



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
June 13, 2012
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – May 9, 2012

Executive Director

Approval of Executive Director's Report – May 2012

Award Presentation

Safety and Health Achievement Recognition Program Certification
Presentation

*WILLIAM KLOSTER,
OREGON OSHA*

Consent Item

1. CONSENT TO ENTERPRISE ZONE AND ELECTRONIC
COMMERCE DESIGNATION APPLICATION BY THE CITY OF
PORTLAND

LISE GLANCY

Requests consent to an Enterprise Zone and Electronic Commerce application by the City of Portland, to provide additional incentives to encourage existing or new companies to undertake new capital investments and add employees within East Portland.

Action Items

2. CONSTRUCTION CONTRACT – PAVEMENT TEMPERATURE
SENSORS – PORTLAND INTERNATIONAL AIRPORT

GEORGE SEAMAN

Requests approval to award a construction contract to H & H Electric, Inc., to install pavement temperature sensors and miscellaneous system components at Portland International Airport.

3. GROUND LEASE AND RAMP MANAGEMENT AGREEMENT–
UNITED PARCEL SERVICE, INC. – PORTLAND INTERNATIONAL
AIRPORT

MARK WITSOE

Requests approval to enter into a new ground lease and a ramp management agreement with the United Parcel Service, Inc., in the AirTrans Center at Portland International Airport.

**CONSENT TO ENTERPRISE ZONE AND ELECTRONIC COMMERCE DESIGNATION
APPLICATION BY THE CITY OF PORTLAND**

June 13, 2012

Presented by: Lise Glancy, Manager
Regional Government Relations**EXECUTIVE SUMMARY**

This agenda item requests consent to an Enterprise Zone and Electronic Commerce application by the City of Portland, located within Port of Portland (Port) boundaries, to provide additional incentives to encourage existing or new companies to undertake new capital investments and add employees within East Portland.

BACKGROUND

In the 2005 legislative session, the state statute for the Enterprise Zone program was changed to require the governing bodies of a port district to consent by resolution to Enterprise Zone applications by a city or county within the boundaries of the port. This change was requested to ensure coordination of economic development activities within port districts. Oregon ports play a key role in economic development in the community. Since the statute changed in 2005, the Port Commission routinely receives requests from jurisdictions as they move forward with Enterprise Zone applications and/or boundary changes.

Enterprise Zones are discrete areas of up to 12 or 15 square miles in size that are sponsored by one or more local governments. Various types are found throughout the world. Oregon's version has been in existence since the mid-1980s. Each zone designation lasts up to 11 years. State law permits up to 68 to exist now. They are intended to offer tax and other incentives to induce additional investment and employment by non-retail businesses in areas meeting certain measures of economic hardship. They have proven to be Oregon's key offering in the pursuit of business growth and expansion. Their effectiveness is due to a typically short-term but immediate benefit for the business project's cash flow.

Enterprise Zones provide up to 100 percent property tax abatement on a company's new investment in facilities, equipment and machinery over a three- to five-year period if a job threshold is met (110 percent or more of existing employment over the 12 months preceding the pre-project application). Land or existing machinery or equipment are not tax exempt; therefore, there is no loss of current property tax levies to the Port or other taxing jurisdictions. The primary beneficiaries of Enterprise Zone benefits are manufacturing and other industrially-oriented businesses. Electronic Commerce designations within Enterprise Zones provide a 25-percent Income Tax Credit on new investments in Electronic Commerce up to a maximum of \$2 million. The tax credit must be earned in a year in which the business receives an Enterprise Zone property tax exemption.

CONSENT TO ENTERPRISE ZONE AND ELECTRONIC COMMERCE DESIGNATION
APPLICATION BY THE CITY OF PORTLAND

June 13, 2012

Page 2

The City of Portland is seeking the Port's support and consent in favor of creating the East Portland Enterprise Zone, with an Electronic Commerce designation. The East Portland Enterprise Zone, comprised of industrial, commercial and employment areas, lies generally east of César E. Chávez Boulevard (39th Avenue) to the Portland city limits, an area of approximately nine square miles.

The proposed East Portland Enterprise Zone has a number of vacant sites and vacant or underutilized buildings that are prime for expansion and redevelopment. The City of Portland is requesting Enterprise Zone and Electronic Commerce designations from Business Oregon to help develop this area for industrial and other eligible uses. These designations will provide east Portland businesses with a strong economic development tool to incent new investment and create jobs.

Under the current tax levy, the Port will forgo approximately \$0.0689 per \$1,000 of assessed value until the exemption period ends. If the East Portland Enterprise Zone is authorized, we expect the impact on Port property tax revenue to be relatively small – less than \$200 a year over a five-year period for every \$5 million invested. Upon completion of the five-year exemption period, the property will be fully taxed. There is no impact to the Port based on the Electronic Commerce designation, as this is a tax credit from the state.

Portland currently has one authorized Enterprise Zone located in North/Northeast Portland. The Portland Development Commission is the designated Enterprise Zone manager on behalf of the City of Portland. This Enterprise Zone was re-authorized in 2008 and will expire in 2017. In 2009 alone, Enterprise Zone firms spent an estimated \$60 million in local procurement in Portland and workers averaged wages of \$21.80 per hour (and received additional benefits valued at \$7.35 per hour).

Since 1996, the City of Portland's Enterprise Zone program has leveraged over one billion dollars in private investment and has created and retained over 5,000 full-time, quality jobs. Additionally, newly enrolled Enterprise Zone firms are expected to invest another \$500 million in Enterprise Zone projects in the next three years.

A taxing jurisdiction consultation meeting regarding the proposed East Portland Enterprise Zone was held on June 6, 2012. The Portland Development Commission is scheduled to take action on the proposed Enterprise Zone/Electronic Commerce application on June 13, 2012, and the Portland City Council is scheduled to take action on June 14, 2012. In order to move the application forward to Business Oregon for approval by June 15, 2012, the City of Portland is required to have the consent of the Port Commission for this application. The City has requested that the Port Commission provide a resolution consenting to this Enterprise Zone and Electronic Commerce application.

CONSENT TO ENTERPRISE ZONE AND ELECTRONIC COMMERCE DESIGNATION
APPLICATION BY THE CITY OF PORTLAND

June 13, 2012

Page 3

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolution be adopted:

BE IT RESOLVED, That the Port of Portland Commission consents to an application by the City of Portland for a new Enterprise Zone and Electronic Commerce designation located within Port of Portland district boundaries. The Port Commission's consent is contingent upon approval of the application for a new Enterprise Zone and Electronic Commerce designation by the Portland Development Commission and Portland City Council.

CONSTRUCTION CONTRACT – PAVEMENT TEMPERATURE SENSORS – PORTLAND INTERNATIONAL AIRPORT

June 13, 2012

Presented by: George Seaman
Engineering Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to award a construction contract to H & H Electric, Inc., to install pavement temperature sensors and miscellaneous system components at Portland International Airport (PDX).

BACKGROUND

This project is intended to install pavement temperature sensors, remote computer processing units, control cable, conduit and wiring on both the airfield and landside at PDX in order to monitor and predict runway and roadway pavement temperatures and conditions. Monitoring pavement conditions is an integral part of determining whether to place anti-icing/deicing materials on pavement surfaces. This project will assist with maintaining airport paved surfaces in a safe operating condition during freezing and inclement weather.

During the North Runway Extension and South Runway Rehabilitation projects, electrical cans and conduits were installed within the pavement boundaries to prepare for the installation of pavement temperature sensors. This construction contract will install the sensors in the prepared positions and connect the sensors to three new remote processing units via wiring in underground conduits.

Temperature sensors will also be installed on the public roadways at PDX at five locations: Airport Way near 82nd Avenue, the roadway at the entrance to the terminal, P1 parking garage seventh floor entrance and exit helixes and the public exit ramp from P1. The locations being monitored are those most susceptible to freezing conditions and best able to inform PDX operations on the appropriate time to apply deicing materials.

Airfield construction activities will be coordinated with the South Airfield Taxiway improvement (Taxiway E South, Taxiway F, AirTrans Center Phase II) and Taxiway C West projects to minimize impacts to airfield operations. Construction is anticipated to begin in July 2012 and be complete in October 2012 to coincide with the start of the winter season.

This project was advertised on May 1, 2012, and bids were opened on May 23, 2012. One bid was received. The bid results are shown in the table below.

H & H Electric, Inc.	\$624,200
Engineer's Estimate	\$628,000

CONSTRUCTION CONTRACT – PAVEMENT TEMPERATURE SENSORS – PORTLAND
INTERNATIONAL AIRPORT

June 13, 2012

Page 2

The contract amount is within the project budget. The project is funded from the Airline Cost Center and the Port cost center in a 75/25 percent split, based upon the estimated scope of work for the airfield and public roadway work.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a construction contract to H & H Electric, Inc., for installation of pavement temperature sensors and miscellaneous system components at Portland International Airport, in accordance with its bid; 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 AND RAMP MANAGEMENT AGREEMENT– UNITED PARCEL SERVICE, INC. – PORTLAND INTERNATIONAL AIRPORT

June 13, 2012

Presented by: Mark Witsoe, Manager
Aviation Business Development**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into a new ground lease and a ramp management agreement with the United Parcel Service, Inc. (UPS), in the AirTrans Center at Portland International Airport (PDX).

BACKGROUND

UPS entered into a ground lease with the Port of Portland (Port) in 1986 and built an office building and yard with a mobile sort structure to conduct air cargo sorting and trucking operations. UPS still serves the air express package market out of PDX. Through Fiscal Year 2011, UPS handled nearly 60,000 tons of airfreight and mail serving the Portland market. UPS has 82 monthly flights that increase seasonally during the winter holidays. UPS also manages an aircraft parking apron on the Central Ramp, located in the AirTrans Center, as part of a Ramp Management Agreement. Both agreements expired on June 30, 2011, but the parties agreed to a short-term extension to complete negotiations on the proposed ground lease and ramp management agreement.

The existing ground lease includes a customary reversionary interest provision, which gives the Port the option either to take title to the improvements (office building and infrastructure) at the end of the lease or to require removal of the improvements. The Port has elected to accept payment of a reversion deferral fee to permit UPS to continue to own the building under the new ground lease. The fee amount represents building rent that the Port would otherwise receive if ownership reverted to the Port. The parties have also agreed that UPS will continue to manage ramp under an agreement similar to the existing agreement but with a shift toward the central ramp area of the AirTrans Center.

Key business terms are outlined as follows:

Term: Five years, with one five-year option to extend, at UPS's option.

Land Rent: Initial annual rent to the Port will be approximately \$432,490. Ground rent is based on Fair Market Value of the land, which is currently \$0.62 per square foot per year. Rent for the Ramp Management Agreement is based on Fair Market Value of the improved apron under UPS management, which is currently \$0.98 per square foot per year. Both agreements provide for triennial increases, consistent with other airport ground leases.

GROUND LEASE AND RAMP MANAGEMENT AGREEMENT– UNITED PARCEL SERVICE,
INC. – PORTLAND INTERNATIONAL AIRPORT

June 13, 2011

Page 2

Reversion In addition to ground rent, UPS will pay to the Port a reversion
Deferral Fee: deferral fee in the amount of \$300,000 to compensate the Port
for its reversionary interest in the office building and
infrastructure. An additional \$300,000 reversion deferral fee
becomes due if UPS exercises its option to renew.

UPS will retain ownership of the improvements and will have responsibility for all associated maintenance and capital expenses. UPS will introduce a pavement management system for landside parking areas and interior circulation and will repair and improve pavements to maintain them in “good” condition. The proposed negotiated lease agreement allocates responsibility for capital expenses to UPS and provides the Port with an increased revenue stream by monetizing the value in deferring reversion of the office building.

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 ground lease and a ramp management agreement with the United Parcel Service, Inc., in the AirTrans Center 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.