



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
October 10, 2018
9:30 a.m.

Minutes

Approval of Minutes: Special Commission Meeting – August 30, 2018
Approval of Minutes: Regular Commission Meeting – September 12, 2018

Executive Director

Approval of Executive Director's Report – September 2018

Public Comments

Consent Items

1. COMMISSION POLICY NO. 6.1.2 – INVESTMENTS *TRACY WESTERFIELD*
Requests readoption of Port of Portland Commission Policy No. 6.1.2, *Investments*.

2. GROUND LEASE – APPROXIMATELY 560 SQUARE FEET TO HARRIS CORPORATION – PORTLAND INTERNATIONAL AIRPORT *SCOTT KILGO*
Requests approval to enter into a new ground lease with Harris Corporation for approximately 560 square feet of ground for installation and operation of an Automatic Dependent Surveillance-Broadcast system at Portland International Airport.

3. GROUND LEASE – APPROXIMATELY 2.165 ACRES TO PDX LOGISTICS CENTER IV, LLC – PORTLAND INTERNATIONAL CENTER *DOUG SMITH*
Requests approval to lease approximately 2.165 acres of property, located in Portland International Center to PDX Logistics Center IV, LLC.

Action Items

4. EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM IMPROVEMENTS) – PORTLAND INTERNATIONAL AIRPORT *ISABELLA BEJARANO*
Requests approval of two contract actions related to the CCTV and WiFi Improvements Project at Portland International Airport.

5. COMMUNITY BENEFITS AGREEMENT – TERMINAL CORE
REDEVELOPMENT PROJECT – PORTLAND INTERNATIONAL
AIRPORT

GEORGE SEAMAN

Requests approval of the recommendation to require the Port of Portland's construction manager/general contractor to negotiate a project labor agreement for the Terminal Core Redevelopment project at Portland International Airport.

COMMISSION POLICY NO. 6.1.2 – INVESTMENTS

October 10, 2018

Presented by: Tracy Westerfield
Cash & Investment Program
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests readoption of Port of Portland (Port) Commission Policy No. 6.1.2, *Investments*, a copy of which is attached (Policy). There are no material changes in the Policy since its previous readoption in October 2017.

BACKGROUND

The Policy provides the primary framework for the internal management of the Port's investment portfolio. On August 31, 2018, the par value of the investment portfolio was approximately \$731.3 million. The budget for interest income for Fiscal Year 2018-2019 is \$11.2 million.

In order for the Port to invest funds in securities with maturities longer than 18 months, ORS 294.135 requires that investments must be made in accordance with a written investment policy that has been reviewed by the Oregon Short Term Fund Board (Board) and adopted by the Port Commission. ORS 294.135 also requires that a written investment policy be readopted not less than annually. The Board previously reviewed the Policy, and no material changes have been made to the Policy since it was last readopted by the Commission in 2017.

Investments made with social equity considerations must also be within the guidelines of this Policy.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That Port of Portland Commission Policy No. 6.1.2, *Investments*, dated October 10, 2018, is hereby readopted; and

BE IT FURTHER RESOLVED, That a copy of Port of Portland Commission Policy No. 6.1.2, *Investments*, shall be attached to the minutes of this meeting.

PORT OF PORTLAND COMMISSION POLICY

INVESTMENTS Policy No. 6.1.2

Readopted Commission Meeting of October 10, 2018

The Port of Portland's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

Objectives

The primary objective of the Port of Portland investment program is preservation of capital. Consistent with that objective and the cash flow needs of the Port the investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return and income return, this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to Assistant Treasurers and the Cash and Investment Program Manager. No person may engage in an investment transaction except as provided under the terms of this policy.

Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035, 294.040, and 294.810, with the following restrictions:

Time certificates of deposit with any issuer will not exceed 30 percent of the net capital of such issuer, based on their most currently published financial report and shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

Banker's acceptances guaranteed by a qualified financial institution shall not exceed 30 percent of the net capital of such institution, based on their most currently published financial report.

No more than 5 percent of municipal bond funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies. However, to the extent that any reserve or construction funds exist and are also subject to yield restrictions by U.S. Treasury regulations or code, such funds may be invested in municipal bonds and no more than 20 percent of such funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies.

Repurchase agreements shall not exceed a term of 30 days. Collateral provided to the Port under a repurchase agreement shall be deposited with the Port's custodian bank(s), marked to the market daily and maintained at a minimum level in conformance with ORS 294.035 (3)(j).

Repurchase agreements may be entered into with authorized dealers or institutions when a master repurchase agreement or specific written contract governs the transaction. In no case will the total of such agreements with any firm exceed 10 percent of their equity (based on their most recently published financial report).

Diversification

The portfolio will be diversified so that the par value for each of the security classes shown shall not exceed the maximum position indicated as a percentage of the portfolio:

| | |
|--|----------------------------------|
| U.S. Treasury Obligations | 100% maximum |
| U.S. Agency Obligations (GSE) (but no single Agency position shall exceed 30% of the portfolio) | 100% maximum |
| Corporate Indebtedness (subject to ORS 294.035) | 35% maximum |
| Time Certificates of Deposit (TCD) | 30% maximum |
| Bankers Acceptances (subject to ORS 294.035(D)) | 30% maximum |
| Repurchase Agreements Under 30 days | 50% maximum |
| Municipal Debt Obligations (subject to ORS 294.035) (No single issuer shall exceed 5% of the portfolio) | 15% maximum |
| Oregon Short Term Fund (subject to ORS 294.810) | As allowed under Oregon Statutes |

Investments in Bankers Acceptances, TCDs and other Corporate Indebtedness of any single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio. Where appropriate exposures will be limited by security type, maturity, issuance and issuer. Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations: Moody's Investors Service; Standard & Poor's; or Fitch Ratings Service, ratings should be investment level ratings and not issuer level ratings (see ORS 294.035).

If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, designated staff shall bring the portfolio back into compliance in a prudent manner as soon as feasible. Due to fluctuations in the portfolio balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the original purchase date. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

Investment Maturity

Since the Port's operating cash needs are generated through operating revenues rather than tax receipts, the Port has more flexibility in structuring maturities than is typical for a municipal district dependent primarily on tax resources. Investments will be timed to meet projected cash requirements unless a shorter maturity is desirable. Funds may be invested to a maximum maturity of five years from the date of settlement.

The portfolio will be structured to meet the following minimum maturities:

- Two years and under, 55 percent of par value
- Three years and under, 75 percent of par value
- Five years and under, 100 percent of par value

In all cases, the "Prudent Person Standard" shall apply to investment decisions. The only exceptions to the maximum maturity shown shall be cases where the Port is using the security as collateral on an operating agreement or in instances where the Port is purchasing its own bonds in the marketplace to lower outstanding debt.

Authorized Dealers and Financial Institutions

The Port may purchase or sell securities subject to the provisions of this policy through any of the following:

- Banks, savings and loans, and mutual savings banks authorized to do business in Oregon (not simply loan production offices).
- Primary security dealers as designated by the Federal Reserve Bank of New York and Oregon secondary dealers.
- Primary agency selling group members as designated by the U.S. agency involved.

Financial institutions utilized as depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

Safekeeping

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP). All securities will be evidenced by safekeeping receipts in the name of the Port of Portland. Securities acquired through repurchase agreements with the Port's custodian bank(s) may be held by the custodian bank(s). In all cases, payment shall be made only upon delivery.

Reporting Requirements

Quarterly, staff will provide the Commission with portfolio reports showing: portfolio diversification, yield and benchmarking comparisons, maturity distribution, and investment allocation, or any other report or information as the Commission may request. The Commission has review authority over the investment program.

Renewal

This policy shall be reviewed annually by the Commission.

**GROUND LEASE – APPROXIMATELY 560 SQUARE FEET TO HARRIS CORPORATION –
PORTLAND INTERNATIONAL AIRPORT**

October 10, 2018

Presented by: Scott Kilgo
Marine Development and Leasing
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into a new ground lease with Harris Corporation for approximately 560 square feet of ground for installation and operation of an Automatic Dependent Surveillance-Broadcast (ADS-B) system at Portland International Airport (PDX).

BACKGROUND

As part of the on-going effort to modernize the air traffic control system in the United States, the Federal Aviation Administration (FAA) is transitioning from the current air traffic management system to a satellite-based system. A key portion of this effort is the installation of enhanced telecommunications and aircraft monitoring equipment that enables the use of an ADS-B system. Installation of this system at PDX requires the installation of new equipment within the PDX airfield. The FAA has contracted with Harris Corporation for the design, construction, and operation of the nationwide ADS-B system through September 2025. Installation of this system is necessary to maintain a safe and efficient airport operation for the PDX community.

The Harris Corporation team has identified two locations for installation of the new system at PDX. The installation and operation will be authorized under a ground lease with Harris Corporation but will be fully integrated with the existing FAA navigation system at PDX. The ground lease will comply with all FAA grant assurances and other typical Port of Portland (Port) contracting guidelines.

BUSINESS TERMS

- Leased premises: Approximately 560 square feet of unimproved ground in the PDX airfield.
- Term: October 12, 2018 through September 30, 2025
- Rent: Based on PDX Fair Market Value (FMV) rate of \$0.80 per square foot, per year; estimated at \$448 per year.
- Rent adjustment: Adjusted on a three-year FMV cycle, consistent with other PDX leases.
- Authorized use: Installation and operation of an ADS-B aviation navigation system through September 2025.
- Security deposit: None, but the Port has the right to implement a deposit if payments are missed or upon any other default under the lease.

GROUND LEASE – APPROXIMATELY 560 SQUARE FEET TO HARRIS CORPORATION –
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Taxes: Tenant's responsibility
Maintenance: Tenant's responsibility
Utilities: Tenant's responsibility

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 new lease with Harris Corporation for approximately 560 square feet of ground for installation and operation of an Automatic Dependent Surveillance-Broadcast system 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

GROUND LEASE – APPROXIMATELY 2.165 ACRES TO PDX LOGISTICS CENTER IV, LLC – PORTLAND INTERNATIONAL CENTER

October 10, 2018

Presented by: Doug Smith
Business Development Manager

REQUESTED COMMISSION ACTION

This agenda item requests approval to lease approximately 2.165 acres of property, located north of NE Alderwood Road, east of NE St. Helens Avenue in Portland and designated as Parcel 4 of the Portland International Center (PIC), to PDX Logistics Center IV, LLC (PDX Logistics), a Delaware limited liability company. Net developable area is agreed to be 2.136 acres, or 93,032 square feet. The total lease revenue projected on a pre-paid basis is \$446,554.

BACKGROUND

The developer for this project is Capstone Partners LLC (Capstone), a Portland-based developer of quality industrial and commercial/mixed-use real estate projects. Capstone has developed several projects on Port of Portland (Port) property including the Bybee Lakes project in Rivergate Industrial District as well as five buildings within PIC marketed as the PDX Logistics Center, of which this ground lease will be the fourth phase.

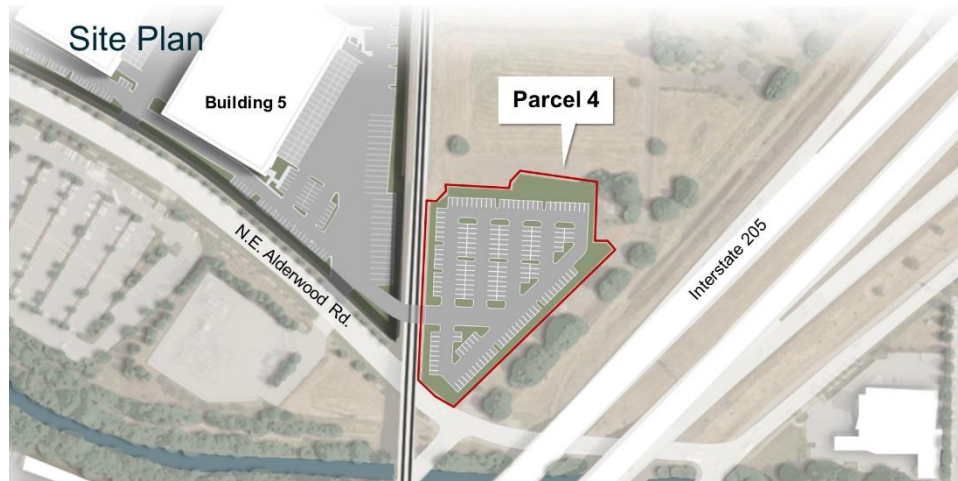
PDX Logistics Center as currently built-out, includes a total of five buildings with nearly 1.1 million square feet of state-of-the-art manufacturing/distribution and logistics space. The complex is nearly fully leased, with a mix of strong tenants that drive cargo and employment in the zone. Among the companies currently operating in the Center are Gateway Express, a Singapore-based ecommerce company; KeHe, a distributor of natural and organic shelf-stable and cold-storage products to area supermarkets; Cummins, a leading global manufacturer of truck engines that operates its Portland Regional Distribution Center in PIC; and United Parcel Service (UPS), which uses approximately 235,000 square feet in Building 3 for a package sortation and logistics facility.



GROUND LEASE – APPROXIMATELY 2.165 ACRES TO PDX LOGISTICS CENTER IV, LLC –
PORTLAND INTERNATIONAL CENTER

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The segment of the project to be approved today represents Phase 4 of the PDX Logistics Center. Parcel 4 is a triangular-shaped parcel on the east side of the TriMet light-rail tracks south of the IKEA retail store. Because of its shape as well as limited direct access off of Alderwood, it was unlikely to be developed with a leaseable structure. Capstone proposes to develop the site as a parking area with access under the TriMet overpass from the adjacent parcel. It would be used for the benefit of employees of UPS at their leased facility in Building 3. The principal terms of the ground lease are:

- Ground lease of 2.165 acres (94,310 square feet), of which 2.136 acres (93,032 square feet) is developable.
- Area of the lease was determined based on mutual agreement of net usable acreage for the proposed use. This leased area excludes areas covered by slope easements with TriMet as well as areas within environmental protection zones as designated by the City of Portland that encompass much of the remainder of Parcel 4 as well as Parcel 5.
- Lease rate of \$4.80 per square foot of net usable acreage, reflecting the constraints and limited uses of the lot. Capstone will install a fence around the usable acreage and be responsible for all maintenance inside the fence.
- Total revenue to the Port is projected to be \$446,554.
- Lease term is 50 years.
- There is no brokerage commission payable to a broker representative of Capstone or PDX Logistics.

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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 lease approximately 2.165 acres of property known as Parcel 4 at the Portland International Center to PDX Logistics Center III, LLC, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT
AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM
IMPROVEMENTS) – PORTLAND INTERNATIONAL AIRPORT

October 10, 2018

Presented by: Isabella Bejarano
Engineering Project Manager

REQUESTED COMMISSION ACTION

This agenda item requests approval of two contract actions related to the CCTV and WiFi System Improvements project at Portland International Airport (PDX):

- **Equipment Procurement Contract (WiFi system).** Approval to award an equipment procurement contract to purchase Cisco WiFi equipment from ConvergeOne, Inc. (ConvergeOne), in the amount of \$1,006,722.06.
- **Public Improvement Contract Amendment (project construction).** Approval to amend the existing public improvement contract with Hoffman Construction Company of Oregon (Hoffman), which was initially awarded for the PDX Replace Access Control System (RACS) project in 2014, to provide construction services on this project in the amount of \$5,553,878.

BACKGROUND

In July, the Commission approved a personal services contract amendment to K2 Security Consulting, Inc. (K2) for the final design (Phase 2) of the CCTV and WiFi System Improvements project in the amount of \$837,995.38. The Port of Portland (Port) now plans to award contracts to complete the project.

This project combines two important infrastructure components for PDX:

- An upgrade of the CCTV (video camera) security system by providing replacement and new cameras, infrastructure and data storage and expansion of CCTV capabilities and coverage. This helps provide vital safety, risk mitigation, security and operational functions to a variety of Port departments. Expanding the associated data storage capacity helps accommodate the greater amount of data the new cameras will generate.
- An upgrade of the PDX WiFi network by updating end-of-life technology, expanding the number of wireless access points and improving wayfinding capabilities. This provides resiliency for future growth and covers additional operating areas, which enhances customer service for passengers and improves operations for airlines and Port staff.

The existing CCTV system at PDX includes more than 700 cameras, approximately 160 of which were recently installed under the Port's RACS project. As part of an asset renewal program, the Port identified a need to add new cameras for added security and replace cameras that are at or near the end of their useful life.

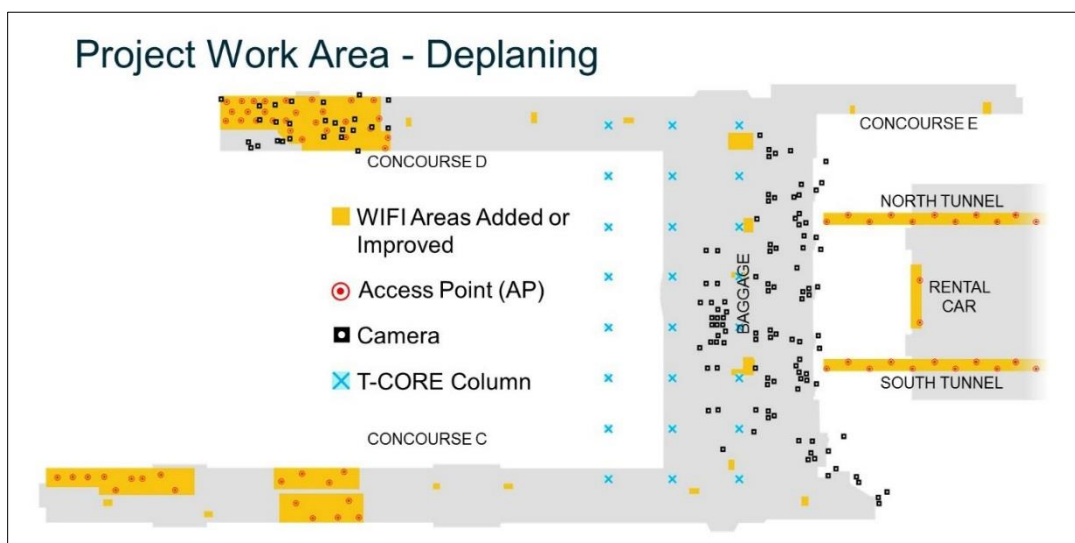
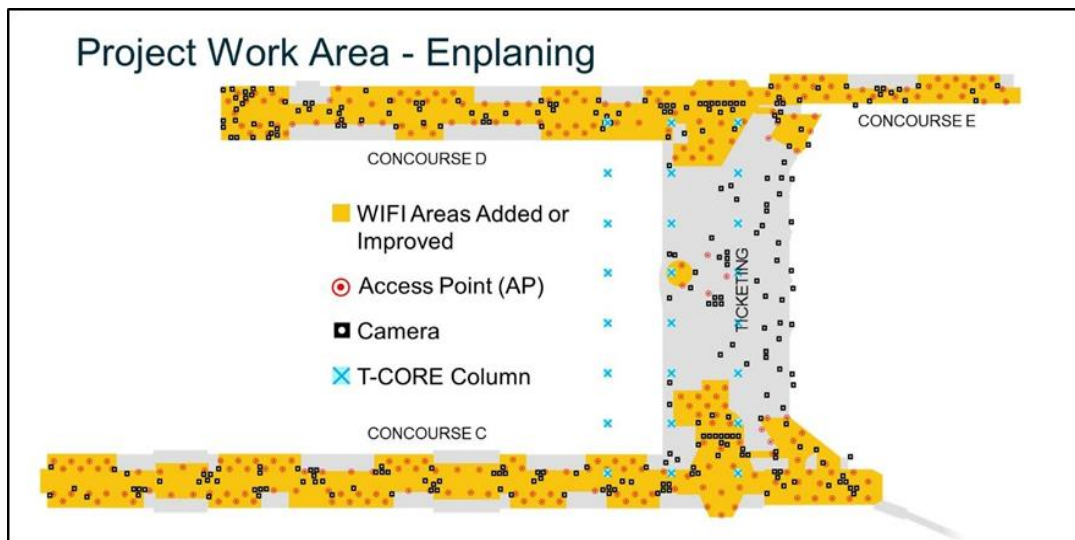
EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM IMPROVEMENTS) – PORTLAND INTERNATIONAL AIRPORT

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The Port provides free public WiFi at PDX and intends to continue this model moving forward for both passengers and operations. This project will further enhance the customer service provided at PDX by addressing one of the most frequently identified improvements requested by the traveling public. The upgrade, expansion, and optimization of the WiFi system at PDX is projected to accommodate PDX passenger and Port operational needs for the next 10 years. It will provide WiFi signal coverage for currently underserved areas and areas with no service at all.

The camera locations are shown on the graphics below for the enplaning and deplaning levels of PDX, including the pedestrian tunnels and rental car lobby areas. The yellow-shaded areas illustrate the WiFi upgrades:



EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT
AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM
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EQUIPMENT PROCUREMENT CONTRACT AWARD

The equipment procurement contract for the WiFi system equipment provides for the purchase of approximately 400 Cisco wireless access points (WAPs), switches, controllers and WiFi management software for the following areas:

- Indoor public areas (except baggage claim, ticketing and Clocktower Plaza areas that will be affected by the PDX Terminal Core Redevelopment project)
- Federal Inspection Station
- Pedestrian tunnels
- Selected non-public, Port operational areas (including network rooms, maintenance storage rooms, baggage handling system offices and wildlife office areas)
- Rental car lobby

Procurement Process; Contract Price

The Port participates in a cooperative purchasing program through the National Association of State Procurement Officials (NASPO), a non-profit public procurement association based in Washington, D.C. Using a competitive process, NASPO has contracted with various vendors that allow cooperative purchasing by public agencies. NASPO holds a Cisco services and equipment Master Agreement with ConvergeOne. The Port is a member of NASPO and has the authority to participate in the purchasing program under ORS 279A.220.

The Port sent ConvergeOne a specification and a request for price quote on September 21, 2018. On September 28, 2018, the Port received a price quote from ConvergeOne that meets the Port's specifications and is within the Port's project budget. The Port will contract directly with ConvergeOne by issuing a purchase order under the NASPO contract.

This procurement contract will be funded from the CCTV/WiFi project budget and the Port IT department's operating budget, as shown below. The project budget is funded by the Airline Cost Center, which is composed primarily of revenues from the Port's commercial airline service business lines.

Contract Amount

| | |
|--|-----------------------|
| Equipment purchase (CCTV-/WiFi project budget) | \$929,166.30 |
| Manufacturer maintenance (Port IT department operating budget) | \$77,555.76 |
| Total | \$1,006,722.06 |

EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT
AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM
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Small Business Participation

Because this cooperative purchasing program is administered by another agency, the Port could not establish a participation goal for this contract. ConvergeOne does not currently track or have a formal state-certified supplier diversity program in place, but has developed strategic partnerships with minority, women-owned and/or service-disabled veteran owned businesses through their vendor qualification process.

PUBLIC IMPROVEMENT CONTRACT AMENDMENT

The scope of work for this contract amendment consists of construction services for the CCTV and WiFi System Improvements project, including:

- Procuring and installing 151 new cameras and related conduit, cables and equipment.
- Procuring and replacing approximately 187 existing cameras.
- Upgrading heating, ventilation and air conditioning systems and uninterruptible power supply units at four network rooms.
- Installing approximately 400 Cisco WAPs, switches and controllers.

Procurement Process; Contract Price

Hoffman will construct this project under the Port's existing public improvement contract with Hoffman for the RACS project. After analyzing the available project delivery options, the Port elected to deliver this work under an amendment to the RACS contract.

Working with the Port's Contracts and Procurement and Legal departments, Port staff have determined that this amendment is permissible under applicable Port contracting rules. Specifically, Hoffman can perform this work at a cost below what the Port estimates it would cost to award the work competitively. In addition, this project's work is logically related to the RACS project work, it is located at the same site as the RACS work, and the existing contract objectively establishes the price for this work (see below). In general, prudent contract management, engineering and construction practices support the decision to perform this project's work in conjunction with the RACS work. Doing so will address significant risks associated with safety, security, passenger, tenant and operational impacts. This has the following key benefits:

- Increased construction efficiency and cost savings due to Hoffman's unique and specialized knowledge of PDX infrastructure, particularly its security infrastructure.
- Decreased risk of disruptions to passengers, airlines and operations due to Hoffman's proven track record for the similar scope of work under the RACS project.

EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT
AMENDMENT – REPLACE ACCESS CONTROL SYSTEM (CCTV/WIFI SYSTEM
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The Port will compensate Hoffman for this work under the existing RACS contract's pricing structure. The contract price will be based on Hoffman's reimbursable costs plus a fixed fee, subject to the negotiated guaranteed maximum price set forth in this agenda item. Commission approval is required to grant the necessary contracting authority due to the dollar amount of the amendment.

These contract amendment costs will be funded by the Airline Cost Center.

Contract Amount

| | |
|-------------------------|--------------------|
| Current contract amount | \$43,331,000 |
| This amendment | \$5,554,000 |
| New contract amount | \$48,885,000 |

Small Business Participation

Based on an availability analysis, the Port's Small Business Development Program Manager set a Disadvantaged Business Enterprise (DBE) program participation goal for this contract at 8% of the amendment amount. DBE includes firms certified by Oregon or Washington as socially or economically disadvantaged in accordance with U.S. Department of Transportation regulations. A DBE goal was set because the RACS contract is subject to Federal DBE requirements.

SCHEDULE

| | |
|---|--------------------------|
| Preliminary design | May 2017 – June 2018 |
| Design | July 2018 – October 2018 |
| Commission approval (award RACS public improvement contract) | August 13, 2014 |
| Start construction | September 2014 |
| Commission approval (award CCTV and WiFi System Improvements project equipment procurement contract and public improvement contract amendment) | October 10, 2018 |
| Construction complete | August 2019 |

EQUIPMENT PROCUREMENT CONTRACT AND PUBLIC IMPROVEMENT CONTRACT
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BUDGET

The CCTV and WiFi System Improvements project budget (not including earlier RACS work) is as follows:

| | |
|--|--------------------|
| Equipment procurement contract | \$929,000 |
| Public improvement contract amendment | \$5,554,000 |
| Personal services contract (design) | \$1,817,000 |
| Port staff and contracted services | \$2,867,000 |
| IT equipment (several contracts) | \$656,000 |
| Contingency | \$1,537,000 |
| Total budget | \$13,360,000 |

The contingency, representing 13 percent of the project cost, is considered reasonable given the risk profile for the project, the complexity of the work site and the current status of the work.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award an equipment procurement contract to purchase Cisco WiFi equipment from ConvergeOne, Inc., for the CCTV and WiFi System Improvements project at Portland International Airport, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend the existing public improvement contract with Hoffman Construction Company of Oregon, for the PDX Replace Access Control System project, to provide construction services for the CCTV and WiFi System Improvements 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.

**COMMUNITY BENEFITS AGREEMENT – TERMINAL CORE REDEVELOPMENT PROJECT –
PORTLAND INTERNATIONAL AIRPORT**

October 10, 2018

Presented by: George Seaman
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval of the recommendation that the Port of Portland (Port) require the Port's construction manager/general contractor (CM/GC), Hoffman Skanska LLC (Hoffman-Skanska), to negotiate a project labor agreement (PLA) as described herein, binding all PLA signatory contractors, subcontractors and labor unions for all trades on the Terminal Core Redevelopment (TCORE) project at Portland International Airport (PDX). The Port will term the TCORE PLA a Community Benefits Agreement (CBA).

BACKGROUND

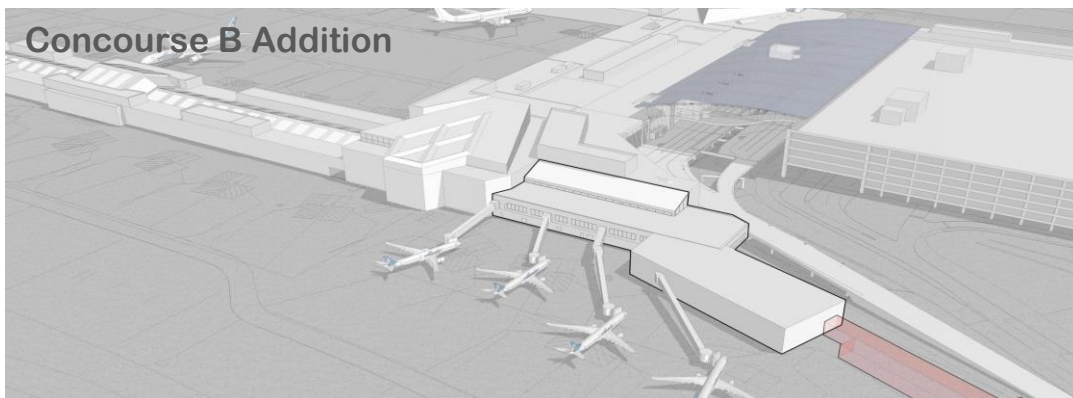
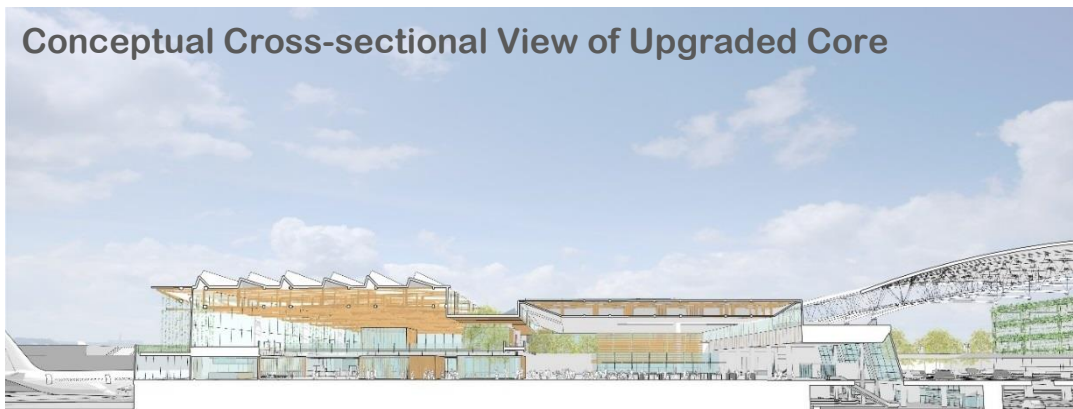
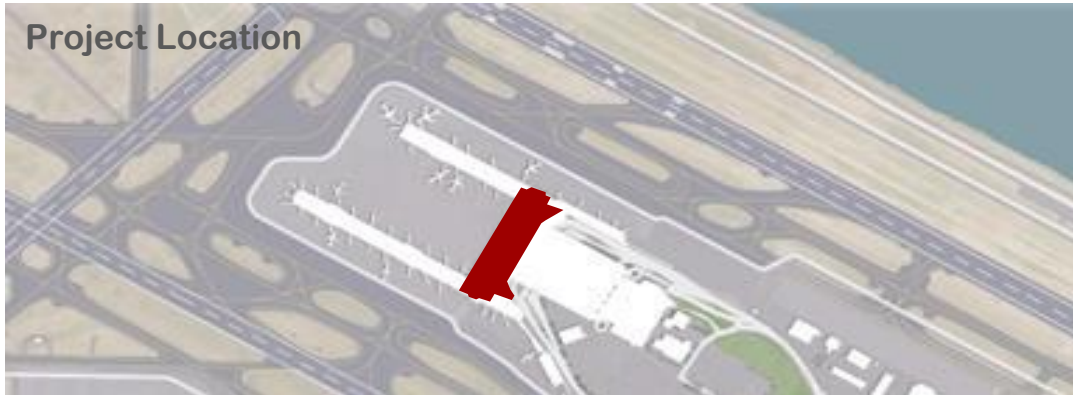
In 2010, the Port began developing a comprehensive strategy to reconfigure the core terminal at PDX. Based on thorough, ongoing planning and analysis, the Port has developed the TCORE project, which is intended to ensure: 1) the most effective and efficient passenger processing possible; 2) the best possible passenger experience; 3) the maximization of concession revenues; and 4) a long-range plan that is sustainable, affordable and adaptable. As detailed in earlier Commission agenda items, TCORE project work includes the following:

- Expanding the terminal core area by constructing a seismically-resilient addition extending the existing building footprint approximately 180 feet to the west.
- Relocating the security checkpoints into the newly-constructed addition.
- Constructing a seismically-resilient "clear span" roof structure from the curbside to the westward edge of the existing ticket lobby, spanning the entire terminal building east to west and opening up the building functionally and architecturally.
- Removing the existing roof and mezzanine over the terminal building.
- Relocating and reconstructing the post-security concession nodes further to the west to better align passenger flow with the newly constructed addition.
- Extending Concourse B and demolishing Concourse A to improve passenger experience and seismic resiliency of the ground-load facility at PDX.

TCORE project contracts approved by Commission to date include a design services contract with ZGF Architects LLP, a pre-construction support services contract with Turner Construction Company and, in May 2018, a public improvement contract with Hoffman-Skanska to provide preconstruction support services during the design development phase of the project. The same contract will provide for Hoffman-Skanska's construction of the project, if directed by the Port and approved by Commission.

COMMUNITY BENEFITS AGREEMENT – TERMINAL CORE REDEVELOPMENT PROJECT –
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The Port has now determined that a PLA on this project is in the Port's best interests, primarily to help provide labor harmony on the project. This item seeks Commission approval of the PLA requirement, as presented below.



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COMMUNITY BENEFITS AGREEMENT

As stated above, the Port has determined that use of a PLA on this project – in the form of the CBA described in this agenda item – is in the Port’s best interests. A PLA is a pre-hire collective bargaining agreement binding on all PLA signatory contractors, subcontractors, and labor unions for all trades on a construction project, as specifically allowed under the National Labor Relations Act. PLAs supersede conflicting provisions in any existing collective bargaining agreements, establishing uniform employment terms and conditions for a specific construction project. PLAs typically include provisions to prevent strikes, lockouts, or other work stoppages for the length of the project. The CBA will address labor harmony as well as workforce diversity and small business goals.

Port PLA Use Policy and Procedure

The Port maintains a Commission Policy that sets forth the Port’s decision-making framework for deciding whether to use PLAs on Port public improvement projects. The Port also maintains an Administrative Procedure that facilitates Port compliance with its PLA Use Policy and sets minimum requirements for Port PLAs.

Under the Procedure, if the Port determines that a PLA on a project is consistent with the Policy, the Commission must approve such requirement before it becomes effective. In deciding whether to approve the PLA approach, the Commission must consider written findings that support the Port’s proposal of a PLA. Before submitting final findings to the Commission, the Port must make the findings available to the public, hold a public hearing to take comments from any interested party on draft findings, and consider the comments before making a final determination to recommend a PLA.

Under the Port’s PLA Use Policy, the Port may only pursue a PLA if Port personnel have first documented their determination that using a PLA on a particular project will advance the Port’s legitimate interests in producing labor-management stability, achieving efficiency, managing construction costs and ensuring legal compliance. In addition, all Port PLAs must be consistent with the interests embodied in applicable competitive bidding laws.

Pilot PLA on Terminal Balancing Project; Lessons Learned

The Port is currently using a PLA on another significant PDX project, Terminal Balancing. This project, which will add six new contact gates and ultimately provide more balanced use of the North and South concourses, is the Port’s first experience with a PLA. While the Port is generally pleased with the relationship between its contractor and labor, there have been instances of delay due to contract interpretations, increased costs on specific scopes of work due to differing interpretations of PLA provisions, and concern about lack of small business bidding on appropriate jobs. At times those concerns have been significant. Accordingly, the Port believes it is important to retain the following rights, both of which have been included in PLAs on other projects (including in Oregon): (1) to exempt certain scopes of work from the PLA

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if its provisions are diminishing competition and/or specifically preventing small business participation, and (2) to rescind the PLA requirement if the PLA results in unreasonable expense or delay or is otherwise no longer in the Port's best interests. Also, to play a more meaningful role in dispute resolution processes, the Port may wish to become a party to the agreement.

Findings in Support of the Port's Recommendation to Require a PLA; Public Hearing

After evaluation, the Port determined that a form of PLA on this project is in the Port's best interests. Like a PLA, the Port's proposed CBA would contain provisions intended to foster workforce stability; however, the CBA would be unique to the Port, and would be crafted to ensure continued, open competition for all contractors to the maximum extent possible. While the Port's CBA would contain provisions intended to foster workforce stability, it would also include provisions that preserve and enhance opportunities for small businesses and diverse members of the construction workforce.

The Port developed draft findings in support of the Port's recommendation to require a CBA. A copy of the findings, which describe the evaluation and the conclusions in detail, is attached as Exhibit A. The draft findings concluded that a CBA on this project would advance the Port's legitimate interests in producing labor-management stability, achieving efficiency, managing construction costs and ensuring legal compliance. The findings also indicated that a CBA on this project would be consistent with the interests embodied in competitive bidding laws.

To notify the public of the hearing and encourage participation, the Port published a notice of the hearing in a statewide construction trade newspaper and on PlanetBids (the Port's on-line procurement portal). The draft findings were made available to the public via PlanetBids. The Port also conducted outreach efforts to stakeholders in the local contracting community. The Port held a public hearing on October 1, 2018. A summary of the comments received at the hearing is incorporated into the findings attached. After consideration of the comments received at the public hearing, the Port continues to recommend a CBA on this project.

Anticipated CBA Features

Some of the anticipated features of the intended CBA are described on page 4 of the attached findings. However, the final parameters of the CBA will be developed by Hoffman-Skanska with Port oversight. The findings discuss the basis for the proposed CBA requirement in detail and should be read closely together with this agenda item.

The Commission's approval of this agenda item only allows the Port to require its contractor to negotiate a CBA on this project with Port oversight; it does not require the Port to use the CBA if doing so is ultimately not in the Port's best interests. If, in the Port's sole discretion (1) Hoffman-Skanska is unable to negotiate a CBA that advances the Port's interests set forth in the Port's PLA Use Policy, this agenda item, and the attached findings; or (2) a CBA is otherwise no longer in the Port's best interests, then the Port may withdraw this requirement without further Commission consultation or approval.

SCHEDULE

No schedule approval is sought under this agenda item. The details below are provided for informational purposes only.

| | |
|--|--------------------------------|
| Preliminary planning | November 2014 – December 2014 |
| Consultant selection | January 2015 – July 2015 |
| Commission action (approve award of design contract and preconstruction support services contract) | August 2015 |
| Conceptual plan selection phase | September 2015 – February 2016 |
| Commission action (approve contract amendments for conceptual design and pre-construction support services) | April 2016 |
| Conceptual design development phase | April 2016 – April 2017 |
| Commission action (approve design contract amendment, exempt public improvement contract from competitive bidding) | December 2017 |
| Contractor selection (public improvement contract) | December 2017 – February 2018 |
| Schematic design development phase | January 2018 – December 2018 |
| Commission action (approve design contract amendment) | April 2018 |
| Commission action (approve award of CM/GC public improvement contract) | May 2018 |
| Commission action (approve CBA requirement) | October 2018 |
| Detailed design development phase | January 2019 – November 2021 |
| Construction | January 2019 – October 2024 |

BUDGET

No budget approval is sought under this agenda item. The details below are provided for informational purposes only.

At this time, the Airport and Airline Affairs Committee funding approval for the TCORE project includes only the initial phase shown below. In the future, staff anticipates engaging the airlines to request funding approval for the remainder of the total TCORE project, including the PDX ticket lobby remodel, reconstruction of the existing north and south post-security concession nodes and the baggage claim area.

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| | Initial Phase | Remainder of Project | Total Project |
|---|----------------------|---------------------------------|------------------------|
| Consultant design services | \$109,000,000 | \$10,000,000 | \$119,000,000 |
| Public improvement contract (construction) | \$580,000,000 | \$363,000,000 | \$943,000,000 |
| Procurements/equipment | \$31,000,000 | \$14,000,000 | \$45,000,000 |
| Port staff/contracted services | \$50,000,000 | \$14,000,000 | \$64,000,000 |
| Permits | \$10,000,000 | \$6,000,000 | \$16,000,000 |
| Contingency | \$170,000,000 | \$51,000,000 | \$221,000,000 |
| Total Project | \$950,000,000 | \$458,000,000 | \$1,408,000,000 |

TCORE project funding and contract costs are funded by the Airline Cost Center, which is composed primarily of revenues from the Port's commercial airline service business lines.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland may take such action as is appropriate to require its construction manager/general contractor on the Portland International Airport Terminal Core Redevelopment project to negotiate, with Port oversight, an acceptable project labor agreement, to be known as a Community Benefits Agreement (CBA), binding on all CBA signatory contractors, subcontractors and labor unions for all trades on the project, that advances the Port's interests described in the Port PLA Use Policy, this agenda item and the attached findings; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute all documents necessary to effect these resolutions on behalf of the Port of Portland Commission, in a form approved by counsel.



PORT OF PORTLAND

Portland International Airport

Terminal Core Redevelopment

PROJECT NO. 102191

**FINDINGS IN SUPPORT OF
RECOMMENDATION TO REQUIRE PROJECT LABOR AGREEMENT**

SEPTEMBER 14, 2018

The Port of Portland (Port) has determined that requiring a project labor agreement (PLA) on the Portland International Airport (PDX) Terminal Core Redevelopment (TCORE) project is in the Port's best interests. Port PLAs are subject to the Port's policies and procedures for PLAs, summarized below. The Port will term the TCORE PLA a Community Benefits Agreement (CBA).

Background

The National Labor Relations Act permits employers in the construction industry to enter into pre-hire collective bargaining agreements binding on all contractors, subcontractors, and labor unions for all trades on a construction project.¹ This type of agreement is commonly referred to as a PLA but may also be given different titles such as "community benefits agreement" or "community workforce agreement." The Port's PDX Terminal Balancing (TBAL) project is currently subject to a PLA, termed a "Workforce Partnership Agreement" (WPA).

PLAs supersede conflicting provisions in any existing collective bargaining agreements, establishing uniform terms and conditions of employment for a specific construction project. PLAs typically include provisions to prevent strikes, lockouts, or other work stoppages for the length of the project, and require that all contractors follow union rules on pensions, work conditions and dispute resolution. PLAs may require that certain employees hired for the project are referred through union hiring halls, and may address union dues or other contributions. The specific provisions of a PLA are tailored by the signatory parties to meet the needs of a particular project.

PLA Policy and Procedure -- Port of Portland

The Port maintains a Commission Policy² which sets forth the Port's decision-making framework for deciding whether to use PLAs on Port-controlled public improvement projects. The Port also maintains an Administrative Procedure³ which facilitates Port compliance with its PLA Use Policy and sets forth minimum requirements for Port PLAs.

Under the Port's PLA Use Policy, the Port may only pursue a PLA if Port personnel have first documented their determination that using a PLA on a particular project will advance the Port's legitimate interests in producing labor-management stability, achieving efficiency, managing construction costs, and ensuring legal compliance. In addition, all Port PLAs must be consistent with the interests embodied in applicable competitive bidding laws.

Under the Port's PLA Use Procedure, if the Port determines that requiring a PLA on a project is consistent with the Policy, the Commission must approve such requirement before it becomes effective. In deciding whether to approve a PLA requirement the Commission must consider written findings which support the Port's proposal to require a PLA. Before submitting final

¹ 29 U.S.C. § 158(e) and (f).

² Commission Policy No. 6.1.15, *Project Labor Agreement Use*

³ Administrative Procedure No. 6.1.15, *Project Labor Agreement Use*

findings to Commission, the Port must hold a public hearing to take comments from any interested party on draft findings which have been made available to the public.

Project Information

This project will improve the seismic resiliency of the PDX terminal, provide capacity for growth in passengers and replace system infrastructure that has reached the end of its useful life. Construction elements of the project include, but are not limited to, the following:

1. Expanding the terminal core area by constructing a seismically-resilient addition extending a portion of the existing building footprint approximately 180 feet to the west.
2. Relocating the security checkpoints into the newly-constructed addition.
3. Constructing a “clear span” roof structure from the curbside to the westward edge of the existing ticket lobby, spanning the entire terminal building east to west and opening the building functionally and architecturally.
4. Removing the existing roof and mezzanine over the terminal building.
5. Relocating and reconstructing the post-security concession nodes further to the west to better align passenger flow with the newly constructed addition.
6. Reconstructing the ticket lobby and relocating all ticketing processes and passenger exit corridors.
7. Upgrading the baggage claim area finishes and providing additional bag claim devices.
8. Extending Concourse B and demolishing Concourse A to improve passenger experience and seismic resiliency of the ground-load facility at PDX.

Community Benefits Agreement -- Recommendation

Port staff have determined that requiring a form of PLA on this project – specifically, a CBA – is consistent with the Port’s PLA Use Policy.

As described in more detail below, the Port’s CBA would be unique to the Port, and would be crafted to ensure continued, open competition for all contractors to the maximum extent possible. While the Port’s CBA would contain some provisions intended to foster workforce stability similar to those described above, the Port’s CBA would also include provisions that preserve and enhance opportunities for small businesses and members of the construction workforce.

The Port intends to recommend that its Commission formally approve, in a future regular Commission meeting, the Port’s proposal to require a CBA on this project.

Findings

a. The CBA will advance the Port’s legitimate interests. Requiring a CBA on this project will advance the Port’s legitimate interests in producing labor-management stability, achieving efficiency, managing construction costs, and ensuring legal compliance. The primary factors the Port considered in reaching this determination follow:

- The size and complexity of the project. The overall project budget is about \$1,408M with an estimated construction contract of \$950M to \$1,000M. The work scope includes constructing approximately 250,000 sq. ft of new building attached to the west of the terminal building, extending Concourse B to add about 30,000 sq. ft, demolishing Concourse A, constructing a new roof over the existing terminal building, demolishing the existing terminal building roof and mezzanine and remodeling the ticket lobby and baggage claim areas. Virtually all the work will occur within an active and secure airport environment. The most complex part of the work will be the construction of the new roof over

the existing terminal while maintaining TSA security checkpoint and airline ticketing operations for over 20,000,000 annual passengers. Safety and security for this project will be of paramount importance.

- The importance of the project and the need to adhere to a certain timeline. The project is driven by the need to upgrade the seismic resiliency of the existing terminal and prepare for passenger growth. In addition, due to the size of the project, delays in construction can have significant financial impacts due to additional general conditions requirements and construction escalation charges.
- The risk of labor disruption on the project and the circumstances that are present that may lead to a heightened risk of labor disruption. During construction on this project, most of the collective bargaining agreements covering laborers in applicable trades will expire, necessitating contract renegotiations in some cases. Especially since this project will impact tenants located in the Oregon Market and post-security concession nodes, the Port wishes to take steps to diminish the risk of project disruption via strikes, slowdowns, or similar labor disruptions.
- The impacts of a labor disruption to the Port and its stakeholders, on the operation of the facility, and on the region. A labor disruption could negatively impact the Port, airline operations, airport tenants, and the traveling public. In addition to project delays and increased costs, these impacts could take the form of inefficiencies in operations, working in unfinished spaces, confusing way-finding and extended portage of baggage.
- The costs of a delay should a labor disruption occur. Costs of a delay during construction would largely be the result of idling the design and construction teams and the possibility of additional escalation of costs. A rough estimate of these costs could be in the \$2,500,000 to \$3,000,000 per month range for the idled construction teams and up to \$4,000,000 per month in escalation, depending on what phase the project is in at the time of the disruption.
- The available labor pool relative to the particular skills required to complete the project. There is currently strong competition for available labor with a high level of construction activity in the Portland and Seattle regions. Although there are indications there may be a slight softening in the market when the main portion of the project commences, there are still extenuating circumstances that need to be considered. These include the risk that local semiconductor firms could begin a building construction program and the aging population of the trades which could lead to a reduction in the skilled workforce.
- Workforce Diversity and Apprenticeship. The Port has long had a strong interest in cultivating construction workforce diversity and in developing apprenticeship opportunities. This sizeable project presents an opportunity to structure a workforce diversity and apprenticeship program that can improve upon the positive impacts the Port has historically achieved with its construction projects.

b. The CBA will advance the interests embodied in competitive bidding laws. Requiring a CBA on this project will be consistent with the interests embodied in competitive bidding laws because the Port will specifically require that this CBA be structured and used in a manner that ensures that result. More information on the Port's requirements for this project's CBA is provided in the next section, but in general the Port will require that this CBA:

- Allow impartial and open competition, protecting the integrity of the public contracting process;
- Allow all eligible contractors and subcontractors to compete for project contracts and subcontracts without regard to whether they are otherwise parties to collective bargaining agreements;
- Be consistent with the mission of the Port's Small Business Development Program and facilitate compliance with its requirements, including but not limited to applicable subcontractor participation goals under the Port's Small Business Enterprise (SBE) Program or similar programs; and
- Promote efficient use of Port resources by allowing work which does not obtain enough bid response due to the requirements of the CBA to be exempt from the CBA.

Community Benefits Agreement -- Features

The Port has long worked actively to provide contracting opportunities for small businesses on Port construction projects, including MWESB firms (minorities, women, and emerging small business). As noted above, the Port also is strongly interested in cultivating workforce diversity and in developing apprenticeship opportunities.

The Port believes that any Port-mandated agreement that contains elements of a PLA must be consistent with the Port's small business and workforce goals. To that end the Port proposes to develop, through the public process outlined below, a CBA which combines some PLA features with provisions that maintain access to and opportunities on the project for all contractors and workers. Some of the anticipated features of the intended CBA are described below. However, the final parameters of the CBA will be developed by the project contractor with Port oversight. Key terms will include:

- Guarantees against strikes, lockouts, and similar labor-related disruptions.
- Effective, prompt, and mutually binding procedures for resolving labor disputes arising during the term of the CBA.
- Mechanisms to ensure labor-management cooperation on matters of mutual concern.
- The ability to exempt certain scopes of work from the CBA's requirements, or to waive certain CBA requirements, if ample competition isn't available when bidding the work due to the requirements of the CBA.
- Provisions encouraging robust small business participation on the project, including hiring procedures allowing contractors to retain core and certain other employees as appropriate, technical assistance funding, and mentoring.
- Enhanced workforce training and hiring programs by implementing workforce retention policies, diversity goals, training policies, and targeting underutilized communities.
- Establish workforce diversity goals with an additional focus on historically underutilized communities and workforce.

Public Hearing

Under the Port's PLA Use Procedure, the Port must hold a public hearing to take comments on the draft findings before submitting final findings to Commission. The Port held a public hearing on October 1, 2018, at the Port headquarters offices. Five members of the public attended. The following three attendees provided oral comments:

- Willy Myers, Columbia Pacific Building & Construction Trades Council
- Kelly Kupcak, Oregon Tradeswomen
- Maurice Rahming, O'Neill Construction Group and Metropolitan Alliance for Workforce Equity

All comments received supported the Port's recommendation to implement a PLA on this project.