

**PORT OF OLYMPIA COMMISSION
MINUTES OF REGULAR MEETING**

January 23, 2006

CALL TO ORDER

President Pottle called the meeting of January 23, 2006, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Telford and Van Schoorl were also in attendance.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Communications Manager Patti Grant, Harbor Director Bruce Marshall, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, Marketing Director Kari Qvigstad, Marketing Program Assistant Maureen Malahovsky, Airport Director Rudy Rudolph, Property Director Heber Kennedy, and Finance Director Steve Davis. Bob Goodstein, Port's legal counsel, was also in attendance.

Public in attendance were as follows. Representing *The Olympian* was Jim Szymanski. Others in attendance included Jerry Dierker, Tom Howdeshell, Keith Bausch, Patrisa DiFrancesca, Mark Beardemphl, E.J. Zita, Richard Wolf, Jeff Stewart, Susan Zimie, Laura Johnson, and Arthur West.

APPROVAL OF AGENDA

The agenda was approved as amended. Commissioner Telford suggested not taking action on the ProLogis Option Amendment until after the advisory of the Airport Storm Water Master Plan.

PUBLIC COMMENT

Tom Howdeshell, resident of Olympia, commented on the Commissioners reports from the January 9th meeting. He noted that Commissioner Telford indicated he attended the Solid Waste Advisory Committee and Mr. Howdeshell wanted to know about any news on recycling. He commented that Commissioner Pottle noted that he attended the Lacey Chamber where Adam Smith spoke. Mr. Howdeshell wanted to know what he had to say. And, he indicated that Commissioner Van Schoorl indicated he attended the CLAMP meeting and Mr. Howdeshell wanted to know about the dam removal. The Commissioners responded to his questions giving Mr. Howdeshell specific answers.

Jerry Dierker, resident of Olympia, indicated that he has noticed that there are several projects without environmental documents. He commented that there needs to be an environmental review of all projects that has public funds committed to them. He also commented that he would like his environmental appeal he just filed to be kept on file for any future SEPA on this project. He would also like to be added to the Corps of Engineers mailing list.

Arthur West, resident of Olympia, indicated he wanted to comment on the expansion of the Marina Terminal. He commented he has not seen any documentation on the dock rail and would like to see that. He also commented that if an appeal were filed, such as one he just filed, he would like it kept on file.

COMMISSIONERS REPORTS

Commissioner Telford noted he attended the Transportation Policy Board meeting and suggested a presentation be put together for transportation planning. He mentioned that he also attended a hearing on the Attorney General public records guidelines where he picked up a copy of the proposed guidelines. He indicated he did review the document and will share that will staff. He commented that perhaps the Port's

policy needs to be reviewed to assure compliance.

Commissioner Van Schoorl indicated he attended the Thurston Chamber where Executive Director Ed Galligan spoke at the event. In addition, he commented that a few commission meetings ago we played a DVD on Freight Mobility. He encouraged those who have not seen this DVD to watch TCTV, where they will be playing the DVD at the following times: January 26 at 12:00 p.m., January 27 at 6:30 p.m., January 30 at 12:30 p.m., February 2 at 6:30 p.m., February 10 at 6:30 p.m., February 12 at 3:00 p.m., and February 18 at 7:00 p.m.

EXECUTIVE DIRECTOR REPORT

Mr. Ed Galligan reported that the Airport restaurant has reopened as Volare Café Italiano. The food is prepared by the chefs of Basilico Ristorante Italiano of Olympia. They serve a variety of soups, salads, sandwiches and pastas. They are open 8:00 AM to 4:00 PM Daily. They do not have a breakfast menu.

Mr. Galligan noted that the next log vessel would be the Global Hawk, due in 1/29 for a 1/30 start. This vessel will be loading around 700,000bf of logs. We also have two aluminum vessels scheduled to come in back-to-back: the Abakan and the Igor Ilinskiy. Currently they are expected in around the beginning of February.

Mr. Galligan announced that there was a presentation to the CERB board by Michael Cade of the EDC, Steve Nelson of Cardinal Glass and Heber Kennedy, which went very well. The Board voted unanimously in favor of granting the Port a 20-year loan of \$1,000,000 at 1% interest and a two-year deferral for the installation of infrastructure at Cardinals new facility.

He reported that the Swantown Marina Float Repairs, Contract # 264 is being advertised for bids. Bid opening will be February 14th.

Mr. Galligan noted that the staff has discussed the 2006 federal agenda for the Port of Olympia with Dan James and if desired the Commission can discuss this further later in the agenda.

He commented that staff has been working with Puget Sound Energy on upgrading all of the light fixtures in the Port offices. Puget Sound Energy is offering a 90 percent rebate for the upgrades costing the Port \$413. The estimated annual savings will be approximately \$1656 with a 4 times return in one year. In addition, these lights are more pleasing to the eye and less stressful on those using computers all day.

In addition, Mr. Galligan reported that staff is working on a draft SEPA policy and will be bringing the draft to the Commission as an advisory and allow for public comment on February 13 and then bringing the final back to the Commission at the February 27th meeting for action.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the January 9, 2006 meeting.

Commissioner Telford indicated that in the minutes of January 9th there was a conversation about noise issues at the airport. Commissioner Telford indicated he would like a sound deflection berm at the SW corner along 88th, using the soil from the runway project. In addition, he would like he would like to maintain a tree and vegetation buffer. President Pottle indicated he would like for Commissioner Telford to provide in writing his concerns and recommendations to staff. He asked staff to look into Commissioner Telford's concerns and report back.

Bills and Vouchers. The Commission unanimously approved the bills and vouchers in the amount of

\$896,064.70. General Fund Checks Issued: 038869-038881, 038882-038935, 038936-038946, 038947, 038949-039003, 039004-039010, 039011, 039012-039015, 039016-039037, 039038-039050, 039051-039075, 039076-039078, 039079, 039080-039166, and 039167-039188. Voided Checks: 038778, 038898, and 038948.

Capital Expenditures Approval. The Commission unanimously approved the Capital Expenditures in the amount of \$357,324.59 to Coast Rail for the on-dock rail system and to Reid Middleton for the runway line of sight project.

Lease Assignment: Old Towne Plaza, LLC.

The Commission unanimously ratified the Assignment of Lease from Old Towne Plaza (current tenant) to Prium Tumwater Buildings, LLC who purchased the development project from Old Town Plaza at the corner of Tumwater Blvd., and Old Highway 99. The Port property subject to the assignment is a portion of land at the northeast corner of the development to be used as access road and parking. The original lease was approved and ratified December 1, 2004 and is now being assigned to new developer effective December 1, 2005. The lease is 35 years with one 15-year option to renew.

Lease: Capital Little League

Mr. Jeff Stewart, representing the Capital Little League, attended the meeting to address the Commission regarding the proposed lease between the Port of Olympia and the Capital Little League.

Mr. Stewart indicated that over 400 kids between the ages of 6-15 participate in league. He noted that the league gave 35 scholarships to kids last year and they had a very successful season. He noted that at the last board meeting, the board discussed the future of Capital Little League and are discussing funding and finding other locations to consider for a permanent home. They hope to have a plan by the end of the year on moving forward.

The lease is for six months with an option to renew for an additional six months. Initial lease term is six (6) months beginning February 1, 2006 and ending July 31, 2006. The premises include 10.6 acres across from the Terminal Building at the Olympia Regional Airport. No on-site parking nor parking along the roadways will be allowed. The park-n-ride north of the site and the non-reserved spaces in the fenced terminal parking lot will be the only authorized parking for the tenant and its attendees. In addition, the tenant is required to set up refuse containers at the fields to maintain the premises free of debris during the entire term.

It is understood and agreed to by both parties that tenant's use of this parcel is non-conforming as described in the current port of Olympia comprehensive plan. It is also understood and agreed to by both parties that tenant's use of this parcel is temporary and that tenant's improvements must also be temporary. Tenant will be responsible for removing all improvements at the end of the lease term.

The Commission unanimously ratified the lease with the Capital Little League.

Lease Option Amendment: ProLogis

ProLogis Development has an option to lease 126 acres in NMIC. Their option is scheduled to expire January 31. Staff is requesting an extension in order to allow them to complete due diligence, particularly surrounding the issue of stormwater management.

This is the second extension. During the first extension period we jointly investigated the stormwater alternatives including creation of an offsite stormwater facility. The Port also completed their lease comments and returned them to ProLogis' legal team.

All parties recognize the importance of adequate stormwater planning and environmentally sensitive development in light of recent regulatory changes as well as community and neighborhood interests and concerns.

A second extension benefits both the tenant and the Port, as we both need a workable stormwater solution and time to finalize lease negotiations.

ProLogis is a leading provider of distribution facilities and services with 368 million square feet in more than 2,300 distribution facilities owned, managed and under development in 76 markets in North America, Europe and Asia.

ProLogis has the financial ability to make the investment required to meet city, state and Port requirements for infrastructure improvements such as utilities, roads, and stormwater systems. ProLogis has already made a significant investment in the property surveys, environmental studies, planning, legal fees and appraisals. In addition, they have paid a \$150,000 option payment to secure the property during the due diligence period.

Commissioner Telford asked where we stand with this lease on rates. Mr. Kennedy indicated that the current lease option defines the lease rate.

The Commission unanimously ratified the Amendment to Option Agreement, extending the option period to April 30, 2006.

E.J. Zita, resident of Tumwater, indicated the neighborhood association strongly opposes the amendment option for ProLogis. She indicated that traffic is a concern and she quoted the proposed increase of traffic as presented by Jay Eaton. Dr. Zita indicated the association is also concerned about the danger to public safety; there is a school on Kimmie Road where these 1000 trucks per hour will be traveling. She indicated they were also concerned about noise and pollution. The Commission questioned the numbers she was quoting and asked Mr. Kennedy to get the information from Jay Eaton to confirm whether or not the numbers Dr. Zita is quoting is correct.

Lease Amendment: LOTT Alliance

LOTT Alliance has been a tenant with the Port since January of 2002. Tenant occupies 6,000 square feet at the corner of Thurston & Adams adjacent to Studios 321 using the space for staging of equipment connected with the Reclaim H2O Treatment Project. Tenant has requested to extend term for an additional year. The attached Lease Amendment No. 4 extends the term and the rate has been adjusted based on a CPI change plus 3% Port policy. Rent increases from \$1,281.60 to \$1,377.72 per month. The new term will expire December 31, 2006.

The Commission unanimously ratified the lease with LOTT Alliance.

ACTION CALENDAR

Interagency Committee on Outdoor Recreation Grant Presentation

Mr. Bruce Marshall indicated that the Port of Olympia has received a federal Boating Infrastructure Grant administered by the State's Interagency Committee for Outdoor Recreation. This \$95,000 grant will be used to renovate the Port's Guest moorage facilities. He introduced Laura Johnson and Susan Zimic from the IAC who presented the grant in the form of a large check at the meeting and provided the commission with some background about their program.

West Bay Property Sale

Mr. Heber Kennedy indicated that during 2002, the Olympia Parks and Recreation West Bay plan identified a park site along West Bay owned by the Port of Olympia. In late 2003, the Port agreed to sell the property to the City and City voters subsequently approved a utility tax increase to be used to acquire property for parks. In late December 2005, the Port and City of Olympia entered into a Purchase and Sale Agreement for approximately 11.7 acres of upland and shoreline on West Bay Drive known as Tract B and consisting of parcels B, C and D. In addition, there is approximately 1.28 acres of upland and tideland

known as Parcel A which the City will acquire as soon as the Washington State Department of Ecology issues a "No Further Action" letter based on the site cleanup by ARCO. The City has also agreed to acquire a smaller portion of upland and shoreline (Parcel F - approximately 1.6 acres) along the berm between the lagoon and West Bay once it has been environmentally investigated, surveyed and appraised.

Mr. Kennedy noted that under the Purchase and Sale Agreement, the two parties were to negotiate a purchase price. The proposed price represents a negotiated amount based upon the appraisals obtained by the Port and the City. Based on the appraisals, the Port offered the property at \$4,600,000 and the City offered \$3,410,000. Through negotiations, the parties essentially split the difference and arrived at a purchase price for Tract B of \$4,000,000. Parcel A price was negotiated at \$105,000.

The Commission unanimously authorized the Port Executive Director to sign closing documents for Tract B in the amount of \$4,000,000 which includes Parcels B, C and D from the previously approved Purchase and Sale Agreement and Tract A upon receipt of a No Further Action letter from the Department of Ecology regarding the site.

On Dock Rail – Additional Funding Approval

Mr. Jim Amador noted that on July 27, 2005, the commission approved the awarding of bid for the on dock rail construction to Coast Rail and a total budget of \$1,469,966. This project is near completion and on track for the awarded amount. Mr. Amador indicated that however there have been four change orders of items not originally in the scope of work or unforeseen that raises the budget amount from \$1,469,966 to \$1,602,868.

The change orders included replacement of rotten rail ties that were discovered. He noted that it is cost beneficial to replace these ties while we have a contractor on site in the amount of approximately \$97,000. Mr. Amador indicated that the other change order was for a storm drain that had to be moved in the amount of approximately \$30,000.

The Commission unanimously approved additional funding approval of \$132,902 for the completion of on dock rail project Contract #205.

ADVISORY CALENDAR

Airport Storm Water Master Plan Advisory

Mr. Rudy Rudolph indicated to the Commission that a stormwater treatment and infiltration have been a primary component of airport development for many years. Recent changes to the City of Tumwater Storm Water Manual that adopted the Salmon Creek Drainage Basin Study recommendations have required us review our storm water planning relating to the development of the Port Comprehensive Plan.

Mr. Rudolph reported that a recent review of the proposed ProLogis development area has shown that approximately 31 percent of the leasehold land would need to be dedicated to storm water treatment and infiltration. TEC Construction and Prime Development have experienced similar circumstances and costs associated with hangar development even though they are not located in the Salmon Creek Drainage Basin area.

He noted that staff has identified the need to develop a comprehensive Storm Water Master Plan that will look at the entire airport environment by individual district parcels (General Aviation, Corporate Aviation, Light Industrial, Airline, New Market and Tumwater Town Center) as well as opportunities for potential regional facilities that convey, treat and infiltrate storm water for the NMIC and Tumwater Town Center as a whole.

Additionally, Mr. Rudolph reported that the Airport and NMIC must be evaluated in the larger context of the Salmon Creek Drainage Basin and the Deschutes Watershed. It is our intent to engage Thurston

County, the City of Tumwater, the FAA, the Department of Ecology, ProLogis and the Salmon Creek Basin stakeholders to form a partnership to look at larger regional issues. We see an opportunity for those potential partners to leverage off of the Ports efforts and join the Port in finding bigger solutions to the bigger challenges.

He noted that staff is proceeding with developing a Request For Qualifications (RFQ) to be formally advertised and distributed to firms likely to respond. Staff will develop a well-defined scope of work and specific criteria for evaluation, ranking and ultimately selection of a qualified firm or firms.

Mr. Rudolph reported that once a selection has been made, Port staff would negotiate a contract and return to the commission for contract approval and ratification. He noted that this is considered a priority project for 2006. Money has been budgeted specifically for this project.

Commissioner Telford indicated he thought it was a good idea, he asked how much was budgeted. Mr. Rudolph indicated he would like to take that discussion off line as not to give a firm applying for the RFQ inside information on their bid.

Commissioner Telford also asked about the plan for ProLogis. Mr. Rudolph indicated they would be moving very cautiously with them in their plans. This may be a bigger picture scenario, however we still need to move forward with developments. Mr. Rudolph reported that it is the goal of staff to bring everyone back to the table using the information we already have on the Salmon Creek drainage basin.

Commissioner Van Schoorl indicated that we have already spent money studying this issue a few years ago. He suggested that all property owners be involved in this solution and not just point fingers at the Port as the problem. He also asked about the storm water pond for Tumwater Blvd. Mr. Rudolph indicated the storm water pond is an interim solution for Tumwater Blvd to get them through the construction. The construction includes pipe under the road for a more permanent solution. Commissioner Van Schoorl indicated he did not want another study that puts the burden on the Port for a solution.

President Pottle asked with the last 35 days of rain have we had any flooding issues at New Market Industrial Campus? Mr. Rudolph indicated staff is not aware of any issues. President Pottle asked why we had so much flooding in the area back in 1997 when we had 25 days of rain – what has changed since then. Mr. Kennedy indicated that in 1997, when we had flooding, we also had wet summers.

Commissioner Telford stated that regulation require property developers to take care of their own storm water on their own land. He indicated that the Port should take a larger approach and not a one at a time approach.

Patrisa DiFrancesca, resident of Olympia, read a quote from the FAA Airport Environmental Handbook, Order 5050.4A, #26 regarding Cumulative Impact.

Tom Howdeshell, resident of Olympia, asked if this was approval to build a storm water pond and eventually connect to LOTT. Commissioner Van Schoorl indicated that this is not a proposal to build anything; this is a proposal to do a study.

E.J. Zita, resident of Tumwater, proposed solutions to the storm water problems that she heard at the moratorium hearing at the City of Tumwater. However, she indicated that leaving the land alone and preserving the trees is a real solution to the storm water issues.

Port Administrative Campus Advisory

Ms. Kari Ovigstad provided the Commission with some background on the project. She noted that as a Priority Project for 2005, Sally Alhadeff and Kari Ovigstad analyzed alternatives for development of a 45,000 square-foot Office building on the corner of Market and Franklin Streets in the Market District.

Staff presented a recommendation for a joint project model, where an office building would be built and owned by a private/public partnership with the majority owned by a private developer.

Ms. Qvigstad reported that LOTT and the Port were identified as anchor tenants, while outreach to marine terminal and trade development prospects was positively received. She indicated that staff presented a joint development alternative to the Port Commission in July 2005, where LOTT and the Port of Olympia would have ownership interest. Ms. Qvigstad reported that LOTT advised the Port Commission that its preferred site was on LOTT property, so planning shifted to exploring a LOTT site alternative. After several months of discussion between LOTT and Port representatives, the Port Commission determined the \$9 million investment should be deferred and alternatives for Port Administration on Port property be reconsidered.

She indicated that staff has continued to look at alternatives and has been looking for partners for the building. Staff is now looking at two buildings on the site.

Ms. Qvigstad noted that a Port Administrative Campus on the parcel bounded by Franklin, Market & Marine Drive meets the vision identified in the Comp Plan adopted in 1995. It completes the link between the Market and Swantown Districts, while serving as a gateway to other business districts including the Marine Terminal and NorthPoint. She noted that it further meets both the Port's Comp Plan and the Army Corps of Engineers 404 permit for marine-related uses and activities on the site. Ms. Qvigstad indicated that the project could contribute to structured parking in the Market District and we continue to have interest from potential tenants. The timing fits the Port's strategic and business plan for continued build out of the Market District/Central Peninsula while allowing s consolidation of all Port administration into one building. She reported that a preliminary financial analysis indicates the project could meet the Port's goal for Internal Rate of Return at 10.5 percent. There is a budget item for \$200,000 in the 2006 capital budget for planning related to this project.

Ms. Qvigstad reported that a project team has been established to take a comprehensive look and to identify a preliminary project schedule

She asked the Commission to provide direction for Port staff to move forward with planning for Port construction of a 45,000 – 60,000 square –feet of administrative offices in a campus setting at the corner of Franklin, Market Street & Marine Drive in the first half of 2009.

Commissioner Telford indicated he supported the concept of layout, but he does not like the idea of a sidewalk going through the building and two buildings cost more than one per square foot. Commissioner Telford asked about the 10.5 percent rate of return stating that the standard for the port is 11 percent. Mr. Galligan indicated that this is a bigger discussion, however, for planning purposes, 10.5 percent is a fair number to use at this time. Mr. Galligan noted that there are several ways to measure a fair rate of return, and staff will be discussing this and returning to the Commission with a recommendation. A discussion on the Port's cost of money ensued. Commissioner Telford stated that he understands the various approaches to assessing return on investments and has had a conversation with the public on the issue. And, that a different approach may be OK but must meet equivalent standards as the IRR used since before he was on the Commission, which is 11 percent.

Commissioner Telford asked about the \$200,000 in the budget. Ms. Qvigstad indicated it was a carryover from the 2005 budget – we have \$178,000 remaining in the budget. Commissioner Telford noted that the cost of moving the administrative building needs to be included in the financial analysis. He also noted that he doesn't agree with public meeting space. He commented that he would also like to discuss the impact on Port resources and other projects, it would be nice if one of these buildings could be done by the private sector to save on the Port's check book.

Commissioner Van Schoorl indicated he liked the presentation and the concepts that were envisioned in the comp plan are included in this presentation. He commented that this project needs to rise and fall on its own benefits to the Port. There is a lack of meeting space in this community and he fully supports

public meeting spaces and other benefits to the community.

President Pottle wanted clarification on the two building square footage. Ms. Qvigstad responded those decision points will be brought back through out the process. She noted the on site parking would benefit the Marina upland development. President Pottle asked if the retail on the first floor needed to be marine related. Ms. Qvigstad commented that it would need to follow the army corps restrictions; the list is flexible.

Other Business:

The Commission discussed the federal Agenda for 2006. Mr. Ed Galligan reported that staff is recommending we seek continued federal funding for the joint Port/US Corps of Engineers Budd Inlet Navigation Maintenance Project. This project involves dredging of the Budd Inlet channel and turning basin. \$360,000 has been appropriated for the project for FY 2006. The Port is asking for continued support from the congressional delegation to fund the remaining federal portion of the project in FY 2007. In addition he suggested we provide an advisory on the following projects: Port administrative office campus and proposed study of truck route alternatives through downtown Olympia.

ADJOURNMENT

President Pottle adjourned the meeting at 7:22 p.m. on January 23, 2006 to executive session to potential litigation and lease terms for a potential customer. No final action was taken on either issue. The executive session adjourned at 8:50 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer