

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, SEPTEMBER 1, 2009
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Scott L. Walker	President
	Jim Jorgensen	Vice President
	Douglas G. Smith	Secretary
Staff:	Fred J. Seeger	Interim Executive Director
	Rob Fix	Chief Financial Officer
	Art Choat	Director, Aviation
	Mike Stoner	Director, Environmental Programs
	Dan Stahl	Director, Marine Services
	Sylvia Goodwin	Director, Planning and Development
	Lydia Bennett	Director, Real Estate
	Shirley McFearin	Real Estate Development Manager/Broker
	Terry Ilahi	Real Estate Analyst/Account Representative
	John Hergesheimer	Senior Project Engineer
	Dodd Snodgrass	Economic Development Specialist
	Frank Chmelik	Port Counsel
	Mary Matyas	Executive Secretary

CALL TO ORDER

Commissioner Walker called the meeting to order at 3:00 p.m.

PUBLIC COMMENT PERIOD

There were no requests for public comment.

ADDITIONAL ITEM – Presentation by the Blaine Coalition for Historic Preservation.

Mr. Graham Hunter, representing the Blaine Coalition for Historic Preservation (733 Adelia Street, Blaine, WA) explained that he and other committee members were in attendance to present their proposal for preserving the 100-year old Blaine train station by relocating it to Plover Park in Blaine's Wharf District. He reported they had presented their proposal to the City of Blaine and the City of Blaine is considering the possibility of an Interlocal Agreement with the Port of Bellingham to relocate the train station to Plover Park (owned by the Port of Bellingham). If the City of Blaine would then take over ownership of the station and contract with the Coalition, the Coalition would move, renovate and manage the station. The Coalition proposes to name the facility Waterfront Station and use it as a banquet facility with a catering kitchen; he noted their research indicates the facility would be self-supporting. Mr.

Graham thanked the Commission for letting the Coalition speak to them on short notice. He reported that BNSF has declared the station surplus and is considering its demolition; the Coalition is now on a shorter timeline to get things moving. Mr. Graham explained the Coalition is requesting Port support of the project so they can begin to approach funding sources.

The Commission thanked the Blaine Coalition for Historic Preservation members in attendance for a thorough and complete presentation. The Commission directed staff to look at the project economics, how the project would fit into the Port's Scheme of Harbor Improvements and other details; the Commission requested staff then report back to the Commission with the information.

CONSENT AGENDA

Motion: Approve Consent Agenda items A. through G. as follows with the exception of E. as noted.

- A. Approve minutes of the August 4, 2009, regularly scheduled Commission meeting and August 19, 2009, special Commission meeting.
- B. Approve Voucher Certification for July 29 – August 19, 2009, totaling \$3,623,264.28.
- C. Approve a Renewal and Modification of Lease between Desticon Transportation, Inc. and the Port of Bellingham.
- D. Approve a Consent to Assignment of Air Taxi Operating Agreement between Rugby Aviation d/b/a Northwest Sky Ferry, Inc. and SAS Aviation, LLC d/b/a Northwest Sky Ferry LLC.
- E. Commissioner Smith pulled Item E. from the Consent Agenda for further discussion.
- F. Delete Section 5, Part II, Deposits, Rates, and Fees (E) of Moorage Tariff No. 1 as it specifically relates to Passenger Facility Charges for the Alaska Marine Highway System vessels operating at the Bellingham Cruise Terminal.
- G. Authorize the sale of vessel and webhouse items pursuant to Resolution No. 947.

Motion approved with a 3-0 vote.

Consent Agenda Item E.

Motion: Authorize the Interim Executive Director to execute vacation petition for the former Mill Street Right of Way in Fairhaven, Bellingham.

Discussion: Ms. Lydia Bennett, Director of Real Estate, reported that after Item E. was placed on the Consent Agenda, the Port received a copy of a letter from Gene and Constance Shannon revoking their consent to the vacation of the right-of-way. The proposed transaction is void and Item E. can be pulled from the agenda.

NEW BUSINESS

1. STORK CRAFT MANUFACTURING (USA) INC. – EXTENSION OF LEASE FOR F STREET DISTRIBUTION CENTER

Motion: Approve an Extension and Modification of Lease with Stork Craft Manufacturing (USA), Inc. for continued use of approximately 210,000 square feet of the 1000 F Street Building formerly occupied by Georgia Pacific tissue warehouse operations.

Discussion: Ms. Shirley McFearin, Real Estate Development Manager/Broker, reviewed that Stork Craft is the largest supplier of juvenile furniture in the world. In the summer of 2008 Stork Craft signed a lease with the Port of Bellingham for space in the former tissue warehouse for a term of two (2) years (June 30, 2010) for inventory storage and distribution. The proposed Extension and Modification will automatically extend the lease on a year to year basis through June 30, 2014. Rents for the first year of the extension period will be \$60,000 per month (\$720,000 per year), triple-net, plus Washington State leasehold tax. Effective July 1, 2011 and each year thereafter, the term rents will escalate 3% annually. Ms. McFearin noted the extension works with the Port's waterfront redevelopment plans for the area and will provide additional jobs along with offsetting waterfront redevelopment costs.

Ms. McFearin recognized Ms. Nancy Jordan from the Northwest Economic Council in the audience, thanking her and noting she was very instrumental in giving Stork Craft a soft landing in our community. The Commission thanked Ms. Jordan also.

Mr. Jim Moore, President and CEO of Stork Craft, reported that Stork Craft currently has 17 employees at the distribution center. He noted that Stork Craft is moving their parts division to the warehouse from Canada which will mean an addition of another 6 employees before the end of the year and Stork Craft recently relocated its United States administrative office from Las Vegas to Bellwether on the Bay. Mr. Moore noted the community has been very good to Stork Craft and he believes Stork Craft has been good for the community; he noted they look forward to being in the community longer than the lease itself.

Motion approved with a 3-0 vote.

2. MODIFICATION OF LEASE – PUGLIA ENGINEERING, INC.

Motion: Approve the Modification of Lease between Puglia Engineering Inc. and the Port of Bellingham to extend the lease term, to establish a payment plan for the 2008 Revenue Fee and to modify and phase out future Revenue Fees.

Discussion: Ms. Lydia Bennett, Director of Real Estate, noted the document for Commission signature has been slightly, but not substantially, changed from the document they received in their agenda packets. The Lease document, on advice from legal counsel, was formatted a bit differently and some language was tightened up to create the relationship between the full and fair value of what is being done.

Ms. Bennett reviewed that Puglia Engineering Inc. d/b/a Fairhaven Shipyards has been a tenant of the Port since November 2002, starting with two (2) employees at the Harris Avenue Shipyards property. Late last year, Puglia purchased their own semi-submersible dry dock (Faithful Servant) and has invested over \$12.5 million in the purchase, towing to Bellingham, refurbishment and renovation of it. In March 2009, Puglia entered into a lease with the Port for the former Arrowac Fisheries building and related property. Ms. Bennett reported that Puglia has been gearing up for expansion of Fairhaven Shipyards and anticipates growing by an additional 50-80 employees from their current base of 80-100 employees over the next few years.

Ms. Bennett reviewed that Puglia's original lease called for a base rent that escalated annually plus a Revenue Fee that is calculated using increasing percentages on the overall level of gross income; she noted it was a way to recapture the under-market base rent that had been negotiated. She reported the additional revenue generated by the revenue fees along with the annually escalating base rent has resulted in Puglia's initial under-market rent being brought close to market rents. Ms. Bennett gave a brief overview of the research done by staff on the market for shipyards. She then reported that Puglia's current base rent is not quite at the market rent, but with the addition of a portion of the Revenue Fee as proposed, the market rent will be achieved and as base rent increases 3% annually, the Revenue Fee can be phased out. The phasing out of the Revenue Fee is proposed as annual caps of \$75,000, \$50,000, \$30,000, \$20,000, and \$10,000 with the Revenue Fee terminating after October 31, 2013.

Ms. Bennett noted the proposed Lease Modification extends the Puglia lease by an additional five (5) years (October 31, 2020), continues the base rent with annual escalations of 3% and continues the moorage discount program of 25% of the published tariff currently in effect. It proposes a payment plan (beginning November 1, 2009) of \$30,000 per month to pay off the balance due for the 2008 Revenue Fee and waives the late charges.

Mr. Frank Chmelik, Port legal counsel, stated that in his opinion terminating the Revenue Fee and extending the term of the Lease Agreement meets the requirements of State law.

Ms. Bennett noted the proposed lease acknowledges Puglia's investment in the community.

Motion approved with a 3-0 vote.

3. MODIFICATION OF TWO (2) LEASES BETWEEN MOON ENTERPRISES, INC. D/B/A STAR FISH, INC. AND THE PORT OF BELLINGHAM

Motion: Approve two (2) Lease Modifications to adjust the lease lines and rents between Moon Enterprises, Inc. d/b/a Star Fish, Inc. and the Port of Bellingham.

Discussion: Mr. Terry Ilahi, Real Estate Analyst/Account Representative, explained that Star Fish plans to expand their business operation and have requested that their leasehold include the site that was formerly occupied by TM Protein. The expansion would include constructing a new building and expanding their crab buying business to include processing that would employ an additional 10-15 employees. Mr. Ilahi reported the proposed Lease Modifications adjust the lease lines to encompass the site formerly occupied by TM Protein, change the non-exclusive dock use to exclusive use and includes approximately 20 feet of in-water harbor area for moorage of Star Fish business vessels. He reported the modifications adjusts the rents, updates the lease verbiage and removes the Port owned storage building, located in the parking area, from the lease. Mr. Ilahi noted that at this time the storage building will be on a month-to-month lease. The rent to the Port over the first three-year period for both leases (not including the storage building) will be \$40,166.28.

Motion approved with a 3-0 vote.

4. ECONOMIC COUNCIL EXTRA SCOPE OF WORK

Motion: Authorize the Interim Executive Director to sign an amendment to the Northwest Economic Council-Whatcom County (formerly Bellingham/Whatcom Economic Development Council) 2009 Service Agreement for \$5,000.00.

Discussion: Mr. Dodd Snodgrass, Economic Development Specialist, reviewed that the Northwest Economic Council (NEC) gave a presentation on their "Accelerator Project" to the Commission at the August 4 Commission meeting. The proposed amendment to the 2009 Service Agreement is to develop the basic business plan and funding application to the U.S. Department of Commerce Economic Development Administration or appropriate agency. Ms. Nancy Jordan, NEC Executive Director, noted that the \$5,000 will be added to funds from the Bellingham Technical College, Whatcom Community College, Western Washington University and the Bellingham Angel Group to total \$14,000 to develop the business plan and funding application.

Motion approved with a 3-0 vote.

5. NEW LUMMI REPRESENTATIVE FOR THE PORT'S MARINA ADVISORY COMMITTEE

Motion: Approve the appointment of Mr. Cliff Cultee as the Lummi Representative to the Port's Marina Advisory Committee.

Background: On August 4, 2009, the Port of Bellingham and the Lummi Nation approved a Framework Agreement for how the two governments will cooperate on issues of environmental cleanup and development in Bellingham Bay. One outcome of the agreement was to include a representative from the Lummi Nation on the Marina Advisory Council (MAC); the appointment of Mr. Cultee was approved by the Lummi Indian Business Council and Lummi Natural Resources Commission. The MAC aids the Port as it manages and develops waterfront facilities for the citizens of Whatcom County.

Motion approved with a 3-0 vote.

**6. TERMINAL SERVICES AGREEMENT BETWEEN STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES – ALASKA
MARINE HIGHWAY SYSTEM**

Motion: Approve and execute a Terminal Services Agreement with the State of Alaska Department of Transportation and Public Facilities – Alaska Marine Highway System for continued Terminal Services at the Bellingham Cruise Terminal effective October 1, 2009.

Discussion: Mr. Dan Stahl, Director of Marine Services, reviewed that a new Lease Agreement between the Port of Bellingham and the Alaska Marine Highway System (AMHS) for the continued use of the Bellingham Cruise Terminal for the AMHS ferry service to and from Alaska was approved in May 2009 and included operating costs and rental of the facility. He reported that the proposed Terminal Services Agreement is a stand-alone 3-year agreement that provides for ticketing and reservation services. This agreement includes staffing services pertaining to passenger reservations on AMHS vessels, issuing tickets, responding to customer inquiries, managing wait lists to maximize vessel loads, non-security screening of passengers, processing payments and refunds, and providing receipts and accounting reports to AMHS. Mr. Stahl reported that this agreement is for only one (1) sailing per week, which is all AMHS is forecasting for the next three years. The Port shall be additionally compensated for late arrivals and/or departures, unscheduled sailings and additional scheduled sailings; he noted that if a second sailing per week is added, negotiations pertaining to the Terminal Services Agreement will be re-opened.

Motion approved with a 3-0 vote.

**7. AMENDMENT NO. 17 TO ANCHOR QEA CONTRACT FOR WHATCOM
WATERWAY SITE CLEANUP AND MARINA PROJECT**

Motion: Authorize the Interim Executive Director to execute Amendment No. 17 to the Professional Services Agreement with Anchor QEA, in the amount of \$125,000.00 for the Whatcom Waterway Site Cleanup and Marina Project, increasing the approved contract amount to \$5,541,487.00 and the total authorized amount to \$5,549,318.50 and using funding from account number 15.9537.97.

Discussion: Mr. John Hergesheimer, Senior Project Engineer, explained that the scope and complexity of the Whatcom Waterway Site Cleanup and Marina Project is requiring further analysis of the design alternatives and construction sequences and staging in association with the completion of the 30% design level. He explained that some of the task elements need to be analyzed further to understand their scope and impact on other elements. Staff is recommending moving forward with the design review of these elements in order to establish a 30% design level cost estimate with greater confidence before moving to the next major stage of design which is to produce the Preliminary Design Concept Report.

Mr. Hergesheimer noted additional budget is needed in the following three of twenty-three tasks:

- Task 1: Project Management. Increase budget by \$30,000 to a total of \$323,882. The additional funds are required due to the additional four months of duration and additional effort.
- Task 13: Remedial Design Field Investigation. Increase budget by \$8,000 to a total of \$1,467,232. The additional funds are required to provide more Ecology-requested analysis of areas proposed as Monitored Natural Recovery sites.
- Task 17: 30% Remedial Design. Increase budget by \$87,000 to a total of \$797,145. The additional funds are required to provide more analysis of remediation sequencing and alternatives, and impacts on other elements of the work.

Mr. Hergesheimer noted that of the \$125,000, a total of \$84,625 is reimbursable (\$58,000 from Ecology, \$26,625 from Chartis [formerly AIG]). The balance of the funds (\$40,375) will come from Port accounts.

Motion approved with a 3-0 vote.

8. TWO (2) NEW AIRPORT LEASES BETWEEN BRIAR DEVELOPMENT COMPANY, LLP AND THE PORT OF BELLINGHAM FOR PROPERTY LOCATED AT BELLINGHAM INTERNATIONAL AIRPORT

Motion: Approve two (2) new 20-year Airport Lease Agreements between Briar Development Company, LLP and the Port of Bellingham.

Discussion: Mr. Art Choat, Director of Aviation, reported that Briar Development Company, LLP is a real estate development and management company owned by Don and Richard Hagen, who have been Port tenants since March 1984. The two (2) new 20-year Airport Leases (one for Lease Area 15 and one for Lease Area 16) have been negotiated to include updated lease verbiage and rental rates. Lease Area 15 includes eight (8) exclusive use parking stalls at a charge of \$20.00 per month per space. Both leases provide Briar with two

(2) consecutive five-year renewal options. The rent to the Port over the first five-year period for both leases will be \$60,945.47.

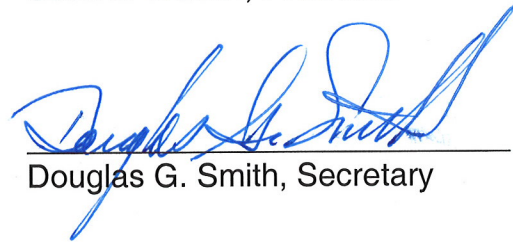
Motion approved with a 2-0 vote. Commissioner Walker recused himself from the vote due to his personal friendship with members of the Briar Development Company.

ADJOURN

As there was no further business, the meeting was adjourned at 4:40 p.m.



Scott L. Walker, President



Douglas G. Smith, Secretary