

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

August 22, 2005

CALL TO ORDER

President Van Schoorl called the meeting of August 22, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Telford and Pottle were also in attendance.

Staff in attendance were: Interim Executive Director Rudy Rudolph, Administrative Manager Jeri Sevier, Marketing Director Kari Qvigstad, Property Development Director Heber Kennedy, Communications Manager Patti Grant, Marine Terminal Director Jim Amador, Harbor Director Bruce Marshall, Business Development Representative Carola Stark, and Finance Director Steve Davis.

Public in attendance were as follows. Representing *The Olympian* was Jim Syzmanski and Ian Fox from KGY. Others in attendance included Harold Clark, Tom Howdeshell, Jerry Holbrook, Keith Bausch, Jon Lind, Chris Stegman, Roger Benson, David Brubaker, John Glacken, Stanley Stahl, Glen Pearson, Rob Whitlock, Peggy Brutan, Carlos Perez, Russ Carstensen, F. Gohlton, E.J. Zita, Samuel Wilson, Sam Bradley, Tracy Johnson, Cecil White, and Char Haag.

APPROVAL OF AGENDA

The agenda was approved as presented with modifications. President Van Schoorl indicated he would like to move the log yard lease advisory to action prior to the cargo yard improvements approval. In addition he indicated from the work session held the previous Friday, the Commission would like add the Sports and Events Center and Marina Wireless System under the advisory calendar.

PUBLIC COMMENT

Tom Howdeshell, resident of Olympia, indicated he was pleased to see the seaplane docks at the marina. He acknowledged Rudy Rudolph and the good job he is doing. He asked if staff had options for State Street property as discussed at the previous meeting. He also indicated he was glad to see the on dock rail approved. President Van Schoorl responded that the Commission asked the Harbormaster to look at the state street dry storage and to control the types of storage.

E.J. Zita, resident of Tumwater, commented on the Salmon Creek Basin Drainage that is threatened by the Port's development. She noted that the Catellus development will result in the community losing forests in their neighborhood. She requesting the Port put a walking park through the trees along Armstrong Road and keep a buffer between the neighborhood and the development. She also asked the Port Commission to preserve the forest land at the airport.

Stanley Stohl, resident of Olympia, indicated he understood at the special meeting on Friday that the Commission would not be discussing the Sports and Events Center. President Van Schoorl indicated he misunderstood; they will be discussing this issue this evening. He also asked about the MNO and Marina Village and asked if they are the same project. President Van Schoorl responded that they are separate projects. The MNO is an expansion of the docks, the Marina Village is a retail/commercial development on the upland portion of the Marina.

Chris Stegman, resident of Olympia, commented on the legality of the Iraq War, and read an article to the Commission that indicated that the war is illegal. He also addressed the cost of the war to Thurston County alone has paid.

Rob Whitlock, resident of Olympia, indicated he was here to address the Military vessels at the Port. He indicated he noticed that we have not had Military shipments since he was last here speaking to the Commission. He was hoping that this was not because of coincidence, but because of a decision made by the Port Commission. He asked several questions on the military business, how the Port gets paid, how they negotiate a deal, and if there are guarantees on payments. The Commission responded that the lack of military vessels is not because of a change in the Commission policy. The Port of Olympia continues to accept military vessels when asked.

Jerry Holbrook, resident of Olympia, commented that the Military was recently at the Port of Grays Harbor. President Van Schoorl indicated that the Military couldn't just have one Port that they use, they recently used Grays Harbor as a test run.

COMMISSIONERS REPORTS

Commissioner Pottle indicated the Commission held a customer appreciation picnic for Marine Terminal Customers and he thanked Lucky Eagle Casino who provided the food for the picnic.

President Van Schoorl introduced and welcomed Steve Davis, the Finance Director at the Port of Olympia.

EXECUTIVE DIRECTOR REPORT

Mr. Rudy Rudolph, Interim Executive Director indicated that at the airport the main line paving of the new taxiways is underway. Project completion scheduled for September 7th. He noted that painting of the Washington State Patrol hangar doors has begun and painting of hangars A,B,C will follow.

At the Marine Terminal, Mr. Rudolph reported that the log vessel Global Pioneer was in Port for one day of log loading. We are now preparing for the second log vessel this month, the Northern Light. This vessel is due in on Saturday the 20th and will leave on Monday or Tuesday.

He noted that the rail expansion project is underway. The pavement is being ground up toward the north end of the yard for new rail to be placed.

The construction continues of the Port's portion of the restaurant foundation at NorthPoint. All pilings should be completed by the end of this week and work on the civil portion should begin in about two weeks.

Mr. Rudolph reported that resumes for the first cut of candidates for the Executive Director position have been forwarded to Commissioners for review. An Executive Session has been scheduled for August 29th for further review of candidate qualifications.

He also indicated that the draft 2006 Operating Budgets have been forwarded to Directors for development. Cost estimates are being prepared for proposed 2006 Capital Budget projects. The budget workshop is tentatively scheduled for September 30th.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the July 25, 2005 meeting. Commissioner Telford noted a correction on page 4.

ACTION CALENDAR

New Lease: Weyerhaeuser Company

Mr. Jim Amador and Ms. Kari Qvigstad provided the Commission with back ground information on the proposed new lease with Weyerhaeuser Company and provided them with a summary of the lease terms and conditions as follows:

Leased Premises: 24.5 acres located on the east and west side of Washington Street in the cargo yards. If Tenant's export volume falls below 81 million board feet per year, the Leased Premises may, at Port's option, be reduced to 19.2 acres. Tenant shall have access to, but not preferential use of, Berth 3 for shipping operations. In the event Leased Premises is found not to be in compliance for Tenant's use, Port is responsible for repairs.

Lease Term: Approximately 5 years, 4 months. Commences on signing and terminates 12/31/11

Options to Renew: Three, two-year extensions with an adjustment in land rent and service fees from the prior lease year.

Land Rent: \$12,250.00/month plus WSLET for 24.5 acres

Service Fees: \$72,479 per month for 24.5 acres and is adjusted by CPI at the beginning of each calendar year. Tenant shall receive a credit against the total Service Fees in the amount of \$500 per acre per month. Rent commences upon delivery of logs to premises or 90 days after Port has given notice to Tenant, Port improvements are completed.

Right of First Refusal: Tenant has right of first refusal on approximately .7 acres adjacent to site if Port elects to lease area to a marine terminal tenant.

Ability to Relocate: Port has right to relocate Tenant in certain areas of Tenant's lease.

Lease Security: The surety is equal to one year of land rent plus leasehold excise tax.

Ports Right to Terminate: In the event Tenant's export volume falls below 70 million board feet per year, Port has option to terminate this lease.

Tenant's Right to Terminate: In the event (i) Port cannot provide a minimum depth at berth of 38' MLLW at Berth 3 after 12/31/07 or (ii) export log market decreases 50% from 1/1/06, (iii) use of Cascade Pole property is prohibited or (iv) Tenant's access to berths and premises are prohibited and Port and Tenant cannot find a reasonable alternative, Tenant has the option to terminate the lease. In (ii) the Tenant is responsible for repayment to the Port for a portion of certain Port improvements.

Improvements by Port: (i) 600 feet of camels to Berth 3, (ii) pave 3.4 ac. northern parcel (iii) pave 5.3 ac. staging area, (iv) paving of railway area for equipment movement, (v) construct cargo yard lighting, (vi) bring utilities to west edge of Leased premises, (vii) pave cargo yard east of Franklin St.

Cost of Port Improvements: \$4,086,165

Improvements by Port for Tenant: Construction of all in ground utilities and all underground structures.

Reimbursement by Tenant of Port Improvements: 100% of all Port costs of improvements and expenses performed on behalf of Tenant.

Tenant Improvements: Tenant at their sole cost and expense will construct a maintenance shop, office, trailer loader, and other equipment necessary for their operations

Condemnation by Port: In the event the Port elects to condemn the Leased Premises in such a way the site

is unusable for Tenant's purposes, the Tenant will be entitled to just compensation.

Environmental Responsibility: Port shall at all times be responsible for any preexisting Hazardous Substances on the site, any migration to the site or brought into the site by other than Tenant or Tenant representatives. Tenant is responsible for all substances brought onto the site by itself or its representatives. Tenant is also responsible for containing (but not removing or remediating) any release of Hazardous Substances on the premises.

Commissioner Pottle indicated the Commission has been fully briefed over the past few months and is very comfortable with this lease. He complimented staff on working with the tenants and putting together a lease with Weyerhaeuser.

Staff recommended the Commission ratify the Lease contingent upon acting executive director signing the lease contingent upon receipt and approval of the 6.1 addendum.

Stanley Stohl, resident of Olympia, wanted to confirm that we would gain 36 jobs from Tacoma. President Van Schoorl indicated that Weyerhaeuser has offered the jobs to the current workforce in Tacoma. However there will be 17 new longshore jobs and 2 Port jobs. He commented that the net employment gain is significant. Mr. Stohl asked indicated the lease is guaranteed by surety bond, but is it enough to cover the improvements. President Van Schoorl indicated that a large amount of the improvements are not just for Weyerhaeuser, these improvements have been on the books for many years and are long overdue.

Peggy Britton, resident of Olympia, questioned the possible environmental impacts of the improvements. The Commission responded that much of the paving is repaving the cargo yard and also included in this project is improvements in the storm water system. She also asked if there would be additional buffers around the paved area. President Van Schoorl indicated that there would be some along the fence line, but for security issues, the vegetation must remain low.

Tom Howdeshell, resident of Olympia, asked if KGY will have to move and he also asked if the paving would be more pourous material. President Van Schoorl indicated the answer to both questions is No. This project does not impact KGY in any manner. The repaving is to repair cracks in the pavement.

Jan Witt, resident of Olympia, asked about the process and indicated that this has been presented to the Commission several times in executive session and this is the first time the public has seen this. She also wanted to know what the accumulative environmental review on noise, boat and vehicle traffic, and other impacts. She would like this reviewed prior to the vote from the Commission.

Harold Clark, resident of Tumwater, indicated he was concerned about the deal and to make sure that we do not have another Sunmar on our hands. President Van Schoorl indicated this agreement is much stronger than the one with Sunmar and we feel comfortable with this agreement. He noted that Sunmar was a start up company; Weyerhaeuser has a few more years under operation than Sunmar.

Sam Bradley, resident of Olympia, indicated he was concerned with the process. This is the only opportunity that the public has to ask questions and gain additional information. He asked what the revenues would be – staff responded, 1.5 million of revenues on an annual basis. He indicated that the revenues need to be talked about in the context of operating expenses, what is the net profit? He also asked if the expenses were factored into the project ROI. He asked where the funds would come from – President Van Schoorl indicated the funds would come from cash in the bank. Mr. Bradley asked the Commission to make a higher commitment to the public process. President Van Schoorl commented that the staff has provided an ROI on this project and over a five-year period we would have a return of 13%. If we go through ten years, the ROI on Weyerhaeuser only, the return is over 25%.

Carlos Perez, resident of Rainier, asked if the rate of return is an internal rate of return. Staff confirmed that the finance staff did both an IRR and a ROI on this project.

Commissioner Telford indicated that staff should have made the ROI for this lease available to the public and asked that staff send the information to the attendees following the meeting.

Commissioner Pottle made a motion to ratify the Lease with Weyerhaeuser contingent upon the acting executive director signing the lease contingent upon receipt, review, and approval of the 6.1 addendum. Currently we have a draft addendum and we are waiting for the final document, which we expect very soon. The motion passed unanimously.

Cargo Yard Improvements – Approval to Design and Bid

Mr. Jim Amador indicated the purpose of this agenda item is to request Commission approval to design and bid several cargo yard improvements, which will provide long-term benefit for this line of business.

Proposed improvements include new pavement, lighting, utilities and berth camels. The areas for pavement are primarily in the Berth 3 area, and the unpaved area east of Franklin Street. These projects are itemized on the attached Capital Expense Authorization form.

Mr. Amador requested the following action from the Commission.

Approval of Capital Expense Authorization in the amount of \$3,728,489. He noted this is a significant cargo yard improvement project including pavement repair in the Berth 3 area, new pavement east of Franklin, lighting, utilities, and berth camels.

This budget approval removes/replaces two previously approved cargo yard improvement projects totaling \$357,676.

Approval to design and bid these projects.

Improvements

- ⊙ Pave Berth three, 5.3 acres \$1,126,901
- ⊙ Pave Peninsula, 3.4 acres 726,508
- ⊙ Pave area east of Franklin, 5.57 acres 1,328,743
- ⊙ Paving of railway east of staging area 169,052
- ⊙ Install yard lighting 275,353
- ⊙ Utilities to maintenance/office area 94,731
- ⊙ Camels for berth area 364,874

Total estimate \$4,086,165

Less existing budget \$357,676

Total New Budget Request \$3,728,489

Commissioner Pottle moved approval increase the budget authority for cargo yard improvements in the amount of \$3,728,489. Commissioner Telford seconded the motion.

Commissioner Telford indicated he wanted this approval contingent upon a lease with PLS since PLS was calculated in the ROI. Commissioner Pottle indicated that the ROI on this project is very conservative and he does not want to tie this approval contingent of the tenant PLS. President Van Schoorl indicated that all three commissioners have met with the tenants and all of the tenants want to continue to stay here and staff will work hard to try to accommodate them if at all possible.

Tom Howdeshell, resident of Olympia, asked if in the new budget request, is there any contingency fee? President Van Schoorl commented that it is standard for all Port projects to include contingency.

The motion was unanimously approved to increase the budget authority in the amount of \$3,728,489.

In addition, staff asked for approval to design and bid the projects. Commissioner Pottle moved approval to design and bid the cargo yard improvement projects. Commissioner Telford seconded the motion. Commissioner Telford indicated that some of the improvements would have to be done anyway. Commissioner Pottle indicated that we loaded all \$4 million of improvements into this ROI and it still makes sense. If we were to back out some of the improvements that would have to be made anyway this makes even better sense. The motion carried with a unanimous vote.

ADVISORY CALENDAR

Harbor Days Advisory

Russ Carstenson from the South Sound Maritime Heritage Association presented plans and promotional activities for the 2005 Olympia Harbor Days Festival. Olympia Harbor Days is scheduled for September 2nd – September 4th, on Percival Landing and Port Plaza. This is the 32nd Anniversary of Harbor Days!

Mr. Carstenson indicated that the Port Plaza activities would include the Lady Washington, Model Tugs and the Port of Olympia booth. The Lady Washington will be open for public tours each day during the festival. Model tugboat replicas will be conducting races in water tanks.

The Port of Olympia's sponsorship for 2005 includes advertising and promotion for Harbor Days events in exchange for a cash contribution of \$2500 and in-kind support valued at \$260.00. The in-kind component includes moorage for the Lady Washington on the Port Plaza dock. The Port of Olympia has been prominently included in event promotion.

Ms. Kari Qvigstad indicated that the Port of Olympia will have a booth on Saturday the 3rd on the Plaza and will be conducting tours of the Working Waterfront.

Sports and Events Center

President Van Schoorl indicated that Michael Tuckman has sent the Commission a proposal for an exclusive negotiating agreement 3.75 acres of the Port property on State Avenue.

President Van Schoorl indicated the Commission has issues associated with this proposal, since we have already hired ERA consultants for a review. Mr. Tuckman indicated that he advised the Port not to hire ERA. He indicated that the report issued as Draft from ERA is a flawed report. He indicated because of recent information, they are prosing to downsize the building. He commented that he felt they deserve 90 days to do a feasibility study and show the Port what we have in mind for this project.

Commissioner Pottle asked if there is any one else running this type of business with this model. He commented that he supports to continue to let Tuckman work with us on this and sees no downside since we have nothing better to do with the land at this time, however, he would like to include the community in this discussion as well. Commissioner Pottle indicated he wanted to make it very clear that Mr. Tuckman would have to make this on his own; this would not be a Port subsidy.

President Van Schoorl asked Mr. Tuckman what the Port would be getting in the 90-day period. He asked what is this going to cost, what will the port have to invest in infrastructure, and what is the community support for this type of project?

Commissioner Telford indicated that he feels that we have spent enough time on this and would like to move forward, having said that, he said he is really curious to see the business model and the financial analysis and how this would work.

The Commission directed staff to have an agreement or memo of understanding on the next Commission agenda allowing Mr. Tuckman through the end of the year which gives him time to provide the Port with feasibility information.

Marina Wireless System

Samuel Wilson, resident of Olympia, indicated he is a boater in Thurston County and commented that right now the Port of Olympia is the only Port in the State of Washington that does not provide WiFi service. Most boaters require and use WiFi.

Commissioner Pottle indicated that the Port is currently discussing a WiFi system that will be turned on to the Swantown Marina. Mr. Wilson asked if the system was 80211G?

Mr. Wilson also indicated that it must meet the requirements of the boaters and be compatible with Broad Band Express users. He also asked if it would down to the Yacht Club on the other side of the peninsula. Mr. Wilson commented that the system should support video and voice over the Internet. In addition he wanted a system that is supported by a company that will support and upgrade the system as new technology is developed.

Commissioner Pottle indicated that he is asking for more than what the Port is currently going to offer, but we would look into his requests.

Mr. Wilson indicated he is asking that the Port turn it on and we will see what works and what doesn't. Commissioner Pottle made a motion to turn on the current system the Port has developed and later if a company comes forward with a proposal we can look at that at that time. President Van Schoorl seconded the motion. Motion was approved with a 2-1 vote.

ADJOURNMENT

President Van Schoorl adjourned the meeting at 7:50 p.m. on August 22, 2005 to executive session to review candidate's qualifications for the executive director position on August 29th from 3:30 – 5:30 p.m. The executive session adjourned at 9:30 p.m. with no action taken. President Van Schoorl announced the Commission would hold a Work Session on September 9th and the next regular scheduled meeting would be on Sept 12th at the LOTT Board Room.

The executive session was held on August 29th beginning at 3:30 p.m. and ending at 4:25 p.m. where the Commission discussed candidate qualifications for the executive director position.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer