

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, NOVEMBER 16, 2010
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Jim Jorgensen Michael McAuley Scott L. Walker	President Vice President Secretary
Staff:	Charlie Sheldon Rob Fix Art Choat Mike Stoner Dan Stahl Sylvia Goodwin Lydia Bennett Fred J. Seeger Shirley McFearin Adam Fulton Dodd Snodgrass Mike Hogan Carol Williams Frank Chmelik Diane McClain	Executive Director Chief Financial Officer Director, Aviation Director, Environmental Programs Director, Marine Services Director, Planning and Development Director, Real Estate Director, Facilities Real Estate Development Manager Project Engineer Economic Development Specialist Public Outreach Specialist Maintenance Supervisor Port Counsel Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

At 1:30 p.m., Commissioner Jorgensen called the Commission meeting to order and immediately recessed to a closed executive session to discuss pending litigation and personnel matters pursuant to RCW 42.30.110(1)(c) (i). Commissioner Jorgensen noted that no formal action would be taken during the closed session and he expected the closed executive session to last approximately ninety minutes.

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:15 p.m.

PUBLIC COMMENT PERIOD

1. Harriet Spanel, 903 Liberty Street, Bellingham, Washington –Memorial benches: Ms. Spanel would like the Port to consider adding more benches. Currently on the waiting list, Ms. Spanel added that she would prefer any additional benches to be placed looking out toward the water. Commissioner Jim Jorgensen thanked Ms. Spanel and added the

memorial bench program is planned for discussion later in the meeting under new business.

2. Cal Leenstra, 514 South State, Bellingham, Washington –Index Sensor warehouse: Mr. Leenstra voiced concerns regarding the \$2.5 million Tenant Improvements (TI) budgeted for the Port's 16,000 square foot building and stated he felt the projected return at 5.62% was not a good use of the taxpayer's funds. Mr. Leenstra reported there were other facilities in such as the one he owns in the county ready to go for less money than the current proposed. Commissioner Jorgensen welcomed Mr. Leenstra to listen to the presentation coming up on the agenda regarding this facility.
3. Ken Culver, 1001 16th Street, Bellingham, Washington - Moorage Model: As a boathouse owner in the harbor, Mr. Culver presented the Commission with a letter of his concerns regarding the moorage model. Mr. Culver stated he does not believe 80% of the boaters are aware of the coming moorage increase and he would like the intangibles, figures and rate structure referenced in the proposed model to be reexamined.
4. Bob Tull, Ferndale, Washington – Moorage: Mr. Tull shared as a boathouse owner, he endorses Mr. Culver's analysis of the current model information and has the same concerns and feels the impacts of the new moorage model are fairly substantial. Mr. Tull would like the Commission to review the information before taking further action.
5. Fred Haskell, 3826 South Bay Drive, Sedro Wooley, Washington – Moorage: Mr. Haskell stated he would like to table his comments with the exception that he wanted to clarify that not all boathouses are "bought at x amount or sold at x amount".

ACTION ITEMS

1. **LEASE AGREEMENT AND 2010 BUDGET AMENDMENT FOR CAPITAL EXPENDITURES FOR THE INDEX INDUSTRIES, INC. PROPERTY, 300 HARRIS AVENUE, BELLINGHAM, WASHINGTON.**

Motion: Approve a new lease agreement with Index Industries, Inc., for the property located at 300 Harris Avenue, Bellingham, Washington and authorization to allocate in the 2010 Budget up to \$2.5 million in capital expenditures inclusive of all costs pursuant to the lease terms.

Discussion: Real Estate Development Manager Shirley McFearin acknowledged Mr. Leenstra's public comments by stating that Index Industries (represented by a broker) looked at a number of buildings in Whatcom County before selecting the 15,000 square foot building at 300 Harris Avenue. Ms McFearin introduced the President from Index Industries, Steven (Andy) Anderson and Special Projects Coordinator Tara Sundin from the City of Bellingham permitting department.

Ms. McFearin reported Index Industries, Inc. (currently located in Stanwood, Washington) is a leading manufacturer of switches, sensors, and controls for the industrial vehicle, engine, and equipment markets for use on all makes of heavy duty trucks and widely used by manufacturers of agricultural, construction and engine related equipment (Caterpillar and John Deere) and the products are distributed world-wide. Ms. McFearin added Index Industries has been around for about 30 years and is planning to employ 34 people in its first year (20 from Bellingham/Whatcom and 14 potentially commuting from the Stanwood area). This number will likely increase to 50 employees within three years of relocating its operations from Stanwood to Bellingham. Ms. McFearin explained the proposed lease term is for ten (10) years (with two (2) five year renewal options). Upon commencement of the lease, Index shall have six (6) month no rent period subject to terms met with the lease provisions, month seven to twelve will bring the Port approximately \$17,000 in monthly rent plus Washington State Leasehold tax, utilities and services. The Port will be required to design, permit and construct improvements at a maximum cost of \$2,500,000, inclusive of all costs, including, without limitation, design costs, permit fees, construction and management costs of the Port and other expenses to achieve substantial completion. In the event the Port determines the project cannot be completed within the budget the Port shall notify Index and Index may (i) agree to increase the budget and pay for any increase,)ii) agree on a change in the plans to bring the cost within budget or (iii) terminate the lease. If Index and the Port fail to complete the design process of the Port improvements, then the Port and Lessee shall share equally all of the Port's reasonable and actual architect and engineer fees and costs incurred in the design. The LEED (Leadership in Energy and Environmental Design) Gold targeted Certification is desired to be accomplished for the project and the improvements will be made with the goal of obtaining the LEED Gold Certification.

Mr. Anderson spoke of the LEED Gold Certification program and his desire to achieve that status for the 300 Harris Avenue facility.

Motion approved with a 3-0 vote.

2. PROFESSIONAL SERVICES AGREEMENT (PSA) WITH MITHUN, INC. FOR THE DESIGN, PERMITTING AND BIDDING FOR THE INDEX INDUSTRIES, INC. PROPERTY PROJECT – 300 HARRIS AVENUE, BELLINGHAM, WASHINGTON.

Motion: Authorize the Executive Director to execute a Professional Services Agreement (PSA) with Mithun, Inc., to perform architectural services for the Index Industries, Inc., Tenant Improvements Project (300 Harris Avenue) in the amount of \$258,405 plus a contingency of \$25,000 for a total authorized contract amount of \$283,405.

Discussion: Project Engineer Adam Fulton explained Port staff advertised a Request for Proposal (RFP) in September 2010 and Mithun, Inc. was selected as the most qualified of the nine (9) respondents. Per the desire of the tenant, this project involves seeking the LEED (Leadership in Energy and Environmental Design) Gold certification and Mithun, Inc. has designed, managed, and certified over 50 LEED projects distinguishing themselves as experts in the industry.

Motion approved with a 3 -0 vote.

3. RESOLUTION NO. 1289 – ECONOMIC DEVELOPMENT INVESTMENT (EDI) APPLICATION FOR THE INDEX INDUSTRIES BUSINESS EXPANSION PROJECT.

Motion: Approve Resolution No. 1289 authorizing the Executive Director to sign and submit an application to the Whatcom County Economic Development Investment (EDI) Program for the funding of the public facility project (300 Harris Avenue) construction/renovation costs.

Discussion: Economic Development Specialist Dodd Snodgrass explained the Whatcom County administered EDI program provides funds for public facilities supporting local economic development projects in rural counties through a .09% state sales tax rebate. Mr. Snodgrass added the program is ideally suited for the \$500,000 low interest loan (20% of the project cost) needed for the expansion of the 300 Harris Avenue building for Index Industries, Inc. which in the first year would provide 34 jobs and up to 50 by the third year.

Motion approved with a 3 - 0 vote.

RECESS TO PUBLIC HEARING REGARDING THE 2011 OPERATING AND CAPITAL BUDGET.

No public comments received.

CLOSE PUBLIC HEARING REGARDING THE 2011 BUDGET AND RECONVENE COMMISSION MEETING.

4. APPROVAL OF 2011 STRATEGIC BUDGET AND PROPERTY TAX LEVY AS REFERENCED IN RESOLUTIONS NO. 1290 AND NO. 1291.

Motion: Adopt Resolution No. 1290 approving the 2011 Strategic Budget and Resolution No. 1291 authorizing the regular property tax levy and declaring a substantial need to maintain the maximum levy capacity.

Discussion: Chief Financial Officer Rob Fix provided the highlights of the proposed 2011 Strategic Budget and explained the 2011 Draft Strategic Budget was published on October 29, 2010 and a public hearing held on November 2, 2010. The Port is required to submit its annual operating budget to the Whatcom County Executive's office by December 1st, 2010. Mr. Fix proposed approval of Resolution No. 1290 for the 2011 budget and establishing the requested property tax levy amount at \$7,052,142 (compared to \$7,423,308 in 2010) and approval of Resolution No. 1291 setting the 2011 collected levy amount at \$7,052,142 and maintaining the maximum levy capacity for substantial need, as required by Referendum No. 47.

Regarding the Commission directed one percent reduction from the operations expenses, Executive Director Charlie Sheldon suggested possible economic development uses for that fund be discussed with the Commission at a future Commission meeting.

Motion approved with a 3 - 0 vote.

5. BELLINGHAM INTERNATIONAL (BLI) AIRPORT WETLAND FILL PERMIT

Motion: Authorize the Executive Director to sign the U.S. Army Corps of Engineers permit forms for the Bellingham International Airport Comprehensive Wetland Strategy for the east side of the airport.

Discussion: Planning Director Sylvia Goodwin reported the Port has been working with federal, state and local regulatory agencies since 1997 to complete the BLI Comprehensive Wetland Strategy and Off-site Wetland Mitigation Design which will allow filling 8.6 acres of wetlands for development at the BLI and approximately 37 acres of wetland creation and enhancement on the WDFW property on the north side of Slater Road to mitigate for the impacts to wildlife habitat. Ms. Goodwin added the project for the wetland related to planning, design, permitting, construction, monitoring and maintenance is estimated at \$1.9 million total cost including the funds spent to date. The final design and construction of the off-site wetland mitigation site is estimated to cost \$737,000 and has been included in five year capital budget. Offset by revenues from the development of impacted airport property, beginning in 2011, \$50,000 per year will be budgeted in the annual Operating budget for ten years of monitoring and maintenance plus the WDFW Land Use Agreement.

Motion approved with a 3 – 0 vote.

6. WASHINGTON DEPARTMENT OF FISH AND WILDLIFE LAND USE AGREEMENT.

Motion: Authorize the Executive Director to execute a Land Use Agreement with the Washington Department of Fish and Wildlife (WDFW) for use of the 37 acre Slater Road Off-site Wetland Mitigation Site.

Discussion: Sylvia Goodwin Planning Director explained as part of working with the WDFW and regulatory agencies since 1997 to complete the Bellingham International Airport Comprehensive Wetland Strategy and Off-site Wetland Design, the WDFW Land Use Permit would require the Port to construct and maintain the habitat mitigation project, pay an annual fee of \$10,000 each year for ten years and maintain \$2 million in liability insurance and allow continued public access to the site.

Motion approved with a 3 - 0 vote.

7. LEASE RENEWAL WITH ALUMINUM CHAMBERED BOATS (ACB) IN FAIRHAVEN MARINE INDUSTRIAL PARK (FMIP).

Motion: Authorize the Executive Director to sign all documents necessary to execute a 97 month lease agreement with the corporately re-structured Aluminum Chambered Boats (ACB) for approximately 61,600 square feet of space in Buildings 6 and 7 of the Fairhaven Marine Industrial Park.

This item was removed from the agenda without any action taken.

WORK-STUDY SESSION

1. Update on the Marina's 2010 Moorage Model Review.

In his presentation, Marine Services Director Dan Stahl explained the Port's moorage model which accounts for all of the expenses associated with operating the harbors at Squalicum and Blaine undergoes a review every four years to ensure that it is still relevant and meets the needs of the Port and the boating community. In April 2010, the Commission discussed and approved the scope for the 2010 review. Port marina operations staff and staff from the Port's Finance/Accounting Division with the help of the MAC (Marina Advisory Committee), set about the task of ensuring a closed loop system (i.e. not tax subsidized), considering 'area' in the moorage rate; checking the model against the market and completing the review by year end.

Mr. Stahl reported in the review process, staff continues to be vigilant about reducing operating costs, looking for efficiencies while maintaining a great level of customer service. A survey of other Puget Sound marinas revealed the Port of Bellingham has the lowest rates for large recreational boats and the highest rates for the smaller class of commercial fishing vessels. Mr. Stahl reported the new model framework will be patterned after the Port's cash flow statements, hard linked to Operating and Capital Budgets and fully recovering all Marina expenses. Mr. Stahl added the new model would be consistent with prior Commission resolutions, reflecting no rate decrease. The majority of the changes necessary to incorporate area charges would be phased in over four years and expressed by rate per linear foot. After working on the review for six months, which included multiple meeting with various stakeholder groups, the MAC process culminated on October 12th with a unanimous vote to forward the new 2010 moorage model (dubbed the Blue Line) to the Port Commission for their consideration. Mr. Stahl confirmed the staff will prepare a resolution for Commission consideration at the December 7, 2010 Commission meeting.

2. Update on the Port of Bellingham Shipping Terminal (BST) Tariff No. 700.

Marine Services Director Dan Stahl reported the tariff applying to the BST exclusively was last updated in 1998 and has remained unchanged following the 2000 ceasing of GP and Intalco operations and the dropping of cargo shipments through the terminal. Mr. Stahl added the Port has retained counsel Patti Fulghum to assist with the task of reviewing and reformatting the tariff language to bring it into alignment with the Ocean Shipping Reform Act of 1998 (OSRA). It was determined that staff will plan to bring the final version of the tariff to the December 7th Commission meeting.

3. Update on the Port-wide Signage plan implementation.

Project Engineer Adam Fulton explained the 2010 Port-wide signage program being proposed by the signage committee consists of three types of signs: trailblazing (going to the property), identifying (monument type - greeting at the property), and wayfinding (getting around the property). The trailblazing system (directional assistance) at a cost of \$6,000 is being designed in a manner that addresses content, Port of Bellingham identification and inconsistency of the existing signage in some areas and the non existence of signage in other areas.

4. Update on The Waterfront District.

Environmental Director Mike Stoner reported the City of Bellingham (COB) held a workshop on November 16th on the use of Planned Action Ordinance (PAO) as an approach to address environmental concerns in abrad-scale land use decisions. It was noted that 85 cities had been surveyed, and 30 cities were successfully using a PAO process to streamline the SEPA review. Mr. Stoner added that educating the COB staff has been very effective in explaining what a PAO is and how it applies to The Waterfront District. Currently, the draft PAO and draft Development Agreement are planned for submittal to the City planning department for review in early December with the approval of the complete package (PAO, Development Agreement, Subarea Plan, Implementation Agreement and project permitting handbook) slated for early 2011.

5. Update on the Port of Bellingham's Sustainable Strategies Initiative.

Public Outreach Specialist Mike Hogan reviewed that in January 2010 the Port launched a Sustainable Strategies Initiative to further enhance its ongoing leadership efforts on a number of environmental to protect and improve the environmental conditions of the Puget Sound include the development of programs for resource conservation, energy efficiency, waster reduction through material re-use and recycling and environmental stewardship of publicly-owned assets. Mr. Hogan added this initiative is has the potential to influence a range of Port operational and purchasing considerations at various Port facilities including exploring new and improved recycling containers/centers in public areas, energy audit indentifying energy conservation opportunities, a walk behind "Green Machine" parking lot sweeper which would reduce noise, emission and stormwater impacts while increasing maintenance and landscape efficiency, environment friendly vacuum sanders for the marinas , clean marina resource guide for boaters highlighting clean marina amenities and the continued sustainability initiative program development (providing a graphic design of available resources to be made available on Ports new website).

NEW BUSINESS

1. Commissioner Jorgensen raised the issue of the MAC (Marina Advisory Committee) – membership. During the discussion, Marine Services Director Dan Stahl suggested as it has been nearly ten years since the Commission adopted Resolution No. 1144 (updating the original resolution which formed the MAC in 1991), perhaps the Commission may wish to

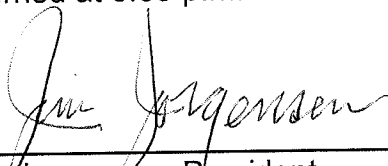
review the resolution again in the first quarter of 2011. It was decided that Mr. Stahl will gather input from the MAC and will present a revised draft resolution to the Commission for a future work study discussion.

2. Aluminum Chambered Boats (ACB) update: Real Estate Director Lydia Bennett reported on the status of ACB. As of Monday, November 15, employees are being terminated and operations are winding down while the company looks at all of its options. Ms. Bennett added the Port has commenced default proceedings and collection on assignments of account and security deposit, and has notified ACB that they need to be out of the building by the end of November. Port staff will work to get the facility back on the market and explore all legal options available to seek restitution of back rent. Commissioner Jorgensen thanked Ms. Bennett for all of her efforts.


3. Memorial Bench program – Maintenance Supervisor Carol Williams reported the memorial bench program which was established by the Commission in 1993 allowed for 35 benches (with plaques) and all were filled by 2004. Since then, there have been more than 30 inquiries and 29 are on the waiting list. Ms. Williams suggested exploring an alternative to the bench memorial program i.e. rocks, plaques bricks trees etc. and Commissioner Walker requested the staff prepare a list of ideas to be brought forward to the Commission at a future date.

ADJOURN

As there was no further business, the meeting was adjourned at 6:35 p.m.



Jim Jorgensen, President



Scott L. Walker, Secretary