

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

August 16, 2004

CALL TO ORDER

President Telford called the meeting of August 16, 2004, 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: Administrative Manager Jeri Sevier, Communications Manager Patti Grant, Property Director Heber Kennedy, Public Works Director Andrea Fontenot, Finance Director George Fox, Marine Terminal Director Jim Amador, Cascade Pole Site Manager Don Bache, Airport Director Rudy Rudolph, Property Administrator Sally Alhadeff, and Harbormaster Bruce Marshall.

Public in attendance were as follows. Representing *The Olympian* was Jim Szymanski. Representing Goodstein Law Group was Bob Goodstein. Others in attendance include: Harold Chambers, Chris Davies, Jim Pedersen, and David Hanna.

APPROVAL OF AGENDA

The agenda was approved with the following changes. The executive director report was omitted and the executive session was been cancelled for this meeting and rescheduled for the September 27th meeting when the executive director would be in attendance.

PUBLIC COMMENT

Harold Chambers, resident of Yelm, indicated that he saw in the paper that the Port was doing well financially and it is now time for the Port to eliminate the tax levy. In addition, he would like to see the state sales tax eliminated for public entities like school districts. Also he asked how the Port ethics policy was coming along? Commissioner Telford indicated that he has tried to get legislators to support eliminating the sales tax for school districts in the past and had no luck. He indicated that if they will not do that for the school districts he doubts that entities like the Port will have a chance. He also noted that Jeri Sevier is working on compiling comments on the ethics policy.

COMMISSIONERS REPORTS

Commissioner Pottle indicated that he recently presented at the Tumwater Rotary on the Port.

Commissioner Telford reported that both Commissioner Pottle and Telford attended the WPPA Commissioner Meeting at the Alderbrook Resort.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the June 28, 2004 Commission Meeting.

Bills and Vouchers. The bills and vouchers for the period ending July 26, 2004 in the amount of \$1,170,154.23 were unanimously approved. General Fund Checks Issued: 034423-034462, 034463-034470, 034473-034525, 034526-034528, 034529-034531, 03432-034592, 034593-034602,

034603, 034606-034609, 034610-034678, 034679-034686, 034695-034696, and 034697-034699. Voided Checks: 032143, 032615, 033216, 033277, 033654, 034418-034422, 034437, 034471-034472, 034344, 034400, 034533, 034534, 034604-034605, and 034687-034694. Voided Checks - Capital Fund: 030182.

The bills and vouchers for the period ending August 16, 2004 in the amount of \$610,664.78 were unanimously approved. General Fund Checks Issued: 034700, 034701-034773, 034774-034780, 034781-034783, 034787-034789, 034790-034851, 034852-034855, 034856-034882, 034883-034892, 034893, and 034894-034896. Voided Checks: 034784-034786. Voided Checks - Capital Fund: 030255.

Capital Expenditure. The capital expenditures were unanimously approved by the commission in the amount of \$1,418,675.11 to Harlow Construction for the cascade pole capping project, to Lakeside Industries for paving repairs, to Looker and Associates for the Marine Drive relocation project, and to Reid Middleton and Wagner Development for the Airport Safety project.

Lease Agreement: Glacier Aviation, Inc.

The Commission unanimously ratified the Lease Agreement between the Port and Glacier Aviation, Inc. This gives Glacier Aviation, Inc a four-year lease effective February 1, 2004 through January 31, 2008. The monthly rent was calculated based on the assessor's value of the land, which remained unchanged for the last five years. The monthly rent will then remain at the rate of \$1,284.00 per month. The lease allows an option for additional four years at which time the rent will be adjusted based on CPI change.

ACTION CALENDAR

East Bay Viewpoint Agreement

Ms. Andrea Fontenot presented the East Bay Viewpoint Agreement and requested Commission approval of an inter-local agreement with the City of Olympia for the construction of a viewpoint on East Bay Drive that would help profile the Boatworks, Marina, and Cascade Pole from a site that has a 180-degree vista of these businesses.

Ms. Fontenot indicated that the Port has participated with the City over the years in examining East Bay and the possibilities for enhancing the habitat and providing public access and site interpretation opportunities. The City developed and adopted some plans along these lines and has implemented portions of the plan with invasive weed control measures, and development of viewpoints with site interpretation and pocket parks.

Ms. Fontenot reported that several years ago the East Bay Neighborhood Association approached the Port Commission and requested participation in implementing the plan for the area, with the construction of one of 3 viewpoints proposed for East Bay Drive. The Port Commission approved the project in the capital budget. The project was deferred for 2 years while Port staff, City staff and the Easy Bay Neighborhood representatives explored ways to leverage this contribution for other grant funds. We discovered that the potential programs were too competitive and funds were limited. At that point we recommended proceeding without grant funds associated with this project.

Ms. Fontenot noted that the Port Commission carried this project over into the 2004 capital budget for implementation, and adopted the capital budget. The responsibilities are as follows: the neighborhood designs the facility with Port and City approvals; the City secures all permits; the Port builds the facility; the Port conveys the facility to the City for ownership and long-term maintenance. She indicated that the purpose of the viewpoint is to showcase the Port properties and staff proposes that an interpretive sign about the Port be placed on the viewpoint.

She reported that the design is complete and permits are pending. Port staff recommends formalizing this partnership with the adoption of an inter-local agreement between the Port and the City for the next phase

of completing this project. Ms. Fontenot indicated the staff recommendation is to approve the Inter-local Agreement for Park improvements by and between the City of Olympia and the Port of Olympia.

Commissioner Telford asked if staff reviewed the design and looked at ways to cut construction costs. Ms. Fontenot indicated they did. He asked why the elevation wasn't considered to eliminate the handicap ramp. Ms. Fontenot indicated that originally the design required two ramps, and staff makes suggestions to eliminate one ramp.

Commissioner Telford questioned the legality of whether or not this project is a necessity. He asked legal counsel Bob Goodstein to give the Commission the legal definition. Mr. Goodstein indicated that the definition of necessary is not the dictionary definition. He showed how different decisions have been made interpreting necessary. Is it necessary to carry out the plans of the Port to build this viewpoint, that is determined by the Commission. Is it a gift of public funds or lending of credit, if the answer is yes, then it is not legal, but if neither of those are met, then you ask is this a reasonable act by the Port. Mr. Goodstein indicated that the Commission would need to make an on record finding of necessity since this project is not on Port property and the finding might be for marketing purposes and connecting the Port and it's vision for where we want to take the East Bay area.

Commissioner Pottle moved to approve the staff recommendation to approve the Inter-local Agreement for Park Improvements by and between the City of Olympia and the Port of Olympia. The agreement determines the necessity of the project by stating “the parties wish to construct a park-like viewpoint which will benefit the citizens of the City of Olympia; and the viewpoint will showcase the Port’s Swantown Marina, East Bay, and Cascade Pole properties; as well as increasing visual access to Port properties, and is necessary to more fully utilize the Port’s other facilities...” The motion was seconded by Commissioner Van Schoorl.

Harold Chambers asked if the City of Olympia could change the uses for the viewpoint and will the county be given any credit for this on the plaque would you have signs directing all the public to this park. He indicated that he did not like the agreements language that says it will benefit the citizens of the City of Olympia, why not all Thurston County citizens?

Dave Hanna, representing the City of Olympia, Parks Services Manager, commented that there are similar viewpoints along the Deschutes Parkway, and these types of settings do not attract large volumes of people at any one given time and will not cause parking problems. Commissioner Telford asked who built the viewpoints along Deschutes Parkway. Mr. Hanna indicated the City built them with a grant from the Dept. of Natural Resources. He indicated that at this time, the reason why the Port and the City are entering this agreement is to create a partnership. The Port provides the capital investment and the City will maintain the site for years to come.

Ms. Andrea Fontenot indicated that we had a very similar agreement with the City when the Port constructed the viewing tower at Percival Landing and since then the Port moved the viewing tower to the Port Plaza.

Commissioner Pottle noted that the Port is designed to keep the waterfront in the hands of the public and not privately owned so the people have access to the waterfront. This project is no different than the walking trails, the Port Plaza, and other amenities we provide.

Commissioner Telford indicated that he did not feel that this project added any additional value than the current sidewalk. He indicated that there is no doubt in his mind that this project is not necessary and feels that the Port does not have the authority to construct this project off Port property. He also indicated that this project is not in the comprehensive plan and therefore is another reason why this project is not legal or ethical. This should be a City of Olympia project. Commissioner Telford indicated that this project does not increase the value of the Port assets, it does not enhance the economic development of the county, it does not enhance the value of the Harbor, and is a loss of focus from the Port's fundamental mission. He noted that he is fully opposed to the project and the motion.

Commissioner Van Schoorl indicated that having an accessible waterfront is an important part of providing amenities to the citizens of Thurston County.

Commissioner Pottle amended the motion to change the agreement between the City of Olympia and the Port to read ...”will benefit the citizens of Thurston County” instead of “City of Olympia.” The amended motion was seconded by Commissioner Van Schoorl. The motion passed with a two to one vote, Commissioner Telford voted against the motion.

Hangars ABC Roof Coating Contract – Approval to Award Contract

Ms. Andrea Fontenot indicated staff is requesting Commission approval to award Contract No. 597 to Commercial Industrial Roofing Company, in the amount of \$64,877.40, including WSST.

She noted that this project stems from a multi year plan to replace these 3 hangar roofs. The Port budgeted \$59,459 in prior years to do one roof, and \$59,459 in 2004 for a second roof. Port staff evaluated a different approach to coat the roofs as opposed to replace the roofs, and requested a life cycle analysis. The life cycle analysis indicated that coating had a higher value than roof replacement.

Ms. Fontenot indicated that on June 28th Port staff requested Commission approval to solicit bids for, at the time, a Hangar Re-roof project, with a base bid to do 2 roofs with zincalume metal roof panels, and an additive alternate for a zincalume standing seam metal roof panel. She noted that the Commission authorized staff to proceed to solicit bids. We also indicated at the June 28th meeting that we were exploring a coating option.

Based on the least cost option of coating the roofs, Port staff solicited bids for all three roofs. Two bids were received and opened on August 10th, 2004, with the low responsible bid from Commercial Industrial Roofing in the amount of \$64,877.40. The cost to coat the 3 roofs is well within the budgeted amount for 2 roof replacements of \$120,000. The Port should plan to evaluate and potentially re-coat the roofs in approximately 10 years, which is the estimated useful life of the coating system.

Harold Clark, tenant at the Airport, indicated that the hangars are not being maintained and although he appreciates the roofing being replaced, there is more work that needs to be done. Ms. Fontenot indicated that the Airport Director is assessing the maintenance plan at the airport and will be addressing those issues.

Commissioner Telford indicated he wanted to recognize and appreciate the staff looking at all options to reduce costs.

The Commission moved to award the contract to Commercial Industrial Roofing for a total of \$64,877.40 as recommended by Port Staff. The motion was unanimously approved.

ADVISORY CALENDAR

2004 Finance Advisory

Mr. George Fox indicated that the Port was recently audited by the State Auditor and received a clean report. Mr. Fox presented the annual review of Port finances as of June 30, with a forecast for the rest of 2004. He also noted that this information will form the basis of the 2005 operating and maintenance budget and provided the Commission with a schedule for the budget process.

Northpoint Letter of Intent

Mr. Heber Kennedy presented the Northpoint Letter of Intent. He noted that at the January 26, 2004, Port

Commission meeting, Commissioners authorized ninety days for Port staff to work our a lease agreement with the RAM.

During that period, as construction costs and market rent data evolved, the Port began to examine its returns based on the proposed business model (Port rebuilds and leases to Tenant). On April 23, 2004, we sent a letter to RAM explaining the need to put our negotiations on hold while we reviewed the proposed business model and alternatives.

Mr. Kennedy reported that on June 9, 2004 the Port met with the RAM and outlined the various business models. Over the next few weeks we held additional negotiation meetings. On Friday, July 1, 2004, the RAM contacted the Port and explained they only wanted to pursue Port rebuilding the structure and felt we could not reach agreement and thus elected to terminate negotiations.

Mr. Kennedy noted that subsequent to the Commission meeting of January 26, the Port was approached by several restaurateurs interested in redeveloping the NorthPoint site. After the announcement of the discontinuance of RAM negotiations, Port staff contacted those interested parties to present its preferred business model (Tenant construct its own building on a Port ground lease), and determine the level of interest in site redevelopment. All of the parties, except Anthony's, declined the Port's proposal.

Mr. Kennedy noted that over the last few weeks, Port staff and Anthony's have held a series of meetings to discuss the Port's business model and develop the attached Letter of Intent. Generally, Letters of Intent do not contain this level of detail, but with Port staff diligently pursuing a building permit application against an impending submittal deadline, both parties felt they wanted to be in agreement with the major lease points to be covered in a lease agreement.

The Letter of Intent points are:

Leased Premises	Approximately 1.18 acres (Building and parking lot)
Ground Rent	\$41,018 per year plus Washington State Leasehold Tax
Rent revisions	Every five years
Term	30 years
Option to Renew	30 years
Concession Fees	2% after three years and 2.25% after sixteen years
Surety	\$41,018
Landlord Improvements	\$1,100,000 plus linear public shoreline access on north side of parking lot
Tenant Reimbursement	One half of Landlord Improvements up to \$550,000 plus \$122,150 for building design and engineering
Tenant Improvements	Building and parking lot improvements currently estimated at \$2,400,000

Mr. Kennedy noted that it should be pointed out that this restaurant would not duplicate the Anthony's restaurant in the Market District. Anthony's has several business models used in its restaurants that reflect different dining approaches.

Mr. Kennedy reported that this is an advisory to the Commission that the Port and Anthony's have signed a Letter of Intent and intend to pursue completion of a lease agreement between the two parties. The lease will, as customary, be subject to Commission ratification. Comments on the current agreement are welcome.

Commissioner Pottle indicated that the Port's investment of the 1.1 million is the insurance settlement we received from the fire. Commissioner Telford noted that he figured this investment will provide about an 11-15 percent return. That is a fair return on investment, it is attractive and low risk. Commissioner Van School indicated he has reviewed the letter of intent and is very comfortable with this business partnership and the quality of work the staff is doing to keep the tenants coming back.

Jim Peterson, resident of Thurston County, asked what the plans are for the small boat center at

Northpoint. Commissioner Van Schoorl indicated that there is currently a project going in at the Marina for small boaters. We are also looking at a second small boater facility on Port property, the location has not yet been determined.

Executive Director Evaluation Process

Commissioner Telford indicated that the process being discussed is for the end of the year evaluation of the executive director. He indicated that at the recent WPPA meeting, he requested other commissioners share other evaluation processes. Pat Jones, WPPA sent a compilation of those. Commissioner Telford asked the other commissioners to look at the compilation and feed input back to Jeri.

Commissioner Van Schoorl indicated that he feels that establishing goals and prioritizing those goals should be used for the evaluation. The Commission indicated they would ask John to look at his goals that he established in April and be prepared to report on those goals to the Commission in preparation for the executive session scheduled for September 27th.

Other Business

Commissioner Telford asked legal counsel for a report on the status of the retirement payment for Nick Handy. Mr. Goodstein indicated he is prepared to provide a report either in executive session or individually.

ADJOURNMENT

President Telford adjourned the meeting of August 16, 2004 at 7:20 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer