



AGENDA\*  
Regular Commission Meeting  
Port of Portland Headquarters  
7200 N.E. Airport Way, 8<sup>th</sup> Floor  
November 14, 2018  
9:30 a.m.

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**Minutes**

Approval of Minutes: Regular Commission Meeting – October 10, 2018

**Executive Director**

Approval of Executive Director's Report – October 2018

**Public Comments**

**General Discussion**

External Audit Results and Fiscal Year 2017-2018 Financial  
Performance – Moss Adams

*BOB BURKET*

Disparity Study Results – Colette Holt & Associates

*KIMBERLY MITCHELL-  
PHILLIPS*

Annual Small Business Report

*KIMBERLY MITCHELL-  
PHILLIPS*

**Consent Item**

1. PROCUREMENT CONTRACT – PAVEMENT DEICING AGENT –  
PORTLAND INTERNATIONAL AIRPORT

*RICK ELLIOTT*

Requests approval to enter into a procurement contract with  
Nachurs Alpine Solutions, LLC, to purchase liquid deicing agent;  
and another procurement contract with General Atomics  
International Services Corporation dba Cryotech Deicing  
Technology to purchase solid deicing agent, for as-needed use at  
Portland International, Hillsboro and Troutdale Airports.

**Action Items**

2. PUBLIC IMPROVEMENT CONTRACT AMENDMENT– PARKING  
ADDITIONS AND CONSOLIDATED RENTAL CAR FACILITY –  
PORTLAND INTERNATIONAL AIRPORT

*ERIC FORSYTH*

Requests approval to amend an existing design-build public  
improvement contract with JE Dunn Construction Company for the  
Parking Additions and Consolidated Rental Car Facility and Rental  
Car Center projects at Portland International Airport.

3. RENTAL CAR AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT *SHANE ANDREASEN*  
  
Requests approval to enter into new rental car concession and operating agreements at Portland International Airport with EAN Holdings, LLC; The Hertz Corporation; Avis Budget Car Rental, LLC; Todd Investment Company; and Sixt Rent a Car, LLC.
4. FACILITY LEASE – UNITED AIRLINES – PORTLAND INTERNATIONAL AIRPORT *KAITLIN DUNCAN*  
  
Requests approval of a facility lease at Portland International Airport with United Airlines for the operation of an aircraft maintenance facility.
5. PROPERTY SALE – FEDERAL EXPRESS GROUND PACKAGE SYSTEM, INC. – TROUTDALE REYNOLDS INDUSTRIAL PARK *JOE MOLLUSKY*  
  
Requests approval to sell approximately 38.40 acres of property designated as Lot 3 in the Troutdale Reynolds Industrial Park to Federal Express Ground Package System, Inc.

**PROCUREMENT CONTRACTS – PAVEMENT DEICING AGENTS – PORTLAND  
INTERNATIONAL AIRPORT**

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November 14, 2018

Presented by: Rick Elliott  
Senior Maintenance Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into a five-year procurement contract with Nachurs Alpine Solutions, LLC (Nachurs), to purchase liquid deicing agent in the amount of \$2,782,282.50; and another five-year procurement contract with General Atomics International Services Corporation dba Cryotech Deicing Technology (Cryotech) to purchase solid deicing agent in the amount of \$3,826,610.00, for a total amount of \$6,698,892.50.

**BACKGROUND**

Portland International Airport (PDX) is dependent on the use of both liquid and solid deicing agents to remain operational during winter storms. These deicing agents keep the runways, taxiways, ramps and public roadways clear of snow and ice, while still meeting the Federal Aviation Administration's low-corrosion requirements for chemical use around aircraft. Deicing agents are also used at Hillsboro and Troutdale Airports. Port of Portland (Port) Aviation Maintenance staff apply the products at each airport.

**CONTRACT SCOPE**

The Port will order products under these contracts from time to time, on an as-needed basis. The vendors will deliver the products incrementally during the contract term, when ordered.

**CONTRACT AWARD****Procurement Process; Contract Price**

The Port procured this contract utilizing a competitive sealed bidding solicitation under Oregon Revised Statutes, Chapter 279B. The solicitation was advertised on July 19, 2018 and bids were opened on August 29, 2018.

As required by the Port, bidders submitted pricing on a per-unit basis (by gallons or bags, depending on the agent type). The contract amounts set forth below represent the maximum potential cost of each contract, assuming that the Port orders the entire quantity of product available for purchase under each contract. However, the stated contract values may not be reached, because winter weather determines whether or not the Port will need to order the chemicals and how much. PDX has experienced years when very little or no chemical deicing agents were used. The contract amounts being approved are intended to ensure that adequate quantities of deicing agents can be purchased if needed. As a result of the potential amounts to be spent, Commission approval is required to provide the requisite contracting authority to award these contracts.

PROCUREMENT CONTRACTS – PAVEMENT DEICING AGENTS – PORTLAND  
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The Port received bids from three vendors. Nachurs submitted the lowest bid for the liquid deicing agent, and Cryotech submitted the sole bid for the solid deicing agent.

Bids for the liquid deicing agent were as follows:

Nachurs	\$2,782,282.50
Two Rivers Terminal LLC	\$2,828,250.00
Cryotech	\$2,965,950.00

The sole bid for the solid deicing agent was as follows:

Cryotech	\$3,826,610.00
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**Small Business Participation**

The Small Business Program manager has determined that there are no small businesses available that sell deicing chemicals. No other scopes of services will be provided under this procurement; therefore, no small business goal was set.

Deicing product used at PDX will be funded by a combination of the Airline Cost Center, which is composed primarily of revenues from the PDX commercial airline service business lines, and the Port Cost Center, which is composed primarily of revenues from the Port's public parking, rental car and ground transportation operations at the airport. Product used at the Hillsboro and Troutdale Airports will initially be funded by the Port's General Fund, which is reimbursed by the Port Cost Center.

**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 five-year procurement contract with Nachurs Alpine Solutions, LLC, to purchase liquid deicing agent; and another five-year procurement contract with General Atomics International Services Corporation dba Cryotech Deicing Technology to purchase solid deicing agent, for use at Portland International, Hillsboro and Troutdale Airports, in accordance with their bids; 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– PARKING ADDITIONS AND CONSOLIDATED RENTAL CAR FACILITY – PORTLAND INTERNATIONAL AIRPORT**

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November 14, 2018

Presented by: Eric Forsyth  
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to amend an existing design-build (D-B) public improvement contract with JE Dunn Construction Company (JED), for the Parking Additions and Consolidated Rental Car Facility (PACR) and Rental Car Center (RCC) projects at Portland International Airport (PDX), in the amount of \$190,777,023.

**BACKGROUND**

Rental cars and public parking at PDX have long been significant sources of revenue, and a source of high customer satisfaction due to the proximity of the facilities to the terminal. Supporting these successful operations will be a new PACR facility to be located immediately south of the Port of Portland (Port) headquarters and existing long-term parking structure. Once completed, PDX rental car operations will contain sufficient capacity to accommodate projected demand through 2035. In addition, the number of long-term public parking spaces will be increased to alleviate the periodic closures due to insufficient capacity.

In addition to designing and constructing a new PACR facility and customer service facility, the D-B team has been tasked to deliver the shell and core of the upper three floors of the RCC. As mentioned in previous agendas, the Terminal Core (TCORE) project requires the removal of the existing terminal mezzanine, necessitating the relocation of the PDX Communications Center, Port Police, the Emergency Operations Center (EOC), Port security badging office, and other essential airport services. These services will move to the RCC. The TCORE-portion of the RCC will be paid for by the TCORE project. The bottom floor of the RCC, containing the customer service center for rental car operations, will be paid for by the PACR project. The PACR and RCC facilities, as well as the adjacent enabling work currently under construction, are depicted below:



### **FINAL DESIGN BUILD AMENDMENT SCOPE OF WORK**

The Final Design Build Amendment facilitates completion of the entire PACR project and the RCC, which includes the following key scopes of work:

- Major utility relocations and reconfiguration of the infield.
- 2,225 long-term parking stalls on floors four through six (including 30 Americans with Disabilities Act stalls).
- “Ready return” rental car storage on floors one through three with a capacity of approximately 2,071 rental cars.
- Internal speed ramps for rental car entry and a helix for exiting.
- The parking toll plaza moves from the existing location to a new location east of PACR and the Quick Turn-Around facility.
- Rental car customer service facility in a “stand alone” structure on the northwest edge of PACR in the bottom floor of the RCC.
- Three floors of shell and core in the RCC for future tenants and specific Port groups including Port Police, the EOC and Port Badging, among others.

### **PROPOSED CONTRACT AMENDMENT**

In August 2018, JED and their subcontractors began construction of enabling work while facilitating operations with rental cars and public parking during construction. The awarded contract utilizes a Guaranteed Maximum Price (GMP) compensation structure, under which the Port authorizes a fixed, maximum price for a stated scope of work. In accordance with the contract, JED developed a final GMP proposal after achieving design milestones to formalize the total cost, scope, schedule and conditions of all remaining work on the project, which has been reviewed and negotiated with Port staff. The Final Design Build Amendment, which is contemplated in the existing contract, sets forth and obligates JED to perform the full scope of work, in addition to establishing the comprehensive terms for performance.

The current GMP for all previously authorized work (including all prior amendments) is \$90,931,192. The Final Design Build Amendment will increase the GMP by \$190,777,023, bringing the GMP for completion of the entire project to \$281,708,215. The GMP includes the contractor’s reimbursable costs for the work (based primarily on competitively-awarded subcontracts), plus a 3% fee on the cost of work.

## **SCHEDULE**

Commission action (grant exemption from competitive bidding for public improvement contract)	June 2016
D-B contractor selection process	Jun 2016 – Nov 2016
Commission action (award schematic design services phase of D-B contract)	January 2017
Schematic design services	Feb 2017 – Oct 2017
Commission Action (award enabling and final design work)	October 2017
Commission Action (award RCC Final Design amendment)	April 2018
<b>Commission action (authorize Final Design Build amendment)</b>	<b>November 2018</b>
Design and permits	Nov 2017 – April 2019
Construction	Aug 2018 – Nov 2021

## **RISKS**

Risk: Contractor challenges with understanding and proactively managing complexities related to controls, information technology and subcontractor design elements, leading to change orders and project delivery delays.

Mitigation Strategy:

- JED plans to address these risks proactively and collaboratively with a team that has specific expertise in the technology disciplines. JED has also formed trade partner relationships in the higher risk specialty trades.

Risk: Adverse impacts to stakeholders.

Mitigation Strategies:

- Developed phasing plans early in the program to determine potential impacts and incorporated phasing timelines into project schedule.
- Communicate program goals, directions and plans to the various stakeholders affected by the program throughout the planning, design and construction phases.

Risk: Core and shell work of RCC does not integrate correctly with the interior work to be subsequently performed by TCORE project.

Mitigation Strategies:

- Continue to coordinate the efforts of the PACR and TCORE design teams to ensure all scope is captured in the respective design documents and interface points are designed correctly.

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- Utilize clash detection capabilities in the team's respective building models to verify the accuracy of pipe penetrations, raceway alignments, door swings and other building components.

**BUDGET**

	<u>PACR Budget</u>	<u>RCC Budget</u>
<b>Final Design Build amendment</b>	<b>\$155,291,000*</b>	<b>\$35,486,000*</b>
Phase 1 programing and schematic design	\$4,195,000*	-
Enabling projects and final design	\$83,950,000*	-
RCC design amendments	-	\$2,787,000*
Design consultants	-	\$2,170,000
Other construction work not in JED contract	\$8,760,000	\$10,700,000
Port staff and contracted services	\$10,200,000	\$4,898,000
Port contingency	<u>\$19,804,000</u>	<u>\$7,163,000</u>
Total projects	\$282,200,000	\$63,204,000

\*JED D-B contract amount (rounded to nearest \$1K)

Given this type of project delivery model, risk is shared and transparent; therefore, contingency at the contracting phase is shared. In this case, for the PACR portion of the budget, Port-controlled contingency is calculated at 8% of project cost and JED-controlled contingency is calculated at 5% of project cost. Total contingency, representing 13% of project cost, is considered reasonable given the stage of the project, the nature of the work and the risk profile for the project. For the RCC portion (upper three floors) of the budget, Port-controlled contingency is calculated at 13% of project cost and JED-controlled contingency is calculated at 5% of project cost. Total contingency, representing 18% of project cost, is considered reasonable given the preliminary stage of the interior work of the project, the nature of the work, and the amount of design remaining for the project.

The Port cost center funds the PACR portion of this project and the bottom floor of the RCC. The majority of this funding is reimbursed by Customer Facility Charges. The Port and Airline Cost Centers fund the upper three floors of the RCC through the TCORE project.

Based on an availability analysis, the Port's small business enterprise (SBE) program participation goal for this contract is 10% of the total contract amount for design service participation and 15% of total contract amount for construction service participation. SBE includes firms certified by Oregon or Washington as minority, women, or service disabled veteran-owned, or as an emerging small business. JED is currently on target to meet both of these goals.



**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to amend an existing design-build public improvement contract with JE Dunn Construction Company, for the Parking Additions and Consolidated Rental Car Facility and Rental Car Center projects 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.

**RENTAL CAR AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT**

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November 14, 2018

Presented by: Shane Andreasen  
Senior Manager  
Concessions Development

**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into new rental car concession leases and operating agreements with the five entities listed below.

- EAN Holdings, LLC (Enterprise Group)
- The Hertz Corporation (Hertz)
- Avis Budget Car Rental, LLC (ABCR)
- Todd Investment Company (Todd)
- Sixt Rent a Car, LLC (Sixt)

**BACKGROUND**

In September 2011, the current rental car concession and operating agreements at Portland International Airport (PDX) went into effect as a result of an Invitation to Bid (ITB) that occurred earlier that year (Existing Agreements). At that time, due to facility constraints, the Port of Portland (Port) limited on-airport rental car operations to only five rental car brands (operated by four different entities). Since that time, the brands Hertz, Dollar, National, Enterprise and Avis have operated from the short- and long-term garages; while the brands Budget, Payless, Alamo and Thrifty have shuttled customers to and from facilities located away from the terminal. The Existing Agreements will remain in effect until the opening of the new Parking Additions and Consolidated Rental Car facility (PACR), which is anticipated to occur in November 2021.

In August 2016, Port staff initiated discussions with the PDX rental car industry on the business terms to be incorporated into the new long-term concession and operating agreements (New Agreements). Discussions have focused on three key areas: design of the PACR facility; structure of the financing required for the construction of PACR; and business terms for rental car operations from both PACR and the Quick Turnaround facility (QTA), which opened in March 2018. The parties have focused on several key outcomes, including: facilities that can accommodate up to 100% of the rental car market within walking distance of the terminal; space to meet the long-term growth of the rental car market at PDX; an enhanced customer experience; sustainability through design and operations; and flexibility to meet the ever-changing ground transportation industry.

On August 8, 2018, the Port released and advertised an ITB to award New Agreements to interested rental car businesses (RACs) and received five responsive bids on September 19. Based on the unsatisfactory nature of the bids received, the Port cancelled the ITB on September 25 and entered into direct negotiations with the bidding RACs on final terms, which concluded with unanimous acceptance of the proposed terms by all RACs having previously submitted bids in response to the ITB. The New Agreements being presented for Commission approval represent two years of discussions and negotiations between the Port and the RACs.

## RENTAL CAR AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT

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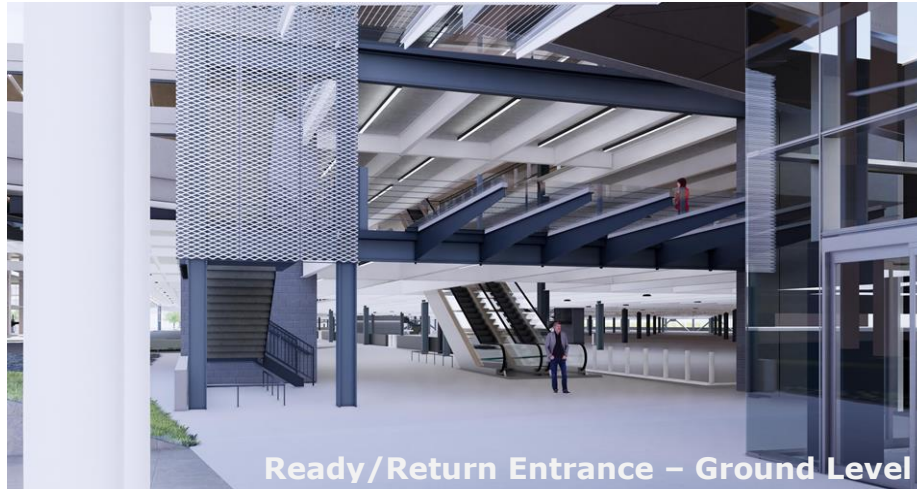
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The following 12 brands will be represented at PDX under the five New Agreements: Enterprise Rent-A-Car, National Car Rental, Alamo Rent A Car and Enterprise Car Sharing – operated by the Enterprise Group; Hertz Car Rental and Thrifty Car Rental – operated by Hertz; Avis Car Rental, Budget Car Rental, Payless Car Rental and Zipcar – operated by ABCR; Dollar Rent A Car – operated by Todd; and Sixt Rent a Car – operated by Sixt. Collectively, these brands represent over 99% of the existing rental car market at PDX.

Separate service site leases for Port-owned facilities along Frontage Road will be presented as a consent item at a later date and will be coterminous with the New Agreements. It is anticipated that during the 20- to 30-year term of the New Agreements, new service site facilities will be designed and built; thus, those leases will include a termination provision in the event new service site leases are executed for new facilities.

Renderings reflecting PACR design:





## **BUSINESS TERMS**

Initial term:	20 years; commencing upon opening day of PACR.
Extension term:	10 years; at the Port's sole discretion.
Year 10 rebid/ renegotiation option:	Port reserves the right to rebid or renegotiate business terms at year 10 of the Initial Term.
Property:	<p>Consolidated Rental Car Facility (PACR) consisting of:</p> <ul style="list-style-type: none"><li>• Customer Service Area</li><li>• Ready/Return Area</li><li>• Common Rental Car Areas</li><li>• Common Public Areas</li></ul> <p>Quick Turnaround Facility (QTA), consisting of:</p> <ul style="list-style-type: none"><li>• Queuing/Maneuvering Area</li><li>• Fuel Fill Pad Area</li><li>• Fuel/Wash Area</li><li>• Stacking/Storage Area</li><li>• Administrative Area</li></ul>
Reallocation:	5-year intervals, based on market share changes; cost of reallocation(s) to be paid by rental car industry.

## RENTAL CAR AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT

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Concession fee:	<p>Greater of:</p> <ul style="list-style-type: none"><li>• Percentage Fee of 10% of annual gross receipts for traditional rental car brands; 11% for car sharing brands; or</li><li>• Minimum Annual Guaranteed fees (MAGs) as follows:<ul style="list-style-type: none"><li>○ Enterprise Group: \$9,460,150</li><li>○ Hertz: \$5,233,513</li><li>○ ABCR: \$5,014,238</li><li>○ Todd: \$2,109,963</li><li>○ Sixt: \$557,138</li></ul></li></ul>
MAG provisions:	<ul style="list-style-type: none"><li>• Individual company Minimum Annual Guarantees (MAG) to adjust after reallocations based on market share changes; however, combined annual MAG will not decrease.</li><li>• MAGs to reset to 90% of prior year's combined percentage fees paid to the Port effective as of Year 11 if Port does not execute Year 10 rebid/renegotiation option, and at Year 21 if the 10-Year Option Term is exercised.</li><li>• MAG abatement may occur if deplanements decrease by 15% for three consecutive months.</li></ul>
Premises rent:	\$4.33 (est.) per square foot per year; approximately 640,054 square feet; annual Consumer Price Index adjustment.
Concession recovery fee:	11.11%
Customer facility Charge:	Collection and remittance of Customer Facility Charge (CFC) per Port Ordinance No. 448; \$6 per day for a maximum of four days; amount and fee structure set and subject to modification by the Port's Executive Director.
Contingent fee:	Payable by RACs in the event the Port determines CFC collections are not sufficient to make payments related to debt service on CFC Bonds and meet annual debt service coverage requirements; reimbursement to occur from surplus, if/when available in the Port's sole determination.
Security deposit:	Combination of: one-third MAG; one-third estimated annual CFCs; one-third premises rent; and one-third of estimated property taxes.
ACDBE requirement:	Goal of 2.1% established by Disparity Study; goal met through goods and service expenses by RACs.

## RENTAL CAR AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT

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Improvements:	RACs to install proprietary branding, trade fixtures and improvements in PACR and the QTA at the RACs' cost and expense.
Insurance:	Port standard limits and requirements
Industry agreement:	Joint agreement between RACs; used for the hiring and funding of a Facility Manager to oversee rental car operations and RAC required maintenance.
Major maintenance fund:	All facility maintenance to be funded by RACs unless above \$500,000; covered by this fund if above threshold; funded over time.
Renewal and replacement fund:	Used to maintain known and/or anticipated capital costs to systems, facilities, equipment and asset renewals; funded over time.
Utilities:	All utilities to be paid by RACs.
QTA fueling system:	RACs jointly and severally liable to ensure full compliance with Environmental Law and Best Management Practices.
Maintenance:	By Port and RACs; Port performed maintenance paid for by RACs.

### **EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into new rental car concession and operating agreements at Portland International Airport with EAN Holdings, LLC; The Hertz Corporation; Avis Budget Car Rental, LLC; Todd Investment Company; and Sixt Rent a Car, 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.

**FACILITY LEASE – UNITED AIRLINES – PORTLAND INTERNATIONAL AIRPORT**

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November 14, 2018

Presented by: Kaitlin Duncan  
PDXNext  
Business & Properties Liaison

**REQUESTED COMMISSION ACTION**

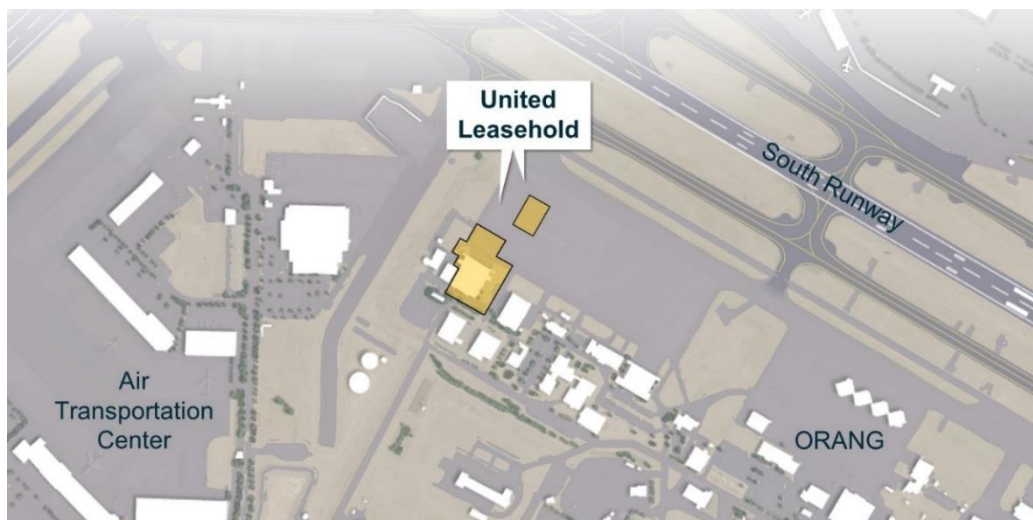
This agenda item requests approval of a facility lease at Portland International Airport (PDX) with United Airlines (United) for a 30,000-square-foot hangar, as well as adjacent ramp and ground, for the operation of an aircraft maintenance facility.

**BACKGROUND**

In January 2016, under its new ground lease for the Oregon Air National Guard (ORANG), the Port of Portland (Port) took possession of property including a large aircraft hangar, two support buildings, aircraft ramp and adjacent land, located off of Cornfoot Road and Mary Olson Way on the south side of PDX, between the Air Transportation Center and ORANG.

The Port undertook an assessment of what would be necessary to upgrade the outdated aircraft hangar to make it marketable. The hangar has been vacant for approximately 10 years. The assessment identified a range of necessary testing and repairs, including those needed to make the building eligible for a City of Portland certificate of occupancy, a pre-requisite to leasing the hangar. Port staff developed a detailed cost estimate of approximately \$2,650,000 for the repairs required to make the hangar usable.

Under this proposed long-term facility lease of the hangar and adjacent ramp, depicted below, United has agreed to perform the necessary repairs to bring the hangar up to a commercially leasable condition, subject to reimbursement for certain costs.



## FACILITY LEASE – UNITED AIRLINES – PORTLAND INTERNATIONAL AIRPORT

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Repair of the hangar is expected to be completed in the summer of 2019. United would begin operating the facility shortly thereafter. United will act as the general contractor and satisfy public contracting and prevailing wage standards. A 14% Disadvantaged Business Enterprise participation goal has been established for United's project.

### **BUSINESS TERMS**

Term:	10 years, with two, 5-year options
Rent:	Total rent is \$585,421.80 per year, adjusted annually for Office/Hangar and every third year for Land/Ramp
Security deposit:	2 months' rent
Authorized use:	Aircraft maintenance and repair operations, aircraft storage, aircraft parking, aircraft parts storage, other uses associated with United aircraft maintenance.
Reimbursement:	Port will reimburse United \$2,000,000 from the Port Cost Center for repairs to the hangar upon completion and issuance of a certificate of occupancy. If the City concludes the contemplated repairs trigger building seismic upgrades or electrical system replacement, this lease will not go forward and no reimbursement will be paid.
Maintenance:	United will be responsible for all maintenance on the premises, excluding building structural components, as defined in the maintenance matrix
Port responsibilities:	Facilitate United tenant improvements and hangar repairs and oversee construction through the Port Tenant Improvement program.

### **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 facility lease with United Airlines for an aircraft hangar, the associated ramp and ground at Portland International Airport for operation of a maintenance facility and enter into a repair and reimbursement agreement, 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.



**PROPERTY SALE – FEDERAL EXPRESS GROUND PACKAGE SYSTEM, INC. –  
TROUTDALE REYNOLDS INDUSTRIAL PARK**

November 14, 2018

Presented by: Joe Mollusky  
Senior Manager, Business and  
Economic Development

**REQUESTED COMMISSION ACTION**

This agenda item requests approval to sell approximately 38.40 acres of property designated as Lot 3 in the Troutdale Reynolds Industrial Park (TRIP) located on NW Sundial Road in Troutdale (Sale Property), of which 23.43 acres is considered developable, to Federal Express Ground Package System, Inc. (FedEx Ground). The sale price is \$6,889,124.

**BACKGROUND**

The Port of Portland (Port) purchased the former Reynolds Metals Company (RMC) Aluminum Plant property from Alcoa in 2007 and established TRIP to be developed in phases for industrial uses. The property is listed as a Federal Superfund Site, and the environmental remedy includes continued treatment and monitoring of groundwater impacted by historic uses as an aluminum smelter. Lot 3 is within the RMC Superfund Site. RMC is obligated to complete cleanup under a Consent Decree with the United States and a Consent Judgment with the State of Oregon. The transaction is structured to allow Reynolds to complete the environmental cleanup.

FedEx Ground purchased the 77.93-acre TRIP Lot 2 from the Port in 2008 and constructed Phase I of its approximately 441,000-square-foot state-of-the-art distribution facility. Operations of the FedEx Northwest Regional Hub began in 2010 and an extension to the facility occurred in 2013. To accommodate additional expansion, TRIP Lot 1 (14.55 acres) was purchased by FedEx Ground from the Port in 2016 and included an option right to purchase TRIP Lot 3. The Lot 3 Option Agreement was for two 1-year periods, with a \$250,000 per year option fee, reimbursable if FedEx Ground exercised their purchase rights.

PROPERTY SALE – FEDERAL EXPRESS GROUND PACKAGE SYSTEM, INC. –  
TROUTDALE REYNOLDS INDUSTRIAL PARK

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The size of the existing FedEx Ground Hub is 633,000 square feet and can process 30,000 packages per hour. The future plan of FedEx Ground is to further expand into an approximately 800,000 square-foot facility at full build-out and requires the Sale Property to accommodate this expansion. This expansion will increase processing capacity to 60,000 packages per hour. The facility expansion includes construction of an additional Load Wing, expansion of the distribution center and additional truck, trailer and employee parking. Currently, FedEx Ground employs approximately 1,450 employees and independent contractors at TRIP and plans to employ a total of approximately 1,800 employees and independent contractors once the expanded facility is completed.

The 38.40-acre Sale Property is located adjacent to and east of Lot 2. The Sale Property includes high quality wetlands that must be preserved; this wetland area is excluded from the 23.43-acre developable area. Based on other sales at TRIP and in the region, the negotiated sale price represents fair market value for the industrial property.

The Sale Property includes several focused extraction wells and monitoring wells that are part of the groundwater treatment system required for the ongoing environmental remedy. The Port will install an extension of an existing water line with discharge vault to allow disposal of dewatering fluids containing fluoride to the RMC groundwater treatment system under the existing National Pollutant Discharge Elimination System permit. The Port's obligation for the construction of a dewatering system modification is estimated at \$200,000 and shall be performed by November 30, 2019. A portion of the purchase price in the amount of \$200,000 will be held back in escrow until the Port completes the construction obligation for the dewatering system modification.

The Port and FedEx Ground have agreed to provide each other with a limited indemnity for post-closing third-party claims that result from the environmental condition of the property. The Port will indemnify FedEx Ground for environmental claims, up to a ceiling of \$1 million for a period of 15 years. This indemnity is necessary to effect the sale and does not relieve RMC or its parent company, Alcoa, of any environmental or natural resource obligations to the United States or the State of Oregon. The Purchase and Sale Agreement requires the parties to enter into a Continuing Obligations Agreement that details the parties' respective obligations to remain non-labile for RMC's historical contamination. Except as indicated above, FedEx Ground is responsible for the costs of all future improvements to the Sale Property.

**BUSINESS TERMS**

Property:	38.40 acres; 23.43 acres developable
Purchase price:	\$6,889,124, based on \$6.75 per square foot
Option fee reimbursement:	\$500,000 for option fee and extension fee
Port's obligations:	\$200,000 escrow holdback for dewatering system modification

PROPERTY SALE – FEDERAL EXPRESS GROUND PACKAGE SYSTEM, INC. –  
TROUTDALE REYNOLDS INDUSTRIAL PARK

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Limited indemnity:	\$1 million for a period of 15 years, as explained above
Improvements:	Except as stated above, all site improvements to be designed and constructed by FedEx Ground.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to sell approximately 38.40 acres of property, located in the Troutdale Reynolds Industrial Park, to Federal Express Ground Package System, Inc., 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.