

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

June 27, 2005

CALL TO ORDER

President Van Schoorl called the meeting of June 27, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Pottle and Telford were also in attendance.

Staff in attendance were: Interim Executive Director Rudy Rudolph, Administrative Manager Jeri Sevier, Property Development Director Heber Kennedy, Communications Manager Patti Grant, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, 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. Others in attendance included Paul Sorensen, Harold Clark, Jim Pedersen, and Budd Gould.

APPROVAL OF AGENDA

The agenda was approved as presented.

PUBLIC COMMENT

Jim Pedersen, resident of Olympia, commented he wanted to raise three topics. He asked if there is currently a project to revise the Port's website. He suggested the Port re-evaluate the Port's image and start with the website.

Secondly, he asked if there were plans for a Small Boat Center. President Van Schoorl responded that the Port has been working with a group on a small boat center for keelboats. In addition, the OARA building just recently opened at the Swantown Marina. Mr. Pedersen encouraged the Commission to step up and build a facility themselves and not wait for another group to come forward. Commissioner Pottle indicated that group is looking on how they might fund such a facility since the project is approximately a million dollar project.

Finally, Mr. Pedersen asked the commission when they think of environmental projects, is that positive or negative experience. President Van Schoorl responded that it is very positive, the Port has undertaken the cascade pole project, built state-of-the-art modern environmental facilities at the Boatworks and continues to look at environmental issues Port-wide. Mr. Pedersen encouraged the commission to be proactive instead of reactive, which, he commented it sounds like the port is.

COMMISSIONERS REPORTS

Commissioner Telford noted he attended the State Auditor's Exit Conference. There were no findings. He indicated however, that there were a couple of items of concern. The auditors observed that the Port's contract with the city on the East Bay Viewing Tower was overrun by \$4,800. The auditors commented on accountability for small and attractive assets. In addition, they investigated the contract on the welcome pole and found that one payment was made before the contract was signed and 1/3 of the contract was paid the day it was signed with no documentation that any work had been completed. RCW 42.24.080 was cited. Commissioner Telford commented that he has been trying for two years to get an umbrella policy written for contracting and purchasing. He understands that Andrea Fontenot has the current action on another draft.

Commissioner Pottle reported he attended a meeting with the Yelm City Council in a work session to talk about future opportunities to jump start industrial development in Yelm. Rudy, Michael Cade and Shelly Badger will continue to work on issues.

President Van Schoorl reported he represented the Port on a panel for the OMJP on the visit of military shipments to the Port of Olympia. There were representatives on both sides of the issue in attendance. It was a good forum sharing information on the issues. Commissioner Telford commented that there was discussion of depleted uranium and he commented he is confident that there are no munitions coming through the port, that no contaminated vehicles are coming through the port, and there is no hazard from any armor in the vehicles. The other issue that there was bilge water being discharged of human waste into the sound. That issue was discussed and the Port had documentation that there was no human waste discharged.

President Van Schoorl also noted that tomorrow is the Economic Vitality Summit at 9:00 a.m. where community leaders and government leaders will join to discuss a more regional strategy.

EXECUTIVE DIRECTOR REPORT

Mr. Rudy Rudolph, interim Executive Director announced at the Airport the mainline paving for the south end portion of the Runway Shift project is scheduled for June 28th. He noted that NWHangars has City of Tumwater feasibility review for their proposed T- hangar construction on Thursday.

At the Marine Terminal, Mr. Rudolph reported that the vessel Vasiliy Burkhanov was recently in port, discharging aluminum. It is finished cargo operations and sailed on Sunday the 26th.

He announced that we have heard from the Corps of Engineers regarding the public comment period for our North Point restaurant project. It appears that no challenges to the permit were made and the Corps is now waiting on the Department of Ecology water certification permit.

Mr. Rudolph noted that the Marina occupancy is currently 90 percent and the Dry storage occupancy is at a record 89 percent. He announced that an 85-foot World War 2 Air Force "crash rescue boat" visited Olympia and was moored at the Port Plaza during the Air Show weekend. This historical rescue vessel was on public display and over 850 people toured the vessel as part of the recent air show.

Mr. Rudolph reported that the Public Works department continues management coordination for the 2005 Airport Improvement Project construction and the TEC hangar construction. Reid Middleton's proposal for the Runway Line of Sight and Runway Rehabilitation project design has been reviewed and signed. He noted that staff is participating in the design planning for the marina MNO upland project and beginning the permitting process for the dredging and offshore work. In addition, staff is participating in the planning for the marine terminal cargo yard improvements.

Mr. Rudolph noted that the Port co-hosted dinner and staff provided a presentation on the Port of Olympia to the community representatives and the delegation from Yashiro, Japan Friday night as a part of the Olympia-Yashiro Sister City Association's cultural exchange.

He also announced that in partnership with the Thurston Count EDC, Pacific Mountain Workforce Development Council, Thurston Regional Planning Council and Thurston Chamber of Commerce, Port staff has been planning for the county-wide Economic Vitality Summit to be held Tuesday, June 28th. This is an opportunity for regional economic development stakeholders to focus on priorities for a Community Economic Development Strategy for Thurston County. Commissioner Van Schoorl will convene the meeting and Kari Qvigstad will facilitate the breakout session on Transportation/Infrastructure.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the May 23, 2005 and June 10, 2005 meetings.

Bills and Vouchers. The Commission unanimously approved the bills and vouchers in the amount of \$844,712.66. General Fund Checks Issued: 037080-037147, 037148-037156, 037157-037196, 037197-037216, 037217-037218, 037220-037274, 037275-037289, 037290-037325, 037326, 037329-037370, and 037371-037387. Voided Checks: 036558, 036493, 036779, 037177, 037219, 037032, 036208, 037327-037328, and 037282.

Lease Amendment: Richard Rutledge

The Commission unanimously ratified the lease with Richard Rutledge. This is a 3-year lease for 2.6 acres of land south of the Olympia Regional Airport. Tenant, Richard Rutledge, has leased this land since 2002. The land continues to be leased for agricultural use (corn maze). Annual rent is \$508.58 plus LET.

Lease Assignment and Consent to Assignment: Airdustrial Ministorage

The Commission unanimously ratified the Assignment of Airdustrial Ministorage to Airdustrial Ministorage, LLC. The term remains through December 31, 2016 with one 10-year option or through December 31, 2027. New Tenant continues with lease payments at the rate of \$1,862.48/mo. for 3-acre parcel, rent adjustment every 5 years, and will stay operating as a ministorage business. As in all Port assignments, the former tenant Airdustrial Ministorage, remains liable for the remainder of the lease term. Due diligence was performed on the Assignee and its financial position is good.

Lease Amendment: Airdustrial Ministorage, LLC

The Commission unanimously ratified the lease amendment with Assignee, Airdustrial Ministorage, LLC, requested extension of the option period to renew from January 1, 2027 to December 31, 2034 (additional 8 years) as required by the lending institution that financed the purchase of the ministorage units from the original Tenant Airdustrial Ministorage. This additional time provides adequate time to amortize the purchase.

Lease Amendment: TEC Construction

The Commission unanimously ratified a lease amendment with TEC Construction for approximately 1.72 acres south of the Airport for development of hangars. The lease was dated January 24, 2005 with preliminary review by the City of Tumwater in February. A formal application for the building permit was submitted March 2, 2005, and the building permit was issued by the City on June 14, 2005. Delay in issuing the building permit put the project behind and the target date for rent commencement date is being amended as follows: TEC's occupancy of any improvements on the premises, issuance of a temporary or final certificate of occupancy or September 1, 2005.

ACTION CALENDAR

New Lease: Holbrook, Inc.

Commissioner Telford indicated he wanted to make sure that the commission understood they could be forced to purchase the debarker and that he didn't see any reason for the port to be put in this position. The other commissioners indicated they understood the terms of the lease.

The Commission unanimously ratified a 21-month lease to Holbrook, Inc. for approximately 1.0 acre to operate Debarker and Easy Lift at the marine terminal at the rate of \$500.00/acre/month. Port has the

option to relocate the equipment on another area of the terminal if demand for the space arises. In the case of market changes and the Port no longer needs the equipment prior to the expiration of the lease term (December 31, 2006), the Port will make an early termination payment to the Tenant for its investment to maintain current debarking operations at the terminal. The payment will be based on an amount paid by Tenant for the equipment amortized on a straight line basis over a two year period. Port and Tenant also have the option to negotiate purchase of the equipment if Tenant does not renew the lease and Port wishes to continue debarking/easy lift operations beyond December 31, 2006 – the purchase price at that time will be based on an amount determined by an appraiser.

Planning and Advisory Committee Appointments

President Van Schoorl indicated that the PAC Review Committee has completed the process of reviewing applicants and developing recommendations for PAC membership. The PAC Review Committee consisted of Commissioner Bob Van Schoorl, Executive Director John Wolfe, Properties Director Heber Kennedy, and PAC Chair Jan Van Der Veen.

President Van Schoorl indicated that the PAC Review Committee unanimously recommends the following four candidates to the Port Commission.

Kevin Partlow – Three-year term with option to renew for another three years.

Keith Laws – Three-year term with option to renew for another three years.

Darlene Kemery – Two-year term with option to renew for another three years.

Rod Edgbert – One-year term with option to renew for another three years.

In addition, the Committee recommends that Joe Raudebaugh be selected as "first alternate" in the event of an unexpected vacancy on the PAC prior to the next recruitment period.

The Commission unanimously appointed candidates recommended by the PAC Review Committee consisting of Kevin Partlow, Keith Laws, Darlene Kemery and Rod Edgbert and appointing Joe Raudebaugh as first alternate in the event of a vacancy on the PAC prior to the next recruitment period.

New Lease: Anthony's Restaurant at NorthPoint

Mr. Heber Kennedy indicated in accordance with the Letter of Intent between the Port and Anthony's signed on August 9, 2004, the two parties have been pursuing planning, construction coordination, permits, building design and completion of a lease between the two parties. Plans for the project were submitted on February 22 and both parties are awaiting City of Olympia review and approval. Additional permits needed include the Corps of Engineers, Department of Fish and Wildlife and the Department of Ecology.

In addition to the Lease, Mr. Kennedy noted in the package, Lease Amendment No. 1 to the NorthPoint lease reflecting our recently revised agreement with Anthony's regarding installation of a directional sign at the corner of Market St. and Marine Drive. In addition, there is a Lease Amendment No. 1 to the existing lease between Anthony's in the Market District and the Port providing for an option to extend the lease of the Market District Anthony's premises for an additional 20 years as consideration for entering into this lease agreement.

Mr. Kennedy summarized the lease as follows:

Leased Premises: 1.424 acres located in the area of the prior Genoa's restaurant location, plus a non-exclusive right to install landscaping along a 8' strip along the southern border for screening

Lease Term: 30 years and commences upon signing

Options to Renew: Two: one 30-year term and one 15-year term

Rent: \$4,126.00 per month plus leasehold tax and adjusted every five years. Rent commences upon Tenant opening for business or August 1, 2006. Tenant may challenge initial rent using an appraisal resolution process.

Lease Security: The surety is equal to one years of rent.

Concession Fee: 2% of sales commencing at the fifth lease year; 2.125% of sales commencing at the 16th lease year; and 2.25% commencing at the 21st lease year.

Improvements by Port: Port shall demolish the existing building and construct a new foundation (pilings bulkhead and sub floor) of the building; install utility lines to the building, and complete all parking lot in ground improvements. The improvements should commence in July and be completed by October 15, 2005. In the event of a delay, the project will commence in one year.

Cost of Port Improvements: \$1,810,908

Reimbursement of Port Improvements by Anthony's: \$550,000 at the commencement of the 6th lease year

Reimbursement of Building Design by Anthony's: \$118,475 at time Port delivers site to Anthony's with Port Improvements completed.

Anthony's Improvements: Anthony's at their sole cost and expense will construct the restaurant building, install all the furniture, fixtures and equipment necessary to operate the restaurant and complete the parking lot improvements such as paving, lighting, stripping and landscaping. The estimated cost of these improvements including the reimbursement to the Port of \$550,000 is \$3,300,000.

Public Access Improvements By Port: Port will build, at its sole cost and expense, an esplanade along shoreline for public use between the restaurant building and Washington Street. Port will also complete the roadway to the shoreline and relocate the boat ramp.

Permits: Plans and specifications for the facility were submitted on February 22 and both Anthony's and the Port are awaiting City of Olympia approval. Corps of Engineers, HPA and DOE permits was submitted in November.

Right to Cancel: In the event Port Improvements materially exceeds the estimated total cost, Port will have the right to cancel the lease. In the event, Port improvements are not substantially complete by September 30, 2008; Tenant has the right to cancel.

Condemnation by Port: In the event the Port elects to condemn the leased premises in such as way the site is unusable for tenants purposes, in addition to the sums the tenant is entitled to under law, the Port will pay two years of business interruption loss in the same manner that business interruption loss is calculated for purposes of business interruption insurance policies. Also if Port condemns prior to reimbursement of Port improvements, Tenant does not have to reimburse Port.

Directional Sign: Port and Anthony's have recently agreed upon a sign design at the corner of Market and Marine Drive. Port is responsible for obtaining City permits and will construct a base and bring electrical service for the installation of an Anthony's directional sign. In the event the Port cannot obtain a sign permit, Anthony's has the option to cancel the lease. This issue is covered in Lease Amendment No. 1 to the Lease Agreement.

Concomitant Lease Extension: With this new lease, Anthony's would like a corresponding term

with their existing Market District lease in order to coordinate deliveries, vendors, and other services to the two Olympia restaurants over the lease term. A separate amendment to their existing lease providing an additional option term is attached.

Environmental Assurance: Port will provide a baseline environmental soil test on the leased premises prior to commencement of Port construction. In the event contamination from Cascade Pole or from the fuel tanks formerly associated with the Olympia Marina reaches the Leased Premises, the Port will be responsible for any cleanup of such contamination.

Mr. Kennedy indicated the lease closely parallels the Letter of Intent signed last August. The lease contemplates completion of Port improvements and handing off to Anthony's for building construction on October 15, 2005. The restaurant would be scheduled to open in July 15, 2006.

Mr. Budd Gould indicated Anthony's is very excited to enter into their second lease agreement with the Port and are looking forward the new restaurant at the Northpoint site – it is a fabulous location. Commissioner Van Schoorl indicated that the Port is excited to have them as a business partner for a second time as well. Mr. Gould indicated this restaurant would have a different menu than the Anthony's Homeport; it would not all be focused on seafood. The new restaurant at NorthPoint will be far more family friendly, lower price point, and a higher energy atmosphere.

Commissioner Telford asked where the sign would be located. Mr. Kennedy indicated it would be on the west corner of Marine Drive and Market Street. Commissioner Telford stated that he had requested that the sign be paced on the NE corner so as not to block the future building on the NW corner and that he was disappointed that this instruction was not followed. Mr. Kennedy indicated there will also be a NorthPoint identification sign that will direct people to the area. Commissioner Telford reiterated that Northpoint is not a place and there is no reason for this. He questioned if there was room on the sign for other future tenant signs. Mr. Kennedy indicated the Port consulted with a signage expert on this issue.

The Commission unanimously ratified the New Lease with Anthony's Restaurant at Northpoint.

NorthPoint Restaurant Site Improvements – Award Bid, Contract #288

Ms. Andrea Fontenot indicated the purpose of this agenda item is to bring forward the bid results. The base bid included the site improvements and building foundation, and Marine Drive improvements and updated Return on Investment for the NorthPoint Restaurant Project.

She indicated that three bids were received and opened on June 22, 2005. The apparent low bidder is Rognlins out of Grays Harbor; the bid is over the Engineer's estimate by \$352,448. She noted that the bidding environment is such that the bids are late in the year and the contractor's workload is already planned for the year, in addition, this project is on a compressed schedule limiting the work window.

By way of background, Ms. Fontenot noted that the Commission authorized staff to go out to bid on this project April 25, 2005, with a budget of \$1,552,340.30, which included a base bid and an additive alternate for \$54,627.39. The additive alternate was for parking lot curbing, which is a tenant-funded item of which the Port was to perform the work for reimbursement.

This project went out to bid 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. We do not have receipt of a Corps permit. However, the public comment period for this permit closed on June 17, 2005, with no adverse comments. The Corps Project Manager, Jim Green, advises us that all that is required before he can issue the permit is a Department of Ecology Water Quality Certification, which is anticipated to be issued at any time. Regarding item 2), the Commission just ratified the lease with the tenant.

Commissioner Telford indicated the difference in the bids on the sheet piling and steel pile are all over the map and asked if staff could explain the difference. In addition, Commissioner Telford noted that the

bids are much higher than the engineers estimate. He asked staff to speculate on why the bids are so far off from our estimate. He asked how much more this project is costing us because of tight schedule of the project. Mr. Ted Tolle responded he could not explain the differences. He indicated that staff priced this out several months ago and the market should not have changed that much. He noted that the difference between bidders is relevant to the equipment they own versus having to rent or hire out.

Commissioner Telford asked why a completion schedule of October was set and what the impact would be if the Port did not complete its work on schedule. Mr. Kennedy responded that if we were not able to turn over the site by October 15th, the Port would turn it over to Anthony's for a restaurant opening in 2007 instead of 2006. Budd Gould indicated they would work with the Port in coordination of the project. Commissioner Telford asked Mr. Gould what the impact to him is. Mr. Gould responded that he needs eight months from start to open and then a month of opening before the business gets really going. He commented that he does not want to open in November. Mr. Gould commented that he thought the issue the Commissioner Telford was getting at is what is the contractor charging to get this project done in a short timeline. Mr. Gould indicated that it is not critical that Anthony's gets the site on October 15th, they are happy to work with the Port on any issues, as they have been for the past two years.

Mr. Heber Kennedy indicated the Port adjusted the ROI based on the bids being higher than expected. He reviewed a summary of the cost figures associated with the development of the new restaurant at NorthPoint. The Port investment is \$618,727 in this project. With that investment the ROI is on the low end of 11.48% to a high of 15.02%, or a nine-year payback.

Mr. Kennedy indicated the staff recommendation is for the Port Commission to authorize approval of the bid in the amount of \$1,904,788.27 to Rognlin's Inc., the low bidder.

Commissioner Pottle indicated that he spent time with staff earlier in the day to understand the issues and to discuss his concerns. Commissioner Pottle moved approval of the bid, Commissioner Telford seconded the motion.

Commissioner Telford asked if the design of this project had been Cost Engineered. Mr. Kennedy responded that been value engineered by an outside engineering firm prior to going out for bid. Commissioner Telford also indicated that he would like the Port staff to look into this project later and produce a report that evaluates the elements that resulted in increased costs in a "lessons learned" exercise.

President Van Schoorl indicated that almost every bid comes in lower than the engineers estimate for other projects and for one to come in over the engineer's estimate every once in a while is going to happen, however, he commented that over all -- staff does a good job.

The Commission unanimously approved staff to award the bid of contract #288 to Rognlin's Inc. in the amount of \$1,904,788.27 for the NorthPoint Restaurant Site Improvements.

ADVISORY CALENDAR

Economic Impact Study Advisory

Ms. Kari Qvigstad reported that the Port of Olympia last conducted an economic impact study in 1997. The study used MARAD's PortKit model, which emphasized terminal operations. The Port has undergone many changes over the past eight years, and completion of a new assessment was designated a priority project for 2005. The Port contracted with BST Associates to do this study.

She noted that this study used the IMPLAN model, which has broader application to the Port's diverse business units. The study was customized to address economic impacts and also serve as a resource for

enhancing our business development strategies.

Ms. Qvigstad indicated that BST utilized Port records and its in-house databases to identify direct impacts and conducted outreach to stakeholders to obtain an understanding of the businesses and the direct economic impact of the Port and its tenants to the community and region.

Kari Qvigstad gave an introduction to the EIS and an overview of the Port's mission and businesses. Paul Sorensen from BST Associates presented the report and results to the Commission.

ADJOURNMENT

President Van Schoorl recessed the meeting to executive session to discuss the qualifications of the finance director candidates at 7:03 p.m. for 15 minutes. No action was taken. The meeting of the Port of Olympia adjourned at 7:20 p.m. on June 27, 2005.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer