

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

JANUARY 24, 2005

CALL TO ORDER

President Telford called the meeting of January 24, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Pottle and Van Schoorl were also in attendance.

Staff in attendance were: Executive Director John Wolfe, Administrative Manager Jeri Sevier, Airport Director Rudy Rudolph, Marketing Director Kari Qvigstad, Property Development Director Heber Kennedy, Marine Terminal Director Jim Amador, Program Assistant Lorie Watson, Property Administrator Sally Alhadef, Harbor Director Bruce Marshall, and Communications Manager Patti Grant. Also in attendance was the Port's Legal Counsel, Bob Goodstein.

Public in attendance were as follows. Representing *The Olympian* was Jim Szymanski and Representing KGY Radio was Patrick Conrad. Others in attendance include: Harold Chambers, Earl Pearson, Harold Clark, Tom Howdeshell, Fred Gohlen, Lanny Carpenter, Richard Korn, Mike Tempke, Phillip Fantozzi, Keith Bausch, Ken Hontz, Rob Miles, Robert Rose, Marc Anderson, Jan Van der Veen, Tom Haag, Rod Edgbert, and Scott Baker.

APPROVAL OF AGENDA

The agenda was approved as presented.

PUBLIC COMMENT

Harold Chambers, resident of Yelm, indicated he noticed how the Commissioners talk about building up Olympia, but are not looking at helping Yelm. He noted that we need to help Yelm with their industrial area. Mr. Chambers also indicated he wants a rule that if you run for another political office; you should resign from the current public office before you run for another public office.

Tom Howdeshell, resident of Olympia, indicated he was concerned about the article in the Olympian about the dock security at the Port. He noted that when changes are made, the public should be made aware and not has to read it in the paper. Commissioner Telford indicated that the Port did submit a security plan last July. Commissioner Telford indicated that what you are referring to is the Coast Guard security in the bay, which has always been there. Commissioner Van Schoorl indicated that this is not our jurisdiction. He indicated he was shocked when he first heard about it also. Commissioner Van Schoorl noted that it would be nice to have better communication between the Port, federal government, and the Coast Guard. He asked staff to talk with the Coast Guard and how they go about their interaction with the public when they are here. Maybe be more sensitive to the public and the local issues.

Harold Clark, resident of Olympia, how do we know if the restriction is in place or not? If a military ship is in, the restriction is in effect. He asked if the boaters are aware of that. Commissioner Van Schoorl indicated that we should do our public outreach and let them know. Jim Amador responded that he received a call from a citizen about the Coast Guard doing donuts in the water. Mr. Amador responded that they are doing practice maneuvers while they are here, in addition to providing security. Mr. Amador indicated that the Coast Guard has also had conversations with the local marinas. Commissioner Van Schoorl indicated that he would like Mr. Amador to communicate with the active boater groups.

Lanny Carpenter, resident of Olympia, asked about the Military, the Coast Guard, and the fencing at the

Marine Terminal. He indicated that this is not the vision he has for Olympia. Seems like we are putting in all this fencing, the Military is the only thing making any money, and it will be gone in a hurry. He is not supportive of the war and does not want his public money being spent on a war crime.

Michael Tempke, resident of Olympia, commented that he is still opposed to militarization of the Port even if we are sending humanitarian aid. He asked the Commission to look at using our Port in ways that will be profitable, but not to use it militarily.

COMMISSIONERS REPORTS

Commissioner Van Schoorl commented that the Commission and staff had a great workshop on Friday regarding the strategic plans. He also indicated that he and John met with the Mayor of Tumwater to agree on future Tumwater partnerships.

Commissioner Pottle noted that he and John met last week with Rep. Adam Smith to discuss strategy for securing federal funds for expansion of rail at the Marine Terminal. He also noted that two weeks ago he and John interviewed three companies that could help us secure funding in DC.

EXECUTIVE DIRECTOR REPORT

Mr. John Wolfe reported the FAA has approved Reid Middleton's scope of work and cost estimates for Professional Design & Engineering Services for the final phase of the Runway Shift Project in the amount of \$274,400. In addition, Mr. Wolfe reported that our \$70,000 grant application to WashDOT for two floating seaplane docks for the Port has been submitted and is currently under review. We expect to hear the outcome in early February.

At the Marine Terminal, Mr. Wolfe reported that the terminal is extremely busy with the loadout of the equipment and rolling stock, which has been ongoing since the Cape Knox's departure on 1/15/05. Over this past weekend, the terminal had a log vessel, the Santa Francisca at Port. The vessel arrived on Friday the 21st, loaded and departed over the weekend.

Mr. Wolfe provided the Commission with some year-end statistics noting that we had 35 vessel/barge calls (26 vessel & 9 barge calls) in 2003; 2004 had 37 vessel/barge calls (29 vessel & 8 barge calls). According to preliminary estimates, 2004 showed a 61 percent revenue increase over 2003, and 3 different cargoes were handled in 2004 that were not in the mix in 2003: military cargo, coal (one time) and limestone (one time).

Mr. Wolfe announced that interviews were held this week with three brokerage firms who responded to our RFP for Broker Services. Staff is following up with individuals to clarify a few items before a final candidate is selected.

Mr. Wolfe noted a few new leases, announcing that Olympia Salvage, a tenant in Warehouse 2, is moving into a larger location inside the warehouse. They are increasing their leased premises by 112 sq. ft. and Providence St. Peters will be signing a new space lease for 1,320 sq. ft. in Warehouse 2. They will be using the space to store shelving materials.

At the Marina and Boatworks, Mr. Wolfe noted that Marina, Boatworks, and Marketing employees have just completed staffing the port's booth at the Seattle Boatshow. This event, the largest boatshow on the west coast, ran for 10 days and provided an excellent opportunity to reach potential tenants and business partners. This is a valuable marketing opportunity for Swantown Marina & Boatworks and also a chance to promote Olympia as a destination. Swantown and Marketing staff participated. Thanks to all who helped make this a successful event for the port.

Mr. Wolfe noted that NOAA would be utilizing Swantown as a base of operations for their upcoming hydrographic survey of the south Sound area. The data collected will be utilized to update nautical charts

pertaining to our local waterways.

In addition, Mr. Wolfe welcomed Lori Landberg, Swantown Boatworks new Marine Services Coordinator. Lori was chosen from a field of 71 applicants and will be providing administrative and boatyard operational support at the boatyard.

Mr. Wolfe announced that this month's issue of SEA Magazine included a story and photo about the new docks at Swantown. Copies are available from the marketing department.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the January 10, 2005 Commission Meeting. Commissioner Pottle did not vote on the minutes, as he was not in attendance at that meeting.

Bills and Vouchers. The bills and vouchers were unanimously approved in the amount of \$1,101,141.26. General Fund Checks Issued: 035901-035910, 035911-035974, 035975-035989, 035990-035991, 035992-036026, 036027-036031, 036032, 036033-036035, 036036-036089, 036090-036101, 036102-036103, 036107-036154, 036155-036159, 036160-036208, and 036209-036212. Voided Checks: 036075, 036104-036106, 036141-036142, and 036152.

Lease Amendment: LOTT Alliance. The lease Amendment No. 3 provides LOTT Alliance with an extension of the lease term effective January 1, 2005 through December 31, 2005. The Tenant is also granted the option to extend the term for an additional 12 months commencing January 1, 2006 on a month-to-month basis. The rent remains at \$1,281.60/mo. The Commission unanimously ratified the lease amendment with LOTT Alliance.

New Lease: TEC Construction. TEC Construction plans to construct a single line combination of condominium T-hangars and executive hangars on the general aviation side of the airport. The location is directly south and adjacent to the existing condominium hangars. There will be a removal of two clustered maple trees associated with the construction. The City of Tumwater tree-cutting ordinance allows for the removal of up to six trees in a three-year time span with no mitigation required. While not required, the Port will consult with a landscape health care company for recommendations regarding an optimum location for a replacement stand of 20 trees. The Commission unanimously ratified the lease with TEC Construction.

ACTION CALENDAR

Election of Officers

The election of officers was held for the 2005 year. The following elections were moved and approved unanimously.

President: Bob Van Schoorl
Vice President: Steve Pottle
Secretary/Treasurer: Paul Telford

External Assignments

The Commission discussed assignments for representing the Commission at various councils and boards. The Commission asked staff to bring a clean listing back to the next meeting for review and approval. The Commission discussed the following division of assignments:

Commissioner Pottle: Economic Development Council; Yelm Chamber; LOTT; and Lacey

Chamber.

Commissioner Van Schoorl: Olympia/Thurston Chamber; Tenino Chamber; Capital Lake Adaptive Management Plan (CLAMP); Olympia Downtown Association; and Washington Public Ports Association. Lead for ceremony and award functions.

Commissioner Telford: Grand Mound Chamber; Solid Waste Advisory Committee; and Tumwater Chamber.

The Commission asked staff to check with TRPC about the Associate membership and encouraged staff to remain engaged. The Commission also asked staff to check on the Tumwater Downtown Association.

Tumwater – Port Exchanges

Mr. Heber Kennedy indicated the City of Tumwater and the Port are involved in a number of projects in and around the Olympia Regional Airport and the NewMarket Industrial Campus. This particular instance involves two projects that would provide mutual benefit for both parties.

- Mr. Kennedy reported that the City, in its Tumwater Boulevard Expansion project, has need of approximately 9,458 square feet of property located at the northwest corner of Capitol Blvd and Tumwater Blvd. for use as a southbound right turn lane from Capitol Blvd.

- Mr. Kennedy noted that the Port has interest in continuing aircraft hangar development to the south along Old 99. The Port has identified a well owned by the City of Tumwater that is unable to supply water to the city's water system and located in the path of future hangar development.

- Therefore, Mr. Kennedy indicated that the Port and City propose that in exchange for the City abandonment of its well, the Port will agree to dedicate to the City of Tumwater the property described in the attached letter and the City will complete the frontage improvements along with its Tumwater Blvd. expansion.

- Mr. Kennedy reported the second transaction with the City of Tumwater is approximately 15,420 square feet of property located along the west side of Old Highway 99 and Henderson Blvd. for the signalization of that intersection. That intersection is being signalized to improve the Level of Service (LOS). Since that intersection is currently "stop" controlled on the Henderson Boulevard leg and the Port access leg, the level of service is based on the worst movements, which are the westbound and eastbound left turns.

- Mr. Kennedy noted that these left turn movements are at a Level of Service "E" during the PM peak hour, which is below the City standard of "D". Because of this level of service failure, the city is required by ordinance to improve the LOS or not approve additional projects that would contribute vehicle trips through this intersection.

- The Port and the City are proposing a Dedication of 15, 420 square feet of property to facilitate the signalization of the intersection.

- Commissioner Pottle asked if this dedication would eliminate the future of placing commercial pads along the highway. Mr. Rudolph indicated that this dedication would not eliminate our future plans. He asked if there would be any thing that the City could preclude us from commercially developing these pads. He asked if we could get something in writing or revision to the letter of intent or in the deed. Mr. Kennedy indicated that we could work something with the City to get that assurance.

- President Van Schoorl asked what the value of this transaction is for the Port and the City. Mr. Kennedy indicated this is about a 90/100 benefit factor, 90 for the Port.

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The Commission unanimously approved the recommendation for the land dedication and agreement with the City of Tumwater.

Hangar RFP Approval

Mr. Rudy Rudolph indicated that the Port Commission has tasked the Airport Director to develop a Request For Proposals (RFP) for executive hangar development on the parcel of land south of Echo "E" hangars on the general aviation side of the airport. Mr. Rudolph indicated that he has provided the Commissioners with a draft of the RFP he is recommending and asked the Commission for feedback and or concurrence to move forward with the process. Mr. Rudolph reviewed the highlights of the RFP that are critical for discussion with the Commission.

Commissioner Telford indicated that he sent a memo to staff with questions, what we originally talked about was for bids or proposals for two different configurations. Mr. Rudolph indicated that goal was to have a neutral approach and not direct what size hangars would be developed.

Mr. Rudolph indicated the RFP is not the only document that the developers will get. There will be an AutoCAD document with developer area dimensions, and a pre submittal meeting will also be held.

Commissioner Telford noted that he has previously stated that he does not see any rational reason to move the Pearson hangar and does not understand why we are going through this exercise. Commissioner Pottle indicated he is comfortable with the proposed RFP and made a motion to approve the RFP. President Van Schoorl seconded the motion.

Earl Pearson, tenant at the Airport, indicated that the proposed RFP suggests that a developer would need to tear down his hangar and he does not understand that. Why tear down a perfectly good build to build other buildings on a promise that the new ones will be rented. He asked for a lease on the building, he has been fighting with the Port on this for five years. Commissioner Pottle indicated that the Port Commission is not voting to tear down the building and noted that the Port is willing to work with him.

Harold Clark, resident of Olympia, commented that he is also an airport tenant for many years and noted that it is hard working with the Port sometimes, and commented that the proposed RFP is confusing.

Mr. Rudolph indicated that we have tried to keep all options open and the developers are free to present any proposal. The Commission unanimously approved staff to move forward with an RFP for hangar development.

Marine Terminal Security Fencing Advisory

Mr. Jim Amador described the Marine Terminal Security Fencing project. He indicated that this project would provide fencing of the Marine Terminal area for Safety and Security. He noted the total cost of construction is \$191,950.91. Part of the funding is provided for in a grant from Homeland Security in the amount of \$75,000, leaving the Port's share at \$116,950.91. The fencing will encompass the 60-acre terminal and provide gates for access for the north end, south end and rail gates. Lighting will be provided at the entry points.

Commissioner Telford indicated the location of the fencing is not consistent with the comprehensive plan because it eliminates the Admiral District. The fence is also contrary to the November 4, 2004 Commission meeting on NorthPoint development when the land between the old and the new Marine Drive was identified as dry storage for boats, a possible office building, boat haulout and/or manufacturing. This is also the probable location for a new treatment facility and maintenance facility. He stated that once this is fenced in, it becomes a part of the Terminal. He expressed serious concerns over elimination of this buffer between NorthPoint and the Terminal and sees unresolvable conflicts to the point that he now questions the wisdom of rebuilding a restaurant there.

Commissioner Telford provided to staff several other suggestions to reduce the cost which have been ignored. He observed that the vinyl coated fencing recommended to mitigate the sight of the fence costs 40 percent more. He indicated that the location of the fence eliminates the Admiral District and the comprehensive plan needs to be revised before the north section of fence is located as shown. He stated that he was opposed to this location and that it should be located further South and that he wants this space used for storage of the public's boats currently on State Street.

President Van Schoorl indicated that he also has a concern about the stark galvanized fencing. Mr. Wolfe indicated that installing fencing is not a permanent fixture and does not change the comprehensive plan. We are responding to the market demand today and when other opportunities come up, we can make adjustments.

Commissioner Pottle noted that we are making this much more difficult than it needs to be. We have a liability at the Marine Terminal and we need to put some fencing up to restrict the entrance on the Marine Terminal. He commented that putting up fencing is not a permanent decision. We can make adjustments when the market demands. Right now we have opportunities to make revenue from the land and we are not doing any thing permanent except taking advantage of the opportunity now.

Commissioner Pottle moved approval of the Marine Terminal Security Fencing project as recommended by staff; President Van Schoorl seconded the motion.

Tom Howdeshell, resident of Olympia, asked when the fencing goes up, what type of security would monitor the area. Staff responded that right now the area is patrolled, when the fencing is install the security will remain the same. Commissioner Pottle responded that we are installing fiber and could later install a computerized security monitoring system.

Keith Bausch, representing the ILWU, commented the longshore is in total support of fencing the marine terminal. They have been waiting for this for many years. The liability issues are huge right now. The longshoremen run across pedestrians, cars, and animals, in the cargo yard daily. He also clarified the use at the Admiralty District and noted that area was to remain flexible. The Marine Terminal is very crowded right now and need every inch they have.

Rod Edgbert, member of the local longshore, commented that he is also in total support of the security fencing and has personally witnessed very close calls in the past. He also indicated that he strongly supports keeping any ground they have.

Michael Tempke, resident of Olympia, asked why we are paying the same for relocating a 6-foot fence as we are for a new 8-foot fence. Mr. Amador indicated he would check with the engineers on that estimate.

The Commission approved the staff to move forward with bidding for the Marine Terminal fencing with a 2-1 vote. Commissioner Telford voted against the motion.

Marine Terminal Master Rail Plan

Mr. Jim Amador presented the Commission with a power point presentation on the rail needs at the Marine Terminal. Mr. Amador indicated that the Marine Terminal business has experienced significant growth over the past few years. As a result of the growth in cargo, the Terminal's rail volume has dramatically increased. Regional cargo forecasts show increasing business opportunities at the Port, and our current rail infrastructure is not adequate to meet the growing demands. Ms. Kari Qvigstad presented the Commission with market data and future indicators. Mr. Amador presented a rail infrastructure master plan, separated into three phases provided an overview of new business opportunities and ROI for this infrastructure investment. He indicated that financing the rail infrastructure includes contributions from the Port and both State and Federal funding.

Commissioner Telford complimented staff on the work done in presenting the analysis on the rail plan. He indicated there is an error in the ROI that he earlier pointed out to Mr. Amador. Making that change will impact the overall ROI, subject to the change in ROI, he could support the phase I plan as presented. He noted that much of this is based on speculation of new business.

President Van Schoorl indicated the completion of the on dock rail helps to make us the niche Port with a commodity that other Ports do not have.

Commissioner Pottle noted that when you look at what is happening at other Ports, other Ports are turning to containers. The fact that everything cannot be shipped via container means there are more niche cargos. We are strategically located and we can vision the future, rail is going to become a more integral part of the transportation system. We have to make it more economically feasible to obtain the new business opportunities. The fact that the state is willing to help fund this as well as the federal government, if we step up with phase I that will give us a better chance with phase II.

Commissioner Pottle moved approval of the Phase I Rail Plan, Commissioner Telford seconded the motion subject to recalculation of the ROI.

Harold Chambers, resident of Yelm, asked where the proof in the pudding is? Shouldn't we have a plan to reduce taxes with all the increase in revenues?

Rod Edgbert, resident of Olympia, reminded the Commission that the purpose of a port district is to create jobs. He complimented the Commission for staying the course. He noted that this Port is growing whereas other Ports in Puget Sound is going away. The opportunity in this Port is tremendous.

Randy Peterson, owner of Tri-City Olympia Railroad, commented that the railroad supports the project. He congratulated staff in the hard work in providing a complete analysis on this project. He noted that this project makes the terminal much more usable and profitable.

The Commission unanimously approved the staff recommendation to go to bid for Phase I rail infrastructure.

Commissioner Pottle indicated that he and John met two weeks ago interviewing three companies that provide support in trying to obtain funding from the Federal Government for Phase II of the rail plan. He commented that if we want to move forward with Phase II, using federal funding, as opposed to the Port funding this project, we need to hire a consulting firm to help us execute the strategy. He commented that he would also like to help Yelm with their rail plan.

President Van Schoorl indicated that he is very supportive of looking at other funding opportunities. Infrastructure and transportation systems are the future of this Port.

Mr. Wolfe indicated that a consulting firm would focus not just on the Marine Terminal, but the Port as a whole looking for other opportunities as well.

The Commission unanimously approved Mr. Wolfe to move forward with a contract for consulting services for a strategic strategy for federal funding for rail at the Marine Terminal, not to exceed \$60,000. The Commission asked Mr. Wolfe to consult with all three commissioners before making the final decision on the consultant.

Sports and Events Center Study Update

Mr. John Wolfe reported to the Commission that the Port of Olympia has been presented with a proposal for the development of a Sports & Events Center on Port Property. The Port has entered into a contract with Jeff Cohen of Economic Research Associates (ERA) to study the economic viability of a Sports & Events Center in Thurston County. The study is broken out into three parts: (1) Market Analysis (2)

Financial Analysis and (3) Economic Impact Analysis. The estimated fee for the complete study is \$42,000. The Port's Executive Director has the authority to approve spending not to exceed \$25,000.

Mr. Wolfe indicated that Jeff Cohen provided an update on the study at the last Commission meeting. Mr. Wolfe noted that the Commissioners have the option to approve the additional funding necessary to complete the study of the economic viability of the Sports & Events Center.

Harold Chambers, resident of Yelm, asked if this study comes out not favorable, then the developer would back out, what guarantee do we have to get our money back. The Commission responded that this analysis is helping the Port make a good decision.

Tom Howdeshell, resident of Olympia, asked how much the lease with the proposed developer would be. President Van Schoorl indicated that is part of this analysis, looking at all aspects of this project, and whether it is good for the community.

Commissioner Pottle moved approval to provide additional authority to Mr. Wolfe to extend the contract with ERA for a total cost of \$42,000. Commissioner Telford seconded the motion. The Commission unanimously approved the additional authority to complete the study for a total contract of \$42,000.

Work Session: The Commission held a work session with staff on Friday, January 21, 2005 from 8:30 – 12:30 to discuss the draft strategic plans for the Port businesses. No action was taken at this work session. All three Commissioners were in attendance. Members of the public in attendance were: Tom Howdeshell and Jim Szymanski.

ADJOURNMENT

President Van Schoorl adjourned the meeting of January 24, 2005 at 8:30 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer