

PORT OF OLYMPIA COMMISSION  
MINUTES OF REGULAR MEETING

January 25, 1999

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**CALL TO ORDER**

President Van Schoorl called the meeting of January 25, 1999, to order at 6:35 p.m. at the Port of Olympia in the large conference room. Commissioner Dickison and Commissioner Pottle were in attendance.

President Van Schoorl announced the Commission had just come out of executive session with staff and counsel where they reviewed the terms and conditions relating to the price of the proposed lease agreement regarding the Swantown Boatworks project.

Staff in attendance were: Executive Director Nick Handy, Deputy Director Wendy Holden, Director of Marketing and Trade Development Kari Qvigstad, Director of Finance and Administration George Fox, Executive Assistant Jeri Sevier, Director of Engineering and Planning Andrea Fontenot, Swantown Marina and Boatworks Manager Bruce Marshall, Technical Services Coordinator Eric Egge, and Property Development Manager Heber Kennedy.

Members of the public in attendance were Trisha Collopy of *The Olympian*; Sandy Mackie, legal counsel for the Port of Olympia; Teri Preston, Olympia; International Longshoremen's Workers Union Representative Keith Bausch; Ron DeShields, Thurston Boat Repair; Pat Rants, Olympia; Neil Falkenburg, Olympia; Jerry Baruff, Olympia; Meta Heller, Olympia; Ted Johnson from Simon Johnson; Rob Kildow from Hodges Commercial Real Estate; Bill Sanford, Kim Selby, and Lyn Grahn from NBBJ.

**APPROVAL OF AGENDA**

The agenda was approved as presented, items were adjusted as needed for the convenience of presenters.

**PUBLIC COMMENT**

No public comment was presented for items not on the agenda.

**COMMISSIONERS REPORTS**

Commissioner Dickison indicated he attended the Transportation Policy Board meeting raising the Intercity Transit mail out ballot issue to increase sales tax by two tenths of a percent to maintain and improve services. Commissioner Dickison said this was an important issue related to transportation that he would like to put before the Commission for consideration of how the Commission can support and respond to the ballot issue at the next meeting.

Commissioner Dickison also reported on the impacts of Referendum 49 on transportation. The measure created funds to spend on roads with out identifying how the money is to be spent. There is an effort underway that has identified the top three priorities, which are: I-5 corridor improvements adding lanes from 93<sup>rd</sup> to Grand Mound; US101 Crosby/Cooper Point interchange; and the Hwy 510 south of Pacific Avenue. Commissioner Dickison also noted the discussions taking place to identify the priorities has not focused any attention to rail in Thurston County. Commissioner Dickison distributed the I-5/US 101 Destination Survey for the other Commissioners to review.

Commissioner Pottle reported he had attended the EDC Board of Directors meeting earlier in the day and attended a meeting last week with a prospective client with the Port.

President Van Schoorl reported he recently attended the Thurston Regional Planning Committee meeting where he was elected to serve as Secretary for the forthcoming year.

**CONSENT CALENDAR**

Minutes. The minutes of January 11, 1999 were unanimously approved as published.

Bills and Vouchers. The bills and vouchers in the amount of \$1,940,634.78 for the period ending January 25 were unanimously approved as submitted.

Capital Project Expenditures. The capital project expenditures were unanimously approved as submitted.

## **ACTION CALENDAR**

### **Lease Amendment – Citifor, Inc. - Main Log Yard Lease**

Ms. Wendy Holden presented the lease amendment between the Port and Citifor, Inc. to the Commission. The lease amendment clarifies the actual lease boundaries for the eight acre lease as well as reduces the monthly rent from \$5,000 to \$4,625 due to the change in site. The Commission ratified the approval of the lease amendment with Citifor, Inc.

### **Lease Amendment – Citifor, Inc. - Debarker Lease**

Ms. Holden presented the lease amendment between the Port and Citifor, Inc. to the Commission. The lease amendment reduces the manufacturing fee from \$1.50 to \$1.25/mfmb. The Commission ratified the approval of the lease amendment with Citifor, Inc.

### **Port Management Agreement with DNR**

Mr. Nick Handy reported to the Commission that several years ago the Port entered a Port Management agreement with the Department of Natural Resources. The area covered by the agreement is the Port Plaza and Guest Dock in the Market District. Under the terms of agreement, the Port would manage this state owned land consistent with provisions of the lease and state law provisions that authorize Port Management agreements. The law authorizes a 30-year agreement, however, the agreement entered into years ago is scheduled to terminate 16 years from the date of execution. This amendment provides the Port with the full 30 years authorized by law. No other terms and conditions are changed by this amendment. The Commission authorized the Executive Director to execute this amendment.

### **Resolution 99-03 - Establishing a Social Fund for the Port of Olympia**

Mr. Nick Handy indicated to the Commission he was changing this agenda item from action to advisory. Mr. Handy indicated the staff has a desire to establish a small voluntary fund to purchase flowers, cards for other staff. A checking account would be opened at a local bank to receive these funds. However, Mr. Handy indicated he is now considering managing a private fund on a cash basis. The Commission requested Mr. Handy to consult with counsel regarding this matter.

### **Crane Rail Extension**

Ms. Andrea Fontenot and Mr. Eric Egge briefed the Commission on the current recommendation for the crane rail extension. As a previous meeting, staff was directed to obtain estimates for extending the crane rail on to a portion of berth three as a part of the berth three repair project. The estimate was considerably more than staff had anticipated, and are now recommending against proceeding with this project. In addition staff submitted three other alternative projects with a higher value to the Port within this budget. The alternatives recommended for consideration are selected bull rail replacements, permanent cameling system for one berth, and purchase of a small boat for fender pile inspection and emergency response. The Commission asked staff to obtain price estimates on the three proposed projects for consideration at a future Commission meeting.

### **Resolution 99-04 - Terms and Conditions for Operations at the Swantown Boatyard**

Ms. Wendy Holden presented the Commission a revised resolution that establishes the terms and conditions for Operations at the Swantown boatyard. The resolution was previously presented to the Commission on December 14, 1998. The revised resolution includes changes to Exhibit B and adding Exhibit C, boatyard rates.

Mr. Bruce Marshall indicated to the Commission he conducted a study of seven local area boatyards to develop the rates on Exhibit C. The rates are slightly higher than the local market because of the facility and infrastructure provided by the Port. Bruce also indicated that it was difficult to compare rates since everyone uses a different rate structure.

The Commission made the following amendments to Resolution 99-04 and the attached Terms and Conditions as suggested by Port counsel.

Resolution 99-04 ~ Change the fourth whereas statement to read: Whereas, the Swantown Boatyard will open for business in two months, or March of 1999.

Amendments to Page 10 of the terms and conditions ~ Change the title of 6.7 to 6.7.1 DEFAULT - TERMINATION. In the last sentence, remove the phrase "without the necessity of posting bond."

Amendments to Page 10 of the terms and conditions ~ Add a 6.7.2 DEFAULT-COST RECOVERY/DAMAGES/INDEMNIFICATION to read as follows: In the event of default, whether or not resulting in termination, and Port action and/or litigation is required to enforce the Port's rights here under, or defend the Port from any claim arising by reason of the actions of the licensee, the Port shall be entitled to recover all costs of such proceedings including costs of Port staff, at prevailing hourly rates, (including direct and indirect costs) consultants fees, contract services, and other actual costs incurred by reason of such default or claim. In the event of litigation, the prevailing party shall be entitled to the costs of such action including a reasonable attorney's fee.

Amendment to Page 14, Exhibit B ~ Fourth paragraph, change 5 percent to 6 percent.

Amendment to Page 15, Exhibit C ~ Indicate the fee schedule will be updated from time to time.

With the amendments and additions listed above, the Commission unanimously approved Resolution 99-04 establishing terms and conditions for operations at the Swantown Boatworks.

### **Public Comment.**

Mr. Jerry Baruffi indicated his concern with the rate structure and the Port subsidizing the boatworks with taxes. Mr. Baruffi said the boat services are decreasing in the area and the Port has the power to put all of the small businesses out of business because the Port can subsidize. He further indicated that the Port subsidizes rates on boat moorage and will subsidize rates on this as well.

President Van Schoorl responded to Mr. Baruffi indicated the Port does not have the lowest rates in the area and has committed to make this venture a profitable business. President Van Schoorl indicated it was not the intention of the Port to put others out of business. Commissioner Dickison further responded indicating the Marina rates were not being subsidized, in addition, the Port has been increasing the rates for the last seven years. The Marina operation is running in the black, fully covering all costs including lease hold taxes, which are equivalent to property taxes.

Ms. Terri Preston expressed her concern about the percentage rents. She felt the percentage rents were very high and the Port was setting tenants up for defeat. Ms. Preston also indicated that the public interested in the boatworks does not have a clear idea of what the rents would be. She further indicated it is imperative for the Port to get actual numbers down in writing. The current communication is too ambiguous and uncertain. Ms. Wendy Holden responded to Ms. Preston indicating that tenants would have a base rate rent and those who come into the yard to do work that are not tenants of the boatyard would pay 15 percent on labor only. Further, President Van Schoorl responded that the Port is trying to be flexible on the rate schedule. The Port is not actively involved with tenants in the buildings, that negotiation is taking place with Simon Johnson. President Van Schoorl indicated the goal of the Port is to work with local businesses and for this project to be profitable for everyone, including the Port.

### **ADVISORY CALENDAR**

#### **Port of Olympia Organization Chart**

Mr. Nick Handy reported that during the Port Commission retreat this fall, the Port Commissioners requested staff to reevaluate the Port's internal organization to ensure its most effective support for the business units. Because of that request, Port directors and managers have conducted a series of meetings on this purpose and have made some organizational adjustments. Mr. Handy presented the Commission with a proposed organization chart and a functional organization chart that better supports the business development teams. The Commission indicated this proposal was a good start to providing more accountability and indicating the lines of businesses.

#### **Marine Terminal Outreach**

Mr. Handy reported on the progress being made in planning for the Marine Terminal Outreach process. Staff have issued over 800 letters and flyers, arranged for TCTV to tape each of the forums at no cost to the Port, issued community letters, divided up lists for personal phone calls, and are in the process of developing the panel for the February 4<sup>th</sup> forum.

#### **Study Report of Market District Area Multi-Use Building - Presentation by NBBJ**

NBBJ presented to the Commission the findings of a study conducted on the Market District area multi-use building. The presentation included an economic overview, retail market findings, office market findings, residential market findings, lodging market findings, and a summary of their recommendations.

**Economic Overview.** The analysis found the area had a 2.7 percent average annual growth; the employment was dominated by the state; the area had comfortable income levels; the area was underdeveloped for the visitor industry.

**Retail Market Findings.** The findings showed there was healthy retail conditions; strengths in downtown Olympia retail; opportunities in North downtown and elements of destination retail and local demands.

**Office Market Findings.** The findings indicated the state dominates the local office market; non-state market shows strengths; strong market for new office building in North downtown, even found potential office tenants.

**Residential Market Findings.** The analysis indicated there was a market for expensive condominiums, but the depth was uncertain; the apartment demand was strong, the rents low; downtown housing projects will provide a test of the market; residential development was not recommended at this time.

**Lodging Market Findings.** The findings indicated the hotel inventory was dispersed; occupancy rates and average room rates are low; there are 400 planned new hotel rooms in the area that will further depress the occupancy rates. NBBJ recommended limited support for hotel development in North downtown at this time. **Summary.** NBBJ indicated there was demand for retail and office space. They recommended development of a multi-use building with 40 to 50,000 square feet for office space, and 10 to 15,000 square feet ground level for retail.

#### ADJOURNMENT

President Van Schoorl adjourned the meeting of January 25, 1999 at 9:00 p.m.

PORT OF OLYMPIA COMMISSION

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President

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Vice President

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Secretary-Treasurer