

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

July 23, 2007

CALL TO ORDER

President Telford called the meeting of July 23, 2007, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners McGregor and Van Schoorl were also in attendance.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Airport Director Rudy Rudolph, Marketing and Business Development Director Kari Qvigstad, Harbor Director Bruce Marshall, Engineering Director Jeff Lincoln, Communications Manager Patti Grant, 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: Kirk Deal, Robert Rose, Nancy Sigafoos, Mark Williams, Linda Johnson, Ruth Kral, Arthur West, Mark Furman, Harold Clark, Bill Pilkey, Brett Ferguson, Steve Strand, Walt Jorgensen, Patrica Di Francesca, Riley Moore, Kevin Partlow, Meta Heller, George Barner, and Merrill Brunstein.

APPROVAL OF AGENDA

The agenda was approved as amended. Mr. Galligan recommended the Commission add approval of the June 18, 2007 minutes to the consent calendar.

COMMISSIONERS REPORTS

Commissioner Van Schoorl noted that we have an empty seat this evening, Mr. Tom Howdeshell has been an active watcher of government of our community and always sat in front of the meeting and asked very good questions. Tom passed away and the community will miss him watching over the government. Commissioner McGregor indicated he always enjoyed his participation in the meetings and he will be missed. President Telford commented that he also enjoyed him and is sorry to see him go.

President Telford commented that he attended a Port meeting in Longview last week with Executive Director Galligan. He suggested at that meeting that the WPPA could help with SEPA and public records laws that need to be worked on by the legislature.

EXECUTIVE DIRECTOR REPORT

Mr. Ed Galligan indicated that at a previous meeting Mr. Stahl asked a question concerning the ROI for the Boatworks expansion. Mr. Galligan responded that we anticipate an IRR of about 8% for boatyard expansion. This expansion will allow for our private sector tenants and vendors who work in the yard, to expand their businesses.

Mr. Galligan noted that the The Hermann Scan arrived in port Monday, July 16 and sailed Wed., July 18. The cargo was approx. 800 metric tons of mining equipment - 24 pieces. The cargo was very unusual and oversized and the longshore had to be creative in figuring out how to move it from the vessel to storage. Our longshore are very good at resolving these kinds of issues – as a specialty port; this is one of our strengths.

Mr. Galligan also noted that as you recall during my last report I noted that the Morning Meridian had called at the Port July 8 and delivered 4000 KIA automobiles. However, the economic activity at the marine terminal doesn't stop when the vessel leaves. Kias continue to be shipped out via truck (car carriers). Again, this cargo was a result of our partnership activities with the Port of Tacoma.

Mr. Galligan reported that on the consent agenda tonight we have a lease assignment with ASKA. This is a win/win for the Port and important tenants. ASKA, a Port tenant in NewMarket Industrial Campus since 1996, has downsized to focus on international markets and put their building up for sale. Harbor Wholesale, a neighboring port tenant, purchased the building because they are rapidly growing and have been looking for ready space to expand into. By purchasing the building, which is literally across the street from their headquarters at the

NewMarket Industrial Campus, Harbor Wholesale will be saving hundreds of windshield hours on the roads of our county since they will be able to distribute hundreds of products from one centralized location.

Mr. Galligan indicated that about 45 students from Shanghai Maritime University exchange students working with St. Martin's University toured the Port Friday, 7/20. These were all business students who wanted to hear about the Port with a main focus being the Marine Terminal.

PUBLIC COMMENT

Bill Pilkey, resident of Olympia, commented that the time limit for public comment is disrespectful being only two minutes. He noted that the people elected the Commissioners and the people should be respected. The way that the citizens are treated leaves them with no way except to file lawsuits, which is a very costly way of doing business.

Arthur West, resident of Olympia, indicated that as part of the budget tonight, the materials talk about Weyerhaeuser and the loses related to them not being here. He commented that these loses are not due to the citizens stopping things, the Port should have done things right to begin with and not blame the citizens.

Linda Johnson, President of Black Hills Audubon Society, commented that she would like to present the commission with the map of birds as a piece offering to the commissioners who are often are put in a difficult situation. She commented that there is a better way and greener way to do business in this community. She suggested that maybe it is time to step back and take another look and move forward in a positive and forthcoming way. Commissioner Van Schoorl asked about the birding in West Bay that the Audubon Society participate in years ago. Ms. Johnson said she was new to the community and was not aware of that project.

Walt Jorgensen, resident of Olympia, commented that the long shore representatives have commented on the Carnegie group at several previous meetings. He reported that the Carnegie Group meets every Monday and he gave an open invitation for anyone to attend. He commented that the group is concerned with growth and financial issues, environmental concerns, public records and public access; the group is entirely a volunteer association.

Robert Rose, resident of Olympia, representative of the long shore, thanked Mr. Jorgensen for acknowledging that the Carnegie Group exists. He commented that it is good to know what they stand for and what they are against. He suggested that people in the community should show up at the meetings and have input in this groups influence in this community.

Meta Heller, resident of Olympia, indicated that she is excited about the garden program. She said she could envision a gated garden with native plants for off leash dogs and a second garden for small creatures. She suggested that we also should have an Indian Garden for the Squaxin Indians.

Patricia Di Francesca, resident of Olympia, indicated that she is a member of the group Olympians for Public Accountability. She commented that she serves on that board because the goal is to hold public officials accountable and responsible for this community.

CONSENT CALENDAR

Minutes Approval. The Commission unanimously approved the minutes from the June 18, 2007, June 25, 2007 and July 9, 2007 meetings.

Bills and Vouchers. The bills and vouchers were unanimously approved in the amount of \$453,494.09. This includes payments to Integral Consulting, Inc. for the Dredge Berth project and to Reid Middleton for the Runway Line of Sight project. General Fund Checks Issued: 043548-043806. Voided Checks Issued: 043116, 043558, 043687, and 043718.

Lease Assignment – ASKA Company

The Commission unanimously ratified the Assignment with ASKA as provided in the lease agreement. ASKA Co. a Tenant of the Port since January 24, 1996 has downsized to focus on the international markets. In doing so they put their building on the market for sale, which has been purchased by Harbor Wholesale Groceries, Inc., a neighbor and Port Tenant at the NewMarket Industrial Campus in Tumwater. Harbor Wholesale has been looking for space to expand its office and printing operations. The sale of ASKA building was a good opportunity and Harbor Wholesale entered into a purchase and sale agreement with ASKA scheduled to close August 1,

2007. This constitutes an Assignment of Lease from ASKA to Harbor Wholesale Groceries, Inc. Per the ASKA Co. lease, signed in 1996, ASKA's liability terminates eight years after the effective date of the Assignment provided Assignee (Harbor Wholesale) is in no default of any kind under the terms and conditions of the Lease agreement.

ACTION CALENDAR

LOTT Purchase and Sale Agreement: Public Hearing

President Telford indicated that tonight July 23, 2007 the Port of Olympia Commission is holding a combined public hearing regarding the proposed sale of property by the Port to the LOTT Alliance. This meeting is being held at 5:30 p.m. in the LOTT Boardroom, 111 Market Street NE, Second Floor, Olympia, Washington.

President Telford noted that before opening this public hearing, he would make a few preliminary remarks to outline the purpose of the public hearings and the process that we will follow this evening.

President Telford noted that the purpose of the combined public hearing is for the Port Commission to consider and take public testimony on the following proposed Port actions:

- (1) the surplus of certain real property;
- (2) modification of the Port's comprehensive plan regarding such property; and
- (3) approval of the sale of such property to the LOTT Alliance.

President Telford noted that the combined hearings are held pursuant to RCW 53.08.090, RCW 53.20.010, & RCW 39.33.020. He announced that tonight, the Commission will take public testimony. This is a time for the Commission to listen and consider public comments. If questions are raised, the Staff will take note and, as appropriate, may respond at a later date.

He noted that no action would be taken by the Commission tonight. The Port's SEPA Environmental Officer and SEPA Responsible Official will undertake appropriate environmental review prior to Commission taking action on this proposal. And, pursuant to RCW 53.08.090, prior to any sale the executive director will itemize and list the property to be sold and certify that the listed property is no longer need for Port purposes.

President Telford commented that the public notice of the hearings was given by publishing legal notices once a week for two consecutive weeks in a newspaper of general circulation in the port district, and at least ten days but not more than twenty-five days prior to the hearing, a public notice was published setting forth the date, time, and place of the hearing at least once in a newspaper of general circulation in the area where the property is located. A news release pertaining to the hearing was also disseminated among printed and electronic media in the area where the property is located.

President Telford noted that the property is described as follows: a rectangular parcel approximately 120' from east to west and approximately 700' from north to south totaling approximately 1.9 acres, a portion of which is currently occupied by the west half of an existing warehouse, located immediately adjacent to the east side of LOTT's Budd Inlet Treatment Plant, bounded on the east by the future extension of Jefferson Street, bounded on the south by a future diagonal street connecting Olympia and Thurston Avenues, and bounded on the north by LOTT's current property line.

He also commented that the proposed use of the land is for LOTT's construction and operation of processing facilities, reclaimed water demonstration features, and administrative building(s), including a board room, and for a reclaimed water interpretive and education center, related to the adjacent LOTT sewage treatment facility, as well as incidental uses directly related thereto such as sidewalks or landscaping.

President Telford indicated that the Port Commission will take action after consideration of whether the property is needed for Port purposes, the facts surrounding the proposed sale and modification of the Port's comprehensive plan to allow the sale, consideration of all public comments and after undertaking appropriate environmental review pursuant to SEPA.

He indicated that tonight's combined public hearings would be conducted in the following manner:

1. Port Commission staff will present an overview.
2. All public comments will consist of one (1) comment per person to last no more than three (3) minutes.

President Telford opened the public hearing asking all individuals making presentations to clearly state their name and address and to confine their remarks to the particular matters being considered, and to keep all remarks within the time limits.

He asked Ms. Alhadeff to provide an overview of the project. Ms. Alhadeff indicated that at the July 9th Commission meeting staff presented an advisory to the Commission on the terms of a proposed purchase and sale agreement by and between the Port of Olympia and the LOTT Alliance. She noted that the property being considered for sale is 1.9 acres and is located immediately adjacent to the east side of LOTT's Budd Inlet Treatment Plant. The property is part of the Port's East Bay Redevelopment Program.

Ms. Alhadeff reported that as part of that last presentation, she said staff would request approval of the purchase and sale agreement after appropriate public notice, including a public hearing.

Tonight, Ms. Alhadeff indicated that staff is not asking for approval of the purchase and sale agreement, or approval of the three resolutions, until after we have received public comment. The only action to be taken tonight is to hold this public hearing.

She noted that as Commission Telford just mentioned, the public hearing is being held to obtain public comment on the following:

- (1) the surplus of the property;
- (2) modification of the Port's comprehensive land use plan regarding such property; and
- (3) approval of the sale of such property to the LOTT Alliance.

She indicated that if approved, this agreement would be the first major step in the plan to initiate the Commission's vision for the area in accordance with the East Bay Redevelopment Program.

Ms. Alhadeff provided a summary of the agreement. She indicated that the property was approximately 1.9 acres. There are critical dates as follows:

September 30, 2007	Streets sufficiently designed 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

She indicated that the earnest money is \$50,000. This earnest money is refundable if cancelled by LOTT. If closed before March 1, the earnest money is not applied to the price as an incentive to close early. The purchase price is \$1,035,000. This price will be adjusted if the lot size varies substantially.

Ms. Alhadeff 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 outlined LOTT's Obligations:

- 180 day due diligence period (Can extend 180 days with payment of additional \$50,000).
- Construct Jefferson Street improvements or have Port do so
- Contribute \$375k for design and construction of a water feature for the public space
- Provide on-going maintenance for water feature
- Create a landscape buffer while property is vacant

She noted that the Port's Obligations include:

- Design infrastructure and implement its construction
- Create separate legal lot; meet all requirements to do so
- Remove all existing structures
- Assist in collecting latecomer fees from others' future development

Ms. Alhadeff reported that if the sale of this property is approved, the next step is formal Commission approval, at a future meeting, of the purchase and sale agreement by and between the Port and LOTT as well as approval of three separate resolutions documenting and approving the sale. Those resolutions are:

- 1) Resolution to surplus real property;
- 2) Resolution to modify the comprehensive land use plan removing this parcel from the area currently identified as State Avenue District;
- 3) Resolution to approve the sale of real property to the LOTT Alliance.

Ms. Alhadeff indicated that the intended use of the property being considered for sale to LOTT does not differ from our comprehensive land use plan and we do not anticipate any significant environmental impacts. However, we are undertaking SEPA review of this proposed change to the land use plan.

Commissioner Van Schoorl asked when the Commission would see the Warehouse Destruction bid documents. Ms. Alhadeff responded shortly.

Public Hearing:

Arthur West, resident of Olympia, commented that he was happy that the Commissioners are following procedure on public notice and public hearing. He commented that with any change, you need to properly study and allow the public to comment on it. He indicated that he does not see any substantive problems with this proposal. However, he commented that the environmental testing is still being done by the Department of Ecology on the site; he suggested that maybe the testing should be completed prior to any action. He also noted that if this is part of a larger project, then this should be studied under SEPA as part of a larger project. He also commented that when you are amending the comprehensive plan, you need to amend the plans of the cities that have incorporated your plans into theirs. The harbor improvement plan should show all of the improvements.

Bill Pilkey, resident of Olympia, commented that he appreciates that the Port has given the public three minutes to testify and would like to see this applied to all public comment. Mr. Pilkey asked what would be done with the money from the proceeds; will you use this money to balance your budget? He commented that he also agrees that we should find out what pollution there is on the site before you move forward with this project. He commented that global warming would be sooner than later and worse than better and in 20 years this land could be underwater. He also wanted to make sure that there is no tax liability for the citizens on the pollution in this area.

George Barner, resident of Olympia, indicated that he walked through the Warehouse lately and understands that there has been a roof put on that warehouse in the past 10 years and was amazed how good of shape that building was in. Since we don't know how fast this area is going to grow, this warehouse has been used as an incubator for small warehouses and create some cash flow and beneficial to the Ports budget, if the development could be slowed down.

Merrill Brunstein, resident of Thurston County, commented that it might be more costly to deconstruct the warehouse instead of demolition; however it would be better for the environment.

President Telford closed the Public Hearing.

Commissioner Van Schoorl noted that any funds from the sale of property by Port Resolution goes into a fund for reinvestments. He noted that the warehouse has not provided us with a cash flow over the past 10 years. And he also indicated that the environmental testing would continue to be done as a part of this project. Commissioner Van Schoorl commented that he too hoped that we are able to put some of the timbers of the warehouse back to use.

President Telford commented that there are drivers that puts the deconstruction of the warehouse under a certain schedule, but he would like a explanation from staff why we have to take down the entire warehouse and not only the portion of the property that will be sold. Commissioner Van Schoorl agreed and indicated that some of the hold ups of this project need to be better understood.

Commissioner McGregor indicated that he would like to see deconstruction of the warehouse happen and put the product back into construction.

Resolution 2007-16 – Pricing Strategies

Mr. Heber Kennedy indicated that at the July 9th Commission meeting, he presented an advisory proposing new lease rates for the NorthPoint, Market District and State Avenue (East Bay) peninsula properties. These were Market District 8.5%, NorthPoint 8.25% and State Avenue (East Bay) 8.00%.

He noted that a draft Commission Resolution was presented at the meeting along with an attached Market Rate Schedule. After discussion, the Commission asked staff to revise the proposed resolution and Market Rate Schedule.

Mr. Kennedy reported that staff has revised the Resolution language and Market Rate Schedule format to provide clarity regarding Commission policy.

Commissioner Telford asked if any of the properties are currently in negotiation, Mr. Kennedy indicated that he is in negotiations on one parcel and he may need to talk about that one as it comes forward.

The Commission unanimously approved Resolution 2007-16, establishing guidelines and procedures for the Port of Olympia lease policy for available Port properties in Thurston County.

ADVISORY CALENDAR

Community Events Advisory

Ms. Kari Qvigstad introduced representatives from Music in the Park, Sand in the City, and Harbor Days to discuss these events, which will be held this summer at Port facilities. These are signature community events supported by the Port.

Music in the Park: Friday, August 17th

Mark Furman, representing the Olympia Downtown Association, presented the Commission with the 2007 Music in the Park schedule, highlighting the August 17th performance on the Port Plaza. Becki Sue & Her Big Rockin' Daddies, a rockin' blues band, are featured at the August 17th event, performing from 7:00 pm – 8:00 pm. Last year's first Music in the Park concert at Port Plaza drew a crowd of about 1000 spectators.

Sand in the City: August 24th – 26th

Patty Belmonte from the Hands On Children's Museum discussed plans for the 2007 Sand in the City event to be held on Port Plaza Aug. 24th – 26th. This is the seventh sand event to be held in Olympia. It has grown to become one of the best-attended events in our community and the largest sand-sculpting event in Washington State. Ms. Belmonte noted that bringing people to the plaza benefits the Olympia retailers, restaurants, and lodging. She indicated that they expect to have over 40,000 visitors over the three-day event.

Harbor Days: August 31st – September 2nd

Nancy Sigafos, Harbor Days Coordinator, presented plans for the 2007 Olympia Harbor Days Festival scheduled for August 31st – September 2nd to be held on Percival Landing and Port Plaza. This is the 34th Anniversary of Harbor Days! Port Plaza activities will include the Lady Washington, Hawaiian Chieftan, Model Tugs, Dragon Boats, Puget Sound Pirates and other vendors. Ms. Sigafos thanked Jennie from the Port for her help in coordinating the Plaza activities.

Financial Report Advisory

Mr. Steve Davis provided a financial update of the Port's operations for the six months ended June 30, 2007. This financial update to the commission provided an overview of the Port's consolidated operating results as well as the operating results of each of its business units.

Commissioner Van Schoorl indicated that Steve gave a nice report. Commissioner McGregor indicated that we knew that the Marine Terminal was struggling, however, it is optimistic that staff is working to improve the revenues. The Marine Terminal is cyclical in nature and it has its ups and downs. Commissioner Van Schoorl commented that the reason that the Port diversified the business opportunities years ago because the Marine Terminal was so cyclical.

President Telford asked about the boat dry storage. Where is this going? Mr. Marshall indicated that we are planning to accommodate about 35 boats at the MNO development. Mr. Marshall noted that we have about 75 in storage now. President Telford commented that the new site should be reserved for boats that cannot be easily trailered.

The Commission asked about the cash flow at the marina and why the operating income is estimated to be less than 2006. Mr. Davis indicated that this is a projected end of year cash flow.

President Telford commented on page 6 of the financial report, he commented that including depreciation on the chart was meaningless because it was not budgeted for, therefore showing – 544% means nothing. He also noted that calling the Operating Income (Loss) after depreciation is not correct. Commissioner Van Schoorl commented that depreciation should not be shown on the budget because it was not budgeted for. President Telford commented that it is fine to show depreciation on a chart, but don't mix real dollars and non-real dollars.

President Telford commented that we received a letter from the auditor giving the option of accounting procedures. Mr. Davis commented that the Port does not have that option, if you accept federal grants, you do not have the option and you must do full GAAP accounting.

Bill Pilkey, resident of Olympia, commented that he asked for a revised budget showing 2007 and this has not been done. He commented that the Port is not allocating the \$3 million of administrative costs so all of the businesses are losing money. There is no business plan for this year. He commented that the state auditor includes depreciation in the operating budget.

Arthur West, resident of Olympia, complimented Mr. Davis on the presentation and commented that he would like to get a copy of the power point presentation. He noted that the cooperation with other Ports is a good direction. He contested that it is not the fault of a couple citizens that Weyerhaeuser is not here, it is the fault of the Port for not doing things right to begin with.

ADJOURNMENT

President Telford announced that the Port Commission would be holding work session on August 1, 2007 from 11:30 – 1:30 at the Port offices to discuss priority initiatives.

President Telford announced that the Planning and Advisory Committee would be holding a meeting July 25, 2007 at 7:00 p.m. at the Port offices.

The Commission recessed to Executive Session at 7:33 p.m. to discuss property acquisition and property surplus in accordance with RCW 42.30.110 (b). The executive session adjourned at 7:55 p.m. and the general meeting reconvened with the announcement that no decisions were reached. The general meeting adjourned at 7:56 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer