

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, JUNE 4, 2013
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Jim Jorgensen	President
	Michael McAuley	Vice President
	Scott L. Walker	Secretary
Staff:	Rob Fix	Executive Director
	Lydia Bennett	Business Development Director
	Carolyn Casey	External Affairs Director
	Fred Seeger	Facilities Director
	Dan Stahl	Maritime Director
	Mike Stoner	Environmental Director
	Tamara Sobjack	Finance Director
	Elizabeth Monahan	Human Resources Director
	Sylvia Goodwin	Planning and Development Director
	Shirley McFearin	Real Estate Director
	Daniel Zenk	Aviation Director
	Dodd Snodgrass	Economic Development Specialist
	Steve Shipman	Real Estate Representative
	Adam Fulton	Senior Project Engineer
	Mike Hogan	Environmental Analyst
	Frank Chmelik	Port Counsel
	Diane McClain	Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

Commissioner Jorgensen called the meeting to order at 1:30 p. m. to report that the purpose of the closed session would be to discuss real estate transactions pursuant to RCW 42.30.110(1) (c).

RECONVENE PUBLIC MEETING AND ROLL CALL

Commissioner Jorgensen called the meeting to order at approximately 3:03 p. m.

PUBLIC COMMENT PERIOD

Robert Sternhagen, representing The Landings at Colony Wharf on C Street – spoke of the historic boat haul-out and barge operation, indicating that the area was used by 20 different companies/ 70 employees/ 18-25 contractors in the yard. He expressed concerns that the Whatcom Waterway site cleanup would result in lost business due to proposed changes to the barge facility, the shoreline landing ramp and the upland staging area.

CONSENT AGENDA

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Motion: Approve Consent Agenda items A – E as follows:

- A. Approve the minutes of the April 16, 2013, May 7, 2013, May 21, 2013, regular Commission meetings and the May 22, 2013, special Commission meeting.
- B. Voucher Certification and Approval for period from April 30, 2013 – May 29, 2013, totaling \$5,567,431.46.
- C. Approval of a Renewal and Modification of Lease between the Port of Bellingham and Tradewinds Capital Management LLC at the Bayview Center Building.
- D. Approval of a Renewal and Modification of Lease between the Port of Bellingham and Goodrich & Associates, Inc. at the Bayview Center Building.
- E. Approval of a Renewal and Modification of Lease between the Port of Bellingham and Astoria Holdings, Inc. at the Bayview Center Building.

Discussion: None.

Motion approved with 3-0 vote.

ACTION ITEMS:

1. PORT ECONOMIC IMPACT STUDY.

Motion: Authorize the Executive Director to enter into a contract with Martin Associates for an economic impact study of Port of Bellingham operations.

Discussion: Economic Development Specialist Dodd Snodgrass explained that the Port sponsored a comprehensive economic study completed by Martin Associates in 2008. Early in 2013, Port staff determined that a new study of the economic impacts generated by the Port's marine terminals and marinas, airport, and real estate activities would be helpful and issued a Request for Professional Services (RFPS). Of the two responses to the RFPS, Martin Associates was selected as the best qualified.

Motion approved with 3-0 vote.

2. UPDATE TO MARINE TERMINALS TARIFF NO. 800.

Motion: Approval of the update of the Port's Marine Terminals Tariff No. 800 effective July 1, 2013: Section 1, Item 116, Section 2, Items 208 & 244C, Section 3, Item 304, and Section 4, Item 400.

Discussion: Marine Terminals Dan Stahl explained that the changes being proposed are housekeeping items / rate adjustments that will result in a slight positive impact to the operating budget.

Motion approved with 3-0 vote.

3. AIRPORT HOTEL LEASE WITH BELLINGHAM HI, LLC FOR PROPOSED CONSTRUCTION, DEVELOPMENT AND OPERATION OF FULL SERVICE HOLIDAY INN BRAND HOTEL AT THE BELLINGHAM INTERNATIONAL AIRPORT.

Motion: Approval of an Airport Hotel Lease between the Port of Bellingham and Bellingham HI, LLC whereby Bellingham HI, LLC will lease property at the Bellingham International Airport to develop, construct and operate a full service Holiday Inn Brand Hotel.

Discussion: Real Estate Director Shirley McFearin introduced guests and Bellingham HI, LLC representatives Dan Mitzel, Managing Member and David Allegre. Ms. McFearin reported that the Port issued a Request for Qualifications and Vision (RFQ/V) in 2012 for the development of a hotel at the airport and received four responses for review and selection by the selection committee. Hotel Services Group (HSG), specializing in hotel management and ground-up development, formed Bellingham HI, LLC for the purpose of the new airport hotel development project. Ms. McFearin further reported that the proposed hotel development includes an estimated \$18-20 million investment by Bellingham HI with 40 FTE's for the hotel operation and another 40-50 employees for the restaurant operation construction. Ms. McFearin explained that the Commission approved a Letter of Intent dated March 20, 2014, outlining the proposed transaction with regard to the proposed lease. Ms. McFearin further explained the terms of the proposed fifty year lease with one twenty-five year renewal option. The hotel is expected to open in November 2015 or sooner.

Motion approved with 3-0 vote.

4. SUCCEEDING LEASE BETWEEN PORT AND DEPARTMENT OF HOMELAND SECURITY- CUSTOMS AND BORDER PROTECTION.

Motion: Authorize the Executive Director to execute a Succeeding Lease Agreement between the Port of Bellingham (Port) and US Border Patrol and Protection (CBP) for property located at 3871 Airport Way.

Discussion: Real Estate Steve Shipman explained that the Port and CBP entered into a five year term lease with two (2) one-year renewal options in 2004 for office, warehouse space, parking and aircraft hangars which expired in December 2012. Mr. Shipman further explained that the proposed succeeding lease will be retroactively effective December 15, 2012, with an initial ten (10) year term plus 2 five-year renewals.

Motion approved with 3-0 vote.

5. FAIRHAVEN VILLAGE INN EASEMENT (RESTATED).

Motion: Authorize the Executive Director to execute a Restated Reciprocal Agreement for No-Build Area Easement, Building Appurtenances Easement, Use Easement, and Covenant Concerning Industrial Activity between the Port of Bellingham and Fairhaven Village Inn, LLC, Shannon Properties LLC and Gene and Constance Shannon as requested by the City of Bellingham.

Discussion: Real Estate Director Shirley McFearin explained that the Commission authorized the Executive Director to execute a Reciprocal Agreement for No-Build Area Easement, Building Appurtenances Easement, Use Easement and Covenant Concerning Industrial

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Activity between the Port and Fairhaven Inn, LLC and Shannon Properties LLC and Gene and Constance Shannon in 2012. The City of Bellingham has requested language be added that all parties will not modify or rescind the agreement without written approval of the City of Bellingham, which approval shall not be unreasonably denied.

Motion approved with 3-0 vote.

6. MODIFICATION OF LEASE BETWEEN THE PORT OF BELLINGHAM AND HORIZON AIR INDUSTRIES, INC.

Motion: Approval of a Modification of Lease between the Port of Bellingham (Port) and Horizon Air Industries, Inc. (Horizon).

Discussion: Real Estate Steve Shipman explained that the Port and Horizon entered into a Lease Agreement in 1987 and updated the agreement in 2008. Since then, Alaska Airline, Inc. (AAI) has acquired Horizon and the Phase 2 Airport Commercial Terminal Expansion project has altered the leased premises. Mr. Shipman further explained that the Horizon still operates as a signatory air carrier at BLI and the lease has been modified for the premises and operations based out of Bellingham International Airport (BLI).

Motion approved with 3-0 vote.

7. MODIFICATION OF LEASE BETWEEN THE PORT OF BELLINGHAM AND ALASKA AIRLINES, INC.

Motion: Approval of a Modification of Lease between the Port of Bellingham (Port) and Alaska Airlines, Inc. (Alaska).

Discussion: Real Estate Steve Shipman explained that the Port and Alaska entered into an updated Airport Lease Agreement in 2009 and since then, Phase 2 of the Airport Commercial Terminal Expansion project has significantly altered the leased premises. Mr. Shipman further explained that the proposed lease has been modified to reflect the increased premises and operations based out of Bellingham International Airport (BLI).

Motion approved with 3-0 vote.

8. AIRPORT COMMERCIAL TERMINAL EXPANSION – PHASE 2 CONTRACT INCREASE CHANGE ORDER.

Motion: Authorize the executive Director to execute Change Order No. 17 with Dawson Construction on the Airport Commercial Terminal Expansion- (ACTE) Phase Two project for Alaska Air Group's tenant reimbursable work in the amount of \$51,434.50 for a new total authorized contract amount of \$17,947,591.50.

Discussion: Senior Project Engineer Adam Fulton reported that the proposed change order is the result of (ACTE) changes being made to the air cargo facility, adjacent training room, office interior finishes and added that the costs of these changes are to be reimbursed to the Port by the tenant making the requests.

Motion approved with 3-0 vote.

Click here for presentation: <http://www.portofbellingham.com/DocumentCenter/View/2579>

9. EXTENSION OF CONTRACT FOR JANITORIAL SERVICES IN PORT WIDE FACILITIES.

Motion: Approval of a motion authorizing the Executive Director to extend the contract with American Building Maintenance (ABM) to provide janitorial services in Port-wide facilities for seven months in the amount of \$350,997.09 plus a 10% contingency for a total amount of \$386,096.80.

Discussion: Maintenance Supervisor Carol Williams explained that the current janitorial contract with ABM for services at 36 Port facilities expires June 30, 2013. Ms. Williams added that the current contract allows for renegotiation and renewal for multiple years, subject to Commission approval and that the proposed 7 month extended contract includes a 4% increase, based on the increased level of service necessitated by the airport growth and Squalicum Harbor. Ms. Williams further added that the Port expects to re-bid the entire janitorial contract prior to the expiration of this contract in January 2014.

Motion approved with 3-0 vote.

10. ENERGY CONSERVATION MEASURES – USE CONTINGENCY FUNDING FOR CHANGE ORDER NO. 1.

Motion: Authorize the Executive Director to execute Change Order No. 1 with McKinstry Essention LLC (McKinstry) for energy conservation measures to use \$27,287.39 of the total authorized contingency amount of \$34,051 to remove HVAC ductwork related to the new roof at FMIP Building 7.

Discussion: Environmental Analyst Mike Hogan explained that the re-roofing of Building 7 at the Fairhaven Marine Industrial Park is one of five Port capital projects with an energy conservation component being performed by McKinstry. Mr. Hogan added that the change order for the removal and demolition of HVAC ductwork is related to the new roof and can be performed as an amendment to the Port's Professional Services Agreement with McKinstry Essention LLC.

Motion approved with 3-0 vote

PRESENTATION:

Audit Entrance Conference – Washington State Auditors

Finance Director Tamara Sobjack introduced guests, Michelle Palmer, Felicia DenAdel and Andy Asbjornson from the Washington State Auditor's office. Andy Asbjornson explained that the purpose of the annual audit is to promote accountability, fiscal integrity, openness in government and the efficient and effective use of public resources. Felicia DenAdel further

explained that the Port of Bellingham fiscal year 2012 audit scope will focus on Accountability (cash receipting, bid and contract compliance and change orders), Financial statements (accounting policies, internal controls, fraud prevention, availability of financial records, and any necessary corrections based on audit results) and Federal grant compliance (Airport Improvement Program, Economic Adjustment Assistance) . Michelle Palmer further explained the procedures for auditing the Passenger Facility Charges at the airport in accordance with the Federal Aviation Administration guidelines, and explained the three reporting levels for audit recommendations (Findings, Management Letters and Exit Items). It was reported that the cost of the audit is estimated at \$38,000 and should be completed by the end of June, with an Exit Conference to be scheduled in late July.

WORK STUDY ITEMS

1. Update – C Street Terminal

Environmental Programs Director Mike Stoner presented an overview of the industrial history, the current framework of environmental regulations, and planned land use, pertaining to the marine trades area property located along the northern shore of the Whatcom Waterway, also referred to as the “C” Street Terminal. The area has been used historically for barge operations and boat haul-out. The shoreline is part of two Model Toxic Control Act (MTCA) sites, including the Whatcom Waterway site and the Central Waterfront Site, for which the Port is performing environmental remediation under agreement with the Department of Ecology. Cleanup of the shoreline is scheduled to begin this year under a Consent Decree with Ecology for the Whatcom Waterway Phase 1 cleanup. Regulatory approvals for the shoreline cleanup have been acquired by almost all federal, state and local agencies; however, approval by the U.S. Army Corps of Engineers for conducting the cleanup through a Nationwide 38 Permit under the federal Clean Water Act is still pending. Mr. Stoner added that the Port is also in the process of adjusting property management within the shoreline area to support a continuation of historic marine trades. A new lease with Bellingham Marine Industries (BMI) has been recently executed and following acquisition of a portion of the shoreline that has been used historically for barge operations and boat haul-out, the Port has elected to operate the barge bulkhead section of the shoreline as a Port-operated barge facility, and to lease the boat-haul section as a tenant operation. Lease negotiations with Colony Wharf for ongoing boatyard operations are in progress. The Commission engaged in a discussion regarding Port and tenant operations, and the potential for business interruption during the Whatcom Waterway Phase 1 cleanup. A key discussion point was the planned removal of the existing hydraulic barge ramp as part of the cleanup. Commissioner McAuley expressed concern with regard to the barge ramp facility removal and boat haul out disruption. Commissioner Walker made the following motion providing clear direction to staff regarding the Whatcom Waterway Phase 1 cleanup under a Nationwide 38 permit.

Motion: Direct staff to move forward with the Nationwide 38 permit as proposed.

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Motion approved with a 2-1 vote. Commissioners Jorgensen and Walker voted in favor; Commissioner McAuley voted against. Commissioner Walker then asked staff to gather information on current barge traffic to provide to the Commission at a future date.

Click here for presentation: <http://www.portofbellingham.com/DocumentCenter/View/2580>

2. Update – Airport Binding Site Plan.

Due to the late hour, this update was postponed until a future date.

NEW BUSINESS

There was none.

ADJOURN

As there was no further business, the meeting was adjourned at 4:50 p.m.

Jim Jorgensen, President

Scott L. Walker, Secretary