

PORT OF OLYMPIA COMMISSION
MINUTES OF REGULAR MEETING

May 10, 1999

CALL TO ORDER

Vice President Dickison called the meeting of May 10, 1999, to order at 6:33 p.m. at the Port of Olympia in the large conference room. Commissioner Pottle was also in attendance. Commissioner Van Schoorl was out of town on business.

Staff in attendance were: Executive Director Nick Handy, Director of Marketing and Trade Development Kari Qvigstad, Director of Finance and Administration George Fox, Deputy Director Wendy Holden, Executive Assistant Jeri Sevier, Airport Manager Doug Sandau, Swantown Marina and Boatworks Manager Bruce Marshall, and Property Development Manager Heber Kennedy.

Members of the public in attendance were Joel Coffidis of *The Olympian*; Sandy Mackie, legal counsel for the Port of Olympia; Keith Bausch, ILWU Local 47 representative; Shawn Newman, Olympia; Neil Falkenberg, Westbay Marina; Kim Gaffi and Blue Peetz, representing Sister Holly Community Garden Project; Bill Wiekes, Olympia; Chris Lane, PAC member; and Tom Fell, Olympia.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

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

COMMISSIONERS REPORTS

No Commissioner report was presented.

CONSENT CALENDAR

Minutes. The minutes of April 26, 1999 were approved as published by majority vote of the Commission.

Capital Project Expenditures. The capital project expenditures in the amount of \$114,548.81 were approved as submitted by the majority vote of the Commission.

ACTION CALENDAR

New Lease - Simon Johnson - Swantown Boatworks

Ms. Wendy Holden presented the Commission with a lease agreement with Simon Johnson for construction at the Swantown Boatworks. Ms. Holden indicated the lease is very complicated and has taken the Boatworks Team (Kari Qvigstad, Heber Kennedy, George Fox, Bruce Marshall, Andrea Fontenot, Cheryl Van Valkenberg, Nick Handy, and Wendy Holden) over a year in the process of negotiating with Simon Johnson to shape a project to meet the public's expectations, and a lease to reflect that project in operation. This business is a three way partnership, the Port, Simon Johnson, and the tenants and concessionaires working at the yard.

Ms. Holden gave an overview of the main unique features of the lease as follows:

- The lease is for 30 years, with an option to renew for one ten-year period.
- Simon Johnson leases ground immediately for a 19,000+ foot building with an option for an area for a 30,000 foot

building. Simon Johnson wants to build all 50,000 feet at the same time. The lease also gives Simon Johnson the right of first refusal on a parcel to accommodate a 15,000 square foot building across from the boatyard (see site plans, Exhibits D and G).

- Tenants in the buildings must be engaged in marine related business activity. This respects the requirements of the Army Corps of Engineer's permit that enabled the Port to dredge East Bay and create the land on which the boatyard and buildings will sit.
- The income stream for the Port consists of ground rents, percentage rents, and any increases in tenant space rent above a certain level.
- Over the first five years, the Port receives ground rent at an escalating rate from 23 to 43 cents per foot. At that time, the normal cycle of re-appraisals on leased land will determine the ground rent for the next five-year cycle.
- Tenants in the buildings pay the Port a percentage of their gross sales, which is referred to as "percentage rents." For the first five years that rate is established at 4%, with any subsequent increases accruing to the Port. The Port approves any exclusion from those sales for percentage rent purposes.
- Tenants pay space rent to Simon Johnson. Any increases in space rent above 55 cents per foot accrue to the Port.
- The analysis from George Fox, Port Finance Director, describes the return on investment for this project; at 11.4 percent, the return exceeds our desired rate.
- Simon Johnson has the opportunity to "condominiumize" the buildings, or to sell them, with the Port's approval.
- The Port has the option to purchase the buildings at year 11, and at five-year increments thereafter.

Mr. Ted Johnson spoke on behalf of Simon Johnson indicating he was enthusiastic about the interest level of tenants in leasing the space. Once the lease is signed and ratified by the Commission, Mr. Johnson indicated they would begin permitting and construction immediately. Commissioner Pottle asked Mr. Johnson what the timing of the second building would be. Mr. Johnson responded that building two needs to be 50 percent pre-leased before financing can be obtained. Mr. Johnson indicated Simon Johnson would begin a very promotion for leasing immediately.

Mr. Shawn Newman asked the Commission to explain the financial analysis, asking if the Port included the costs of \$2.4 M to build the facility. Commissioner Dickison responded yes. Mr. Newman also inquired about the lease terms and the time period of 5 years versus 30 years. Ms. Holden directed Mr. Newman to review the terms on page two of the lease summary. Portions of the lease are not fixed for the entire 30 years such as percentage rent, and ground rent. Mr. Newman asked if Simon Johnson had to pay for hookup fees for sewer, water, and electricity for the buildings. Mr. Heber Kennedy responded they would, just like any other tenant of the Port.

Commissioner Pottle said that based on how the lease was presented by staff, he had a great perspective for this project to be very successful. From what we have seen at the boatworks in the first two months of operation, this business is moving in the right direction. Commissioner Pottle also expressed his concern to staff and Simon Johnson to be prudent in whom we lease space to. The Port will still have influence in the process. Commissioner Pottle believes this project will be wildly successful, it will be good for the community, the boaters, and businesses.

Commissioner Dickison commented that this process has been a very long negotiation and has created a unique relationship and partnership with a private developer.

Commissioner Van Schoorl was unable to attend the meeting, but sent a memo relaying his thoughts on approval of the Simon Johnson lease as follows: I am sorry I will be unable to attend tonight's Port Commission meeting, but would like to let you know that I have reviewed the lease proposal with Simon Johnson for the Swantown Boatworks. I fully support the approval of the lease. Nick, Wendy, and the rest of the staff have done a marvelous job negotiating the terms of a lease that reflects a true partnership between the Port and Simon Johnson. They are to be congratulated for their efforts to work through this difficult, unique negotiation. I truly believe that with this lease, the Port, Simon Johnson, the future tenants, the boating community and the citizens of the Port will significantly benefit from a class A, environmentally sound, facility. I am particularly pleased that the boatyard is already being utilized by a significant number of boaters in South Puget Sound, and not surprisingly, from throughout Puget Sound. The level of activity in the first month clearly shows the potential for this operation. The financials of this lease are extraordinary. An 11 percent return to the Port and the citizens of our community is superb. It is clear that the boatworks will return a positive operational cashflow from the beginning. Again, my thanks to staff and Simon Johnson for your tenacity in completing this lease. I strongly encourage its approval.

Public Comment: Mr. Tom Fell asked the Commission if the Port would have say in the type or specific businesses going in the facility. Ms. Holden responded that the Port retains an influence, and there are constraints in the lease that the use must be marine related business. In addition, the Port has maintained a partnership interest in having the facility full with the right mix of businesses. Mr. Fell inquired about the dry stack storage. Commissioner Dickison responded that the dry stack storage has been separated from the lease and is being negotiated separately.

The Commission ratified the new lease with Simon Johnson by majority vote of the Commission.

New Lease - Rowe Management Corporation

Mr. Heber Kennedy presented the Commission with a new lease with Rowe Management Corporation. The lease agreement is for 30 years beginning May 1, 1999 through April 30, 2029 for approximately 1.446 acres at NewMarket Industrial Campus. Mr. Rowe plans to develop warehouse/office buildings on the site. The tenant also has the option to renew this lease for another 20 years. The options to expand are for an additional 1.3 and 1.46 acres.

The Commission ratified the new lease with Rowe Management Corporation by majority vote of the Commission.

Lease Amendment - Citifor, Inc.

Ms. Wendy Holden presented the Commission with a lease amendment with Citifor, Inc. The amendment extends the current lease term for the log yard, debarker, water easy lift, and scale leases for an additional 90 days to June 30, 1999 based on the same terms and conditions.

The Commission ratified the lease amendment with Citifor, Inc. by majority vote of the Commission.

ADVISORY CALENDAR

Sister Holly Community Garden Project

Mr. Heber Kennedy introduced representatives from the Sister Holly Community Garden Project to the Commission for an advisory of the project the Port was considering for a new lease. The Sister Holly Community Garden Project is a local non-profit organization dedicated to the construction and management of intergenerational garden projects addressing the needs of seniors and “at-risk” youth.

Mr. Kennedy indicated the project would be a non-conforming use for the parcel of land. In the Port Comprehensive Plan, the space is designated for commercial office retail space. Mr. Kennedy indicated to the Commission this lease would be made on a temporary basis until a more permanent lease is made.

Coordinators Blue Peetz and Kim Gaffi indicated their interest in leasing approximately 5,000 square feet of land at the corner of State Avenue and Cherry Street, just west of the Sundance Auto leased premises. The lease would be on a month-to-month arrangement and both parties would be able to terminate the lease with sixty (60) days written notice.

Mr. Peetz and Ms. Gaffi explained their project to the Commission indicating the garden projects work with both seniors and youth through the Senior Center, CYS, and local schools. This site will give the project some publicity. The long-term goal of the Sister Holly Community Garden Project is to find a permanent long-term space with the City of Olympia.

Mr. Nick Handy indicated to the Commission that he would like a clear and mutual understanding that this use is a temporary use, but a worthy one. Staff is recommending we move forward on the month to month lease. Commissioner Pottle responded that he liked the idea, it was certainly better than what we currently have as long as it is a temporary lease. Commissioner Dickison indicated that the project would liven State Avenue and hopefully promote their activities.

The Commission indicated their support for the project.

NorthPoint Outreach and Signage Implementation Update

Ms. Kari Qvigstad provided the Commission with an update on the NorthPoint outreach and signage implementation plan including information on the signage bid awarded to I-5 Signs scheduled for implementation in the next 3-6 weeks and the new identity of NorthPoint. Ms. Qvigstad distributed a draft brochure for marketing the identity of NorthPoint. Commissioner Dickison suggested the brochure feature the viewpoint.

Swantown Boatworks Grand Opening Update

Ms. Kari Qvigstad and Mr. Bruce Marshall gave the Commission and overview of the planning for the Grand Opening of

the Swantown Boatworks and the 3rd Annual Swantown BoatSwap and Chowder Challenge to be held Saturday, May 22, from 10 - 4. Mr. Nick Handy gave an overview of the dedication event planned for 12:30 p.m.

ADJOURNMENT

Commissioner Dickison adjourned the meeting of May 10, 1999 at 8:12 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer