved by the Port.
<u>Expansion Parcel</u>	An option will be included for the tenant to lease and develop a 26,627-square-foot expansion parcel at the appraised rental rate.

FINANCIAL ANALYSIS

The net present value for this restated lease increases the Port's financial position from this lease from \$1,197,206, if not restated, to \$1,623,203 if the restated lease is approved. Approval would increase the Port's expected cash flow from this lease from \$5,748,291 to \$7,007,424.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to restate and extend the current Nussmeier ground lease at Swan Island Industrial Park and assign the new lease to Daimler Trucks North America, 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.