

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

July 9, 2007

CALL TO ORDER

President Telford called the meeting of July 9, 2007, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioner McGregor and Van Schoorl were also in attendance.

President Telford announced that the commission just held an Executive Session with staff and legal counsel to discuss potential litigation. No decisions were made.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Airport Director Rudy Rudolph, Marketing and Business Development Director Kari Qvigstad, Finance Director Steve Davis, Engineering Director Jeff Lincoln, Property and Business Development Manager Sally Alhadef, Communications Manager Patti Grant, Sr. Property Manager Heber Kennedy and Marketing Program Assistant Maureen Malahovsky. Carolyn Lake, the Port's Legal Counsel, was also in attendance.

Public in attendance were as follows: Representing *The Olympian* was Jim Szymanski. Others in attendance who filled in the sign-in sheet included: Suzanne Nott, Patrisa DiFrancisca, Brad Kit Selman, Patty Belmonte, Bill Pilkey, E.L. Johnson, Jan Witt, Harold Clark, Larry Mosqueda, Bob Jacobs, Wes Hamilton, Mark Williams, Jerry Dierker, Arthur West, Petra Ramsey, Tom Fell, Keith Bausch, Matt Johnson, Bob Johnson, Sue Danver, Don Melnick, Jim Wright, James Jones, Aaron Hartwell, Tom Haag, George Barner Jr., Erika Fehr, Richard Wolf, Jerry Parker, Stanley Stahl, Meta Heller, Peggy Burton, Bob Luxa, and Caitlin Esworthy.

APPROVAL OF AGENDA

The agenda was approved as amended. Commissioner McGregor asked that voucher number 43519 involving promotional hosting be added to the action agenda as item number 5.

COMMISSIONERS REPORTS

Commissioner Van Schoorl noted he met with the partners in the development of the East Bay property.

President Telford indicated he has a request for someone to attend the Thurston County Fair opening, which is a contest between Elected Officials. Commissioner McGregor accepted the invitation.

EXECUTIVE DIRECTOR REPORT

Mr. Ed Galligan indicated that in response to Mr. Pilkey questions at the last meeting, staff met today with Mr. Pilkey concerning questions he has raised concerning port finances. He indicated that it was his understanding that Mr. Pilkey's questions have been answered for the present. Mr. Pilkey confirmed from the audience.

Mr. Galligan reported that in response to comments we have received from citizens, Port staff has a meeting scheduled this week with Sen. Swecker to discuss his interests in the South Sound Logistics Center.

Mr. Galligan reported that at the last meeting, Ms. Heller asked about the Adopt a Garden project. Mr. Galligan noted that the first Adopt a Garden site was prepared last week at the corner of Marine Drive and Olympia Avenue. The Nature Conservancy and Native Plant Society will plant this garden. Future garden will demonstrate their work in South County with native oak and prairies. They plan to use similar plants underneath the oak trees that line Marine Drive. An interpretive sign and bench will also be installed in this space. Mr. Galligan reported that community groups have reserved two other gardens. These are the Sunrise Lions and the Port Peninsula Benevolent Association (composed of several landscape architects). These will be planted next year as part of the MNO uplands development. The groups adopting the gardens will plan, plant and maintain these gardens in conjunction with the Port.

Mr. Galligan reported that the 660-foot vessel Morning Meridian arrived at the Port of Olympia Sunday; vessel departed early today, 3,924 Kia vehicles were unloaded. The Vehicles are

normally unloaded and staged at the Port of Tacoma. However, due to increased Kia production, Tacoma was temporarily unable to handle this shipment. He noted that this is the result of working with the Port of Tacoma to create a “spirit of partnership” between the 2 ports. Mr. Galligan reported that about 140 longshore workers unloaded eight models of Kias in a two-shift operation. The revenue received from the vessel and storage of the vehicles will have a positive impact on financial results from the marine terminal for this year.

Mr. Galligan indicated that the Port is expecting the Hermann Scan to arrive in port about July 16. This cargo is approx. 855 thousand tons of mining equipment. This translates to about 25 pieces of large equipment.

PUBLIC COMMENT

Suzanne Nott, resident of Olympia, indicated that the Port needs a comprehensive look at all of the projects in conjunction with other agencies to include traffic, noise, lights, and water pollution. The projects underway and being planned need a comprehensive impact statement. She suggested if elected she will move toward this plan.

Patty Belmonte, Director of Hands on Children’s Museum (HOCM), provided an update on the project that is being planned for East Bay property. The East Bay site has been identified for the new HOCM. She noted that they recently selected an architecture firm; a northwest leader in green sustainable design and the fundraising is underway. Commissioner Van Schoorl noted that we are looking towards a comprehensive approach to developing this property.

Bill Pilkey, resident of Olympia, indicated that Joe Cole died fighting for pollution created by the Port of Olympia, if the Port had listened to him, thousands of dollars would have been saved. Mr. Pilkey also commented on the Port’s budget and operating losses.

Jan Witt, resident of Olympia, claimed that others have made allegations that the Port appellants are retired and have nothing better to do and have cost the Port thousands of dollars and delayed projects. She indicated that she is not retired and that the Port has delayed projects by not including the public in the process. She gave an example of the Port indicating in an earlier SEPA that a grading permit was not required, but now the SEPA includes a grading permit. She commented that this is troubling, and we find information in records requests that the Port new about the .5 acres years ago.

Larry Mosqueda, resident of Olympia, commented on the Capital Lakefair and the warships that have been invited to dock in Olympia at the Port. He asked who coordinated the visits and who will pay for the security for these visits.

Bob Jacobs, resident of Olympia, commented on the air show at the Olympia Regional Airport. He commented that the air show is dangerous. He commented that he lives on the Tumwater/Olympia border and they fly over his house, he did not agree to accept the additional danger. He asked that the Port find a way to correct this situation.

Wes Hamilton, resident of Olympia, he asked that the Port revoke the permission for Lakefair to use the Port’s docks for the visit of the warships. He indicated that protestors would be present.

Jerry Dierker, resident of Olympia, noted he attended Joe’s funeral service earlier in the day, Joe died because of the contaminates at the Port. Mr. Dierker indicated that Joe worked on the site where the proposed Children’s Museum is going; he indicated that he is trying to convince them not to build there. The contaminates are real, he commented that he is not making this up.

Arthur West, resident of Olympia, commented that the letter dated July 5, 2007 on the South Sound Logistics Center indicating that they are doing a comprehensive Environmental Impact Statement was a good. He also asked about the comprehensive scheme of harbor improvements as required by law.

Tom Fell, resident of Olympia, commented on the NorthPoint plan and indicated that he thought it was a good plan, however, he felt that the public access to the waterfront could be improved by moving back the hotel. He commented that the problem with the plan is parking; he suggested that a parking garage be planned for that area.

Aaron Hartwell, resident of Olympia, commented that he was against Capital Lakefair bringing warships to Olympia. He noted that this is a political act that the Port should not participate in and he said it was irresponsible for the Port to allow the warships to come to Olympia.

Erika Fehr, resident of Olympia, said she heard about the dioxin issue in Olympia and she said other countries have some technology to neutralizing dioxins with wonderful results. If the Port is interested in more information, she provided them with her business card and website addresses.

Stanley Stahl, resident of Olympia, commented that he objects to the warships coming into the Port.

Meta Heller, resident of Olympia, commented that she has been a protestor when she lived next to Bangor and this county hasn't seen anything like what they used to do as protestors; she commented that she is interested in the garden project.

Caitlin Esworthy, resident of Olympia, commented on the military ships coming to the Port of Olympia. She noted that Olympia is making a public statement that they support the war and are facilitating a recruitment program through Lakefair. She urged the Commissioners to rethink the decision to let the Military Ships come.

President Telford indicated that the ships that are coming in are not loaded with military equipment; the purpose is to showcase and invite the public to tour the ships.

CONSENT CALENDAR

Minutes Approval. The Commission unanimously approved the minutes from the June 11, 2007 Joint Meeting with the City of Olympia.

Lease Amendment: Anthony's Hearthfire Restaurant

Lease Amendment No. 2 between the Port and Anthony's for the Hearthfire Restaurant at NorthPoint cleans up several issues between the two parties as called for in the lease agreement. These are:

1. It affixes the Rent Commencement Date as April 1, 2007.
2. In return for Anthony's agreeing to relocate its off-site sign at Market and Marine Drive at Port request, the Port will pay a portion of its costs related to the change in sign location to the NE corner of Market Street and Marine Drive. The Port shall maintain vegetation in the vicinity of the sign to maintain sign visibility.
3. This amendment resolves the construction claims between the Port and Anthony's. The Port will pay \$4,796.58 to Anthony's in settlement of the claims by both parties. In a separate action, not related to this amendment, the Port is pursuing reimbursement from its consultants on this project.
4. The lease remains in full force and effect and each party's obligation under Exhibit E and the Tenant construction obligations as set forth in Section 2 of Exhibit E.

The Commission unanimously approved the lease amendment with Anthony's Hearthfire Restaurant.

ACTION CALENDAR

Resolution 2007-15 – Performance Evaluation Process

Ms. Jeri Sevier indicated that a compensation team from Port of Olympia, consisting of five staff members, has been working with Johnson HR Consulting for the past year on recommendations for a total compensation plan consistent with the market and based on pay-for-performance.

She noted that on January 22, 2007, the Commission adopted the Total Compensation Philosophy for the Port of Olympia and approved Resolution 2007-05, adopting the Salary, Grades, and Ranges for all positions at the Port of Olympia.

Ms. Sevier reported that Phase II of the project included a review and assessment of all other benefits, including health care, recommendations for a performance pay structure and process, recommendations for an evaluation form, and administration process for the salary structure.

She indicated that over the past few months the Phase II analysis has been completed and individual meetings were held with each Commissioner. The draft performance evaluation

process and sample form has been distributed to commissioners and staff for input over the past month. Attached is Resolution 2007-15 outlining the Performance Evaluation Process.

Bob Johnson and Matt Johnson, representing Johnson HR Consulting provided the Commission with an overview of the performance evaluation process elements:

1. Annually, each employee will set individual goals and objectives.
2. Throughout the year, performance will be monitored. The supervisor will hold a mid year review with employees to monitor and review the performance of the goals and objectives.
3. Beginning in September/October, evaluation forms will be sent out to all supervisors and directors to hold a preliminary review with their employees.
4. The Supervisor will complete each evaluation with a preliminary rating.
5. The director team for fairness and consistency will discuss the evaluation ratings in an evaluation review meeting.
6. The Commission will set the merit budget during the annual budget process. The budget will consist of the cost of salaries for (a) salary structure movement and (b) the performance merit pool as reported in published surveys of the market.
7. Once the evaluation ratings have been confirmed by the director team, the merit matrix will be set based on the merit budget and the ratings.
8. The executive director will notify staff of the outcome.

Commissioner McGregor indicated that he thought number 5 should be changed to read “For fairness and consistency, the director team will discuss...” of the resolution and that union employees, which are covered by a union contract should be excluded from this policy.

Keith Bausch, resident of Olympia, asked if there was an appeal procedure included in this process. President Telford commented that we currently have a policy that addresses this issue. He asked if that policy needed to be updated. Ms. Sevier indicated that she did not think it would.

Jerry Dierker, resident of Olympia, commented that because this is a governmental agency is there any provision to determine the education required on the laws that they are supposed to follow?

Bill Pilkey, resident of Olympia, commented that he was concerned that the last 12 years the Port has been losing money, when the budget is set, it should be set based on actual performance of the Port, not just the other set of books. This doesn't seem fair.

Commissioner Van Schoorl moved adoption of the Performance Evaluation Process as recommended by Johnson HR Consulting and reflected in Resolution 2007-15 with amendments suggested by Commissioner McGregor. The Commission unanimously adopted Resolution 2007-15 as amended.

President Telford commented on the health insurance contribution for the Port. He handed out some factual data on the insurance plan. Commissioner Van Schoorl noted that this is the same plan as the State package. He noted that we asked Matt and Bob to look at this and after their analysis, the Port fared pretty good as compared with other local agencies.

President Telford also handed out the Executive Director Performance Review process and asked for feedback. He asked the other commissioners and the executive director to markup and provide changes to Jeri and she can summarize and consolidate.

Lease Amendment – Weyerhaeuser

Ms. Kari Qvigstad reported that the Port of Olympia entered into a ground lease with Weyerhaeuser Company on August 22, 2005 covering approximately 24.5 acres owned by the Port at the Marine Terminal area for use as log export facility which included installation of a maintenance facility, office and other equipment necessary in conjunction with operations and use of the premises. The lease expiration date was set for December 31, 2011. Due to delays in the start of operations unforeseen by both parties, this amendment seeks to modify the current lease to update dates from original agreement.

She indicated that the Amendment addresses specific provisions of the Lease, summarized as follows. Actual language for each item is stated on the Amendment.

Paragraph 2 -- Term: Originally to end December 31, 2011
Amend to: December 31, 2012

Paragraph 4 – Service Fees: Original fees set on Page 7 in a schedule based upon minimum volumes have been increased due to delay and a modification of start date for annual CPI adjustments.

Amend to: New fees are reflected in the table at an increase of \$500/per acre/per year. The Tenant will be subject to an annual CPI adjustment on January of every year.

Paragraph 7 – Possession: Based on the anticipated original date of occupancy, the Lease called for a possession date 157 days after the Port would complete specific improvements. The Amendment states an event rather than specific number of days or date to give notice to Tenant to be able to occupy the premises.

Amend to: Port will diligently pursue its commitment to complete all underground improvements for installation of Tenant’s maintenance shop and office buildings. Port’s obligation is contingent upon Tenant responsibility to turn in its plans and permits for installing those buildings. It also specifies that the Port has 12 weeks to deliver the ready-premises after awarding a bid for underground improvements, and if not completed within that time line, the Tenant may terminate the lease with a 30-day notice to the Port. In addition, the Port would be granted reasonable time to complete the work, if the work is delayed due to Tenant’s delay in obtaining permits and plans for its buildings.

Paragraph 13 – Indemnification and Liability: All leases at the Port call for proof of commercial liability insurance within 30 days of the agreement with the understanding the tenants would be occupying the premises. Due to the unknown of occupancy the Amendment is specific as to when proof of insurance is expected.

Amend to: Proof of insurance will be received by the Port prior to Tenant occupying any portion of the premises whether it is for construction or any other activity.

Paragraph 16 – Maintenance and Repairs: The original lease did not call out Port required landscaping.

Amend to: The Port at its own cost will install and maintain Port-required landscaped areas on the premises and Tenant will reimburse the Port if the landscape needs to be removed and replaced related to environmental conditions for which Tenant is liable in Section 27 of the lease.

Paragraph 16.3 – Maintenance and Repairs: The lease moves the date for planned maintenance dredging from December 30, 2007 to December 30, 2008. It maintains the provision that if Tenant cannot operate with current depth levels at Berth 3, the Port and Tenant would cooperate with each other to reconfigure Tenant’s premises and use other berths as necessary.

Amend to: The contingent date of planned maintenance dredging is stated to be December 31, 2008.

Paragraph 40 – Notices: Typographical error on Port address.
Amend to: Correct physical address to read 915 Washington Street NE.

Paragraph 47 – Termination Options: The original lease stated penalties to be paid by Tenant to Port in the event of early termination based on number of years at the Port, but did not specify when the year period would begin.

Amend to: Reflect the year starts with the Rent Commencement Date – penalties remain the same.

Paragraph 52 – Renewal Option: Original lease stated that service fee adjustments for the renewal period would be based on CPI and that CPI adjustment would be applied based on volumes of the previous full year of operation by the Tenant. Because the term is now through December 31, 2012, the adjustment for the renewal period has to be corrected.

Amend to: Service Fee adjustment will be equal to the adjustment on the CPI and based on Marine Terminal Revenues from the most recent full calendar year – such calendar year to be 2011.

Exhibits: Amendment to reflect the accurate premise lines for initial premises, relocation if/when needed, and location of the lights.

Amend to: Updated Exhibits as attached.

Brad Kitselman, representing Weyerhaeuser, indicated that Weyerhaeuser is very interested in bring their business to the Port of Olympia, and urged the Port to approve the lease amendment and move on with business.

Stanley Stahl, resident of Olympia, asked about the landscaping expenses. Ms. Qvigstad responded.

Jan Witt, resident of Olympia, asked again about the .5 acres of the cargo yard. She commented that .5 acres is still in the lease and a grading permit is required and the notes she obtained from the Port records request and the note indicated that the grading permit would likely result in SEPA appeals. Ms. Qvigstad indicated that there is a slight boundary change proposed in the lease amendment. She commented that she would sit down with Ms. Witt and go over the boundaries of the lease with her. Mr. Jeff Lincoln indicated that the storm water pond is outside of the shoreline boundaries.

Patrisa Di Francesca, resident of Olympia, commented that the lease amendment indicates that the dredging is included in the lease when the Port has contended that that the dredging is not included. Ms. Qvigstad indicated that the lease does not require dredging. The intent of the maintenance dredging is to bring the depth of the channel to its original depth.

Jerry Dierker, resident of Olympia, commented that the lease should be included into the environmental review, which it did not. He commented that he would like to understand the adjustment of the lease terms, it sounds like the Port will do anything to bring them here.

Arthur West, resident of Olympia, commented that he is confused, last week it was a clean up dredge, now it is a maintenance dredge. He commented that the dredge is obviously driven by the lease. The lease amendments require an environmental assessment. He noted that before you spend money on harbor improvements you need to have a comprehensive scheme. President Telford commented that the comprehensive plan is the plan that he is referring to, that plan was adopted in 1995.

Suzanne Nott, resident of Olympia, commented that if the uses have changed in the lease, the public should know what those boundaries are.

Bill Pilkey, resident of Olympia, the amendment indicates CPI and he wanted to know what CPI Index is being used. President Telford indicated that we use the Seattle Northwest index.

Keith Bausch, resident of Olympia, commented that the accusations and calling Commissioners liars is getting old. The question about moving ships to from one berth to another is appropriate, it happens all the time and has nothing to do with Weyerhaeuser; he commented that we could accommodate their ships right now.

President Telford commented that he opposed the landscaping requirement inside the fence in that it would interfere with operations and require exposed dirt within the slurry wall area and, if really necessary, should have been included in the original lease. He stated that if landscaping was desired the fence should have been located to leave room on the Marine Drive side. Commissioner Van Schoorl indicated that landscaping is a city requirement.

Commissioner Van Schoorl moved ratification of the Lease Amendment No. 1 by the Port Commission as presented conditioned on no court action contrary to this approval. Commissioner McGregor seconded the motion. The motion passed unanimously.

Boatworks Expansion Approval to Bid

Mr. Jeff Lincoln indicated that the Boatworks Expansion project would expand the existing capacity of the Boatworks Yard by 30% (8,500 square feet) to accommodate the demand for upland storage and work space on boat. The scope of the project is to pave, drain and light the 8,500 square feet of space adjacent to the existing facility and provide compressed air and electrical service connections to an additional 9 boat storage spaces. There has been a consistent

high demand for these facilities and the port anticipates a positive revenue flow from this expansion.

He noted that the current working estimate for this contract is \$155,000 to \$195,000. If approved the work should be complete in time to accommodate the winter haul out demand for facilities of this type. The current estimate includes an additive alternative with an estimated value of approximately \$9500 to update the electrical service on the existing utility stations. This work is necessary to relieve electrical overload issues, which are especially prevalent when the boatyard is full of stored boats over the winter. It would eliminate the use of power cord splitters, which enable multiple boats to use the same receptacle and overloading the service.

Mr. Lincoln reported that the current capital budget authorizes a total of \$154,000 for this project, including this construction project and all other costs, including engineering, permits and staff time. Approval of this contract will require an increase in funding by approximately \$50,000.

Stanley Stahl, resident of Olympia, asked how the Port could compete with private business. Commissioner Van Schoorl indicated that this is the only haul out facility in South Sound. Mr. Stahl indicated that this presentation does not include the return on investment. The Commissioners indicated the return on investment was done during the budget approval process and is available from staff.

Jerry Dierker, resident of Olympia, asked about the storm water on the site. Commissioner Van Schoorl commented that the storm water facility is on site.

Commissioner McGregor asked about the permitting from the City. Mr. Lincoln indicated that the permits have all been obtained.

Bill Pilkey, resident of Olympia, asked if the rate of return included the cost of overhead? Commissioner Van Schoorl commented when the project was built, the rate of return was fully loaded and the return was well in excess of 5%. He commented that we have more than doubled our original projections since the original projection of this site.

Commissioner Van Schoorl noted that The Olympian did an article a while back about the wastewater that goes into the sound. Commissioner Van Schoorl noted that the Swantown Boatyard has the highest level of treatment on site and the water going into the LOTT facility from this site is cleaner than what comes out of LOTT.

Commissioner Van Schoorl moved authorization for staff to advertise for bids for the Swantown Boatworks Expansion Project. Commissioner McGregor seconded the motion. The Commission unanimously approved the motion.

Cargo Yard Improvements Approval to Bid

Mr. Jeff Lincoln noted that the Port has completed all necessary SEPA actions and has submitted plans for all work necessary for approval for the Cargo Yard Improvements. Mr. Lincoln indicated that a portion of this work is related to tenant improvements, the Port and Weyerhaeuser have jointly prepared environmental analyses with assistance from outside experts, and the Port has completed the necessary environmental review under the State Environmental Policy Act for all aspects of the project and issued a Mitigated Determination of Non-Significance. He also noted that the Port routinely invests in its Marine Terminal facility and installs utilities with capacity for future development.

Mr. Lincoln outlined the scope of work of this project includes:

- Paving the cargo yard east of Franklin Street,
- Associated drainage improvements, including an expanded bio-filtration storm water pretreatment pond,
- Lighting improvements, including new glare limiting fixtures,
- Extension of utilities from the entry of the terminal north to accommodate new modular offices and a maintenance building, and capacity for the redevelopment of North Point facilities, including water and a new sewer force main,
- Relocation of a gas main to facilitate the railroad track expansion project expected to be constructed next year, and,
- Marine Terminal security improvements, including installation of fiber optic runs,
- Reimbursable improvements to facilitate the development of a maintenance facility and other structures to support the Weyerhaeuser lease requirements.

He reported that the costs are budgeted against the Cargo Yard, the future rail expansion (Federal Railway Administration grant), Terminal Security (Transportation Security Administration grant), and reimbursable costs by Weyerhaeuser. The current working estimate of construction for this project is \$2,400,000 - \$2,650,000, including contingencies and sales tax.

Mr. Lincoln indicated that it has been two years since the Weyerhaeuser lease was approved, and since then the construction costs have increased.

Patrisa Di Francesca asked if she could have a copy of the power point. Mr. Lincoln indicated that he would be happy to give her his copy tonight.

Jan Witt, resident of Olympia, asked about the lights that are being funded in the Cargo Yard Improvement plan. She asked why did the SEPA 06-5 say that there were currently 14 light poles at the Marine Terminal and the 7-02 SEPA review said that there are 18 light poles? Mr. Lincoln indicated that he would be happy to share the design plans with her.

Jerry Dierker, resident of Olympia, indicated that the information being presented tonight has not been talked about before. There are some problems with the Port's claim that the Port has considered all environmental impacts. There is a direct link with the SEPA 7-3 and 7-2. He commented that there is a court case filed on this issue and you shouldn't be taking action yet.

Stanley Stahl, resident of Olympia, commented that it is hard for the public to distinguish what is what. The lease was based on a lease that penciled out, however, the cost of construction has gone up and now you are not comparing apples to apples. The public should demand that you recalculate whether or not it is feasible. The Commission indicated that the cost of the cargo yard improvements includes other projects, not just the Weyerhaeuser lease.

Bill Pilkey, resident of Olympia, asked if the Port is including overhead on this rate of return or not? Ms. Qvigstad commented that the overhead was calculated in the ROI on this project. The assumption is to add an additional 1.5 FTE for this project.

Commissioner McGregor moved authorization for staff to advertise for bids for the Cargo Yard Improvement Project conditioned on no court action contrary to this approval for bid. Commissioner Van Schoorl seconded the motion. The motion was approved unanimously.

Bills and Voucher Approval

Commissioner McGregor indicated at the last meeting during the voucher approval, President Telford indicated that he would not approve voucher #43519 involving promotional hosting. Commissioner McGregor noted that this expense was for Port hosting of an annual chamber event in the amount of \$360. Commissioner Van Schoorl indicated that we need a broader discussion on promotional hosting for the future, but would not be inclined to decline payment for something we have already purchased. Commissioner Van Schoorl moved approval of voucher #42519. The motion passed with 2-0 vote. President Telford abstained from voting.

ADVISORY CALENDAR

LOTT Purchase and Sale Advisory

Ms. Sally Alhadeff indicated that in accordance with the Commission's vision for this area and the Port's East Bay redevelopment program, tonight we take the next step in the plan by entering into a purchase and sale agreement with LOTT. She commented that she would advise the Commission of the proposed terms of a purchase and sale agreement by and between the Port of Olympia and the LOTT Alliance.

Ms. Alhadeff noted that based on previous presentations, four public entities are forging a unique partnership that will ultimately invest millions of dollars into the east end of the downtown along the waterfront. Those partners are represented here this evening: Mike Strub w/ LOTT, Steve Hall City of Olympia, Patty Belmonte Hands On Children's Museum and the Port.

She commented that as Patty Belmonte mentioned earlier this evening, what is currently an underutilized property occupied by an aging warehouse could become a vibrant new district, taking advantage of its waterfront-adjacent location, and benefiting local and regional residents.

Ms. Alhadeff reported that based on input received from the broader community and the Port Commission, the vision for East Bay includes:

- A dynamic mix of uses and activities

- Pedestrian-friendly open spaces
- Increased public access and awareness of Budd Inlet
- Uses that encompass an 18-hour day
- “Green” development
- Revitalization of a part of Olympia

In addition, this partnership provides an opportunity to redevelop and clean up a former industrial site. To that end, Ms. Alhadeff reported that the Port and one of the 4 partners, the LOTT Alliance, have finalized the terms of a Purchase and Sale Agreement for the sale of approximately 1.9 acres of real property located in the Port’s East Bay redevelopment area. The obligations of the parties are outlined in the summary distributed tonight. The anticipated closing date is on or before March 1, 2008.

Ms. Alhadeff reviewed some highlights from the agreement: She noted that the property size is approximately 1.9 acres. The critical dates are:

September 30, 2007	Streets sufficiently designed by this date so LOTT may proceed with survey
January 1, 2008	Deconstruction of warehouse to commence no later than this date
January 1, 2008	Waiver of Buyer’s Feasibility Period by no later than January 1, but we anticipate it will be sooner in which case the warehouse demo will also begin sooner.
March 1, 2008	Closing to occur on or before this date

Ms. Alhadeff indicated that LOTT would put down \$50,000 of earnest money. This will be refundable if cancelled by LOTT. If closed before March 1, the earnest money will not be applied to the price as an incentive. The purchase price is \$1,035,000. The price will be adjusted if the lot size has a substantial variance. She noted that the environmental credit for clean up is currently estimated as \$195,000, to be used toward the cleanup of the property, which is anticipated to take place during the time of construction.

Ms. Alhadeff reported that staff is continuing to work with the Dept. of Ecology and the East Bay partners under the Voluntary Clean Up program, to craft a comprehensive clean up plan including testing for dioxins.

She outlined LOTT obligations: They have a 180-day due diligence period (Can extend 180 days with payment of additional \$50,000). LOTT will construct Jefferson Street improvements or have the Port do so. They will contribute \$375k for design and construction of a water feature for the public space and provide on-going maintenance for the water feature. They will also create a landscape buffer while the property is vacant.

She outlined the Port’s obligations: The Port will design infrastructure and implement its construction and create separate legal lot and meet all legal requirements to do so. The Port will also remove all existing structures and assist in collecting latecomer fees from others’ future development.

Ms. Alhadeff reported that if the Commission approves the terms of the Purchase and Sale Agreement as outlined here this evening, the document will be presented for signature after appropriate public notice, which will include proper public notice including a public hearing, to be held at the next Commission meeting.

She noted that staff is working with the Children’s Museum on terms to be included in a purchase and sale agreement and anticipate this will be the next PSA to be brought forward. She also noted that we are also working on the SEPA process that is required to divide the property in separate parcels. We are meeting with the City of Olympia later this week to begin that process.

Commissioner McGregor asked that a map be included at the next meeting. He asked about the Warehouse tenants. Ms. Alhadeff indicated that property development is working with current tenants to relocate them. Mr. Galligan indicated that Clarita Mattox has done an extraordinary job in relocating the tenants. Commissioner McGregor asked what the timeline for the Children’s Museum is. Ms. Alhadeff indicated that they would need to have permits by fall of 2009. She noted that we would be working on the purchase and sale agreement with HOCM in the coming months.

President Telford asked about the payment by LOTT for the water feature at the public space, LOTT will maintain, but who will design it? Ms. Alhadeff reported that the design is included in the contribution to the space. Ms. Alhadeff indicated that discussions are underway of one of other entities to own the public space.

Mike Strub, Executive Director of LOTT, commented that the partner costs were based on the conceptual basis and when it gets down to designing and building, all the partners will get together and work this out.

Mr. Strub commented that this project provides for a great deal of public benefit, this has been a long road in planning and a tremendous opportunity for the region to put this kind of investment into this area. He noted that LOTT is really excited about the opportunity to work with the museum in providing an educational water feature.

Resolution 2007-16 – Pricing Strategies Advisory

Mr. Heber Kennedy reported to the Commission that the Port of Olympia uses standard, market practices to pricing its properties, which are periodically updated to reflect market conditions and strategic objectives for development of its properties through changes to Port Policy. Last year the Commission adopted a new policy relating to leasing of land at the Olympia Regional Airport, NewMarket Industrial Campus (NMIC) in Tumwater, and the Swantown Marina & Boatworks on the Port Peninsula in Olympia.

Mr. Kennedy noted that as a priority project for 2007, we have updated our pricing strategies to include leased land on the Port peninsula; specifically, the Market District, NorthPoint, and our State Avenue (East Bay) District.

He indicated that consistent with the policy the Commission adopted in 2006, the updated resolution and rate schedule meets the following objectives. After confirming how the Port compares to other entities, staff has affirmed that current pricing strategies reflect highest and best use to maximize revenues to the Port of Olympia, created predictability to end users, provided for a more user-friendly approach to pricing Port properties, created a consistent approach port-wide to pricing properties, integrated the pricing strategy with Port leasing strategy, improved process for annual pricing review, and formalized our pricing strategies and policies for future port leases.

President Telford asked for clarification of the appraisal process. Mr. Kennedy explained the process. President Telford commented that the process is confusing and he asked for staff to re-write number 5 of the resolution.

Commissioner Van Schoorl indicated that we could tweak the language. Ms. Qvigstad suggested removing number 5 of the resolution. She noted that the schedule would be brought back every year to the Commission. Commissioner Van Schoorl suggested that the chart reflect the CPI adjustment.

ADJOURNMENT

President Telford adjourned the meeting of July 9, 2007 at 8:29 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer