

MINUTES OF EVERETT PORT COMMISSION REGULAR MEETING
May 8, 2012

PRESENT:

Troy McClelland	President
Michael Hoffmann	Vice President
Tom Stiger	Secretary
John Mohr	Executive Director
Karen Clements	Chief Finance Officer
Brad Cattle	Port Attorney

CALL TO ORDER: The meeting of May 8, 2012 was called to order at 5:03 p.m. by Commission President Troy McClelland.

CONSENT AGENDA:

- Approval of Work Session Minutes of April 3, 2012 and Regular Meeting Minutes of April 10, 2012; and approval of Commission Retreat Minutes of March 27 & 28, 2012
- Approval of Bills for April 2012

Commissioner Michael Hoffmann moved to approve the items of the Consent Agenda for May 8, 2012. Commissioner Tom Stiger seconded the motion. A vote was called for:

Vote: 3-0

Yes: Hoffmann, Stiger, McClelland

No: None

Abstained: None

Motion carried.

1. EXECUTIVE DIRECTOR'S REPORT

Kimberly Clark Property

Executive Director John Mohr reported that Staff continues to perform due diligence on the Kimberly Clark property so that an appropriate recommendation can be made to the Commission. The Port has entered into a consultant agreement with a representative of Cushman Wakefield to learn the value of the property. John Mohr said he would keep the Commission informed as the information becomes available.

Executive Session

Port attorney Brad Cattle reported that at the March 28, 2012 Commission Retreat, the Commission recessed into Executive Session at approximately 2:35 p.m. and the topics discussed with legal counsel were: 1) a pending litigation matter, 2) the strategy for a possible acquisition of two separate parcels of real property for which public discussion could disadvantage the Port's negotiation, and 3) the price at which real estate would be offered for lease when public knowledge could disadvantage the Port's negotiations. The Executive Session concluded at 4:00 p.m., and the meeting was adjourned. There were no announcements and no action taken.

On April 10, 2012 the Commission recessed into Executive Session at 5:50 p.m. for approximately 30 minutes. The Commission discussed with legal counsel a pending litigation matter and the possible acquisition of a parcel of real property for which public discussion could disadvantage the Port's negotiations. The Executive Session was extended for an additional 10 minutes and the Commission meeting was adjourned at 6:30 p.m. No announcements were made and no action was taken.

2. CHIEF ADMINISTRATIVE OFFICER'S REPORT

Mission and Strategic Goals Discussion

Chief Administrative Officer Les Reardanz reported that the Commission had directed Staff to establish a time to set the ground work for a vision or mission discussion. Staff is proposing to have a one-day work shop with the Commission in mid-September to have the mission discussion combined with the 2013 strategic goals discussion to make sure that the goals align with the Port's mission statement.

The Commission concurred.

Collective Bargaining Agreement – Security Unit

Chief Administrative Officer Les Reardanz reported that the existing Security agreement expired as of December 31, 2011 but has been treated as extended. The Port and

International Longshore and Warehouse Union (ILWU) Local 32C (Security) have completed negotiations for the 2012 – 2014 contract period for the Security unit. The wages and benefits are the same as the Commission approved with the Maintenance unit (2.7% in 2012, and 3.9% in 2013 and 2014). The main changes to the Security agreement are as follows:

- Increase uniform allowance by \$50 per year;
- Memorialized participation in uniform item selection;
- Removed premium pay for certain incentives;
- Added part-time employees working between 350-2080 hours in any consecutive 12 month period to the security bargaining unit, except for seasonal or temporary employees.

Port staff respectfully recommends that the Commission approve the 2012 – 2014 Collective Bargaining Agreement between the Port of Everett and ILWU Local 32C – Security unit.

Commissioner Michael Hoffmann moved to approve the 2012 – 2014 Collective Bargaining Agreement between the Port of Everett and the ILWU Local 32C – Security unit as presented. Commissioner Stiger seconded the motion. A vote was called for:

Vote: 3-0
Yes: Hoffmann, Stiger, McClelland
No: None
Abstained: None

Motion carried.

Community Sponsorships

Public Affairs Administrator Lisa Lefebber reported that Staff previously provided funding level recommendations for the 2012 community sponsorship requests to the Commission for consideration.

Commissioner McClelland said upon review of the staff recommendation and his own analysis, he came up with the same funding levels as provided by staff. Commissioner Stiger said he came up with the same ranking as the staff recommendation. Commissioner Hoffmann had no comment.

Staff recommends the following 2012 community sponsorship funding levels:

- Fourth of July Festival \$4,500
- Waterfront Concert Series \$2,000
- Mukilteo Lighthouse Festival \$4,500
- Mukilteo Visitor’s Center \$1,000

Commissioner Michael Hoffmann moved to authorize the 2012 community sponsorship funding levels as presented. Commissioner Stiger seconded the motion. A vote was called for:

Vote: 3-0
Yes: Hoffmann, Stiger, McClelland
No: None
Abstained: None

Motion carried.

3. DEPARTMENT REPORTS

Operations – Marina Report

Marina Director Jeff Bearman reported that the Marina had a great opening day of boating season last Saturday. The weather cooperated and there was great participation for a very good start to the season. Next Saturday is the annual Port of Everett cleanup day. Several different agencies are assisting the Port with the cleanup including the City of Everett, the Parks Department and many others. Starting June 3, the Farmer’s Market will be open for business. The boatyard is really starting to get busy and there are a lot of boats out there.

Staff is currently working on updating the Port's Marina rules and regulations. No significant changes are being made and this is an annual "housekeeping" event. The Marina rules and regulations have been reviewed by the Marina staff, and they are currently being reviewed by Executive staff and Port legal counsel. This Friday, staff anticipates being completed with the review and will forward the updated Marina rules and regulations to the Commission electronically. Staff will also post them on the Port's web site and make them available to the public throughout the Marina which starts the 60 day notification process.

Commissioner McClelland asked about the occupancy in the boatyard. Jeff Bearman said the occupancy is currently about 50 percent, but the Marina is getting busier by the day. There are currently a lot of large boats being hauled. A very reputable boat repair company from Seattle is considering moving its entire operation to Everett. Yesterday, Marina staff hauled a beautiful 55-foot boat that was very successful. As a result of that, they are bringing two more boats up next week. The investment is already starting to show positive results.

Commissioner Stiger mentioned that he saw a couple of commercial fishing vessels in the boatyard. Jeff Bearman said there were more on the way.

Projects

Everett Shipyard Site, Building Demolition

Chief of Engineering & Planning John Klekotka reported that Staff is currently conducting a bid review on the Everett Shipyard Site, Building Demolition project and have requested additional information from the low bidder. John Klekotka said that staff will bring this project back before the Commission for consideration in the June meetings.

Marina District Master Plan

Les Reardanz reported that staff and the Dykeman team will be providing an update and some concepts for the Marina District Master Plan to the Commission for feedback and to ensure that the planning lines of effort tie together and are moving forward in a coordinated and synchronized manner.

There were also three questions that were driven by outside factors that came up at the Retreat that the Commission wanted recommendations for: 1) what to do with the 14th Street haulout, 2) what to do with the bulkhead by the Everett Shipyard site; and 3) fill material. The outside factors include the timing of the environmental cleanup for the 14th Street haulout and the Everett Shipyard bulkhead, and then the opportunity to get fill on the site because of various projects going on throughout the greater Seattle region.

The strategic direction going forward is at the 30,000 foot level. Staff and the Dykeman team want to confirm with the Commission that the team is on the right path with the strategic direction being proposed so that the team can start building the plan with more specific planning as they go forward. After tonight's discussion, the intent is to come back before the Commission in June to continue the discussion, and ask the Commission to provide additional direction.

For planning purposes, Les Reardanz provided a gant chart of quarterly scheduled activities and briefings for public involvement, market analysis development strategies, destination brand strategy, master planning and publications to the Commission. Commissioner McClelland said he appreciated the schedule.

The Dykeman team provided a summary of key points of their strategic planning and concept recommendations for the Port's Marina District utilizing the Port's adopted strategic goals and guiding principles.

The strategic direction and overriding theme for the Port of Everett Marina District is an emphasis on boating (a Port core business), maritime business and related activities (boat storage, repair, supplies), job generation, and public access to the waterfront. The recommended development concept has the following components:

A "heart" to the Marina District (a Village Center), located at the entry to the community (a community rather than a project). The concept for the Village Center includes:

- Dining (several restaurants at different prices, themes and offerings);
- Limited retail – small shops (5,000 to 7,000 square feet);
- Boutique Hotel of 60 to 90 rooms;
- Quality apartment complex of approximately 200 units;
- Marina/boating center or clubhouse for tenants of the marina and guests;
- Marina District information office/Discovery Center (leasing, moorage, etc.);
- Short-term guest boat tie up at the restaurants.

The Village Center area is approximately 12 acres. It should be located where it will have high visibility to drive-by traffic on West Marine View Drive and serve as a gateway and attractive entry to the Marina District.

The concept for the largest portion of the site is to establish an Employment Center. The concept is for a mixed-use environment to accommodate a range of job-supporting businesses such as general office space, light manufacturing and/or assembly, corporate headquarters, scientific offices, agency offices, and a similar eclectic mix of employment facilities. This part of the Marina District should be for capital and job intensive uses rather than land intensive businesses.

At the western end of the property, immediately adjacent to the river, is a large open space for public access and use. The exact nature of this space is not yet defined. However, it is recommended as a public area for picnicking, festivals, entertainment, music, viewing boats and other public uses, activities, and benefits.

Another facet of the strategy is to build parking into the Employment Center such that during weekends and evenings, the general public can use that parking for access to boating and the public space.

The concept allows for phasing of infrastructure such that all investments need not be made up front, but rather in lockstep with private sector investment. The concept also has exit strategies – designing in flexibility if markets change radically – housing could be substituted for some of the jobs area if necessary. Flexibility is essential to business success.

Paul Sorenson of BST Associates provided an overview of Marina trends over the next five years. The forecast is modest growth with more uncertainties in the long term. The key is looking for opportunities to attract boaters. At the Port, there is too much Marina space with vacant slips of different sizes, and as the Port improves its marina, there is an opportunity to increase its market share or sustain its market share.

In the longer term it is more uncertain as some of the primary boater demographics are changing. The baby boomer group is shrinking as a sizable percentage of the population. The Gen Y and Gen X groups are not as wedded to boating as the baby boomers.

From a survey of marina operators on the West Coast, three primary strategies to attract boaters are 1) renovate and upgrade facilities 2) offer more products and services, and 3) host more customer events. Improving facilities and the venue for boating are the things that were seen as key to attracting boaters, much more so than advertising, changing the target markets or raising or lowering moorage rates.

There are four phases of the moorage business cycle and the Port of Everett Marina is in Phase C of the business cycle whereby there is a decline but still above last year's numbers. This is the first negative phase of the business cycle. There are several implications on how to move forward;

- Stay realistic and flexible
- Seek new markets and expand market share without price competition
- Weed out inferior products (lose the losers)
- Focus on maximizing use of existing facilities
- Increase the requirements for justification of capital expenditures
- Maximize use of grants and partnerships
- Competition for dry storage, smaller boats leaving the water, competitive marinas lowering prices

To be successful, the Port needs to manage the changing needs of boaters and align itself with the marketplace, both to meet the current tenant needs and the future tenant needs. It is recommended that the Port create an ambience with the uplands that includes shoreline upgrades and renovation, maintenance of docks and upland facilities and strong links between the docks and upland uses (restaurants, maintenance and repair facilities, and dry boat storage).

The next step is to explore these options. The Dykeman team is hoping to do three different options of in-water layouts as follows:

- Maximizing the links to the uplands
- Providing flexibility to meet future market conditions
- Identify thresholds to trigger new investments, and
- Make sure the options are sustainable and flexible.

Commissioner McClelland asked the Dykeman team to consider using the term “boating and other in-water uses” moving forward.

The Dykeman team presented Early Action and Future Action concepts for the upland and in-water development as follows:

Early Action Site: Residential and Commercial Village

- Total development area of 11.25 acres along West Marine View Drive and Everett Shipyard site
- Mixed uses include Residential, Restaurants, Public Gathering Spaces, Hotel
- Waterfront promenade overlooking marina is a key public access component
- Marine retail at gateway entrance

Future Action: Perimeter Development

- Parking improvements adjacent to North Marina
- Hotel and conference center development
- Major public access element
- Marina services

Future Action: Employment Center

- Employment Center
- 18 acres total with 13.4 acres developable

Public Access: Green Infrastructure

- Connections to existing trail system
- Waterfront promenade
- Urban space and view points
- Public access at the water’s edge

Early Action: Marina Redevelopment

- Environmental Cleanup
 - remove the ESY railway
 - dredging
- Preserve existing uses
 - moorage for fishermen
 - private boathouses
 - open moorage
- New Uses
 - Moorage for commercial and related vessels:
 - Tour boats
 - Dinner boats
 - Charter boats
 - Yacht brokerage boats
 - Visiting vessels
 - Moorage for other vessels:
 - Guest moorage
 - Hand-powered craft (boating center)
 - Water area for hand-powered and small sailboat classes
 - Facilities supporting upland marine research

Early Action: North and South Marina

- Required on-going maintenance
- Upland amenities
- Social connection opportunities

Future Action: North and South Marina

- Boat slip mix
- Covered vs. open moorage
- Marina services & conveniences
- Dry stack storage
- New Marina uses

Recommendations

David Leland said the Dykeman team believes that the proposed strategy is appropriate as the region emerges from the recession. The concepts resonate with the Port's core business and they do not take on inordinate risk. That said, the Dykeman team offered the following recommendations.

The Port is recommended to serve as master developer of the Marina District. The master developer's role is essentially that of land development (all horizontal development as opposed to vertical development). The buildings will be the responsibility of individual developers or tenants. The duties of the master developer are listed as follows:

- Strategic planning and concept programming
- Design conceptualization
- Financial analysis for infrastructure and related development costs
- Development and management of the pro forma financial analyses
- Formation of an organization within the Port structure to operate as a development entity including a project manager and personnel assigned to development, finance, marketing, sales, operations, and other functions to be further determined
- This overall internal structure would be supported by necessary legal and accounting support

Unlike prior plans, this concept anticipates a number of different developers, investors and tenants participating on the property. Investment diversity and the Port as master developer are part of a strategy that will allow local investors, developers and building users to participate in the Marina District, which in turn helps keep construction, supplies, lending, and many jobs within the local community.

Commissioner Stiger said that he concurred with the recommendations. A concern is what the impact will be on the South Marina business area – the existing restaurants, offices and marine businesses. Commissioner McClelland said the Commission needs to make sure that they understand how the north is interlinked to the south as they need to be mutually supportive.

David Leland responded to Commissioner Stiger's concern about competition with the existing businesses. To strengthen the market opportunity for all of the investors, there has to be enough customers. Leland's perception is that the identity of the Port District is largely tied to the Marina and that the knowledge of the restaurants here are largely local. To the extent the Port can expand the perception that it is more than just a marina - that there are numerous other amenities to be enjoyed by the public - the Port can expand its customer base. The key is to create this destination. Once the customer hits the Port environment along the corridor, then they have choices to make as to where they are going to eat their meal.

Commissioner Stiger asked that commercial fishing be built into the in-water and upland area. David Leland responded that the fishing is a vital part of this program. That is part of the romance of being on the waterfront is to watch the fishing vessels come in. To lose that is to lose a really important part of the character of the place.

Commissioner Hoffmann inquired about what the assumptions were based on to predict what may be coming in the future. David Leland said the nature of the development

business in multi-phased projects is to lead with a project that is as bullet proof as possible. That means attracting in a developer for Phase 1 who is financially capable, who is experienced, and one who is confident that they can execute and operate successfully. Whatever happens in Phase 1 has an altering affect on Phase 2 because the market indicates what needs to change in the next phase. The basic uses here are value. The Port should follow the rules of real estate in getting those visibility and traffic oriented uses as close to the roadway as possible, and taking those uses out onto the 18 acres that are either going to go to housing or they are going to go to office, industrial, boat storage and marina related services. Time is an asset and the Port is going to have to wait some of this out. The Port has a couple of years of planning, regulation and other details to go through before making deals. Nobody knows for sure when the recession will be over.

This is an opportunity for the Port to expand its marketing reach and it should be quite assertive as the program is implemented by working with site selectors around the country, intercepting how corporations make decisions in Southern California, the East Coast, and so on. There is a very strong implied marketing effort that would have to take place at the Port, and that would be true with anything the Port does going forward.

Commissioner Hoffmann repeated Troy McClelland's earlier comment about multiple uses. If the Port is going to have multiple uses then the Port shouldn't use a general term such as "boating" – it should be boating and other in-water uses. The Dykeman team concurred.

The Dykeman team has tried to find a program that is not intercepting the downtown market at the same time that the Port is trying to fit its market. It is always helpful to get name brands in the beginning. If the Port can get a really strong name brand restaurant, or if it can get a corporate user, they will lead in the others. Some effort should go to finding those initial occupants that send a signal to the rest of the business community.

Commissioner McClelland said that fundamentally he was very comfortable with the recommended approach. The implications make sense. From experience, there does need to be a spot to activate the space. There are pieces of cities that he said he never would have seen unless he had a reason to go there and they tended to be in and around a public area, and he ended up spending a significant amount of his own personal capital in those areas. So, the way the Port activates the space is important.

Commissioner Stiger said the Port needs to stay flexible as the uses are identified going forward. Commissioner Hoffmann added that an open space is about quality of life and should be an integral part of what the Port does.

Commissioner McClelland commented the Port should be more specific for the in-water uses and create a marina of the future instead of the marina of the past. He also appreciates the insight of the Port as the master developer. That was a big item that this Commission needed to understand. Commissioner McClelland said he was very comfortable with the direction that the team is going right now with the caveat of including the items that were mentioned on the dais today, for example connectivity between the various marinas, thinking about the whole waterfront experience, performing case studies, flexibility, and creating a marina of the future.

Les Reardanz said staff has pretty good direction on the strategic aspect of the plan and will do more study to come back on June 5 for further discussion and direction.

Les Reardanz said there were three issues that came up at the Commission Retreat that were driven by outside factors on decision making. The first issue is on available fill for the site, the bulkhead in front of Everett Shipyard and the 14th Street haulout area.

Available Fill Material

Shannon Kinsella of Reid Middleton said the Port has an opportunity to receive 25,000 cubic yards of fill material over the summer. The previous master plan required importing over 200,000 cubic yards of material, so the 25,000 cubic yards is a small portion. Based on the direction this master plan is going, the team doesn't believe that 200,000 cubic yards will be needed on the site, but 25,000 is a manageable amount and there are benefits to receiving that material. The material is being tested to be suitable for

placement and handling and to make sure it isn't contaminated. The Dykeman team recommended that the Port accept the fill material and have it placed outside of the early action area.

Bulkhead Design

The issue for the bulkhead in front of the Everett Shipyard site is whether it should be a vertical bulkhead or a laid-back bulkhead. Shannon Kinsella said in order to achieve the goal of creating a destination quality to this part of the waterfront, the Dykeman team is recommending a vertical bulkhead in this location subject to further cost analysis, once master planning is further advanced.

14th Street Haulout

The current haulout facilities located at the 14th Street area are nearing the end of their useful life, but the upland boat storage accessed by these facilities generates in excess of \$150,000 annually. The Port is asking if these facilities should be retained as an interim use. The Dykeman team has determined that keeping the existing haulout facilities past the period of environmental remediation is not advised. The Port should investigate moving the boat storage to another temporary location near the 12th Street Marina facilities as an interim phase step until a permanent boat storage facility is constructed. Analysis should be conducted to see if a negative forklift can operate from an interim location near the 14th Street haulout or from the 12th Street Marina facilities.

The Commissioners unanimously concurred with the recommendations from the Dykeman team.

COMMISSION PRESIDENT'S REPORT

Commissioner McClelland announced that he did not have a Commission President's report and thanked the Dykeman team and Port staff for their work on the Marina District Master Plan. The Commission is appreciative and supportive of the recommendations and looks forward to the next steps.

COMMISSION DISCUSSION

Commissioner Stiger inquired about a RoRo ship. John Mohr reported that a RoRo vessel will be at the Port next week and this is being done in conjunction with FESCO. John Mohr also said the Port was expecting a partial log shipment in the next few days.

CITIZEN COMMENTS

There were no citizen comments.

THE MEETING WAS RECESSED into Executive Session at 7:16 pm for approximately 45 minutes and to conclude by 8 p.m. The purposes of Executive Session are to discuss with legal counsel two potential litigation matters and to consider the minimum price at which real property may be leased when public knowledge would disadvantage the Port's negotiations. At the conclusion of the Executive Session no action was taken by the Commission and no announcements were made.


THE REGULAR COMMISSION MEETING WAS ADJOURNED at 8:00 p.m.

APPROVED: this 12th day of June, 2012.

EVERETT PORT COMMISSION

By: 
Troy McClelland, President


Michael Hoffmann, Vice President


Tom Stiger, Secretary



Port of Everett

ORIGINAL

Port of Everett
Voucher Approval List
for the month of
APRIL
2012

We, the undersigned Commissioners of the Port of Everett, Snohomish County, Washington, do hereby certify the following vouchers/warrants have been certified and approved for payment this the 8th day of May, 2012:

Claims Voucher Nos	62263 - 62550	Total	\$2,585,395.05
Claims Wire Transfers:			
4/2, 4/16	Wire Transfer - IRS	\$	141,887.33
4/26	Wire Transfer - Wa St Dept of Rev	\$	33,432.77
4/9	Wire Transfer - Hirofumi Oshio	\$	2,453.90
4/13, 4/27	Wire Transfer - Union Bank	\$	21,394.28
	Total Claims	\$	2,784,563.33
Payroll Voucher Nos.	38051 - 38230	\$	337,962.50
Payroll Wire Transfers:			
4/3, 4/10, 4/17, 4/24	PMA Payroll (Longshore Labor)	\$	103,734.56
	Total Payroll	\$	441,697.06

Total Expenditures

\$ 3,226,260.39

 President
 Vice President
 Secretary
 Attest:  Port Auditor