

**PORT OF OLYMPIA COMMISSION
MINUTES OF SPECIAL MEETING**

October 21, 2005

CALL TO ORDER

President Van Schoorl called the special meeting of October 21, 2005 to order at 8:05 a.m. in the Large Conference Room at the Port of Olympia. Commissioners Pottle and Telford were also in attendance.

Staff in attendance were: Interim Executive Director Rudy Rudolph, Property Development Director Heber Kennedy, Marketing Director Kari Qvigstad, Finance Director Steve Davis, Harbor Director Bruce Marshall, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, Business Development Sally Alhadef, Property Management Clarita Mattox, Program Assistant Lorie Watson and Communications Manager Patti Grant. Also in attendance were the Port's Legal Counsel, Bob Goodstein and Attorney Carolyn Lake.

Members of the Public included: Representing *The Olympian* was Jim Szymanski, representing KGY was Dick Pust, representing the PAC was Keith Laws. Others in attendance included Stanley Stahl, Peter Witt, Harry Branch, Richard Wolf, Larry Bunn, Nancy Bunn, John McDougall, Patrisa DiFrancesca, Bette Lu Shouse, Walter Jorgensen, and Bob Jacobs.

APPROVAL OF AGENDA

The agenda was approved as modified. Interim Executive Director Rudy Rudolph noted that after the special meeting, the Commission would adjourn to Executive Session for discussion of legal issues and personnel matters.

COMMISSION CONSIDERATION

NorthPoint Discussion

Mr. Heber Kennedy presented the Commission with an update on the North Peninsula Redevelopment Plan. He described the background for the planning process that staff has undertaken this year. Mr. Kennedy provided a map of the Peninsula and described the considerations and steps taken by the planning committee on determining each of the land uses depicted on the map. He indicated that the eventual goal is to incorporate the North Peninsula Redevelopment Plan into the Port's Comprehensive Plan. He then presented the planning committee's next steps and the Commission provided comment on each.

Mr. Kennedy reported that Anthony's Restaurant construction is moving forward on schedule and that the Port would be turning the site over to Anthony's for their part of the improvements next week. He stated the restaurant is still scheduled to open in August 2006.

Mr. Kennedy also reported that he has been in discussion with KGY regarding their lease that is due to expire in 2009 and has been working with them to explore retaining them as a tenant at the Peninsula but relocating them from their present location. He shared that results of a geo-engineering study indicate that it is structurally feasible to relocate KGY's tower onto the Cascade Pole cap. He also reported that this would be a revenue-generating lease. After some discussion, the Commission confirmed that staff should continue working with KGY to relocate their tower on the Cascade Pole cap and look at trying to find alternatives for keeping KGY's studio on the Port Peninsula.

Mr. Kennedy indicated that he has received three expressions of interest in building a boutique spa hotel at NorthPoint and that after confirmation of the relocation of the KGY tower, staff would be issuing an RFP for the development of a 60-100 room boutique hotel. He said that a consultant would review the RFP prior to its release to confirm our criteria and protect the Port's interests.

Mr. Kennedy stated that staff's market research indicates sufficient demand exists for office space and recommended that the North Peninsula Redevelopment Plan should include a pad for an office. He said that DOE confirmation is needed since it is located within the slurry wall. Commissioner Van Schoorl asked about the potential for retail at NorthPoint. The Commission concurred with including an office pad in the plan.

Commissioner Telford said his preference would be to move the hotel back from the water, but said he understands the need to keep it away from the Marine Terminal. Commissioner Pottle commented that moving the hotel back would require additional development costs for landscaping. Commissioner Van Schoorl commented that designing public open space into the development plans is a requirement for both a hotel and an office building. Commissioner Telford again expressed concern about the issue of noise from the Marine Terminal activity and suggested that developers be allowed to orient buildings in such a manner as to help reduce the noise level inside. Mr. Kennedy indicated that an RFP could require that design take into account the noise issue.

Mr. Kennedy advised the Commission that the existing height restriction in the NorthPoint area is 40 feet, which allows for a three-story building with a flat roof. He said that staff would request a code amendment to allow an additional 10 feet of non-occupied space for pitched roofs and building ornamentation.

Mr. Kennedy stated that staff had determined that weekday parking on the Cascade Pole cap by the office building would be an ideal shared use of the parking area. He then described the restrictions that IAC funding would place on the use of the cap for parking. He stated that this shared use of parking space would not be allowed year-round if IAC funds are used for paving the cap, and therefore, staff does not intend to pursue this source of funding. The Commission concurred with staff's decision not to pursue IAC funding for paving the cap, and that the cap parking should be targeted for shared use through controlled access as boat launch trailer parking and office support parking.

Mr. Kennedy stated that staff recommends the Cascade Pole Treatment Plant should remain in its present location and that additional parking should be added to the treatment plant site to back up potential future marina-related use of the collapsed pier. Commissioner Telford asked about the square footage needed for a future treatment plant and suggested staff consider moving it into a smaller site if it would not mean too much additional cost. Commissioner Van Schoorl added that the additional parking should be a placeholder on the NorthPoint plan.

Mr. Kennedy reported that the process for a new Maintenance facility site has been delayed until larger land use tenant options for the Marine Terminal were resolved. He stated that given the limited amount of land available for development in the NorthPoint district, the Maintenance facility should be located outside the NorthPoint planning area. Mr. Kennedy indicated that the co-location of the treatment plant and Maintenance facility is an option; however doing so would preclude using the land as parking support for a future small boat center and mini-marina. He said that one alternative that staff discussed was to consider reducing the size of the stormwater pond located at the south of the Peninsula and relocate the Maintenance facility there, while still retaining the pond as a water feature. The Commission concurred with moving the Maintenance facility outside the NorthPoint planning area.

Mr. Kennedy provided the Commission with possible options for use of the collapsed pier. He reported staff's preferred options included negotiating over the water mitigation banking then applying to DOE for funding to remove the pilings; or, if mitigation cannot be banked, leaving the pier until a use is

identified. Mr. Kennedy also indicated that staff would be focusing on development of a mini-marina with a privately developed fuel dock. He noted that a mini-marina development would not preclude development of a launching pier for use by the fixed keel small boating community should that group raise funds for construction of such facilities. Mr. Kennedy also stated that regardless of future use, the pier should receive screening and security fencing if it is left in place. Commissioner Van Schoorl asked staff to thoroughly explore the option of mitigation banking. Commissioner Pottle commented that it is important that we include space to accommodate the needs for the fixed keel small boating community. Commissioner Van Schoorl said he wants staff to include both the collapsed pier and mini marina development in the plan. Commissioner Telford pointed out an alternate location on the North Point map for parking for the pier and marina users and asked Mr. Kennedy to include it on the plan as a potential location for parking.

Mr. Kennedy briefed the Commission on two alternatives that staff discussed for Berth 4, or "the Cove." He said the two options are to rebuild Berth 4 and build a conveyance system to a bulk storage facility, or demolish the pier and install a rail barge system on pilings. Mr. Kennedy said that staff believes that any use should be opportunity driven. Commissioner Pottle questioned whether the pier could be made ready to use if an opportunity came up as early as next year and staff responded that it could. Commissioner Telford asked about environmental issues and if dredging would be required for use of Berth 4. Mr. Amador commented that the pier has adequate depth for use now.

Mr. Kennedy noted that staff has determined there is space available to accommodate a small dry boat storage facility at the Marina and staff would not be including this use in the North Peninsula plan. He also commented that an alternative to consider is eliminating dry boat storage altogether. Commissioner Van Schoorl commented that he would like to see some storage space in the plan for the fixed keel boats and suggested staff look at the location near the collapsed pier that Commissioner Telford pointed out earlier. Commissioner Telford commented that if there is a need for dry boat storage in this community then we need to provide it somewhere. After some additional discussion by the Commission, Mr. Rudolph suggested this topic be moved to a later discussion.

Mr. Kennedy briefly described the public amenities included in the North Peninsula plan. These include a walking trail, viewpoint, open space, pocket park, and public restrooms. He noted the plan also includes interpretive signage for the Cascade Pole cap and an enhanced landscape plan. Commissioner Van Schoorl commented that the idea of the landscape plan is to enhance the existing comp plan. Ms. Fontenot mentioned that the Port has received interest from community organizations to adopt areas of the peninsula to maintain the landscaping. Commissioner Telford commented that landscaping should be in conjunction with other development, and that he does not like seeing a walking trail designed in the middle of an office building, as has been depicted on some drawings. Commissioner Telford also expressed concern about whether there's a need to put a public restroom at NorthPoint. Commissioner Van Schoorl said he would like to have additional discussion about a restroom at a future meeting. He also asked that it be pushed back away from the water on the planning drawing. Mr. Kennedy commented that he would also explore the option of including an outside public restroom as part of the hotel or office development.

Mr. Kennedy described the existing sewer line at NorthPoint and the recommendations for expansion that were provided by a consultant. He said that future tenants would add additional capacity. Mr. Kennedy reported that staff supports the consultants recommendation to increase the size of the line and to reroute it along Marine Drive and down Franklin Street.

Mr. Kennedy provided that one of the next steps in incorporating the North Peninsula Redevelopment plan into the Port's Comprehensive Plan is to bring the plan to the Commission at a regular public meeting and, with the Commission's concurrence on next steps, will plan to do so.

LOTT/Port Partnership

Ms. Kari Qvigstad presented the Commission with an update on the possible LOTT/Port joint office venture. She gave the Commission an overview of the design options that LOTT's architect provided and the costs and considerations for each option. Ms. Qvigstad described the issues for consideration, reporting that because the preferred site, Site B, is on LOTT's property; LOTT's position is that the Port's space can only be sub-leased to a government entity. The Port could serve as developer and/or enter into a joint venture with LOTT. Such an arrangement would provide needed flexibility so that the Port could own and/or lease excess space to others, or perhaps move to another location sometime in the future and lease the vacated space.

Ms. Qvigstad reported that considering LOTT's capital borrowing capability, LOTT staff would not recommend that it serve as developer for the joint project. She said that this project would need to be a joint cash project and that the Port would be required to make financial investment in the building.

Ms. Qvigstad shared that the current estimate is that \$3 million may be saved through a shared facility in addition to possible shared operating costs, however loss of Boatworks property, gain of Site C development, street impacts, parking, and LOTT's costs of relocating substations are not reflected in the estimated savings.

Ms. Qvigstad provided that in order to proceed with the next steps of refining the concept, the Port must make an affirmative decision to financially commit to a joint venture with LOTT. Based on rough estimates for the building construction, Port costs would be \$6-7 million. In response to questions from the Commission, she also reported that the Port's understanding is that the Port would be responsible for managing the leasable space.

Ms. Qvigstad stated that the Port Commission would need to be prepared to take formal action at the October 24 Commission meeting to either make a commitment to LOTT to participate in a joint office building or formally release LOTT from further consideration of the Port as a partner. She reported that the need for the Port's decision on October 24 is because the LOTT Board intended to make design and site decisions at its October 26 Board meeting, regardless of Port participation, and depending on the Port's decision, LOTT may opt to consider a different site.

Finance Director Steve Davis provided the Commission with a financial analysis of the joint venture with LOTT. He included in his analysis the consideration of our debt capacity and other capital projects identified over the next couple of years, including a small Marine Terminal facility for Port use and including leasable space for tenants. The Commission discussed the financial analysis. Bob Van Schoorl commented that the Port could invest money in our own space and have potential users lease additional space plus have public space. Commissioner Telford commented that he is still interested in rationalization for a new Port office at this time. He stated that not doing the LOTT venture does not preclude building another building later. Commissioner Pottle said that if we do decide to build, we need definite pre-commitments from other tenants.

The Commission determined they will be prepared to have a final answer on the joint venture at the October 24 Commission meeting.

Review of SEPA Process

Port's Legal Counsel, Mr. Bob Goodstein, introduced his staff member Carolyn Lake, who presented the Commission with a review of the SEPA process for the upcoming hearing scheduled for October 24. She provided a draft of the script for the Chair, but in anticipation of Commissioner Van Schoorl's absence, Commissioner Pottle said he would be prepared to read the opening remarks. She informed them that a court reporter would be present. The Commission and Ms. Lake discussed the procedures. Commissioner Van Schoorl said that since he expected to be out of town, he would participate via conference call if possible.

ADJOURNMENT

President Van Schoorl adjourned the special meeting of October 21, 2005 at 10:45 a.m. to executive session to discuss legal issues and personnel matters. The executive session adjourned at 11:45 a.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer