

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

April 25, 2005

CALL TO ORDER

President Van Schoorl called the meeting of April 25, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Pottle and Telford were also in attendance.

President Van Schoorl announced that the Commission would hold an executive session following the meeting to discuss terms and conditions of two leases with potential customers and to discuss with counsel potential litigation.

Staff in attendance were: Executive Director John Wolfe, Administrative Manager Jeri Sevier, Property Development Director Heber Kennedy, Marketing Program Assistant Maureen Malahovsky, Harbor Director Bruce Marshall, Property Administrator Sally Alhadeff, Public Works Project Manager Ted Tolle, Public Works Director Andrea Fontenot, Airport Director Rudy Rudolph, and Marketing Director Kari Qvigstad. 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 the *Business Examiner* was Mark Lawton. Others included: William Parker, Casey Jones, Jed Whittaker, and Tom Howdeshell.

APPROVAL OF AGENDA

The agenda was approved with the addition of ratification of Pearson Lease on the consent calendar.

PUBLIC COMMENT

Tom Howdeshell, resident of Olympia, asked if the Port was going to implement any energy savings they might have learned from the conference they attended two weeks ago. He also asked if the falcons are being disturbed by any the activity at the Marine Terminal. In addition, he asked if the log tenants would be using the new rail being proposed.

President Van Schoorl responded that the conference did not include energy saving ideas; it focused more on regional energy issues. He also responded that the log tenants do not use the rail and the falcons are doing fine.

Jed Whittaker, resident of Olympia, suggested that the Commission propose a resolution to the President of the US to balance the budget. It makes as much sense as the resolution proposed in support of the Fort Lewis- McCord bases. He commented that it is a mistake to pass a resolution for war efforts when the true mission of the Port is economic growth. He also indicated that he felt Mr. Wolfe was overstepping his boundaries by proposing policy and authoring the resolution. He also suggested some other ideas for a resolution, solving all world problems.

COMMISSIONERS REPORTS

No Commissioner reports were given.

EXECUTIVE DIRECTOR REPORT

Mr. John Wolfe reported that the Airport staff are interested in having our appraisal and rate setting practices reviewed. Bruce Allen & Associates has submitted a proposal for this review. Staff will be taking a look at the proposal this week. The construction for runway shift project is underway. Construction hours are 7:00 AM to 3:30 PM. Mr. Wolfe also noted that the TEC construction has had a delay in getting their grading permit for their T-hangars, and start of construction is uncertain at this time.

Mr. Wolfe announced that the FAA has indicated that they will likely amend existing FAA Grant 13, which is the Airport Runway relocation grant, and provide supplemental funds for the 2006 runway line of sight correction project. This will save some administrative steps in the grant process.

At the marine terminal, Mr. Wolfe noted that staff is gearing up for several operations during the month of May. This will include garnet, aluminum and log vessels.

Mr. Wolfe announced that the State has passed the 2005 transportation budget, which includes the Port of Olympia's on-dock rail grant in the amount of \$375,000. This is great news! The Governor needs to sign the budget, and we don't anticipate any changes to the budget. I want to thank Commission and staff that worked on this project and grant request, and I want to also thank our State Representatives who supported this project.

Turning to property development, Mr. Wolfe indicated that staff is still working through the Brokerage Agreement with Colliers, and the document is currently out to our attorney for review. He noted that tonight staff would present a lease amendment for an 11-acre expansion area near their existing plant for a warehousing and distribution center. Construction will likely start in August.

Mr. Wolfe indicated that the 2nd quarter Property Showcase features 3 restaurant sites in Tumwater including the property at the end of the runway on the south side of Tumwater Boulevard; the 1 acre site adjacent to the hotels and the 1.4 acre site at the corner of Tumwater Boulevard and Capitol Blvd. We expect to send out an email link to the Showcase before the end of the month.

Mr. Wolfe noted that Heber, Rudy, Andrea, and himself met with the City of Tumwater staff to discuss the future stormwater plan in support of the Tumwater Blvd. expansion project and future development in Tumwater Town Center. Staff intends to bring forth a recommendation to the Commission at the May 9th Commission meeting.

At the Marina and Boatworks, Mr. Wolfe noted that we are finalizing our application for a federal "Boating Infrastructure Grant" for the renovation of our guest moorage facility. We are requesting \$95,000 (maximum amount of grant) to help with the estimated \$166,000 project.

Staff continues the demolition of the abandon vessel "Granada" continues with the help of correctional crews from Cedar Creek. The project has been slowed up due to work crew shortages. In addition, Mr. Wolfe noted that with the break in the weather, work crews are busy trying to complete the north Marina Plaza so OARA can move into their building.

Mr. Wolfe indicated that Kari represented the Port at the Northwest Marine Terminals Association spring meeting in Vancouver, WA this past week. In addition, Mr. Wolfe noted that Marketing activities continue for this year's BoatSwap. Posters have been completed and will be distributed next week throughout the county. Commissioners are invited to assist in poster and brochure distribution.

Mr. Wolfe announced that we have a Commission workshop scheduled for Friday, April 29th from 8:30 – 12:00 in the large conference room to discuss Cascade Pole and East Bay properties.

He noted that Jeri is finalizing the 2005 Commission meeting schedule and it will be distributed to you soon. Please keep in mind that the agenda items are tentatively scheduled and in some cases will move accordingly.

Also, Mr. Wolfe indicated that tomorrow, we will be conducting the interviews for the facilitator for the Port's Comprehensive plan assessment. Jan Vander Veen, Heber, and John will be on the interview panel, they will be interviewing 5 firms.

Mr. Wolfe noted that he and George have been working with our bond counsel and bond underwriter to move forward on the Port's bond refunding strategy. We have received and commented on the draft official statement that was prepared by our bond underwriter. The underwriter provided us with the second draft today. We are following a schedule that will put us in position to sign the bond purchase agreement on May 9th.

And lastly, Mr. Wolfe indicated that he and Heber met with the Harbor Wholesale group and toured their existing facility and discussed their business and expansion plans. The Properties staff is currently working on the development of an option agreement for this expansion.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the April 11, 2005 Commission Meeting.

Bills and Voucher Approval. The Commission unanimously approved the bills and vouchers in the amount of \$891,383.76. General Fund Checks Issued: 036633-036643, 036644-036693, 036694-036708, 036709-036761, 036762-036768, 036769, 036773-036775, 036776-036802, 036803-036815, 036820-036869, 036870-036873, 036874, 036875-036877, 036878-036889, 036890-036926, and 036927-036936. Voided Checks: 036654, 036670, 036678, 035235, 036770-036772, 034038, 034266, 034957, 036451, 036816-036818, 036819, 035341, 036768, and 036822.

Landlord Lease Consent – Olympia Airdustrial Park Associates. The Commission unanimously ratified the landlord lease consent with Olympia Airdustrial Park Associates. On August 25, 2004, the Port of Olympia terminated the old lease and entered into a new ground lease with Olympia Airdustrial Park Associates, L.L.C. Under that agreement, the Tenant agreed to build a phased development beginning with a 148,000 square foot four story building. The project has started and the Tenant is placing financing in place. The attached Lessor's Consent and Agreement (For Financing Purposes) covering this agreement is attached. The agreement is consistent with the current Port document with the exception that the Lender (Mortgagee) shall have the right to sell and assign the improvements without obtaining the consent of the Port, provided however, that Lender shall certify to the Port that the new owner will have the financial capability and management experience to perform under the lease. There are two of these agreements as the Tenant is also pledging the adjoining leased premises (commonly known as the Washington State Parks and Recreation Headquarters) to the bank.

Lease Amendment – Cardinal Glass. The Commission unanimously approved the lease amendment Amendment No. 3 with Cardinal Glass. This lease provides Cardinal Glass Industries with an additional 11.77 acres located south of Pat Kennedy Way, directly across from Cardinal's 180,000 s.f. glass coating and tempering facility in Tumwater. The site will be developed as an extension of Cardinal operations and will house their warehouse and distribution facility for both finished product and glass to be processed. The lease expiration is co-terminous with the existing lease and the scheduled rent increases are the same as the existing lease, or every 5 years. A binding site plan will be prepared by Cardinal to confirm the exact size of the parcel and the lease will be amended accordingly. This expansion is estimated to yield approximately \$51,141 additional rent per year, or \$4,261.83 per month, and development of the site is expected to be complete within nine months of this amendment. Cardinal will make the improvements to Pat Kennedy Way and Terminal Street in accordance with the requirements provided by the Port. In addition, Cardinal will install a stormwater infiltration system on Port property outside of the leased area (which Port has the right to relocate in future, if necessary). Cardinal will be

reimbursed for installation of the offsite stormwater infiltration system with rent credit in the amount of \$1,708 per month, in an amount not to exceed \$204,900 for not more than 120 months.

Leased Premises: 11.77 acres for construction of a 140,000 square foot warehousing and distribution facility.

Lease Term: No change from the existing term.

Rent: \$4,261.83 per month plus leasehold tax and adjusted every five years.

Lease Surety: The surety is equal to one year of rent.

Improvements by Tenant: Cardinal shall build the warehouse and distribution facility and an off-site stormwater infiltration system.

Tenant Improvements Credit: Cardinal shall receive rent credits in an amount not to exceed \$204,900 or \$1,708 per month for 120 months for construction of an off-site stormwater infiltration.

Lease Agreement – Pearson Air. The Commission unanimously approved the lease agreement with Pearson Air. The parcel of real property is located at 7849 Old Highway 99 SE, at the Olympia Regional Airport, containing approximately 46,440 s.f. or 1.066 acres and commonly known as “Pearson South”. The buildings and other improvements presently located on the Premises are presently the property of Tenant, and shall remain the property of Tenant, except as otherwise provided pursuant to this Lease.

The premises for Maintenance Shop Space, Aircraft Storage, Line Service, Aviation Maintenance and Charter Operations as defined in the Minimum Standards for Commercial Activities for the Olympia Regional Airport.

The tenant is currently in possession of the Premises pursuant to a holdover tenancy following the expiration of a prior lease. The term of this Lease is for thirty (30) years.

ACTION CALENDAR

NorthPoint Restaurant Site Improvements Capital Expense Authorization and Approval to Bid NorthPoint Restaurant Site Improvements, Contract #288

Ms. Andrea Fontenot indicated the purpose of this agenda item is twofold:

- 1) Request Commission Approval of a Capital Expense Authorization in the amount of \$1,494,390, and
- 2) Request Commission approval to bid the NorthPoint Site Improvements Contract No. 288 in the amount of 1,552,340.

1) Capital Expense Authorization

Ms. Andrea Fontenot indicated staff is requesting Commission approval of the Capital Expense Authorization for the NorthPoint Restaurant Site Improvement Project. The estimated total Port share of the entire project cost is \$1,072,763. However, we are requesting additional capital budget authority because the Port will be taking the lead on implementing some tenant responsible items in the interest of construction management efficiencies. The Tenant will reimburse the Port for these items, which are also summarized in the table below.

Ms. Fontenot noted that this project would require a Capital Expense Authorization in the amount of \$1,806,390. The Commission has already approved a Capital Expense Authorization in the amount of \$312,000. This request is for the difference of \$1,494,390, as outlined in the table on the following

page.

Capital Budget Breakdown	
Total Budget Need	
Port Share	\$ 1,072,763
Tenant Share to be Reimbursed to the Port	\$ 733,627
Total Budget Need	\$ 1,806,390
Minus Existing Budget	\$ (312,000)
Additional Budget Needed	\$ 1,494,390

The Commission unanimously approved the Capital Expense Authorization for the NorthPoint Restaurant Site Improvement project in the estimated amount of \$1,494,390, in anticipation of a Tenant reimbursement of \$733,627, which will be based on actual costs vs. budget.

2) Approval to Bid

Ms. Fontenot indicated the scope of this work includes site work and the building foundation. This does include the completion of Marine Drive and associated utility extensions within that right of way, but is a separate project Capital Expense Authorization of \$140,000.

The Port and the Tenant have agreed that the Port may take the lead on constructing the parking lot curbing, an item that is the tenant's responsibility, in the interest of construction management efficiencies. The Tenant would re-imburse the Port for this work and it would be tracked separately in the construction documents as Additive Alternate No. 1.

Ms. Fontenot noted that the Engineer's cost estimate for this scope of work is \$1,552,340.30. The Additive Alternate is estimated at \$54,627.39, and the base bid is estimated at \$1,497,712.70.

She noted that staff has prepared the bid documents with the understanding that the bid will be awarded contingent on two items: 1) receipt of an acceptable US Army Corps of Engineers Section 10 permit, and 2) a signed lease with the Tenant.

The Commission unanimously authorized staff to bid NorthPoint Site Improvements Contract No. 288, for the estimated amount of \$1,552,340.30.

Resolution 2005-04 – Ft. Lewis/ McCord BRAC

President Van Schoorl indicated he received a letter from Gary Bracket asking if the Port would support the continuing presence of Fort Lewis and McCord Air Force Bases in Pierce County.

He commented that there are a number of military families that live and shop and a number of military retirees that live in this community provide a significant impact to our economy in Thurston County.

The Commission discussed Resolution 2005-04 supporting the continuing presence of Fort Lewis and McChord Air Force Base in Pierce County, and opposing the closure or realignment of these two military installments by the Department of Defense Base Realignment and Closure Committee.

Commissioner Telford indicated that the two bases have an economic impact to this county and it is the duty of the Port to support economic vitality in this community, therefore he supports this resolution. He

indicated he would have removed inflammatory wording that is unnecessary to the purpose of the resolution if he were to have the opportunity to see it in advance. President Van Schoorl apologized for the late notice. He indicated that he received the letter asking for support and misplaced it. He gave it to staff to prepare the resolution late.

Commissioner Pottle indicated that he fully supports this resolution.

Tom Hawdeshell, resident of Olympia, asked what the expansion refers to in the resolution. President Van Schoorl indicated that as other bases close, they would move to consolidate with other bases.

The Commission unanimously passed resolution 2004-04 supporting the continuing presence of Fort Lewis and McChord Air Force Base in Pierce County, and opposing the closure or realignment of these two military installments by the Department of Defense Base Realignment and Closure Committee.

Planning and Advisory Committee Recruitment and Reappointment Process

Mr. John Wolfe indicated that the Planning and Advisory Committee (PAC) has one term expiring this year, and three terms for consideration of reappointments.

Russ Carstensen has served two full-terms; therefore, he is not eligible for re-appointment. Mr. Wolfe indicated that we would be recognizing Russ for his contribution to the PAC at a Commission meeting in June when his term expires.

Bill Garson and Julie Noice were appointed in 2003 to serve a two-year term. Patti Moore was appointed in 2003 to serve as an alternate in the event that someone resigned prior to their term expiring. Tom Smith resigned in 2004, so Patti Moore was appointed to serve the remainder of the year. Bill, Julie, and Patti are eligible for another three-year term appointment and Bill and Patti would like to continue serving on the PAC. Julie is unable to serve a second term due to her other professional commitments. He noted that we would also recognize Julie in June when her term expires.

Mr. Wolfe indicated that staff has developed a proposed recruitment screening process for your approval. In addition staff is recommending the following: Reappoint Bill Garson and Patti Moore for an additional three-year term to expire in 2008. In addition, Mr. Wolfe noted that staff is asking for an Appointment of a Commissioner to serve on the interview committee.

Commissioner Telford expressed his opinion on the application process noting he did not feel some of the questions are relevant to the appointment process. In addition, he noted that he did not feel the Port uses the PAC properly and his efforts to use the PAC has been blocked.

President Van Schoorl indicated he likes the application and values the community experience, and other information listed on the application; it shows their desire to serve on such a board.

Commissioner Pottle indicated that he agrees with Commissioner Telford in the fact that we do not use the PAC as much as we can, and maybe we need to look annually at projects that can be assigned.

The Commission unanimously approved the recruitment process and appointed President Van Schoorl as the Commissioner to serve on the interview process.

ADJOURNMENT

President Van Schoorl adjourned the meeting of April 25, 2005 at 6:30 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer