

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, JULY 19, 2011
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Michael McAuley Jim Jorgensen	President Secretary
Staff:	Charlie Sheldon Rob Fix Mike Stoner Fred J. Seeger Dan Stahl Sylvia Goodwin Lydia Bennett Dan Zenk Shirley McFearin Steve Shipman Brian Gouran Norman Gilbert John Hergesheimer Frank Chmelik Diane McClain	Executive Director Chief Financial Officer Director, Environmental Programs Director, Facilities Director, Marine Services Director, Planning and Development Director, Real Estate Airport Manager Real Estate Development Manager Real Estate Representative Site Project Manager Project Engineer Senior Project Engineer Port Counsel Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

At 1:30 p.m., Commissioner McAuley called the Commission meeting to order and immediately recessed to a closed executive session to discuss real estate transactions and pending litigation pursuant to RCW 42.30.110(1)(c) (i). Commissioner McAuley noted that no formal action would be taken during the closed session and he expected the closed executive session to last approximately one and one half hours.

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:00 p.m. at which time Commissioner McAuley announced Commissioner Walker would not be attending.

PUBLIC COMMENT PERIOD

1. Matt Paskus, 1151 Old Marine Drive, Bellingham, WA – Airport, BIACC. Mr. Paskus commented on noise, increased traffic impacts and building a berm at the airport. See attached PowerPoint presentation:

Click here for presentation: <http://portofbellingham.com/DocumentView.aspx?DID=646>

2. Darren Williams, 4089 Y R, Bellingham, WA – Mr. Williams asked to delay addressing the Commission until after the cargoreport on the Shipping Terminal scheduled later in the meeting's agenda. (See work study session.)

3. Joe Schmidt, 5140 Eberly Place, Bellingham WA – Mr. Schmidt also opted to delay speaking until after the report on the Shipping Terminal. (See work study session.)

1. CONSENT TO ASSIGNMENT AGREEMENT BETWEEN MD-BLI, AND EARTHKING, AND CONSENT AND ATTORNMENT AGREEMENT FOR FED EX GROUND LEASE.

Motion: Approval of Consent to Assignment of Sublease and Sub-Sublease Agreement between MD-BLI and Earthking Investments, Ltd. d/b/a 4373 Mitchell Way, LLC (Earthking) including approval of a Consent and Attornment Agreement for FedEx (Lessee).

Discussion: Real Estate Representative Steve Shipman explained that the Port and FedEx initially entered into a Ground Lease at BLI for a thirty year term with two ten (10) year renewal options which provided for a Sublease Agreement between FedEx and McMahon Development Group, LLC (MD-BLI) which ground lease also provided for a Sub-Sublease from MD BLI to FedEx as the facility occupant. Mr. Shipman further explained that MD-BLI is now requesting the Port consent to the assignment of their interests to Earthking and that staff is seeking Commission approval FedEx Consent of Assignment of Sublease and Sub-Sublease proposed agreement.

Motion approved with a 2-0 vote.

2. NEW LEASE FOR BLI CONCESSION – BROWN'S AIRPORT RESTAURANT LLC D/B/A SCOTTY BROWNS.

Motion: Approval of a Commercial Lease with Brown's Airport Restaurant, LLC d/b/a Scotty Browns for a full service restaurant and lounge inside secured section of the 20,000 square foot expansion the Port recently completed at the Bellingham International Airport terminal building.

Discussion: Real Estate Development Manager Shirley McFearin explained that the proposed new lease is for a term of five years and in addition to the 1.5% - 3% of the gross sales rent, Scotty Brown's will also pay for common area maintenance charges, electricity, gas, garbage removal as well as the Washington State leasehold tax. Ms. McFearin added the Port will install floor drains and roof penetrations up to a maximum cost of \$14,250 and Scotty Brown's anticipates spending more than \$500,000 to build and fully outfit the airport restaurant which is expected to be opened for business no later than March 1, 2012. Ms. McFearin introduced local investor Robert Walker and General Manager Jason Cooper present to speak on behalf of the proposed lease and the existing Scotty Brown's in Barkley Village and the fourteen (14) other restaurants in Canada.

Motion approved with a 2-0 vote.

3. FAA AIRPORT IMPROVEMENT PROJECT (AIP) GRANT NO. 3-53-0005-47

Motion: Authorize the Executive Director to accept FAA AIP Grant No. 3-530005-47 on behalf of the Port of Bellingham, in the amount of \$1,992,579.00 or a lesser amount contingent upon FAA authorized funding.

Discussion:Airport Manager Dan Zenk explained that if approved, this grant would be the second of two FAA AIP grants the Port will receive this year. In June, the Commission approved a grant application (No. 46) and depending on the actual amount of this FAA grant (No. 47), the proposed projects to receive funding would include the Southwest Detention Pond rehabilitation, General Aviation Apron plans and specifications, the purchase of a John Deere tractor, new Gate Holding area seating, Terminal Directional Signage, Commercial Ramp De-icing Containment System Modification, and the Interactive Training System.

After further discussion regarding the amount of the proposed, it was suggested that the motion be amended and modified as follows:

Motion: Authorize the Executive Director to accept FAA AIP Grant No. 3-53-0005-47 on behalf of the Port of Bellingham, in the amount of \$1,620,636.00 and authorize the Executive Director to amend the amount up to a \$1,992,579.00.

Upon even further examination of the numbers, Port counsel and Chief Financial Officer recommended the motion be amended as follows:

Motion: Authorize the Executive Director to accept FAA AIP Grant No. 3-53-0005-47 on behalf of the Port of Bellingham, in the amount of \$1,782,833.00 and authorize the Executive Director to amend the amount up to a \$1,992,579.00.

Motion approved with a 2-0 vote.

4. AGREED ORDER AMENDMENT – CORNWALL AVENUE LANDFILL SITE.

Motion: Authorize the Executive Director to execute the first amendment to Agreed Order (AO) No. 1778 with the Department of Ecology for the Cornwall Avenue Landfill pending no substantive changes to the Draft Agreed Order Amendment.

Discussion:Site Project Manager Brian Gouran explained that due to historical municipal landfilling operations,the site located at the south end of Cornwall Avenue in Bellingham requires remedial action under the Washington State Department of Ecology Model Toxics Control Act (MTCA). Mr. Gouran further explained that the Port and the City entered into the Agreed Order with the Department of Ecology in 2005 and since that time, the Port has submitted two draft RI/FS revisions and is currently working on addressing the final comments from Ecology. The proposed amendment will allow for the implementation of an

interim action plan for the beneficial reuse of dredge sediment from the Gate 3 project as a component of a low permeability landfill cap on the Cornwall Avenue Landfill.

Click here for the Power point presentation:

<http://portofbellingham.com/DocumentView.aspx?DID=651>

Motion approved with a 2-0 vote.

5. AMENDMENT NO. 23 TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH ANCHOR ENVIRONMENTAL FOR PHASE 1 WHATCOM WATERWAY CLEANUP.

Motion: Authorize the Executive Director to execute Amendment No. 23 with Anchor QEA for completion of design and permitting and production of bid documents and support services for Phase 1 of the Whatcom Waterway Cleanup Project, in the amount of \$1,362,766 plus a 10% contingency of \$136,277 yielding a revised total contract amount of \$6,912,084.50 and a total authorized amount of \$7,048,361.50.

Discussion:Senior Project Engineer John Hergesheimer explained that the proposed action provides for the final design and permitting for Phase 1 of the Whatcom Waterway cleanup project as revised by the recently amended Consent Decree separating the cleanup action into two phases. Mr. Hergesheimer further explained that the costs of Proposed Phase 1 pertaining to the Inner Whatcom Waterway, the Log Pond Area and the Bert No. 1 area of the Shipping Terminal will be funded 50% by an existing MTCA grant and the other 50% through the Chartis environmental insurance policy coverage. Mr. Hergesheimer introduced Project Manager Tom Wong and Assistant Project Manager Mark Larsen present should the Commissioners have any questions.

Motion approved with a 2-0 vote.

6. BID AWARD FOR RE-ROOFING FAIRHAVEN BUILDING MARINE INDUSTRIAL PARK (FMIP) BUILDING NO. 1 AND BELLINGHAM CRUISE TERMINAL (BCT) WAREHOUSE NO. 4.

Motion: Authorize the Executive Director to execute a contract with Hytech Roofing, Inc., OF Lynden, WA. for re-roofing of the FMIP Building No. 1 and BCT Warehouse No. 4 projects in the amount of \$356,253.38 plus a 10% contingency for a total authorized contract amount of \$391,900.

Discussion:Maintenance Manager Mike Bozzo explained that the roofs of both buildings are at the end of their useful life and Hytech Roofing provided the lowest responsive and responsible bid of the four bids received. Mr. Bozzo added that the selection of each roofing system was selected due to the cost, reduced impact to tenants and expected life of the system.

Motion approved with a 2-0 vote.

7. BID AWARD TO DUTRA CONSTRUCTION FOR THE SQUALICUM GATE 3 FLOATS F & G REPLACEMENT AND OUTER HARBOR MAINTENANCE DREDGING PROJECT.

Motion: Authorize the Executive Director to execute a contract with Dutra Construction Co. Inc. of San Rafael, California for the Gate 3 F&G Replacement & Outer Harbor Maintenance Dredging Project in the amount of \$6,875,830.46 plus a contingency of \$500,000 for a total authorized contract amount of \$7,375,830.46.

Discussion: Project Engineer Norman Gilbert explained that the project involving the replacement and realignment of the Gate 3 Squalicum Harbor floats and the dredging of a large portion of the outer harbor has been designed and gone out to bid. Mr. Gilbert further explained that of the seven bids received, Dutra Construction Company was the lowest responsive and responsible bidder. Mr. Gilbert added the \$500,000 contingency is reasonable for the size of the project and the in-water work deadlines and permitting challenges.

Motion approved with a 2-0 vote.

8. AMENDMENT NO. 11 TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH REID MIDDLETON FOR THE REBUILD GATE 3 LATERALS F & G PROJECT.

Motion: Authorize the Executive Director to execute Amendment No. 11 to the PSA with Reid- Middleton, Inc., on the Rebuild Gate 3 Laterals F&G project to provide construction administration assistance in the amount of \$243,000 plus a contingency of \$15,000 increasing the total authorized amount to \$970,900; and amend the 2011 Capital Improvement Program (CIP) by transferring \$180,000 from CIP No.24 to CIP No. 123.

Discussion: Project Engineer Norman Gilbert reported that this project will expand Reid Middleton's scope of work services to include finalizing and coordinating electrical upgrades to the uplands of Gate 3 and performing construction administration assistance support from the Fall of 2011 to the Spring of 2012.

Motion approved with a 2-0 vote.

9. MEMO OF UNDERSTANDING (MOU) WITH BELLINGHAM COLD STORAGE (BCS) FOR DREDGING COORDINATION EFFORTS.

Motion: Authorize the Executive Director to execute a Memo of Understanding (MOU) with Bellingham Cold Storage to coordinate local dredging efforts.

Discussion: Marine Services Director Dan Stahl explained that the proposed action is a coordinated effort between Bellingham Cold Storage (BCS) and the Port of Bellingham (Port) in support of dredging to be done in Bellingham Bay. Mr. Stahl added that BCS is willing to

contribute \$100,000 over three years to help fund the dredging work inside the outer basin of Squalicum Marina, the area abutting their leasehold and the Port's project to replace F & G floats,

Motion approved with a 2-0 vote.

WORK-STUDY SESSION

Commissioner McAuley requested that the order of the two work-study items be switched to accommodate the guest speaker from out of town, Mr. Sorensen.

2. Cargo Study – Paul Sorensen Report. Marine Services Director Dan Stahl opened by introducing Paul Sorenson of BST Associates, authorized by the Port Commission to provide a summary of cargo trends and projections, and an evaluation of the Port's competitive position and an estimation of future cargo opportunities. See attached Marine Cargo Study, Final Draft Report. Mr. Sorensen reported meeting with numerous Whatcom County businesses, including Intalco, Bellingham Cold Storage, BP Cherry Point and Canfor among others. The purpose of these meetings he added was to better understand the local demand for cargo related services. Mr. Sorensen then compared the Bellingham Terminals with other Pacific Northwest ports in terms of length, water depth, upland storage, infrastructure and proximity to ocean and road and rail access. Mr. Sorensen further reported that the potential market opportunities for the Port to consider might include log exports, break-bulk cargoes and short sea shipping at the Bellingham Shipping Terminal (BST). Mr. Sorensen reviewed at some length, the competition the Port faces in this market, and also noted the absence of a local "anchor" local industry will make it even more challenging to re-start cargo operation at the Bellingham Shipping Terminal. Click here for presentation: <http://portofbellingham.com/DocumentView.aspx?DID=646>

Public Comment: Darren Williams, a member of the ILWU local 7, spoke of his frustration with the lack of activity at the Shipping Terminal and the tone of Mr. Sorensen's report adding that the Port needs "to get back in the game", to be a cargo moving port.

Joe Schmidt agreed with Darren saying he was frustrated with the Bellingham Shipping Terminal sitting vacant and reported that Bellingham is the only one not moving cargo. He would like to see the Port hire a full time person to market the facility.

Commissioner McAuley suggested the Port set another date to discuss the report after Commissioner Walker has returned and had a chance to review it. Commissioners McAuley and Jorgensen and Executive Director Charlie Sheldon suggested the Commission, staff and longshoremen meet again to discuss options, expenses and estimated costs associated with improvements, utilizing and marketing the shipping terminal.

1. 2nd Quarter Financial Report. Due to the late hour, this presentation was postponed to a later date.

NEW BUSINESS

There was none.

ADJOURN

As there was no further business, the meeting was adjourned at 5:45 p.m.

Michael McAuley, President

Jim Jorgensen, Secretary