

MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
June 12, 2013

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

QUORUM

Commissioners present were Paul Rosenbaum, Vice President, presiding; Peter Bragdon; Tom Chamberlain; Bruce Holte, via telephone; Bob Levy, via telephone; Linda Pearce and Tom Tsuruta. Also present were Bill Wyatt, Executive Director, participating staff members and members of the public.

LEAVE OF ABSENCE

Commissioner Rosenbaum called for a motion to grant a leave of absence to Commissioners Carter and Daggett, who were out of town. Commissioner Bragdon moved to grant the leave of absence. Commissioner Chamberlain seconded the motion, which was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

MINUTES

Commissioner Rosenbaum called for a motion to approve the minutes of the Regular Commission Meeting of May 8, 2013. Commissioner Chamberlain moved to approve the minutes. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt said that activity at PDX is booming and we are going to have a busy summer. He said we are forecasting 15.5 million passengers in this calendar year, which will be an all-time record and exceeds the previous record set in 2007 by a half a million passengers. He said this increase will reflect itself in everything we do at PDX, including parking revenue, rental cars and concessions. Mr. Wyatt said the good news is we have added a lot of new service; United Airlines just inaugurated a nonstop to Cleveland and Alaska Airlines just began service to Fairbanks and they returned their Santa Barbara service. Mr. Wyatt said that American Airlines will also begin Chicago service starting today.

Mr. Wyatt said that the south runway reopened yesterday following the repairs from the National Guard incident a couple of years ago. He noted that just one day before we re-opened, a rare incident occurred when an Oregon Air National Guard F-15 landed on the north runway. He said that during the landing process the F-15's primary braking system failed due to a complete hydraulic failure. Mr. Wyatt said this also caused the secondary braking system to fail. He said that the remaining manual braking system was able to stop the aircraft, but in the process two main gear tires were blown and a fire ensued due to overheating. He said that significant damage was done to the landing gear assembly and after the fire was put down, the aircraft was assessed and it was determined it could not quickly be towed due to the damaged condition of

the landing gear. Mr. Wyatt said it took a couple of hours to clear the runway and get it operating again. He said the damage will be easier to repair because it is blacktop, but we will have to close the runway to do so.

Mr. Wyatt said Vince Granato, our Chief Operating Officer, has been in contact with the base commander to ensure they are alert to our very deep concerns about the state of our infrastructure and being able to continue operations. He said they are very focused on this and are concerned as well. Mr. Wyatt said that the incidents we have experienced with the Guard are all unique and different, so you cannot put your finger on any one single thing, but it is an issue nonetheless and we will continue to interact with the Guard.

Mr. Wyatt noted that we have an active construction season; we have a lot of basic infrastructure projects, with many that are smaller in scale, but nevertheless, there is a lot of activity.

Mr. Wyatt said that last week marked the third and final celebration of the fifth anniversary of Delta's Amsterdam flight. He said coming on the heels of our events in Amsterdam and in Atlanta, we hosted a celebration for the local Delta flight crews, maintenance staff and the customer service and sales teams who help make the Tokyo and Amsterdam flights so successful. Mr. Wyatt said the Governor was able to join us and, by all accounts, everyone had a wonderful time.

Mr. Wyatt said that we are closely watching developments with the genetically modified wheat issue as this could possibly affect some of our tenants. He said this is a sensitive issue because most of our foreign customers are opposed to importing genetically modified wheat. Mr. Wyatt said that the Japanese and Koreans reacted quickly, and in the case of Korea, they have inspected several loads that have come in and found no genetically modified wheat and they have accepted those import loads. Mr. Wyatt said that Taiwan did not cut off imports, but are obviously paying close attention to the situation. He said that Japan has not accepted any imports since the time of the discovery and he believes they are waiting for the testing regime, which the U.S. Department of Agriculture is going to need to put in place in order to overcome this challenge.

Mr. Wyatt said that this is certainly is not good news, but he is confident the regulators and farm community will address it. He said more to come on this story, but he thinks the big story will be in the fall during harvest season. Mr. Wyatt noted that from the Port's perspective, because of the way we lease our terminals, this has a relatively minor impact on us, but we are very concerned about the impact it has on our customers and their customers.

Mr. Wyatt said that we have a new tenant in Rivergate, Archer Daniels Midland Company. He said their new facility opened on June 5 and will be used to transfer liquid and dry bulk sweetener products from railcars to trucks for delivery to food customers throughout the Northwest U.S. Mr. Wyatt said that their operation will take advantage of the rail network we have spent so much time building.

Mr. Wyatt said that we are in the process of applying for a federal TIGER V grant to fund a new overpass and bike and pedestrian improvements, which is important because this is the last or second to last overpass we need in Rivergate to avoid truck and rail congestion. He said this application follows the completion of two rail yards, Leadbetter Overcrossing and Lombard Street widening. He said that for our tenants at Rivergate, this project is extremely important because the unit trains often block road access points. Mr. Wyatt said that we have made four applications, and have yet to be successful, but he is optimistic this time around.

Mr. Wyatt said that the labor situation at Terminal 6 seems to be improving. He said based on the metrics available to us, we have seen a slight and gradual improvement in production. He said that pursuant to the rebate program the Commission adopted in February 2013, we have entered into discussions with ICTSI with an eye to reflecting the improvement in production in our rebate payments. He said that we made a specific provision that if production improved, we could reduce the payment based on that improvement. Mr. Wyatt said that we have not achieved consensus from ICTSI on this approach, and while we are not obligated to negotiate, we want to keep the communication lines open. He said that his view is this is public money and we have a fiduciary obligation to reflect the interest of the public in safekeeping it. Mr. Wyatt said because of that, it makes sense to reflect those improvements in our payments because those improvements ultimately will accrue to the bottom line of ICTSI.

Mr. Wyatt said that the grain handler labor dispute at Terminal 5 continues. He said it has been a bumpy ride and he is not aware of ongoing negotiations with the grain handlers and the International Longshore and Warehouse Union (ILWU). Mr. Wyatt said that there is general speculation that things will begin to heat up in the fall when the harvest comes in. He said that he is not sure how it is going to turn out; both sides have very strong views and strongly held opinions about how things ought to be, and it is a tense time on the waterfront when it comes to this issue.

Mr. Wyatt said that this Friday we will join staff from Portland State University (PSU) to celebrate 10 years of collaboration between the Port and PSU's Community Environmental Services (CES), a collaboration in which the Port provides compensation and, in some cases full tuition for CES students who, in return, provide the Port with indispensable services and new ideas. Mr. Wyatt said that this is a very unique partnership between PDX and PSU and has racked up some impressive accomplishments since 2003. Mr. Wyatt said that together as partners we have accomplished the following: helped design and standardize waste collection systems and started a composting program that has diverted more than 1,500 tons from landfill; evaluated recycling options for coffee cups and worked with airlines and airport tenants to reduce their waste streams; held annual clean-up events that recycled 55 tons of discarded items and repurposed or re-used nearly 16 tons; and helped steer the Port's new headquarters building to an 85-percent waste diversion rate. He said that it has been a great relationship and he is pleased to have this connection with PSU.

Mr. Wyatt said that the Columbia River Crossing project concluded all the hurdles on the Oregon side, and he wishes he could say the same for our sister State to the north. He said he is becoming less optimistic that anything is likely to happen.

Commissioner Rosenbaum called for a motion to approve the Executive Director's Report. Commissioner Holte moved to approve the Executive Director's Report. Commissioner Chamberlain seconded the motion, which was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Commissioner Chamberlain, with reference to the labor issue at Terminal 5, said that you do not settle a contract without talking, and if we wait until August before we act or reach a settlement, it will not only impact the Port, but also the farmers that use the Port. Commissioner Chamberlain said that the Governor sent a letter to both parties requesting they return to the negotiating table. He said that it is his understanding that the Port of Vancouver Commissioners sent a similar letter. Commissioner Chamberlain called for a motion to add an item to the agenda that the Port Commission send a similar letter regarding grain labor negotiations. Commissioner Bragdon seconded the motion.

Commissioner Holte said that as President of ILWU Local 8, he has an interest in any action that affects the Port's terminals and therefore declared a potential but not actual conflict. He said he would participate in the discussion and vote. Commissioner Holte also said he would hope that the Commissioners will support this, stand behind our Governor and use his leadership to move forward with a similar letter.

Commissioner Rosenbaum called for votes for and against the motion, which was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

GENERAL DISCUSSION

West Hayden Island

Susie Lahsene, Regional Transportation and Land Use Manager, provided an update of the West Hayden Island (WHI) annexation proposal before the Planning and Sustainability Commission, which they have been reviewing for the last six months. Ms. Lahsene provided a brief historical overview of WHI beginning in 1983 when it was brought into the Urban Growth Boundary for marine terminal use, to the request four years ago from former Mayor Sam Adams that the Port consider an annexation proposal of WHI as part of the City's broader planning efforts that were under way at the time.

Ms. Lahsene said we have always understood that as part of the annexation process, the Port would need to mitigate for our impacts and, as we have historically done, we will definitely go beyond the legal mandates while creating a sustainable development. Ms. Lahsene played a video of what the Port's proposal is for development of WHI, should it be annexed into the City.

Ms. Lahsene reviewed the site preparation costs to bring it from Tier 3 to Tier 1. She said typically the Port's role is to bring land to readiness and then to market the property to a business partner. Ms. Lahsene said we know the price per square foot (sq. ft.) matters in the market place, and in the case of industrial property, the sweet spot for an attractive site is between \$5-7 per sq. ft. She said that based on the concept created by the City of Portland's consultant, who costed the concept out, we know that the site prep costs alone are at the low end of that sweet spot at \$5 per sq. ft.

Ms. Lahsene provided a cost comparison of the Port's proposal with the Bureau of Planning and Sustainability's (BPS) current proposal. She said that the additional costs for mitigation on the Port's proposal represents an additional \$2-3 just for mitigation costs, which puts the total sq. ft. costs in the order of \$7-8. Ms. Lahsene said that by comparison, BPS's sustainability's costs add an additional \$5-6.79 per sq. ft., which increases the overall costs of that particular development to nearly \$12 per sq. ft. Ms. Lahsene said that we believe the costs are outside the range of feasibility and marketability in terms of developing the site. She said that in some cases, the costs are based on modeling impacts that we do not agree with, and in other cases are based on the desire to address opportunity by the City of Portland that they do not have any other way of addressing.

Ms. Lahsene said that the principals established by the Port Commission in March have been helpful in providing the framework for evaluating the feasibility of the proposal by BPS. She said there is a concern about the overall annexation costs, but in addition to that, there is a concern about the timing of the requested improvements or funds. Ms. Lahsene said the timing would require that the Port to do the improvements far in advance of any development occurring. She

noted that for the developable 300 acres, the City has identified the need for additional review by City staff at the time of development. She said that not only does this add a cost to the process but it also adds uncertainty about eventual development and the timing of that development. Ms. Lahsene said this does not give us any assurance that this is a proposal we can feel confident with in the marketplace.

Ms. Lahsene said that we are sharing this information today because the BPS will make a recommendation to the Bureau of Planning and Sustainability Commission on July 9. She said we are anticipating a variety of outcomes on that recommendation, but, by our assessment, the package will not be acceptable to the Port based on the principals adopted by the Port Commission. She said that we also know that the BPS recommendation is advice to the Planning and Sustainability Commission, not a final decision. Ms. Lahsene said that the final decision lies with the City Council and it will be their tough decision to make. She said that we will continue to work with them into the fall to develop and acceptable annexation proposal.

CONSENT AGENDA

No presentation was made of the following agenda item, which was brought before the Commission as part of the Consent Agenda.

Agenda Item No. 1

CHANGE IN DESIGNATION OF THE PORT OF PORTLAND'S REGISTERED AGENT

BE IT RESOLVED, That Krista Koehl, General Counsel, is designated as the Port of Portland's registered agent for purposes of accepting service of any process, notice or demand required or permitted by law to be served upon the district, effective as of June 12, 2013; and

BE IT FURTHER RESOLVED, That all previous registered agent designations be rescinded; 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.

Following the reading of the title of the Consent Agenda by Commissioner Rosenbaum, Commissioner Tsuruta moved that the Executive Director's recommendations be approved and Commissioner Chamberlain seconded the motion. The motion was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

ACTION ITEM

LETTER ON BEHALF OF THE PORT COMMISSION TO ILWU AND COLUMBIA GRAIN

Commissioner Rosenbaum called for a motion to adopt Commissioner Chamberlain's recommendation to send a letter to the ILWU and Columbia Grain encouraging them to work together to resolve their differences at the bargaining table. Commissioner Tsuruta moved that Commissioner Chamberlain's recommendation be approved. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Chamberlain, Holte, Levy, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Following the formal agenda, Greg Sparks, Project Development Manager, provided the Commission with a brief overview of proposed changes to the formal written agenda items and the presentations in order to eliminate the replication in the information the Commission receives in the Commission packet with what is presented at the Commission meeting. The Commissioners like the proposed changes, which will be reflected in the materials presented at the July meeting

The meeting adjourned at 10:20 a.m.

President

Assistant Secretary

Date Signed

An audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.