



AGENDA*
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
July 10, 2019
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – June 12, 2019
Approval of Minutes: Special Commission Meeting – June 25, 2019

Executive Director

Approval of Executive Director's Report – June 2019

Public Comments

General Discussion

Oregon's State of Trade

MICHAEL WILKERSON

Action Items

1. CONCESSION LEASE AWARDS – PORTLAND INTERNATIONAL AIRPORT *ABBY CAREY*

Requests approval to enter into nine new concession leases from the 2019 Concession Solicitation for Food and Beverage and Retail Opportunities at Portland International Airport.

2. PUBLIC IMPROVEMENT CONTRACT AMENDMENT – TERMINAL CORE REDEVELOPMENT PROJECT – PORTLAND INTERNATIONAL AIRPORT *GEORGE SEAMAN*

Requests approval to amend the existing public improvement contract with Hoffman Skanska LLC for the Terminal Core Redevelopment project at Portland International Airport.

3. COLLECTIVE BARGAINING AGREEMENT – INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL 701 *BLAISE LAMPHIER*

Requests the approval of a four-year collective bargaining agreement between the Port of Portland and the International Union of Operating Engineers, Local 701.

CONCESSION LEASE AWARDS – PORTLAND INTERNATIONAL AIRPORT

July 10, 2019

Presented by: Abby Carey
PDX Concessions Development
Manager, Food and Beverage
and Retail**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into nine new concession leases with the following proposers selected through the Request for Proposals 2019 Concession Solicitation for Food and Beverage and Retail Opportunities (RFP) at Portland International Airport (PDX):

- Bambuza LLC (Bambuza)
- cc McKenzie LLC (Calliope's)
- The Yarrow Group LLC dba Evergreens (Evergreens)
- Good Coffee PDX LLC (Good Coffee)
- All About Foods Group "AAFG" dba Jamba Juice (Jamba Juice)
- Lightning Bar Collective or "LBC" (Juliatt)
- Host International Inc "Host" dba Screen Door (Screen Door)
- Tender Loving Empire LLC (Tender Loving Empire)
- Tillamook Co. Creamery Association (Tillamook Creamery)

BACKGROUND

The Concourse E Extension currently under construction and the Concourse B Remodel commencing construction this fall include several new concession locations to serve the dining and shopping needs of PDX travelers. The Concourse E Extension will include 10 new concession locations and the Concourse B Remodel includes two new concession locations. Three locations in the Concourse E Extension have been awarded through prior solicitations. This agenda item seeks approval to award concession leases for the seven remaining Concourse E Extension concession locations and both of the Concourse B Remodel concession locations.

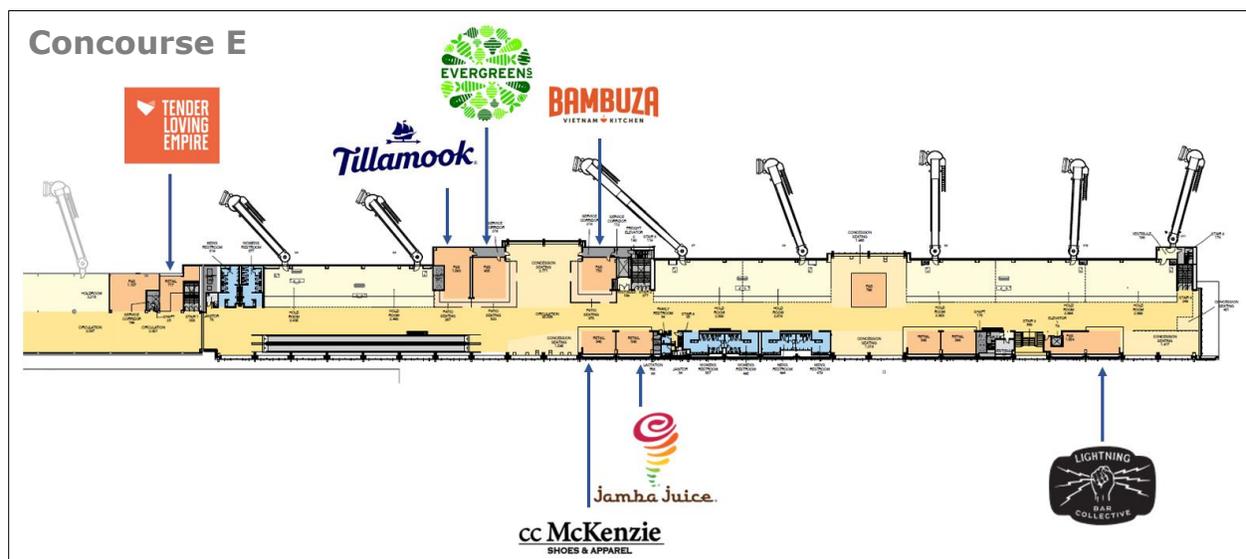
In addition to overall concept and design, the leasing effort focused on several additional priorities: quality employer involvement; small and disadvantaged business participation; diversity, equity and inclusion goals; and sustainability. Deliverables addressing each of these priorities were required to be submitted by proposers in response to the RFP and steered the selection process. Proposal sections covering quality jobs, sustainability and small business participation were heavily weighted in the RFP scoring method, and the commitments made by proposing businesses will be incorporated into each lease as contractual obligations to ensure follow-through. In order to reduce barriers to entry for small and disadvantaged businesses, the Port of Portland (Port) eliminated its customary requirement to submit early design and architectural work in response to the RFP. This reduced the upfront costs incurred by proposing businesses in developing their proposals and resulted in the most competitive RFP in PDX history.

REQUEST FOR PROPOSALS PROCESS

The RFP process began with an outreach campaign targeting both existing PDX partners and other business owners throughout the region. Dozens of one-on-one outreach meetings were held and a series of three informational sessions were hosted at PDX by Port staff prior to releasing the RFP. Several hundred businesses participated in the various meetings to learn more about opportunities at PDX. Following the outreach effort, the Port issued an RFP on January 31, 2019 for the nine locations for which this agenda item seeks approval, and received 42 proposals on May 1, 2019. During the month of May, a five-member selection committee consisting of both internal and external stakeholders reviewed the proposals, and with input from Port subject-matter experts, selected the top proposer for each location based on the evaluation criteria listed in the following table:

Proposal Evaluation Criteria	
Proposed Concept, Menu/Product, Business Plan, Proforma, Staffing and Sustainability	25%
Quality Employer Plan	25%
Design Team, Design Intent, Layout, and Project Execution	20%
Financial Statements/Capability	15%
Airport Concession Disadvantaged Business Enterprise (ACDBE) Participation	10%
Site Visits	5%

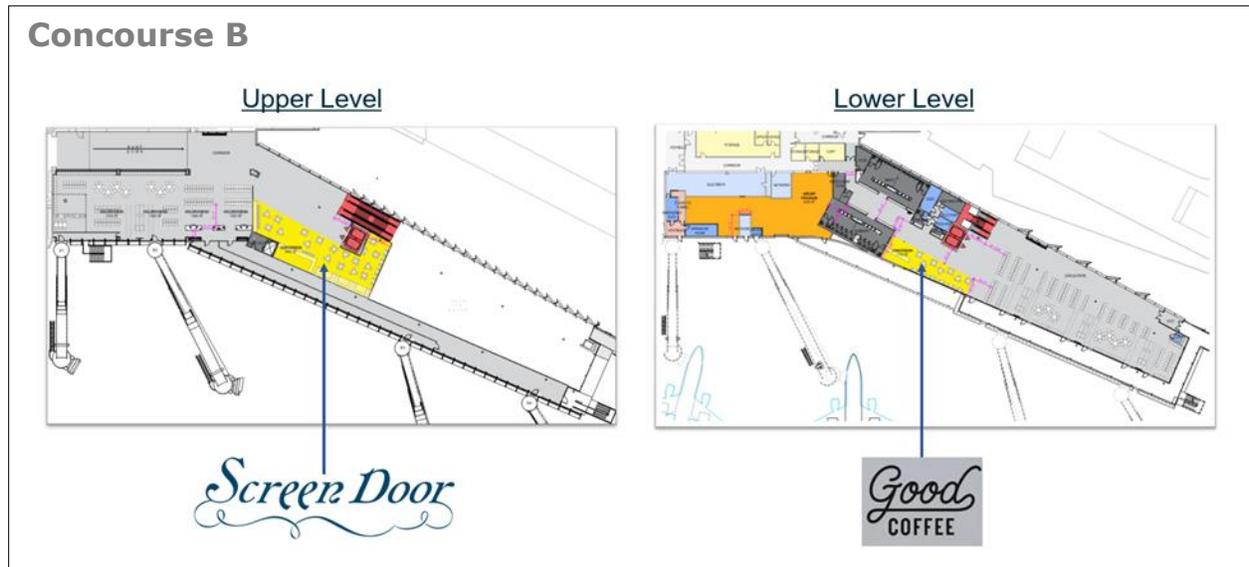
The proposed lease location of each business, as recommended by the selection committee and for which this agenda item seeks approval, are shown in the following graphics.



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KEY BUSINESS TERMS

Locations:

Food and Beverage

E22755 (Concourse E Quick Serve Restaurant); approx. 1,420 SF
E22855 (Concourse E Quick Serve Restaurant); approx. 1,642 SF
E23155 (Concourse E Quick Serve Restaurant); approx. 1,454 SF
E23232 (Concourse E Snack); approx. 728 SF
E24436 (Concourse E Full Service Restaurant & Bar); approx. 3,000 SF
B21350 (Concourse B Full Service Restaurant & Bar); approx. 3,440 SF
B11450 (Concourse B Specialty Coffee); approx. 1,175 SF

Retail

E21857 (Concourse E Specialty Retail); approx. 813 SF
E23132 (Concourse E Specialty Retail); approx. 680 SF

Term Length:

The lease term for food and beverage concession locations is 10 years, commencing July 1, 2020, for Concourse E, and March 1, 2021, for Concourse B. The lease term for retail concession locations is seven years, commencing July 1, 2020.

Rent:

The greater of a) Minimum Annual Guarantee (MAG) of \$80 per square foot per year for the first lease year; recalculates at 80% of the prior year's rent paid for subsequent lease years; or b) percentage rent calculated as follows:

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Quick Service Restaurant

10% (\$0 – \$600,000)
12% (\$600,000.01 – \$1,000,000)
14% (\$1,000,000.01 +)

Full Service Restaurant & Bar

11% (\$0 – \$1,000,000)
13% (\$1,000,000.01 – \$1,500,000)
15% (\$1,500,000.01 +)

Specialty Coffee

14% (\$0 – \$600,000)
16% (\$600,000.01 – \$1,000,000)
18% (\$1,000,000.01 +)

Specialty Retail

10% (\$0 – \$800,000)
12% (\$800,000.01 – \$1,200,000)
14% (\$1,200,000.01 +)

Tenant Investment: Total combined tenant investments estimated at \$10 million. Midterm refurbishment due for each location at the Port's discretion.

Open Dates: Concourse E – First day E Extension is open for operation, approx. June 16, 2020
Concourse B – First day B Remodel is open for operation, approx. March 1, 2021

Standard Terms: Other lease terms for quality assurance, sustainability, street pricing, customer service, cleanliness and operational efficiencies will also be included. Utilities are metered and billed on consumption and storage is billed by the square foot as needed.

ACDBE Participation: Goals established for the RFP were 15% for food and beverage locations, and 11% for the retail location.

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Commitments

Bambuza	100% Self-certified
Calliope's (cc McKenzie)	100% Self-certified
Evergreens	Non-certified Woman and Minority Owned Goods and Services Relationships
Good Coffee	42% Goods and Services with ChefStable Catering
Jamba Juice (AAFG)	100% Self-certified
Juliatt (LBC)	12.5% Goods and Services with ChefStable Catering
Screen Door (Host)	20% Joint Venture with Palazzo Concessions
Tender Loving Empire	5% Goods and Services, Various Certified Vendors
Tillamook Creamery	Non-certified Woman and Minority Owned Goods and Services Relationships

Workplace Initiative: Proposers were required to submit Quality Employer Plans, which include proposers' commitments to employee relations; diversity, equity and inclusion; compensation; paid time off benefits; health care and other benefits; training; advancement opportunities; and safety policies and programs. These plans were evaluated and scores accounted for 25% of the overall evaluation score. Within that 25%, 80% was allocated to wages and benefits. Compliance with plans provided as part of the RFP will be incorporated into each of the leases as a contractual obligation.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into nine new concession leases with the successful proposers identified above from the 2019 Concession Solicitation for Food and Beverage and Retail Opportunities 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.

PUBLIC IMPROVEMENT CONTRACT AMENDMENT – TERMINAL CORE REDEVELOPMENT PROJECT – PORTLAND INTERNATIONAL AIRPORT

July 10, 2019

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

This agenda item requests approval to amend the existing public improvement contract with Hoffman Skanska LLC (Hoffman-Skanska) under which Hoffman-Skanska is constructing the Terminal Core Redevelopment (TCORE) project at Portland International Airport (PDX). This amendment, in the amount of \$8,092,413, will facilitate additional pre-construction support services and construction services.

BACKGROUND

In 2010, the Port of Portland (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 September 2015 design services contract with ZGF (the Design Contract), a September 2015 pre-construction support services contract with Turner Construction Company, an April 2019 personal services contract amendment for commissioning services with Burns & McDonnell Engineering Company, Inc., and a May 2018 Construction Manager/General Contractor public improvement contract with Hoffman-Skanska (the Construction Contract). The commission has also approved various amendments to each of these contracts.

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AMENDMENT SCOPE OF WORK; COMPENSATION

This amendment modifies the scope of the Construction Contract's pre-construction support services and construction services.

Pre-Construction Support Services

Pre-construction support services generally include collaborating with the design team on work such as construction cost estimate preparation, value engineering analysis and constructability recommendations; phasing plan and schedule development; workforce and materials availability analysis and recommendations for issuing early bid packages. Preconstruction support services approved under the initial contract award are ongoing. Specific examples include project management, airport logistics planning, project superintendents, project engineering and other project support. This amendment would:

- Extend those ongoing services from September 2019 to May 2020; and
- Provide for additional preconstruction support services that are outside of the scope of the initial award. These additional services include providing constructability and design support/analysis for logistics and construction, such as wooden roof beam connection testing to be performed via subcontractor trade partners and the development of offices for construction team members.

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Construction Services

The Commission approved a Construction Contract amendment in March 2019 to facilitate certain enabling work for the redevelopment of Concourse B, deliver the passenger boarding bridge (PBB) replacement project, and secure design-related assistance from key subcontractor trade partners. That work is ongoing.

The Port now wishes to amend the Construction Contract to deliver the PDX Terminal Re-Lamp project, which is logically related to the TCORE project work. This project includes replacing much of PDX's existing ramp lighting system with new LED fixtures and a related control system. By coordinating this work with the PBB replacement work, which will occur at the same locations and during the same period of time, cost efficiencies can be achieved and operational impacts reduced. This additional work scope will be delivered under the TCORE project Construction Contract but will be funded via the PDX Terminal Apron Re-Lamp project budget.

Compensation

Port staff have negotiated with Hoffman-Skanska to increase the guaranteed maximum price (GMP) of the Construction Contract by \$8,092,413 to facilitate the work contemplated by this amendment, which includes the Construction Contract's established 2.97% fixed fee mechanism.

To date, the Construction Contract status is as follows:

	Total Contract Value	TCORE-Funded Portion of Contract
Original contract amount	\$5,637,076	\$5,637,076
Previously-approved work (e.g., enabling work for Concourse B, PBB and related projects)	\$38,336,191	\$20,551,793
This amendment	\$8,092,413	\$6,419,293
New total contract amount	<u>\$52,065,680</u>	<u>\$32,608,162</u>

Port staff have determined that this amendment is permissible under applicable Port contracting rules and policies, with respect to delivering the additional capital improvements. The amendment is also consistent with the Construction Contract, with respect to modifying it to deliver ongoing phases of work, provided performance to date is satisfactory. Commission approval is required to grant the necessary contracting authority based on the dollar amount of the amendment.

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SCHEDULE

Preliminary planning	November 2014 – December 2014
Consultant selection	January 2015 – July 2015
Commission action (approve award of Design Contract and pre-construction 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 Construction Contract from competitive bidding)	December 2017
Contractor selection (Construction 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 Construction Contract)	May 2018
Commission action (approve Design Contract amendment, Construction Contract amendment)	March 2019
Commission action (approve Design Contract amendment and additional personal services contract amendment)	April 2019
Commission action (approve Construction Contract amendment)	July 2019
Detailed design development phase	February 2019 – November 2021
Construction	April 2019 – October 2024

SMALL BUSINESS PARTICIPATION

The Port has established a 20% Small Business Enterprise subcontractor utilization goal for the project based on construction costs, with a sub-goal of 8.5% from Minority Business Enterprise firms. Initial construction work associated with the Concourse B enabling work has achieved a small business participation rate of 79% on the initial \$7,021,000 of work. Port staff will continue to track Hoffman-Skanska's progress toward the goals.

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BUDGET

At this time, the Airport and Airline Affairs Committee funding approval for the TCORE project includes only the initial phase shown below. In the near 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.

	Initial Phase	Remainder of Project*	Total Project
Consultant design services	\$109,000,000	\$43,000,000	\$152,000,000
CM/GC services (including construction)	\$580,000,000	\$508,000,000	\$1,088,000,000
Procurements/equipment	\$31,000,000	\$46,000,000	\$77,000,000
Port staff/contracted services	\$50,000,000	\$13,000,000	\$63,000,000
Permits	\$10,000,000	\$9,000,000	\$19,000,000
Contingency	\$170,000,000	\$61,000,000	\$231,000,000
Total Project	\$950,000,000	\$680,000,000	\$1,630,000,000

The project contingency shown above, representing 22% of the current cost estimate for the initial phase of TCORE, is considered reasonable given the stage of the TCORE project, the nature of the work and the risk profile for the project.

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

*Remainder of project funding is the current estimate being finalized with airline input.

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 Skanska LLC for the Terminal Core Redevelopment 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.

COLLECTIVE BARGAINING AGREEMENT – INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL 701

July 10, 2019

Presented by: Blaise Lamphier
Labor Relations Manager**REQUESTED COMMISSION ACTION**

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

BACKGROUND

After agreeing to Ground Rules on March 25, 2019, the Port and the Union, representing up to 43 employees who work on the Dredge *OREGON*, began bargaining for a successor agreement on April 15, 2019, to replace the collective bargaining agreement (CBA) scheduled to expire on June 30, 2019. On May 20, 2019, the Port and the Union reached a tentative agreement on a successor CBA and on June 6, 2019, the Union's membership ratified the tentative agreement.

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

Term of Agreement: July 1, 2019 through June 30, 2023

Wages: Effective retroactive to July 1, 2019, a \$1.25 per hour increase in base wages for the existing classifications (Groups A through E) as follows:

Group A: \$44.01 to \$45.26
Group B: \$41.47 to \$42.72
Group C: \$40.30 to \$41.55
Group D: \$39.35 to \$40.60
Group E: \$37.14 to \$38.39

Effective July 1, 2020, the increase in base wages will be determined by the Consumer Price Index for Urban Wage Earners (CPI-W) West Size Class A Cities Second Half that is reported in January 2020 by the Bureau of Labor Statistics, with a minimum increase of 1.5 percent and a maximum increase of 4.0 percent.

Effective July 1, 2021, the increase in base wages will be determined by the CPI-W West Size Class A Cities Second Half that is reported in January 2021 by the Bureau of Labor Statistics, with a minimum increase of 2.0 percent and a maximum increase of 4.0 percent.

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Effective July 1, 2022, the increase in base wages will be determined by the CPI-W West Size Class A Cities Second Half that is reported in January 2022 by the Bureau of Labor Statistics, with a minimum increase of 2.0 percent and a maximum increase of 4.0 percent.

Health & Welfare: Employees will continue to receive their health care through the AGC-IUOE Local 701 Trust. Increases made by the Trust to the employee's health care contributions greater than the current \$8.10 per hour worked are borne by the employee.

Retirement: The Port will continue to contribute to the PERS/OPSRP pension plan for regular employees as provided by the state. Effective July 1, 2019, contributions per compensable hour for new hires who are not yet eligible for PERS/OPSRP will continue to be made into the Defined Benefit Plan and Defined Contribution Plan of the AGC-IUOE Local 701 Pension Trust Fund in an amount equivalent to that contributed to the PERS/OPSRP pension plan for regular employees. The Defined Benefit Plan allocation will increase from \$4.40 to \$4.90 per hour, and the Defined Contribution Plan allocation will be the difference between the PERS/OPSRP contribution for regular employees and \$4.90. Future adjustments to these plans will not exceed the PERS/OPSRP contribution amount.

Holidays: Presidential Election Day is deleted as a holiday, while Presidents Day is added. Employees who work the actual date of observed holidays will continue to receive double the straight-time rate of pay for all hours worked on that date. Employees who are not scheduled to work but are on the payroll on the actual date of the observed holiday shall receive 8 hours of pay at the regular straight-time rate for the observed holidays provided that the employee works or is otherwise in a paid status on both the regularly scheduled work day prior to and the regularly scheduled workday following the applicable holiday, or on an unpaid leave of absence approved by the Employer.

Maintenance and Non-Dredge Work: All references to a 4 percent reduction in pay for the performance of maintenance and non-dredge work are eliminated.

Payday: Regular pay checks will be issued weekly instead of biweekly.

Training: Effective as soon as practicable after Commission approval, the Employer shall contribute five cents (\$0.05) per hour for all hours worked to International Union of Operating Engineers' Training Fund for the purposes of training at the International Union of Operating Engineers' Training Center in heavy equipment, crane operation, welding, safety and health training.

COLLECTIVE BARGAINING AGREEMENT – INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL 701

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Apprenticeship: Since IUOE Local 701 does not have a current apprenticeship program specific to dredging, the parties have agreed to continue discussions post-negotiations of the successor agreement with the objective of exploring the development of such a program to address such needs, including equity and diversity.

Equipment: Gloves and flashlights with batteries specified as included in Personal Protective Equipment provided by the Employer.

Estimated Financial Impact

The anticipated annual increases over the last contract year of the prior collective bargaining agreement, as well as the anticipated aggregate total in new dollars over the life of the CBA, are as follows:

Contract Year	Yearly Increase
Year 1	\$508,603
Year 2	\$655,020
Year 3	\$1,035,260
Year 4	\$1,208,964

The total increase over the life of the CBA is \$3,407,847.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into a collective bargaining agreement with the International Union of Operating Engineers, for a four-year agreement beginning July 1, 2019, setting forth wages, fringe benefits and working conditions, 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.