

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING  
HELD TUESDAY, NOVEMBER 1, 2011  
HARBOR CENTER BUILDING CONFERENCE ROOM  
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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

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**CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION**

At 2:00 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 1 hour.

**RECONVENE PUBLIC MEETING**

The Commission meeting was reconvened at 3:05 p.m.

**PUBLIC COMMENT PERIOD**

1. Mike Granat, 800 Cornwall, Bellingham, WA 98225 - Budget – Mr. Granat asked that the Port's 2012 budget document include narrative explanation as well as the figurative dollar amount of expenses.

**RECESS TO PUBLIC HEARING REGARDING THE 2012 OPERATING AND CAPITAL BUDGET**

In his second update to the Commission on the Port's 2012 Draft Strategic Budget, Chief Financial Officer Rob Fix presented 2011 to 2012 budget comparisons in terms of Revenues,

Expenses, Capital, Debt Service and Cash Flow for the Public priorities, Aviation, Marinas, Real Estate, Marine Terminals programs in addition to the investment interest, property tax, grants considerations for the Public Priorities, Environmental, Bellingham Waterfront Acquisition Site programs. Mr. Fix added that the Port's 2012 draft Strategic Budget will be provided to the Commission and the public on October 27, 2011, and the final 2012 Strategic Budget will be presented to the Commission for approval at the November 15, 2011, Commission meeting.

## **CLOSE THE PUBLIC HEARING AND RECONVENE COMMISSION MEETING**

### **CONSENT AGENDA**

Motion: Approve Consent Agenda items A. through D as follows:

- A. Approve minutes of the October 4, 2011, and October 18, 2011, regularly scheduled Commission meetings.
- B. Approve Voucher Certification October 5, 2011 – October 26, 2011, totaling \$3,532,934.19.
- C. Approve a Request for Full Reconveyance of a Deed of Trust for property owned by Robert and Marlene Jackson located on Deemer Road in Bellingham, Washington.
- D. Authorize the Executive Director to execute a Purchase Order to Pacific Western Lumber in the amount of \$75,938.91 for the purchase of treated timber piling to be incorporated into the Bellingham Shipping Terminal pier repair capital project and storm damage repairs to the former Arrowac Fisheries pier.

Motion approved with a 3-0 vote.

### **NEW BUSINESS**

#### **1. AMENDMENT TO THE LEASE BETWEEN THE PORT OF BELLINGHAM AND BELLWETHER GATE C, LLC FOR BUILDING C.**

Motion: Approve the Second Amendment to the Amended and Restated Capital Ground Lease between the Port of Bellingham and Bellwether Gate C, LLC, related to Building C at Bellwether on the Bay.

Real Estate Development Manager Shirley McFearin explained that the Bellwether Gate project includes four buildings, (related underground and surface parking areas) and that Bellwether Gate has entered into separate leases with the Port for each of the four buildings to be constructed on Port property. Building C is a two-story building with approximately 10,000 square feet originally planned by the terms of the lease to be completed by June 1,

2012. Ms. McFearin further explained that Bellwether Gate is prepared to build sooner than contractually required (Spring 2012) because they have a tenant for at least half of the building. Bellwether Gate has proposed to pay the capital lease payment in the amount of \$366,869 in advance of construction, on or before December 1, 2011, in lieu of posting the Port's requirement for a \$300,000 performance bond. In addition, Bellwether Gate would assign all of its existing and future permits, plans and specifications (Improvement Documents) related to its construction of Building C Improvements to the Port. This assignment will be documented as a security interest in those Improvement Documents which will be subordinate to the one held by Bellwether Gate's construction lender so long as the lender elects to complete the building following a foreclosure.

Motion approved with a 3-0 vote.

**2. MODIFICATION OF LEASE WITH H & I HOLDINGS, LLC FOR PROPERTY LOCATED AT SQUALICUM HARBOR.**

Motion: Approve the Modification of Lease between H & I Holdings LLC, and the Port of Bellingham.

Discussion: Business Development Director Lydia Bennett explained that the Commission approved a twenty year lease in 2004 between the Port of Bellingham (Lessor) and Jeff Harmon and Tom Irwin (Lessees), and since then the lease's terms and conditions has been modified to incorporate a dock into the premises as well as the change in assignment to H & I Holdings LLC. Ms. Bennett further explained that the proposed modification of lease would allow the premises to be used for the storage, manufacture or construction of any product which requires or is functionally dependent on water transport.

Motion approved with a 3-0 vote.

**3. CHANGE ORDERS WITH FABER CONSTRUCTION FOR THE 300 HARRIS AVENUE TENANT IMPROVEMENTS PROJECT.**

Motion: Authorize the Executive Director to execute change orders to the contract with Faber Construction for the 300 Harris Avenue Tenant Improvements project and increase the total authorized contract amount correspondingly for work to be reimbursed by Index Industries, Inc. pursuant to the terms of the lease.

Discussion: Project Engineer Adam Fulton explained that the commercial lease agreement between the Port of Bellingham and Index Industries allows for Index to make and pay for any upgrades if secured in writing and approved. The current upgrades being proposed include exterior paint, epoxy floor coverings, and trash enclosure upgrades estimated to be approximately \$20,000. Mr. Fulton added that these upgrades to the facility would benefit the Port as the asset is Port owned.

Motion approved with a 3-0 vote.

**4. LEASE RENEWAL AND MODIFICATION BETWEEN THE PORT OF BELLINGHAM AND PACIFIC CRUISES NORTHWEST, INC. D/B/A SAN JUAN CRUISES.**

Motion: Approve Renewal and Modification of Lease Agreement between the Port of Bellingham and Pacific Cruises Northwest, Inc., d/b/a Victoria/San Juan Cruises.

Discussion: Maritime Director Dan Stahl explained that the lease agreement initiated in 1991 has been modified over the years to allow for changes in the business name, square footage, facility rental and moorage rates and Passenger Facility Charges (PFC). Mr. Stahl further explained that the proposed lease agreement is for a one year extension with four (4) one year renewal options, and reflects a reduction in size of the leased premises and rental rates, changing the name to delete the Victoria reference and modifying the PFC structure.

Motion approved with a 3-0 vote.

**NEW BUSINESS**

1. Port staff and commissioners discussed the current energy costs and the cost of garbage removal as reflected in the Port's 2012 budget document. Commissioners McAuley and Walker suggested the staff look for ways to reduce those costs.
2. Airport Manager Dan Zenk reported that staff will be bringing to the Commission a list of potential candidates to fill the vacancies on the Bellingham International Airport Committee (BIACC).

**ADJOURN**

As there was no further business, the meeting was adjourned at 3: 58 p.m.

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Michael McAuley, President

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Jim Jorgensen, Secretary