

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, DECEMBER 5, 2011
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Michael McAuley	President
	Scott L. Walker	Vice President
	Jim Jorgensen	Secretary
Staff:	Charlie Sheldon	Executive Director
	Rob Fix	Chief Financial Officer
	Dan Zenk	Director, Aviation
	Mike Stoner	Director, Environmental Programs
	Fred J. Seeger	Director, Facilities
	Sylvia Goodwin	Director, Planning and Development
	Lydia Bennett	Director, Business Development
	Carolyn Casey	Director, External Affairs
	Elizabeth Monahan	Director, Human Resources
	Carol Williams	Maintenance Manager
	Steve Shipman	Real Estate Representative
	Judy Harvey	Real Estate Representative
	Brian Gouran	Environmental Site Project Manager
	Pam Taft	Special Projects Administrator
	Frank Chmelik	Port Counsel
	Diane McClain	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 hour.

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:03 p.m.

PUBLIC COMMENT PERIOD

1. Roger Van Dyken, 1215 S. Harbor Loop, Bellingham, WA - 29 year Port tenant - Mr. Van Dyken reported that over 3/4 of the county marine related businesses are not located on Port property and he would like the Port to look at current rent rates and reevaluate the long-term megatrends and the gentrification and survivability of the working waterfront
2. Brian Pemberton, Bellingham, WA - Mr. Pemberton encouraged Port Real Estate staff to review the rental rates and look at the megatrends that are happening challenging marine

trades ability to locate on Port property.

3. Curt Bagley, Bellhaven, Bellingham, WA - President/ owner Bellhaven Yachts, , President of NW Yacht Brokers Association - Mega trends- concerned with the ramifications of increased costs to marine industry from the Port raising moorage rates and the current state tax being charged on mega yachts .
4. Colette Cloutier, 3947 S. Pass Road, Everson, WA - Owner - The Fish Store, Re: Assignment of Lease on Commission agenda- Ms. Cloutier reported (as did Lorne Cloutier) that The Fish Store had presented a backup offer for the Boondocks location/facility and requested a delay on the Commission's decision for the Action Item approving Consent to Assignment of Lease on today's agenda.

CONSENT AGENDA

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

- A. Approve minutes of the November 1, 2011, and November 15, 2011 regularly scheduled Commission meetings.
- B. Approve Voucher Certification November 2, 2011 - November 30, 2011, totaling \$4,342,494.27.

Motion approved with a 3-0 vote.

PRESENTATION

1. Marine Life Center (MLC).

Maintenance Manager Carol Williams reported that the Port entered into a management agreement with the Marine Life Center (MLC) for the MLC Advisory Board's operation of the MLC and that the Port's approved capital projects involving equipment replacement and installation have been completed. Ms. Williams then introduced David Greene (Advisory Committee) and Mr. Greene provided a positive update on the addition of the new generator, improved signage and internal appearance as well as the development of educational opportunities working with local charter operators. Mr. Greene thanked the Commission for continued support and reported that the visitors and donations are up.

ACTION ITEMS

1. CONSENT TO ASSIGNMENT OF LEASE FROM PEOPLES BANK TO ZEPHYR INVESTMENTS INC. FOR PROPERTY LOCATED AT SQUALICUM HARBOR.

Motion: Approval of a Consent to Assignment of Lease from Peoples Bank to Zephyr Investments, Inc. for property located at 2551 Roeder Avenue, Bellingham, Washington.

Discussion: Deputy Director Rob Fix explained that in 2010, the Port and Peoples Bank entered into a 30 year Harbor Land Lease for property on Roeder Avenue, previously leased

to Boondocks Boats and Motors, a division of Marine Services Northwest, Inc., and a Settlement Agreement for the improvements on the premises. Mr. Fix also reported that Peoples Bank has subsequently accepted an offer from Zephyr Investments Inc., for the improvements and is requesting the Port's approval to assign the Lease to Zephyr Investments Inc., with the intention to sublease a portion of the property to TD Curran for the retail of Apple computers and marine electronics. Mr. Fix further explained that The Fish Store as mentioned in the public comment period has presented a backup offer, and that Port staff is recommending the Commission approve the proposed first in line offer for the Consent to Assignment of Lease. Port legal counsel Frank Chmelik reported that the Port has an agreement with Peoples Bank to accept Consent to Assignment for that property. A discussion amongst the Commission and legal counsel regarding the proposed marine related business aspect and TD Curran's intention and lease provision to include 60 % retail of marine electronics and boat storage space resulted in the following amended motion:

Motion: Approval of Consent to Assignment of Lease from Peoples Bank to Zephyr Investments, Inc. subject to making the commitments made by Zephyr Investments, Inc. binding on Zephyr Investments, Inc. as part of the lease and authorize the Executive Director to execute all documents necessary to conclude transaction.

Motion approved with a 3-0 vote.

2. EXTENSION OF LEASE AGREEMENT BETWEEN THE PORT AND HOMELAND SECURITY, CUSTOMS AND BORDER PROTECTION.

Motion: Approval of a Modification of Lease Agreement (Supplemental Lease Agreement) between the Port of Bellingham (Port) and Customs and Border Protection (Government)

Discussion: Real Estate Representative Steve Shipman explained that in 2004, the Port and Government entered into a five year lease agreement for the approximately 30,000 square feet of office, warehouse and related space in the International Trade Building (ITB) and approximately 4,100 square feet of vacant space adjacent to a third party aircraft hangar, the Airport taxi way and four aircraft tie-downs which was expanded to fourteen tie-downs in 2010. Mr. Shipman further explained that the existing lease will expire December 15, 2011 and the Government has requested a one year extension which is being proposed at a three percent increase.

Motion approved with a 3-0 vote.

3. LEASE MODIFICATION WITH BELLWETHER HARBOR INVESTMENTS LLP.

Motion: Approval of a Modification of Lease Agreement with Bellwether Harbor Investments LLP.

Discussion: Real Estate Representative Judy Harvey explained that in 2000, the Port entered into a Harbor Lease for the construction and operation of an office complex (formerly the Peter Paulsen Building) and in 2007, the Port consented to the Assignment of this Lease from Peter Paulsen to Bellwether Harbor Investments. Ms. Harvey added that the

requirements of the Harbor Lease specify that "Additional Rent" be adjusted as of the first day of the eleventh year of the lease and every fifth year thereafter reflected in the proposed Modification of Lease.

Motion approved with a 3-0 vote.

4. 2012 EMPLOYEE BENEFITS PROGRAM RENEWAL.

Approval of a motion authorizing the Executive Director to execute the necessary contracts and employment practices for the implementation of the 2012 Employee Benefits Program. The contracts are: Regence BlueShield - Medical - Innova \$200/\$600 deductible, 100%/70% coinsurance with a \$20 co-pay, Flex Plan Service, Inc. - Dental/Vision and Savings Accounts, Lincoln Financial - Life & Accidental Death and Dismemberment and Long - Term Disability, Health Promotion Network - Employee Assistance, Wells Fargo - Broker.

Discussion: Director of Human Resources Elizabeth Monahan explained that the quote from the broker to maintain the same level of insurance and staying with Regence has been offered to the Port at a 10% increase; guaranteed rate for two years. Ms. Monahan further explained that the proposed plan will result in Port employees having a small increase in premiums over the next two year period. The cost for providing the Port's Dental and Vision self-insured plan and life and accidental death and dismemberment benefits will remain flat however.

Motion approved with a 3-0 vote.

5. WHATCOM WATERWAY SITE - DNR AQUATIC LEASE PAYMENTS.

Motion: Authorize the Executive Director to approve payment of \$58,431.52 to the Department of Natural Resources (DNR) for Aquatic Lands Harbor Lease Nos. C2200002469 and C2200002470 for the period December 1, 2011 through November 30, 2012.

Discussion: Director of Environmental Programs Mike Stoner explained that DNR has issued two aquatic lands harbor (wastewater pipeline system and outfall pipeline) leases to the Georgia Pacific (GP) for the operation of the Aerated Stabilization Basin (ASB) and since 2008, the Port has been paying the DNR annually for these associated leases. Mr. Stoner further explained that the cleanup of the ASB is part of the Whatcom Waterway cleanup site being performed under a Consent Decree as amended, according to the requirements of the Model Toxics Control Act and oversight by the Department of Ecology.

Motion approved with a 3-0 vote.

6. AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) BENNETT ENGINEERING L.L.C. FOR THE AIRPORT WOODWASTE LANDFILL.

Motion: Authorize the Executive Director to amend the Professional Services Agreement (PSA) with Bennett Engineering, LLC to perform landfill monitoring and reporting services in 2012 for an estimated cost of \$35,200 and a total authorized budget of \$101,200.

Discussion: Environmental Site Project Manager Brian Gouran reported that between 1984

and 1992, Georgia Pacific (GP) operated the Airport Woodwaste Landfill and following the closure of GP, GP performed post-closing activities prior to the Port's land acquisition in 2005. Mr. Gouran added that the Port is required by the Whatcom County Health Department to continue post-closure monitoring and reporting activities until the landfill is determined as stabilized (estimated at 15 -20 years). Mr. Gouran further reported that Bennett Engineering LLC (Bennett) was selected by the Port in 2010 as the most qualified firm to perform those services and the proposed amendment to the Professional Services Agreement (PSA) with Bennett is for a scope of work that includes annual landfill monitoring and reporting activities in accordance with the Post-Closure Permit and NPDES Permit requirements for the on-site leachate management system.

Motion approved with a 3-0 vote.

7. AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) AECOM FOR THE CENTRAL WATERFRONT SITE.

Motion: Authorize the Executive Director to execute an amendment to the Professional Services Agreement with AECOM to extend the PSA term and increase the scope and budget by \$9,600.

Discussion: Environmental Site Project Manager Brian Gouran reported that the Port entered into a Professional Services Agreement (PSA) in 2006 with The RETEC Group, Inc., currently AECOM, to perform a Remedial Investigation/Feasibility Study (RI/FS) at the Central Waterfront Site. Mr. Gouran added that the RI/FS field work was done in 2008 under an Agreed Order with Washington State Department of Ecology (Ecology) in addition to multiple draft RI/FS reports sent to Ecology, the most recent in 2009. Mr. Gouran further added that in response to significant delays, due to Ecology work load and staff adjustments, AECOM has prepared a limited scope and budget in the proposed PSA amendment to assist the Port in addressing outstanding Ecology comments and coordination with the new Ecology project management team.

Motion approved with a 3-0 vote.

8. TENANT IMPROVEMENTS PROJECT AT 300 HARRIS AVENUE

Motion: Authorize the Executive Director to increase the total authorized contract amount with Faber Construction by \$40,000 from \$2,389,100; and to increase the overall project budget for the 300 Harris Avenue Tenant Improvement Project from \$2,900,000 to \$2,940,000.

Discussion: Director of Facilities Fred Seeger reported that an inspection of the 300 Harris Avenue building showed one corner of the interior floor slab needed repairs due to settlement and the necessary corrective actions depleted a large portion of the contingency previously authorized to the project.

Motion approved with a 3-0 vote.

9. RESOLUTION NO. 1226G CHANGES TO THE RULES, REGULATIONS AND PROCEDURES FOR BLAINE AND SQUALICUM HARBORS.

Motion: Approval of changes to the Port of Bellingham Blaine and Squalicum Harbors' Rules, Regulations and Procedures with Resolution No. 1226G.

Discussion: Special Projects Administrator Pam Taft reported that Port Resolution No. 1201A stipulated that the Commission will adopt the Rules, Regulations and Procedures for the harbors annually. Ms. Taft further reported that the proposed changes to the adopted 2011 Port of Bellingham's Rules, Regulations and Procedures for Blaine and Squalicum Marinas contain minor language clarification and inclusion of language pertaining to enforcement and annual moorage previously located in the Moorage Tariff No. 1.

Motion approved with a 3-0 vote.

10. REVISED MOORAGE TARIFF NO. 1 - RATE AND RENEWAL CHANGES .

Motion: Revise the following sections of the Port's Moorage Tariff No. 1 as contained in Attachment #1 effective January 1, 2012:

1. Sections 1 & 2, Parts II, (A), (C) and Sections 3 & 4, Part II - Rate changes for Boat Display Space, Boat Launch fees, and Weblocker Rates excluding the rates for Active Commercial Fishing and Marine Use categories.
2. Sections 3 & 4, Part II, (A), Notes - Change the annual moorage renewal date to April 1 of each year beginning on April 1, 2013, and allow the annual moorage rate to be prorated for any new customers outside of the enrollment period until the following April.
3. Minor housekeeping changes - Changes in language to match the Rules, Regulations, and Procedures, and deletion of redundant language between Moorage Tariff No. 1 and the Rules, Regulations and Procedures.

Discussion: Special Projects Administrator Pam Taft reported that the proposed changes to the Port of Bellingham's Moorage Tariff No. 1 stem from Commission's approval of a new moorage model and direction to the staff, working with the Marina Advisory Committee (MAC) , to review the pricing for various harbor services and to change the annual moorage renewals to one renewal date rather than a staggered schedule.

Motion approved with a 3-0 vote.

WORK-STUDY SESSION

1. Update - **State Legislative Issues.**

Director of External Affairs Carolyn Casey reported that the special legislative session tasked with addressing the nearly \$2 billion shortfall may jeopardize the Port's anticipated environmental funding programs for the waterfront and Government Relations representative Dick Little reported that he and the Port staff will be monitoring the outcome of the state legislative session as it pertains to the Model Toxic Controls Act (MTCA) program/funding.

2. Update - Fairhaven Neighborhood Plan.

Director of Planning Sylvia Goodwin presented an overview of the draft Fairhaven Neighborhood and Urban Village Plan pertaining to Boundary and Land Use Areas/Classification released by the City of Bellingham for public comment on November 16th. Ms. Goodwin added that upon review of the plan, Port staff is proposing to submit comments pertaining to addition of warehousing, Wholesaling, and Freight Operation, office, retail and personal service uses as permitted or in specific zones affecting Port properties. Ms. Goodwin further added that the City's current 2012 schedule to approve the final draft plan and subsequent regulations will involve the Historic Preservation, Transportation and Mayor's Neighborhood Advisory commissions in January and Planning Commission in March and City Council in May and June.

ADJOURN

As there was no further business, the meeting was adjourned at 5 50 p.m.

Scott L. Walker, President

Michael McAuley, Secretary