



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
July 14, 2010
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – May 12, 2010
Approval of Minutes: Regular Commission Meeting – June 9, 2010
Approval of Minutes: Special Commission Meeting – June 25, 2010

Executive Director

Approval of Executive Director's Report – June 2010

Action Items

1. CONTRACT – DREDGE OREGON REPOWER PROJECT DESIGN CONSULTANT SERVICES *WALT HAYNES*
Requests approval to enter into a design services contract with The Glosten Associates for the Dredge *OREGON* repower project.
2. GROUND LEASE – NORTHWEST AERO, INC. – TROUTDALE AIRPORT *WILLIE WILCOXEN*
Requests approval to enter into a new ground lease with Northwest Aero, Inc., for aircraft storage hangars at Troutdale Airport.

CONTRACT – DREDGE OREGON REPOWER PROJECT DESIGN CONSULTANT SERVICES

July 14, 2010

Presented by: Walt Haynes
Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into a design services contract with The Glosten Associates for the Dredge *OREGON* repower project.

BACKGROUND

The Dredge *OREGON* is a crucial component in maintaining the federal navigation channel of the Columbia River, securing maritime access from the Pacific Ocean to Portland. The Dredge *OREGON* is outfitted with 1960s diesel engines for both its main engine, which turns the dredge pump and the two auxiliary generator engines, which provide power to the dredge and the cutter motor.

The existing Dredge *OREGON*'s main engine, pump, engine controls and cutter motor are 1960s technology and are outdated. The main pump engine and the generator engines are no longer made. Some replacement parts are no longer available and must be fabricated. There are no upgrades to these engines that will reduce fuel consumption, improve performance or reduce emissions. Maintenance schedules require rebuilding the engines every 10 years, or 30,000 hours. The three engines were last rebuilt in 1995, at a cost of approximately \$2.5 million.

The cutter motor, which powers the cutter head that dislodges river bottom sediments, and the dredge pump that pulls the material up to the pipeline and pushes it to the shore, have specially-designed and fabricated components. Replacement parts are not commercially available and require custom fabrication contracts to keep them operating. Both the cutter motor and the pump have thousands of hours of use in an abrasive and wet environment, and require rebuilding or replacement.

In the last 50 years since the Dredge *OREGON* was built, many changes have taken place in diesel engine technology. New Tier 3 diesel engines are electronically controlled, have improved performance, more reliability, better fuel economy and reduced emissions.

A project has been initiated to replace the diesel engines and associated dredging equipment and controls aboard the Dredge *OREGON*. The equipment designated to be replaced includes:

- Main engine
- Dredge pump
- Two generators and their engines
- Cutter motor
- Cutter motor gearbox
- Electrical controls

Budget and Funding

The total cost to repower the Dredge *OREGON* is \$16.5 million. The Port has applied for a grant from the State of Oregon under the “ConnectOregon III” program. The grant application was submitted on November 20, 2009, and in June 2010 the Port of Portland’s (Port) dredge repower project was nominated as first on the list to receive a grant of \$5 million. The Oregon Transportation Commission will make its final recommendation to the Oregon Department of Transportation in August 2010. Assuming the award is made, the Port would receive the award in December 2010.

In September 2011, the Port will request Commission approval to enter into a commercial loan agreement with a financial institution for \$11.5 million, which is the remainder of necessary funding to support this project to completion.

Business Energy Tax Credit funding has been identified but it will not be available until six months after the project is completed, at which time the amount and distribution of available funds to the Port and other requests will be reviewed.

The Port will bill the U.S. Army Corps of Engineers for reimbursement of costs of the \$11.5 million commercial loan.

Project Development and Schedule

A Request for Proposal for the design services for the Dredge *OREGON* Repower was advertised on February 25, 2010, and proposals were received from Jenson Maritime Consultants, Inc., and The Glosten Associates on June 4, 2010. Proposals were reviewed and scored on the following criteria:

- Technical Work Plan
- Management Procedures
- Project Team Qualifications
- Emerging Small Business Participation

The Port review team consisting of Engineering and Navigation staff interviewed and scored both firms on June 15, 2010. Based on a combination of proposals and interviews, the evaluation team selected The Glosten Associates as the most responsive and the best candidate for the project. They presented a broad range of technical shipboard design of mechanical components and systems and field service experience.

Fee proposals ranged from \$690,000 to \$834,000. Negotiations with The Glosten Associates began on June 29, 2010, and were successfully concluded on July 2, 2010. A fair and reasonable fee was negotiated for \$750,000, which will be compensated on an hourly basis and a not-to-exceed cost.

GROUND LEASE – NORTHWEST AERO, INC. – TROUTDALE AIRPORT

July 14, 2010

Presented by: Willie Wilcoxon
Airside Leasing Manager
Aviation Business & Properties**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into a new ground lease with Northwest Aero, Inc. (Aero), for aircraft storage hangars at Troutdale Airport (TTD).

BACKGROUND

Aero is the owner/operator of five rows of hangars (48 individual units) located at TTD and has been a tenant since 1986. The proposed lease, described in this executive summary, replaces Aero's current lease that expired June 30, 2010, and is currently in holdover. The new lease will be effective July 1, 2010.

The current lease includes customary reversionary interest provisions, that allows the Port of Portland (Port) the option to take title to the improvements (hangars) at the end of the lease; however, Aero desires to continue to own the hangars and under a new ground lease and compensate the Port for its reversionary interests by means of a Reversion Deferral Fee. Key business terms are outlined as follows:

- Term:** Thirty years, no options. Effective date, July 1, 2010.
- Land Rent:** Land Rent is based on Fair Market Value of the land, which is currently \$0.27 per square foot per year. Adjustments will be done triennially, consistent with other airport ground leases. Annual rent to the Port will be approximately \$15,750.
- Reversion Deferral Fee:** In addition to ground rent, Aero will pay to the Port a Reversion Deferral Fee (RDF) of \$390,000 for its reversionary interest in the hangar improvements. Aero will retain ownership of the improvements and have responsibility for all maintenance and capital expenses.
- The RDF will be paid starting with a \$100,000 upfront payment upon the effective date and the remaining balance paid through monthly installments, amortized over 20 years at 6.5% interest. Aero will pay two lump sum payments in the amount of \$45,000, which will be due on January 1, 2011, and July 1, 2011. Aero may pay the balance of the RDF in advance without penalty.

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Tenant Improvements: Aero will make improvements to the existing buildings including door/track renovations, siding replacement, new roofs and other related building framework. In addition, both the interior and exterior hangar pavement will be replaced. The total estimated value of investment by Aero is approximately \$765,000 to \$1,100,000, renovating one row of hangars each year, beginning July 2011 and ending by August 2015.

Standard Lease Provisions: Other standard lease provisions for environmental, insurance, and indemnity are included in the lease.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into the new ground lease with Northwest Aero, Inc., for aircraft storage hangars at Troutdale Airport, on the terms and conditions described herein; 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.