

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

**August 12, 2002**

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**CALL TO ORDER**

President Van Schoorl called the meeting of August 12, 2002, to order at 5:30 p.m. at the TCTV Studio in Olympia. Commissioners Pottle and Telford were in attendance.

Staff in attendance were: Executive Director Nick Handy, Program Assistant Teresa Olson, Deputy Director Wendy Holden, Engineering Director Andrea Fontenot, Marketing Director Kari Qvigstad, Finance Director George Fox, Airport Manager Doug Sandau, Property Manager Heber Kennedy, Administrative Assistant Lorie Watson, and Swantown Manager Bruce Marshall.

Public in attendance were as follows. Representing *The Olympian* was reporter Scott Wyland. Representing KYG was reporter Ian Fox. Representing Legal Counsel was Mick Phillips. Others in attendance who signed the attendance sheet include: Jim Smego, Mike Thielen and Earl Pearson.

**APPROVAL OF AGENDA**

The agenda was approved as submitted.

**COMMISSIONERS REPORTS**

Commissioner Pottle commented that he recently returned from a trip to Alaska and had the opportunity to visit the Port of Anchorage which serves as a branch of city government and is run by seven Port Commissioners appointed by the Mayor. He stated that their Port serves as the main center of commerce; has three berths, two container operations and they are currently making improvements to their marine terminal.

**EXECUTIVE DIRECTOR REPORT**

Mr. Nick Handy reported that the Marine Terminal continues to receive log vessels. Plum Creek's vessel the *Oriente Victoria* is the most recent vessel; it loaded logs and departed during the weekend of July 20th-21st. Plum Creek expects to bring in two log vessels during the month of August. The *Sea Triumph* will load logs for Emachu around mid-August and another vessel will load logs for Nippon around August 25th. He reported that Formark brought in their second log vessel for Mitsubishi, the *Ocean Rose*. This vessel arrived on August 4th and loaded on Monday, August 5th. Mr. Handy reported that Glass volumes are currently high and we have twice the number of glass cars planned; ten cars are scheduled for Arizona and Texas. He reported that the Port has been receiving high volumes of lumber cars (called centerbeam cars) to load out the majority of the remaining lumber volume; ten cars are destined for Illinois, California and New York. Lumber continues to be shipped out by truck, although the majority of the recent truck activity has been shipments of bagged garnet. Mr. Handy reported that the CSX Lines crew of the layberth vessel the *Expedition* has been working both day and night shifts on board the vessel. He stated that the CSX left the Port this morning with plans to return for a second layberth of the *Expedition* at the beginning of October through mid-November. Mr. Handy reported that staff has sent out a proposal to GNU-CO Inc. to transload construction mats from centerbeam railcars to trucks. He explained these mats are 20'L x 4'W and are used for various applications in construction. The Port will receive approximately six railcars to start with next week (about 396 mats), with the potential to receive up to 22 railcars. Staff is finalizing the numbers with GNU-CO and expect to make about a \$2,000 profit on this first shipment, which will take about one shift to discharge. GNU-CO is based in Charlotte, NC

and the mats are destined for Acme, WA. Mr. Handy reported that the marine terminal continues to be busy with both incoming and outgoing cargoes.

Regarding the Port's Properties Program, Mr. Handy reported that we have a number of developers who have expressed interest in the past regarding opportunities on the 17-acre site bordered by State Ave. He stated the RFP is scheduled to be released August 13. Mr. Handy reported that Rowe Management has signed a lease with the Port to lease the Airport Golf Center from the Port. Rowe was selected as the preferred candidate from among six respondents to the Port's RFP and Commission approval is requested later in tonight's meeting. Also, the State of Washington has issued an RFP for lease from a private developer 200,000 square feet of office space within the Tumwater Towne Center. Phase I proposals, which will identify the site and lease rate, are due August 15. If selected in Phase I, the proposer continues to Phase II which includes building design and layout. Mr. Handy reported that the Port is anticipating two or three parties will use the 9.5-acre Port parcel at the corner of Airdustrial and NewMarket in their proposals. Commissioner Van Schoorl asked Commissioner Pottle to sit on the Review Committee for the State Street RFP; Commissioner Pottle agreed to do so.

Mr. Handy reported that Sally Alhadeff recently joined the Port on August 1 in the newly created position of Property Administrator. He explained that Sally has extensive property management experience with Sabey, CarrAmerica and other premier property management/development companies in Seattle. She has returned to her hometown of Tenino (where she graduated) to build a new home and spend time with her family. Mr. Handy stated the Port is fortunate to have Sally join its staff.

Olympia Regional Airport continues to be active. Mr. Handy reported that July's air traffic count was 8,985 (take-offs and landings), a significant increase over last year's July count of 7,807. He reported that the Port's annual herbicide application to the yellow nutsedge area is underway and based on current count, we show a reduction of approximately 50 percent in the number of plants growing. By the end of the final application, we anticipate far fewer numbers of the noxious weed to remain. This should significantly reduce the herbicide application required next year. Mr. Handy stated that the planning and environmental review phase of the Runway Threshold Project is at 80 percent completion. A final report is anticipated by the end of September. Commissioner Pottle referred to the increase in take-off and landings and asked what type of aircraft is affected. Doug Sandau explained that the numbers are proportional; 30 percent commercial and 70 percent student/training.

Mr. Handy reported that business at the Airport Golf Center continues to grow. In July the facilities revenues were over \$43,000 making it the second highest grossing July in its seven year history. He stated that golf cart rentals are now available and are starting to catch on; an increase in usage has been noted as golfers become aware of this amenity. Commissioner Pottle asked how often carts were being used. Bruce Marshall explained that the Golf Center has purchased four carts and at least one is used every day.

Occupancy at the Swantown Marina was 105 percent for the month of July. This year, as in the past few years, he reported we have had to turn down requests for seasonal moorage because of lack of slips. Mr. Handy reported that staff is busy readying the marina for the busy Harbor Days weekend. This weekend has always been the busiest of the year at Swantown. This year the BHR Rowing Regatta will be held at Swantown on Saturday August 31st. Two yacht clubs have reserved our transient moorage docks with over 50 guest boats to begin arriving on Thursday August 29<sup>th</sup>. The Port Plaza dock will be open for Harbor Days and numerous requests have already been received for guest moorage. Commissioner Pottle asked what staff is doing to attract various sailing clubs to the Marina. Mr. Handy explained that in the past, marketing brochures have been available, but due to lack of funding, that has stopped. However, marketing materials are distributed for special events. Mr. Handy added that the local casinos also provide advertising for the Marina through special promotions; they provide a bus once the boaters arrive.

Mr. Handy reported that there has also been an increase in haulouts at the Boatyard. July showed a 12 percent increase in the number of haulouts over the same period last year. Mr. Handy stated the Boatyard had its busiest July since opening in 1999. He stated that 43 percent were non-Thurston County residents.

The Port's 80<sup>th</sup> Anniversary celebration will be held in conjunction with the Port Plaza Grand Opening. Staff has scheduled the event for Saturday, September 14 from 11:00 – 1:30 at the Port Plaza. We will have entertainment from a brass band, children's entertainment, and the Harlequin Productions doing '80 Years in Revue'. He reported that this event would be focused on family and the community.

Mr. Handy reported that the deadline for responses for the Treasurer's RFP was Friday, August 9, at 5:00 p.m. He stated he has talked to representatives of several brokerages banks over the last three weeks giving them additional information. Mr. Handy said he expects to review the RFP responses next week and schedule meetings with the RFP team and the representatives of banks and brokers for August 19th. Staff will be bringing back to the Commission recommendations for banks and investment consultants after interviews.

## **CONSENT CALENDAR**

The Consent Calendar was unanimously approved as follows.

**Minutes.** Commissioner Telford made reference to the July 22, 2002 Executive Director's report where it was stated in the minutes that the Port now has '22 full-time employees working in the marine trades servicing vessels at Swantown Boatworks'. He wanted the public to understand that these are private sector jobs and not Port employees. Mr. Handy agreed. The minutes from the July 22, 2002 meeting was unanimously approved with Commissioner. Telford's clarification.

**Bills and Vouchers.** The bills and vouchers for the period ending August 12, 2002 in the amount of \$639,818.70 was unanimously approved as presented. Warrants Issued: 025935-025964, 025965, 025966, 025967-026011, 026012-026014, 026015, 026016-026023, 026024-026030, 026031, 026032, 026033-026095, 026096, 026097-026103, 026104-026112, 026113-026154, 026155-026156, and 026157-026161. Voided Warrants: 025134.

**Lease Assignment: Airborne Properties, LLC.** The Commission unanimously approved the lease assignment from Glacier Jet Center to Airborne Properties, LLC.

## **ACTION CALENDAR**

### **New Lease: Rowe Management (Airport Golf Center)**

Heber Kennedy reported that on February 1, 2002, the Port of Olympia issued a Request for Proposal for parties interested in acquisition, lease, management or other uses of the Airport Golf Center. He stated that six proposals were received and the Airport Golf Center Team selected Rowe Management as the preferred candidate. Mr. Kennedy explained that at the May 13, 2002 Port Commission meeting, the Commission approved Rowe Management as the preferred candidate and authorized staff to enter negotiations. He stated that tonight's Commission approval of the lease reflects the negotiated agreement between Rowe Management and the Port.

Mr. Kennedy explained the terms of the lease and stated that the highlights include a lease term of 10 years commencing 1/1/03 with the Port having the right to terminate at any time during the lease term upon 120 day notice; leased premises of 36.55 acres plus existing improvements; minimum rent of \$850 per month against 10.5 percent of gross sales up to \$450,000 per year and 12.5 percent on all sales above \$450,000; purchase of pro shop inventory; equipment and maintenance standards; percentage rent in the event ancillary services are added by Rowe and improvements by the Port and Rowe to the leased premises.

Commissioner Telford commented that staff has answered all his questions. Commissioner Pottle asked Eric Rowe to comment on the Golf Center's marketing plan.

Eric Rowe addressed the Commission and explained that the terms of the lease begin January 1, 2003. He said they will continue to make improvements and provide stability; they will keep the same staff and will continue advertising with radio, print, and promotional activities to user groups. They are targeting youth and senior groups and will continue to make costs affordable. He explained that future improvements include batting cages and miniature golf. He will continue to work with the City of Tumwater to make improvements to the parking lot.

Commissioner Pottle asked if there were other batting cages located in the area. Mr. Rowe replied that there were not – that the closest location was Centralia or Puyallup. The Golf Center hopes to install a pre-fab structured building that would be very cohesive to the sport. He added that local sports stores will help promote this activity.

Commissioner Pottle asked if they have plans to increase the inventory in the pro shop. Mr. Rowe explained that this is a ‘balancing act’ – they have done a demographic profile and will also carry high end items. He said they are making sure they have what the customer wants. The Golf Center staff is well trained in this area and they can always get specific items ordered for the customer.

Commissioner Pottle asked if improvements toward the Golf Center are budgeted for this year. Mr. Kennedy replied that between two previously approved CEA’s, they will be covered. The Golf Center is not asking for anymore money.

Commissioner Telford stated that the Rowe Management proposal was the Port’s second choice until Gary Setting withdrew. He added that even though everything in the lease is appropriate because it gets the Port out of managing the facility, he said this is a “Catch 22” situation, because it precludes the Port from selling the facility for ten years and that the objective should be to get it back in private ownership. But, he added, ‘this is as close as the Port can get’. He stated that because of a past history of negative cash flow, he would abstain from voting on this agenda item because ‘it’s still a burr in my saddle’.

Mr. Handy corrected Commission Telford and stated that the Airport Golf Center has been a positive cash flow for the Port.

Commissioner Van Schoorl added that the Golf Center is highly visible in the Thurston County area and is a good niche for the community.

**Motion** was made by Commissioner Pottle, seconded by Commissioner Van Schoorl, to ratify the lease between the Port of Olympia and Rowe Management.

**Motion carried;** Commissioner Telford abstained from voting.

### **Air Service Plan Approval**

Wendy Holden explained that for over a year the Port has been in discussions with Big Sky Airlines on providing air service out of Olympia Regional Airport. She stated that early in the year the Port proposed service to Spokane and Portland; however, recently Big Sky filed a letter of intent to provide initial service to only Spokane. She said, hopefully, service would begin in the fall of this year with Portland service being added later.

Ms. Holden stated that the Port Commission has discussed air service and taken public testimony at most Commission meetings during the past year, and has devoted at least four meetings to major presentations and associated testimony. She explained that public outreach has included e-mail, web page, or paper questionnaires. The public has also called, or written with opinions on air service. Ms. Holden reported that Port Commissioners and staff have also conducted special group briefings.

After providing the Commission with the history of the air service recruitment, Ms. Holden said the Port

and Big Sky are “ready to take off.” She added that Port staff will be meeting soon with Spokane International Airport and Big Sky staff to finalize all plans. Ms. Holden stated staff’s recommendation for the first year implementation plan for air service and asked for the Commission’s approval. Such approval would increase the marketing budget by \$10,000, with this increase coming from the Port EDC funds, for a total air service marketing budget of \$30,000. Also, staff recommends \$15,000 from the Port Economic Development Corporation (EDC) to pay for partnering with the Thurston County EDC who will assist with the Community commitment program. Ms. Holden stated that a formal budget amendment is not required to implement this plan, due to sufficient unspent funds in the 2002 Port Capital and Operating budgets.

Commissioner Pottle stated his concern about the return on investment for the Port and said that air service at the Olympia Regional Airport would be good for the community. He referred to a recent positive editorial from *The Spokesman Review* newspaper in Spokane and said this sets a positive tone for the Spokane community also. Regarding the pre-sale of airline tickets, he encouraged staff to make sure all risks are minimized and asked what kind of coordination was taking place.

Kari Qvigstad stated that cross marketing efforts will take place with the Spokane International Airport and Big Sky Airlines once the Port Commission approves staff’s plan. She stated that marketing efforts will go towards encouraging the public to change their travel habits. We will work with Big Sky Airlines and incorporate parts of their marketing efforts into our own.

Commissioner Pottle asked who will be coordinating these marketing efforts. Ms. Qvigstad said the Port’s Marketing staff will work with the Spokane International Airport marketing staff in early September to begin efforts.

Commissioner Van Schoorl stated that while private sector participation is important, it is also very important to work closely with state and federal agencies. He asked who is coordinating that effort.

Ms. Holden replied that plans are in place to network with state government. Ms. Qvigstad added that marketing efforts include developing a cost analysis sheet which stresses that time is valuable.

Commissioner Pottle asked how the number of parking stalls was developed, i.e., 117. Doug Sandau replied that a marketing plan was developed from the consultant’s report and according to the traffic load, the consultant developed the number of stalls needed. Also taken into consideration was the amount of restaurant use (they currently have 20 spaces and need more); also consideration was given to possible parking space for State Motor Pool vehicles. Commissioner Van Schoorl added that we currently have a parking deficit at the airport as is.

Commissioner Pottle questioned what staff has done regarding transportation to and from the downtown area. He asked if there would be shuttle buses or if Intercity Transit would provide service. Mr. Sandau replied that staff was checking out all those possibilities, in addition to rental car and taxi services. Commissioner Pottle stated that it is very important to meet the needs of local citizens.

Commissioner Telford reiterated that local transportation is very important, especially some kind of taxi capability. He also recommended that staff check into hotel shuttle services.

**Motion** was made by Commissioner Pottle, seconded by Commissioner Telford, to direct Port staff to continue to implement the air service marketing plan and other activities as outlined by staff.

**Motion carried unanimously.**

Earl Pearson addressed the Commission and asked how the Port plans to make a profit of \$60,000 by bringing back air service to the Olympia Regional Airport. He said he doesn’t understand where these funds come from based on his past history in the air service industry. Mr. Pearson said there are several

FBOs trying to make a living at the airport and jokingly asked if the Port Commission would lend him money to sustain his business. Also in reference to improvements to the parking lot, he requested that the Port leave it as a gravel lot and said he does not support using tax dollars to make such improvements.

Ms. Holden explained that the Port would make money based on the ticket fees which will implement a passenger facilities charge (surcharge) that will be collected by the Port.

Commissioner Van Schoorl stated that the Port is not providing subsidies to Big Sky Airlines. Regarding the parking lot, he explained that the City of Tumwater has set guidelines which state that the parking lot must be paved.

Mr. Pearson said he hoped air service would return to the airport and asked if the state can mandate that employees use the service. Commissioner Van Schoorl replied that State agency directors can urge employees to use the service, specifically because of reduction of travel time and the amount of time it takes to go through security.

Mr. Handy stated that FBOs are very important to the Olympia Regional Airport and that we all depend upon each other. He added that the Port has spent money to allow them better facilities, i.e., lighting, fuel, etc., and that the money spent has been prosperous for everybody.

Commissioner Telford commented that there were no protests from the public tonight and gave his fundamental and philosophical views on the subject. He added that such air service will benefit the community; will save the state money and will provide a return to the community. He said he could find no truth to the 'myths' of future expansion of the airport and extension of the runway; no international status, etc. He said with the slight growth, there would be no significant increase in airplane traffic. Regarding any increase in noise, he said he hasn't found any documentation on this; regarding pollution, he hasn't seen any information yet. In reference to declining property values, he said the Olympia Regional Airport has been here for decades. Regarding economic impact, he stated that the hotels are here anyway. Commissioner Telford added that air service will take traffic off of I-5, which may cause more Airdustrial Way congestion. He also reiterated that there is no subsidy to Big Sky Airlines. We did not receive the federal grant and it's Big Sky who is taking the financial risk. Commissioner Telford added that with the Port making such an investment, he hopes Big Sky Airlines succeeds and provides an opportunity for the public to travel in this community.

Commissioner Pottle stated his appreciation for Commission Telford's comments. He said he would also like to see air service return to the Olympia Regional Airport and he encouraged staff to work closely with state agencies.

Commissioner Van Schoorl said he appreciated the comments of both Commissioners and thanked members of the public for attending all the air service meetings. He said the public process has "kept us on our toes" and has made sure the Commission has answered all questions possible. He thanked everyone who has submitted comments and said the big challenge will be to get the public to use the service. Commissioner Van Schoorl added that now is the time to step up and fly out of Olympia and make connections to other places.

**Motion** was made by Commissioner Pottle, seconded by Commissioner Telford, to direct staff to move forward with the marketing plan to bring air service to the Olympia Regional Airport.

**Motion carried unanimously.**

Commissioner Van Schoorl complimented Port staff and said they have done a tremendous job.

**Approval to Bid Olympia Airport UST Removal and Soil Remediation, Contract No. 591**

Andrea Fontenot explained that the scope of this project is the removal of three decommissioned underground storage tanks at the Gower lease site, and associated soil removal/remediation, backfill, testing, excavation shoring and pavement restoration. She explained that the scope of this project also includes removal and remediation of remaining contaminated soil at the Pearson lease site.

Ms. Fontenot stated that the Environmental Protection Agency initiated a national program in the early 1990's for better management of underground storage tanks. Ecology was assigned implementation of this program on behalf of the EPA. Under these new regulations UST's had to comply with either sophisticated underground monitoring equipment or removal (in essence). She said the Port opted to install above ground storage tanks at the Airport and then phase out existing tenant owned and operated tanks. The Port removed Pearson Air tanks several years ago and any subsequent cleanup was Pearson's responsibility. Pearson removed the majority of contaminated soils but stopped at an electrical conduit and a curtain drain. They put monitoring wells around site and found no groundwater contamination. Ms. Fontenot explained that Ecology wants the residual contaminated soils removed or a deed restriction on the property. The Port does not want a deed restriction so Pearson is responsible for the removal of this remaining soil. Ecology suggested the Port combine the Pearson soil with the Gower tank removal and remediation project. She said the Port is working with Pearson to ensure that he would pay 50 percent of the remediation cost for this remaining contaminated soil. An Ecology grant would pay for the other 50 percent. This grant is payable on a re-imbursement basis when the site receives a No Further Action determination by Ecology.

Ms. Fontenot explained that the Port and Gower have reached a settlement on the Gower tanks. Gower has paid the Port \$68,000. The Port also has an Ecology grant which will cover 50 percent of eligible costs on a reimbursement basis and when the site has received a No Further Action determination from Ecology.

She stated the estimated combined cost for the above projects is \$187,806. The Port has budgeted \$105,851 for the Gower project in this year's capital budget. The cost for the Pearson site was work not anticipated and not budgeted.

Ms. Fontenot said the Port has received \$68,000 from Gower and anticipates receiving up to \$68,000 as part of the Ecology grant program, for a total of \$138,000. Fifty percent of any amount beyond \$138,000 would be borne by the Port and Ecology (for eligible costs), except for those costs associated with the Pearson clean-up which would be borne by Pearson (agreement not yet finalized). She said it is Port staff's goal to facilitate these projects and not incur any direct costs. All funds will come from the Environmental Remediation Account until reimbursed by Ecology.

Commissioner Van Schoorl commented that there is zero cost involved to the Port. Ms. Fontenot agreed and said this is an ideal time to dig up the tanks and do the work.

Commissioner Van Schoorl commented that before a tenant leaves, any clean-up must be done. Ms. Fontenot replied that why staff is bringing this agenda to the Commission at this time because the burden can be put on Pearson. Commissioner Van Schoorl stated that we need to get the tanks out and staff can decide at bid time whether or not to deal with Pearson. He said bids would open on September 4.

Commissioner Pottle questioned if there was serious contamination in the ground. Doug Sandau explained that there could be residuals in the ground, but not sufficient enough to go through to groundwater. He said it might diminish over time.

Commissioner Van Schoorl stated we need to leave the door open and need an additive alternate to get the tanks out of ground; he urged staff to protect our groundwater.

Commissioner Pottle agreed and urged staff to work with Gower; he stated his support to go to bid with an additive alternate. Commissioner Telford agreed and asked staff to redouble their efforts to get this settled.

**Motion** was made by Commissioner Pottle, seconded by Commissioner Telford, to authorize staff to go to bid on Olympia Airport UST Removal and Soil Remediation, Contract No. 591.

**Motion carried unanimously.**

Earl Pearson urged staff to monitor his area for two more years and to look at it before spending money. He stated that if the area is contaminated, then the contamination should be removed.

**Transportation Referendum No. 51**

Commission Van Schoorl requested this matter be placed on the agenda for Commission discussion. He explained that in the past, Port Commissioners have endorsed various Initiatives. He said Referendum 51 is not the ultimate solution to the state's transportation problems, but ports support economic development and transportation serves as an important tool which is needed to move goods and services.

Commissioner Telford he believes in free speech rights, but it is wrong for the Port Commission to promote this issue.

Commissioner Pottle stated that there is no difference if a Commission supports it individually or as a group. He said there would be repercussions for economic development if the Initiative fails. As leaders, elected officials need to resolve problems. Commissioner Pottle said he can go either way in endorsing the Initiative – individually or as a group. He personally supports the Initiative and understands Commissioner Telford's reason for stating his objections in supporting it as a group.

Commissioner Van Schoorl said Port Commissioners could individually sign a letter of support.

Commissioner Telford commented that what the Washington Public Ports Association (WPPA) is doing is the same as what the Washington State Association of Counties and Association of Washington Cities are doing.

Commissioner Van Schoorl commented that he understands Commissioner Telford's argument and Commissioners will individually show their support. He said it important that the Port address the transportation structure in this state.

**ADJOURNMENT**

President Van Schoorl adjourned the meeting of August 12, 2002 at 7:27 p.m.

PORT OF OLYMPIA COMMISSION

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President

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Vice President

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Secretary-Treasurer