



AGENDA
Joint Work Session and
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
October 12, 2011
9:30 a.m.

JOINT WORK SESSION

Portland City Council and Port of Portland Commission

West Hayden Island Concept Plan*

*SUSIE LAHSENE
ERIC ENGSTROM*

PORT OF PORTLAND REGULAR COMMISSION MEETING

Minutes

Approval of Minutes: Regular Commission Meeting – September 14, 2011

Executive Director

Approval of Executive Director's Report – September 2011

Consent Items

1. COMMISSION INVESTMENTS POLICY 6.1.2 *TRACY WESTERFIELD*
Requests approval to renew Commission Investments Policy 6.1.2.

Action Items

2. PROPERTY ACQUISITION – LSI CORPORATION – CITY OF GRESHAM *JOE MOLLUSKY*
Requests approval to purchase approximately 222 acres of land located in Gresham, Oregon, from LSI Corporation.
3. INTERGOVERNMENTAL AGREEMENT – CITY OF GRESHAM *KEN ANDERTON*
Requests approval of an Intergovernmental Agreement between the Port of Portland and the City of Gresham to develop and market property to be acquired from LSI Corporation.

*No action will be taken and no public testimony will be heard for this work session item.

4. SECOND READING AND ENACTMENT OF PORT ORDINANCE NO. 439-R PERTAINING TO REGULATION OF OFF-AIRPORT RENTAL CAR AND PARKING LOT BUSINESSES SERVICING PORTLAND INTERNATIONAL AIRPORT

Requests a second reading and enactment on proposed Port of Portland Ordinance No. 439-R.

SCOTT KILGO

5. SECOND READING AND ENACTMENT OF PORT ORDINANCE NO. 432-R PERTAINING TO REGULATION OF COMMERCIAL ROADWAY AT PORTLAND INTERNATIONAL AIRPORT

Requests a second reading and enactment on proposed Port of Portland Ordinance No. 432-R.

MICHAEL HUGGINS

6. PROCUREMENT CONTRACT – DREDGE OREGON ELECTRICAL GENERATION AND PUMP SYSTEMS – NAVIGATION

Requests approval to award two equipment procurement contracts for the purchase of new equipment systems for the Dredge Oregon.

WALT HAYNES

COMMISSION INVESTMENTS POLICY 6.1.2

October 12, 2011

Presented by: Tracy Westerfield
Cash & Investment
Program Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to renew Commission Investments Policy 6.1.2.

Pursuant to ORS 294.035, for the Port of Portland (Port) to invest funds in securities with maturities longer than 18 months, the investments must be made in accordance with a written investment policy, adopted annually by the Port Commission. If material changes are made the policy must be reviewed by the Oregon Short Term Fund Board.

We are not requesting any material changes to the policy.

BACKGROUND

The Commission Investments Policy provides the primary framework for the internal management of the Port's investment portfolio.

On August 31, 2011, the par value of the investment portfolio was \$298 million. The budget for interest income for the 2011/2012 fiscal year is \$4,250,000.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland Commission Investments Policy 6.1.2 dated October 12, 2011, is hereby approved; and

BE IT FURTHER RESOLVED, That a copy of Commission Investments Policy 6.1.2 be attached to the minutes of this meeting.

PORT OF PORTLAND COMMISSION POLICY

INVESTMENTS Policy No. 6.1.2

Readopted Commission Meeting of October 12, 2011

Objectives

The primary objective of the Port of Portland investment program is preservation of capital. Consistent with that objective, the cash flow needs of the Port and the "Prudent Investor Rule," available funds will be managed and traded to achieve the maximum possible yield. In order to achieve these objectives, and as a safeguard against adverse changes in cash flows, priority will be given to liquid investments, i.e., U.S. Treasury Bills and Notes and U.S. agencies.

Diversification

The portfolio will be diversified so that the par value for each of the security classes shown shall not exceed the maximum position indicated as a percentage of the portfolio:

U.S. Treasury Bills and Notes	100% maximum
U.S. Agencies (but no single Agency position shall exceed 30% of the portfolio)	100% maximum
Corporate Indebtedness (subject to ORS 294.035)	35% maximum
Time Certificates of Deposit (TCD)	30% maximum
Bankers Acceptances (with qualified financial institutions in the State of Oregon as subject to ORS 294.035)	30% maximum
Repurchase Agreements Under 30 days	50% maximum
Oregon Short Term Fund (as subject to ORS 294.810)	As allowed under Oregon Statutes*

Investments in Bankers Acceptances, TCDs and other Corporate Indebtedness of any single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio.

Investment Maturity

Since the Port's operating cash needs are generated through operating revenues rather than tax receipts, the Port has more flexibility in structuring maturities than is typical for a municipal district dependent primarily on tax resources. Investments will be timed to meet projected cash requirements unless a shorter maturity is desirable. Funds may be invested to a maximum maturity of five years from the date of settlement.

The portfolio will be structured to meet the following minimums:

- Two years and under, 55 percent of par value
- Three years and under, 75 percent of par value
- Five years and under, 100 percent of par value

*The maximum allowable investment in the Oregon Short Term Fund (LGIP) is adjusted semiannually based on CPI. The current maximum investment is \$43,117,180.

In all cases, the "Prudent Investor Rule" shall apply to maturity decisions. The only exceptions to the maximum maturity shown shall be cases where the Port is using the security as collateral on an operating agreement or in instances where the Port is purchasing its own bonds in the marketplace to lower outstanding debt.

Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035 and related statutes, with the following restrictions:

Time certificates of deposit with any issuer will not exceed 30 percent of the net capital of such issuer, based on their most currently published financial report.

Bankers acceptances guaranteed by a qualified financial institution shall not exceed 30 percent of the net capital of such institution, based on their most currently published financial report.

Municipal bonds, other than those issued by the Port of Portland, will not be purchased except under the following circumstances:

To the extent that any reserve or construction funds exist and are also subject to yield restrictions by U.S. Treasury regulations or code, such funds may be invested in municipal bonds subject to the provisions of ORS 294.035 and 294.040 and no more than 20 percent of such funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies.

Repurchase agreements shall not exceed a term of 30 days. Collateral provided to the Port under a repurchase agreement shall be deposited with the Port's custodian bank(s), marked to the market daily and maintained at a minimum level in conformance with ORS 294.035 (11).

Repurchase agreements may be entered into with authorized dealers or institutions when a master repurchase agreement or specific written contract governs the transaction. In no case will the total of such agreements with any firm exceed 10 percent of their equity (based on their most recently published financial report).

Authorized Dealers and Financial Institutions

The Port may purchase or sell securities subject to the provisions of this policy through any of the following:

- Banks, savings and loans, and mutual savings banks authorized to do business in Oregon (not simply loan production offices).
- Primary security dealers as designated by the Federal Reserve Bank of New York and Oregon secondary dealers.
- Primary agency selling group members as designated by the U.S. agency involved.

Safekeeping

The Port shall require delivery of all securities purchased (by means of physical possession or book-entry to the account of the Port) to its custodian bank(s). As noted under repurchase agreements above, securities acquired through repurchase agreements with the Port's custodian bank(s) may be held by the custodian bank(s). In all cases, payment shall be made only upon delivery.

Reporting Requirements

Quarterly, staff will provide the Commission with portfolio reports showing: investment transactions; trading gains and losses; investments owned; market value; yield; maturity distribution, or any such other report as the Commission may request. The Commission will have review authority over the investment program.

Renewal

This policy shall be reviewed annually by the Commission.

PROPERTY ACQUISITION – LSI CORPORATION – CITY OF GRESHAM

October 12, 2011

Presented by: Joe Mollusky
Real Estate Program Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to purchase approximately 222 acres of land (Property) located in Gresham, Oregon, from LSI Corporation (LSI). The Port of Portland (Port) will develop the Property as a new business park and plans to market the Property in partnership with the City of Gresham and other regional partners in order to attract business and industrial uses to the area. The new business park will also complement the Port's existing real estate portfolio and provide additional industrial land assets to support Port strategic goals. The Port has developed a master plan for the business park and will develop lots of various sizes, with an emphasis on large industrial lots, to meet future market demand.

BACKGROUND

In 2010, the Port Commission approved the Port's Strategic Plan, which called for increased focus on industrial land acquisition and development. This strategic direction is in response to the Port and Metro region's decreasing portfolio of large development-ready industrial sites that are suitable for traded sector (manufacturing, warehouse, distribution and logistics) business investment and job creation. Port staff has been working with various state and regional economic development partners to highlight the need for a patient public developer who can acquire and develop land to ensure that the region has a steady inventory of large development-ready sites. Development of the Troutdale Reynolds Industrial Park (TRIP) is a strong example of the Port's commitment and expertise for successfully acquiring, developing and marketing industrial lands.

With this direction, Port staff has identified sites around the region for potential acquisition. Primary criteria include: site size, marketability, development readiness, traded sector property and location requirements, financial return and partnership potential with local jurisdictions. City of Gresham (City) officials approached the Port to consider acquisition of the LSI site. Port staff has conducted a thorough due diligence, negotiated a Purchase and Sale Agreement (PSA), and reached agreement with the City on an Intergovernmental Agreement (IGA) which establishes a partnership between the Port and the City that is key to marketing and development of the Property. The acquisition of the LSI site, coupled with the Port's Phase II development plans at TRIP, represents significant new investment in East Multnomah County. The key terms of the PSA are summarized below.

LSI is a provider of silicon systems and software technologies. In 1995 and 1996, LSI purchased approximately 305 acres in Gresham, including the Property, and constructed a 500,000 square foot multi-building campus on a portion of the site for a semiconductor manufacturing plant. In 2006, LSI sold approximately 83 acres of the site, including the

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semiconductor plant, to On Semiconductor Components Industries, Inc. The plant is currently being expanded onto undeveloped land within the On Semiconductor site. The property to be acquired by the Port comprises the remaining acreage within the site.

The Property is surrounded by four major access/arterial roads: NE Glisan Street to the north, SE 223rd Avenue to the west, SE Stark Street to the south and NE 242nd Street to the east. The Property is located within Portland's Northeast submarket, is 11 miles east of downtown Portland, 0.8 miles south of Interstate-84 and 1.5 miles north of the center of downtown Gresham. The majority of the Property is zoned General Industrial, with the exception of smaller parcels zoned Moderate Commercial and also Corridor Mixed Use. Surrounding land use includes industrial, commercial and residential uses.

Approximately 178 acres of the Property to be acquired is currently leased to Sester Farms, Inc. (Sester), a family-run ornamental tree farm under one- and three-year leases. The one-year lease (77 acres) will be terminated at Closing of the sale. The three-year lease (101 acres) expires in January of 2013.

Over the past several months, Port staff has thoroughly investigated the condition of the Property with the cooperation of LSI. The location and size of the Property, adjacent utilities, and excellent road access are attractive features for future industrial use. The Port's due diligence has also included extensive coordination with the City, and agreement on terms of an IGA to provide for a coordinated and streamlined approach between the Port and the City on matters related to marketing and development of the site. The IGA will be presented in a separate agenda item to the Commission today for approval.

KEY BUSINESS TERMS

Property: Approximately 222 acres of land with limited improvements.

Purchase Price: \$26.5 million

Earnest Money: \$750,000 payable upon execution of the PSA.

Assignment of Sester Lease: LSI will assign the existing three-year farm lease with Sester to the Port. The lease provides for early termination by the Landlord, which may be exercised by the Port in its sole discretion, subject to a requirement to pay an early termination fee (\$21,780 per acre) to the lessee, provided that no termination fee shall be paid if the crop has been harvested.

Taxes: LSI shall pay all current taxes due, including approximately \$2.4 million in taxes deferred for farm use.

PROPERTY ACQUISITION – LSI CORPORATION – CITY OF GRESHAM

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UST and

Well Removal:

LSI is obligated, as part of the conditions of Closing, to remove and decommission an underground storage tank (UST) and several monitoring wells located on the Property.

Brokers Fees:

All brokerage fees associated with this transaction shall be paid by LSI.

Closing Date:

The Property sale will close no later than November 8, 2011.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to purchase approximately 222 acres of land and improvements in Gresham, Oregon, from LSI Corporation, 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.

INTERGOVERNMENTAL AGREEMENT – CITY OF GRESHAM

October 12, 2011

Presented by: Ken Anderton
Senior Manager
Business Development**EXECUTIVE SUMMARY**

This agenda item requests approval of an Intergovernmental Agreement between the Port of Portland (Port) and City of Gresham (City) to develop and market approximately 222 acres of real property (Property) located in Gresham, Oregon, to be acquired from LSI Corporation (LSI).

BACKGROUND

This Intergovernmental Agreement is a companion to the Port's acquisition of the Property from LSI, and represents a significant partnering opportunity to attract jobs and private investment to East Multnomah County and the broader region. The Intergovernmental Agreement reflects the Port and the City's recognition that large industrial sites such as the Property represent a significant opportunity to attract and retain traded sector industries, which provide economic development and job creation to the region. The Port and the City further recognize that large development-ready industrial lots are in low supply in the Metro region and that careful development, coordination and marketing of the site is crucial to attracting private investment into the community.

In acknowledgment of the Port's major financial investment to acquire, design, permit, develop, and market the Property to prospective users and buyers, the City desires to partner with the Port on issues related to site development, marketing and related infrastructure to maximize the Property's potential for attracting traded sector investment and job creation. The Port and the City also understand that the Property plays a key role in the City's economic development strategy, and that unified ownership and development of the Property through a coordinated master plan will provide the best potential for job creation and new economic investment in the region.

Through approval of the IGA, the Port and the City will work together on land use approvals and joint marketing of the Property. Key components of the IGA include:

Term: 10 years

Joint Marketing: The City and Port will coordinate on marketing, lead generation and follow up support for new recruitment opportunities meeting agreed upon criteria.

Incentives: The City will educate and provide qualified candidates with available incentives (Strategic Investment Zone, Enterprise Zone, Fast Track Permitting and other incentives).

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Rapid

Response Team: The City will provide dedicated staff that fast track development for qualified candidates.

Development: The City will assist the Port through existing land use processes in order to facilitate development that will support traded sector industries.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Intergovernmental Agreement with the City of Gresham represents an important partnership furthering the Port of Portland's industrial land acquisition and development strategy and the region's retention and recruitment of traded-sector companies; and

BE IT FURTHER RESOLVED, That the Intergovernmental Agreement with the City of Gresham provides a unique opportunity for the parties to work collaboratively to develop and market this Property for future economic growth and competitiveness; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to enter into an Intergovernmental Agreement with the City of Gresham, consistent with the terms presented to the Commission.

SECOND READING AND ENACTMENT OF PORT ORDINANCE NO. 439-R PERTAINING TO
REGULATION OF OFF-AIRPORT RENTAL CAR AND PARKING LOT BUSINESSES
SERVICING PORTLAND INTERNATIONAL AIRPORT

October 12, 2011

Presented by: Scott Kilgo
Concessions Development
Senior Manager

EXECUTIVE SUMMARY

This agenda item requests a second reading and enactment on proposed Port of Portland (Port) Ordinance No. 439-R, the amendment and restatement of Ordinance No. 349-R, as amended by Ordinance No. 412-R, which pertains to regulation of off-airport rental car and parking lot businesses serving Portland International Airport passengers.

BACKGROUND

The airport rental car and parking lot ordinance and associated fees were originally adopted in 1989 with subsequent amendments. Staff proposes the current revisions to reflect changes in business operations and airport regulation particularly in response to operational changes resulting from the recent on-airport rental car invitation to bid process.

The proposed revisions simplify the off-airport rental car permit process by making the ordinance provisions consistent with the new on-airport rental car concession leases. Additionally, those businesses that provide off-airport parking as an accessory to a primary business are specifically defined. Furthermore, these Accessory Parking Lot Operators are not required to report revenues or pay any concession fees to the Port until such time as gross parking revenues reach \$80,000.

Following the first reading and public hearing, the Port received no public comments.

Public notice of the proposed change has been posted in accordance with statutory requirements.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolution be adopted:

BE IT RESOLVED, That Port of Portland Ordinance No. 439-R, amending and restating Ordinance No. 349-R as amended by Ordinance No. 412, be given a second reading by title only; and

BE IT FURTHER RESOLVED, That the proposed Port of Portland Ordinance No. 439-R, in the form presented to the Commission, be enacted by a roll call vote; 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.

SECOND READING AND ENACTMENT OF PORT ORDINANCE NO. 432-R PERTAINING TO REGULATION OF COMMERCIAL ROADWAY AT PORTLAND INTERNATIONAL AIRPORT

October 12, 2011

Presented by: Michael Huggins
Landside Operations Manager**EXECUTIVE SUMMARY**

This agenda item requests a second reading and enactment on proposed Port of Portland (Port) Ordinance No. 432-R, the amendment and restatement of Ordinance No. 418-R, as amended by Ordinance Nos. 351, 386-R and 418-R, which pertains to regulation of use and operation of the Commercial Roadway at Portland International Airport.

BACKGROUND

The commercial roadway ordinance and associated fees was originally adopted in 1990 with only minor subsequent amendment. Staff proposes the current revisions to reflect changes in business operations and airport regulation that has taken place over the past several years.

To reflect changes in business practices, the term of the permit issued under this ordinance is changed from two years to month-to-month. The change allows flexibility in permitting and has been the general practice of the Port for the last several years. Revisions are also made to make the ordinance consistent with the current enforcement and hearings procedures. The credit for those fees paid under the off-airport rental car ordinance towards commercial roadway fees is deleted from the ordinance in order to simplify the process and avoid ambiguity and confusion.

Following the first reading and public hearing, the Port received no public comments.

Public notice of the proposed change has been posted in accordance with statutory requirements.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolution be adopted:

BE IT RESOLVED, That Port of Portland Ordinance No. 432-R, amending and restating Ordinance No. 418-R as amended by Ordinance Nos. 351, 386-R and 418-R, be given a second reading by title only; and

BE IT FURTHER RESOLVED, That proposed Port of Portland Ordinance No. 432-R, in the form presented to the Commission, be enacted by a roll call vote; 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.

PROCUREMENT CONTRACTS – DREDGE OREGON ELECTRICAL GENERATION AND PUMP SYSTEMS – NAVIGATION

October 12, 2011

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

This agenda item requests approval to award two equipment procurement contracts for the purchase of new equipment systems for the Dredge “Oregon” to replace the dredge’s original 46-year-old equipment.

The first contract award request is to Peterson Power Systems for the procurement of the electrical generation system and cutterhead gearbox in the amount of \$2,150,741.

The second contract award request is to Valley Power Systems, Inc., for the procurement of the pumping system including the main engine, gearbox and pump in the amount of \$3,306,787.

BACKGROUND

The Port of Portland (Port) purchased the Dredge Oregon in 1965. The electrical generation system and the pumping system are the original systems and have been in service for 46 years. Both systems have exceeded their useful life and spare parts are no longer available. Replacement parts must either be special ordered at a premium price, or must be fabricated. In either case long delivery lead times are required. If any of the dredge’s equipment would have a major failure, the entire dredging operation would be shut down for the amount of time that it would take to have custom parts fabricated, which could impact Columbia River maintenance dredging and create a navigational problem for maritime shipping traffic.

Project Design and Schedule

In July 2010, the Commission approved a design contract with The Glostén Associates, Inc., for the Port’s dredge repowering project. The design has been completed and the next phase of the project is the procurement of the necessary equipment. The generation system and pumping system contracts are being procured separately due to equipment fabrication and delivery schedules that dictated the need for two separate shipyard installation periods/contracts. The shipyard contracts will be presented to the Commission in 2012.

Request for Proposal Process

The nature and complexity of the technology involved with these equipment procurements required consideration of factors other than price alone. The Port utilized a Request for Proposal (RFP) process for evaluation and selection of qualified proposers that could provide the best value for the Port.

PROCUREMENT CONTRACTS – DREDGE OREGON ELECTRICAL GENERATION AND PUMPING SYSTEMS – NAVIGATION

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Proposal evaluations were based on the vendor's experience in manufacturing dredging equipment, compatibility with existing vessel spaces and systems, life cycle operating costs, delivery schedule, warranty, maintenance, and spare parts availability.

Two RFPs, one for the electrical systems and one for the pumping systems, were advertised in July 2011. Three vendors submitted proposals on August 17, 2011:

- Peterson Power Systems
- Valley Power Systems, Inc.
- Power Systems Plus, Inc.

The electrical system proposal prices ranged from \$2.2 million to \$3.3 million, and the pumping system proposal prices ranged from \$3.3 million to \$4.6 million.

The Port's evaluation committee determined that Peterson Power Systems was best suited to provide the electrical generation system because their generator design experience was extensive, the cost was within the project range, their fabrication and delivery proposals met the Port's schedule, the equipment was compatible with the existing vessel spaces and existing electrical requirements and systems, and favorable spare parts availability and warranty terms.

The committee further determined that Valley Power Systems, Inc., was best suited to provide the pumping system because their design experience with engines and pumps was extensive, the cost was within the project range, their fabrication and delivery proposals met the Port's schedule, the equipment was compatible with the power requirements to drive the pump and with existing vessel spaces for the engine, and favorable spare parts availability and warranty terms.

Project Funding

In 2010, the Port was awarded a *ConnectOregon* III grant of \$5 million for the Dredge Oregon repower project. The Port has also applied for and has been selected to receive an EPA Diesel Energy Reduction Act grant of \$500,000. The Port intends to fund its remaining project costs using external commercial financing, which the Port expects to be reimbursed for by the U.S. Army Corps of Engineers (Corps) as part of the Port's cost-reimbursable contract with the Corps for regular shipping channel maintenance.

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 procurement contract with Peterson Power Systems for the procurement of the Dredge Oregon repower project generation system equipment, in accordance with their proposal; and

PROCUREMENT CONTRACTS – DREDGE OREGON ELECTRICAL GENERATION AND
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BE IT FURTHER RESOLVED, That approval is given to enter into a procurement contract with Valley Power Systems, Inc., for the procurement of the Dredge Oregon repower project pumping system equipment, in accordance with their proposal; 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.