

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

October 24, 2005

CALL TO ORDER

Vice President Pottle called the meeting of October 24, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioner Telford was also in attendance. President Van Schoorl conferenced in by phone for a portion of the meeting.

Staff in attendance were: Interim Executive Director Rudy Rudolph, Administrative Manager Jeri Sevier, Marketing Director Kari Qvigstad, Communications Manager Patti Grant, Harbor Director Bruce Marshall, Program Assistant Maureen Malahovsky, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, Business Development Sally Alhadeff, and Finance Director Steve Davis.

Public in attendance were as follows. Representing *The Olympian* was Jim Szymanski. Others in attendance included Jim Goodpesta, Lyle Morse, Richard Wolf, Connie Egan, Elena Buls, Otto Buls, Peter Overton, Beau Casebier, Patricia De, Beverly Taylor, Carlos Perez, Donna Nickerson, Ted Steege, Bob Jacobs, Arthur West, Harold Clark, Keith Bausch, Bette Shouse, Lynn Salerno, Jerome Parker, EJ Zita, and Tim Sheldon.

APPROVAL OF AGENDA

The agenda was approved as amended. Changes included changing the title of the lease for Washington State Patrol to a renewal, not an assignment under the consent calendar. In addition, moving the 2006 Operating and Capital Budget Advisory to start the meeting.

PUBLIC COMMENT

Dr. E. J. Zita, resident of Tumwater, presented a proposal to the Commission asking the Port to designate 10 acres of trees as a pocket park along Armstrong Road. Commissioner Pottle asked staff to follow up on the proposal. She indicated she also had questions on future of the airport. She asked "Does the Port have plans to lengthen the runways at the airport and if so is the purpose to enable larger planes such as freight carriers to come into the airport?" Commissioner Pottle indicated that we have moved the runway south for safety reasons, we lengthened the runway 70 feet and will be improving the line of sight on the runway all of that is not to bring in larger traffic but to maintain what we have now. Mr. Rudolph indicated there are no plans to lengthen the runway nor are there plans to go after any freight carriers. If someone came to us, we would let them know what our runway offers.

Mr. Peter Overton, resident of Olympia, indicated his family has been in the timber industry over 100 years. He read in the paper the challenge of the Port for bringing Weyerhaeuser into the Port. Bringing Weyerhaeuser in strengthens the market for the timber industry. He asked are we going to stop logging by stopping logging trucks on our roads - they have as much right as any car to be on the roads. He commented that the log trucks create jobs and it is essential that we encourage trucks. He also encouraged the Freight Mobility video to be played and enter into the record and enter into the record the history of the Port and the vestment in the industry. He commented that he thought it was wonderful that Weyerhaeuser is coming here to establish and increase the market. Commissioner Pottle indicated we have viewed the Freight Mobility video and have requested it. He commented that we would be doing a briefing at a future commission meeting regarding the conference and playing the video.

State Senator Sheldon, representing Mason, Thurston, Kitsap and Grays Harbor Counties,

commented that many of the areas he represents are good for growing timber. The Port has traditionally been an export center for logs. Many of the other export centers have closed down, and Olympia is the only close market now. He commented that it is essential that we keep the market. He indicated that he understands that traffic is an issue, however the truck traffic to the Port has declined based on history. He noted that bringing Weyerhaeuser would benefit all of the surrounding area.

Patricia De, resident of Olympia, asked what the net jobs are and what kind of jobs they are for the Weyerhaeuser lease. Commissioner Pottle indicated there might be some people that will relocate from Tacoma to Olympia. There are jobs with Weyerhaeuser that may transfer and there are jobs that will be created in this community as well. He noted that the Longshoreman would come from the local in Olympia. She asked when would we know how many jobs – Commissioner Pottle responded - probably when we start the job next summer.

Elena Buls, resident of Olympia, commented that she was alarmed when reading in the paper that there may be 120 trucks a day and may go higher, however she heard that it is not as much as the past. She noted that she just moved to the area and does not want to see more trucks.

COMMISSIONERS REPORTS

Commissioner Pottle indicated attended the Freight Mobility conference in Tacoma. The conference covered challenges we face for transportation and has asked Kari Qvigstad to get a copy of the video and then give a report on the conference at a future Commission meeting.

Commissioner Telford noted he attended the meeting of TRPC regarding rail issues.

EXECUTIVE DIRECTOR REPORT

Mr. Rudy Rudolph, interim Executive Director reported that at the Airport, structural repairs to the Washington State Patrol hangar have been completed, and painting on the A, B, and C hangars has been completed.

At the Marine Terminal, Mr. Rudolph reported that the rail expansion project continues with paving underway on the east side of the warehouse track and work at the Farmer's Market area. Yard cleanup and planning is underway for in order to make room for the next three vessels, which will arrive in close succession.

Turning to the Property Development department, he noted that staff continues to plan for it's annual real estate breakfast briefing. This year the focus will be on projects such as NorthPoint, East Bay, Market District, Tumwater Blvd corridor and the NewMarket Industrial Campus. In addition, the Anthony's foundation site has been completed and is available for installation of their improvements.

At the Marina, Mr. Rudolph noted that the U. S. Army Corp of Engineers vessel Puget would be here November 3-9 to take core samples at the marina. This information will be used to perform an environmental assessment of the type of materials in the harbor associated with maintenance dredging in the marina basin. The North marina landscaping improvements have been completed. This project consisting of irrigation repairs and installations, retaining wall construction, sign installations and relocations and planting of new vegetation. He also noted that the 2005-06 winter storage program at the boatworks is full. This year over 30 vessels will be wintering over at the yard

Mr. Rudolph indicated that a proposal for discharging aluminum billets was forwarded to Hydro Aluminum for a potential contract in 2006. This activity would add an additional 30,000 MT of aluminum on the FESCO vessels calling on Olympia annually.

He also reported that Kari has been working with St. Martins University and the EDC to sponsor a

business focused delegation to China in March 2006. Kari is working closely with the EDC on a joint presentation to Chinese businesses promoting foreign direct investment in Thurston County.

In the Public Works department, work is nearing completion on the NorthPoint Restaurant Site Improvements and 2005 Airport Improvements contracts. Construction continues on the On- Dock Rail Extension and Marine Terminal Fender Pile Replacement contracts.

Consent Calendar

The Consent Calendar was approved as follows.

Minutes. The Commission unanimously approved the minutes from the September 9, 2005 and September 26, 2005 meetings.

Bills and Vouchers. The Bills and Vouchers were unanimously approved in the amount of \$1,96,862.54. General Fund Checks Issued: General Fund Checks Issued: 038086-038087, 038088-038161, 038162-038165, 038166-038200, 038201-038209, 038210-038243, 038244-038245, 038246-038248, 038249-038304, 038305-038307, 038308-038339, 038340-038349, 038350, 038351-038397, 038398-038410, and 038411-038422. Voided Checks: 037914, 038043, 038195, 037901, and 038315.

Capital Expenditure Approval. The Capital expenditures were unanimously approved in the amount of \$1,134,344.10 to Department of Revenue for the Site Capping project, Northwest Construction, Inc. for the Runway Shift project, Rognlin's, Inc. for the NorthPoint Restaurant project, and Coast Rail for the On-dock Rail project for the period ending October 28, 2005.

In addition, the Commission unanimously approved the capital expenditures in the amount of \$160,438.71 to Reid Middleton for the Cargo Yard Reconstruction project for the period ending October 14, 2005.

Assignment of Lease: Snack Time Foods, Inc.

The Commission unanimously ratified the lease with Snack Time Foods, Inc., a tenant of the Port since 1994. Their business is located at the NewMarket Industrial Campus, on Center Street, and their operation is a full line vending services in Washington and Oregon. Snack Time Foods, Inc. has entered into an asset purchase agreement and wishes to assign the land lease agreement to Brinton Business Ventures, Inc., another full line vending service, in operation for the last 29 years. Our assignments do not release original tenant from any liability with respect to the lease.

Lease Renewal: Washington State Patrol

The Commission unanimously ratified the lease with the Washington State Patrol who currently leases the hangar/office and asphalt ramp located at 7525 Old Highway 99, which expired June 30, 2005. The WSP wishes to enter into a new lease for a period of 5 years effective July 1, 2005 through June 30, 2010. The premises are for use by the WSP and other agencies for the purpose of maintenance of aircraft, aircraft line service, and aircraft operations for the State of Washington.

Lease: Prime Development

The Commission unanimously ratified the lease with Prime Development. This lease is for the phased development of three rows of executive hangars at the Olympia Regional Airport. The hangar development is the result of a competitive RFP selection process. The development will take place in the parcel just south of the existing Echo hangars.

ADVISORY CALENDAR

2006 Operating and Capital Budget Advisory

Mr. Steve Davis, finance director, provided the Commission with a presentation of the draft of the 2006

Operating and Capital Budgets. He indicated tonight's presentation is advisory only. The November 14, 2005 meeting will include a public hearing on the budget and the November 28, 2005 meeting will also include a public hearing on the budget and final adoption.

Mr. Bob Jacobs, resident of Olympia, commented that the State audit report says that the Port is losing money -- lots of money, however when the Port gives a report, they make it look good and say that the Port is making money. He asked the Commission to stop lying and distribute G& A and depreciation like any other business.

ACTION CALENDAR

LOTT / Port Partnership

Ms. Kari Qvigstad indicated that the Port Commission and LOTT Board met July 27, 2005 to discuss a possible joint office venture. Consensus was that Site B, a small LOTT parcel on Marine Drive just north of the LOTT compound, was the preferred site. Subsequently, Port staff was directed to work with LOTT on a priority basis to explore the feasibility of such a venture.

July 27, 2005 Joint meeting Assumptions and Benefits to Port

- Provides opportunity for the Port and LOTT to accommodate their respective office space needs and to share certain administrative functions and facilities.
- A partnership allows for opportunities to share in public outreach and education.
- LOTT's financing through Public Works Trust Fund (0.5%) would be available for this project.
- A lease option to LOTT or sale of 1-acre parcel at Warehouse 2 would generate revenue to the Port or could be structured as trade for rent credits.
- Site B allows for best land use and alternative development on the other sites.

Joint Office Project Feasibility

The joint LOTT/Port working committee met October 11 to review the Michael Willis Architects (LOTT consultant)'s feasibility assessment of site "B". Conceptually, the site is workable for a four-story building that would meet the needs of both agencies. The following concepts and impacts were presented:

- Three building options, ranging from 36,438 – 38,900 square feet, could be constructed on Site B ranging between \$6.3 – \$6.7 million dollars to the Port.
- This site requires relocating two power sub-stations, estimated at \$500,000.
- A zoning change for site B (east of Adams St) to Urban Waterfront is required to achieve desired heights. The application deadline for LOTT to submit a comprehensive plan change is October 31, 2005.
- Street design modifications on Marine Drive will be required for ingress and egress to site. Specifically, a left-turn lane will need to be added, and road widening will impact existing sidewalks. These costs are excluded from the preliminary cost analysis.
- Current concepts to accommodate parking needs include: on-street, on-site, a small triangle on Port land to the east, and LOTT staff parking inside the LOTT compound via a gate off Site B. The on-street parking will require widening Marine Drive to the north taking a strip of the future Swantown Boatworks expansion area (estimated at 10,000 sq. ft.).

Issues

- Because the office building resides on LOTT 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. The structure of the joint venture agreement would be determined later. 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.
- Given growth capacity projections for LOTT and considering LOTT's capital borrowing capability, LOTT staff will not recommend that it serve as developer for the joint project. To continue as a

- joint project, this project would need to be a joint cash project.
- The current estimate is that \$3 million (based on 9,807 sq. ft. of common facilities at \$300/sq. ft.) may be saved through shared facilities in addition to possible shared costs operating costs. 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.
 - 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 costs with 35% overhead & admin costs, Port costs would be \$6.5 million.

She indicated the Port Commission must take formal action to 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. This action must be taken to enable the LOTT Board to make design and site decisions at its October 26 Board meeting, regardless of Port participation. Depending on the Port's decision, LOTT may opt to consider a different site.

Commission Discussion:

Commissioner Telford commented that the Port's analysis was presented at the Commission workshop last Friday. He and one other Commissioner commented that the results of the financial analysis did not seem right. Commissioner Telford took a cursory look at the analysis and found that, among other problems, the comparisons between the LOTT's estimate and the estimate for the office building across the street were based on significantly different costs per square foot. He stated he was disappointed in the validity of the analysis. Commissioner Telford noted that unfortunately we are at the 11th hour and don't have the time to look at this any further and that a joint project was a golden opportunity to save both agencies money in constructing and operating costs. However without valid comparisons of the options we need have no choice but to decline participation with LOTT. Commissioner Telford made a motion to direct the executive director to send letter to LOTT indicating that the Port will not participate in project. The motion passed unanimously.

SEPA APPEAL HEARING

SEPA 05-01, Cargo Yard Paving

The purpose of this agenda item is to hear two appeals to the Port's SEPA determination of Non-Significance for the Cargo Yard Paving Project, issued on September 14, 2005, and revised on September 22, 2005.

The hearing was conducted by the Port Commission and recorded by a court recorder. The Port counsel presented a report on the appeal and was provided no longer than 15 minutes for this presentation. Each appellant or his/her representative commented on the appeal that lasted no longer than 15 minutes each. All other public comments on the appeal were allowed one comment per person that lasted no more than three minutes each.

The Commission delayed the decision until the next meeting on November 14th when Commissioner Van Schoorl would be present to discuss further.

ADJOURNMENT

Vice President Pottle adjourned the meeting at 9:37 p.m. on October 24, 2005.

The Commission held executive sessions on October 6 and October 7, 2005 from 12:00 to 5:00 to interview the applicants for the Executive Director position. The Commission also held executive sessions on October 18 and October 19, 2005 from 3:00 – 5:00 to interview the two finalists for the applicants

In addition, the Commission held a work session on Friday, October 21, 2005 with staff to discuss

Northpoint, LOTT / Port Partnership, and review of procedures for the SEPA hearing. The work session was held from 8:00 a.m. – 10:00 a.m. at the Port office. Minutes from this work session will be detailed separately. The commission adjourned into executive session from 10:00 – 11:00 a.m. to discuss the candidates for executive director and potential litigation.

Commissioner Pottle announced the Commission would hold an executive session on Saturday, October 29th at 9:00 a.m. to discuss personnel issues.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer