

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

February 23, 2009

Commissioners Present

Bruce Faires, President
Mary Lou Block, Vice President
Marianne Burkhart, Secretary
Fred Gouge
Jim Orvis

Staff Present

Chris Keuss, Executive Director
Marla Kempf, Deputy Director

Others Present

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commissioner Faires called the meeting to order at 6:00 p.m. The regular session was immediately adjourned to an executive session.

EXECUTIVE SESSION

An executive session was conducted to consider a proposal to develop and lease Port property and the minimum price for such, discussion of which in public would disadvantage the Port and risk a decreased price. The Port Attorney reviewed the Blackwater Triton Marine lawsuit with the Port Commission. Those present included all five Commissioners, as well as Mr. Keuss, Ms. Kempf, and Mr. Cattle. The executive session was adjourned at 6:54 p.m. No action was taken and no announcement was made.

REGULAR SESSION

The regular session resumed at 7:00 p.m.

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

CONSENT AGENDA

The Commission modified the agenda by deleting Item V.A (2009 Waterfront Festival – Rotary Club Agreement) and adding Item VI.A (Update on Executive Director Position.)

Item B was removed from the Consent Agenda.

COMMISSIONER BURKHART MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA AS AMENDED.**
- C. APPROVAL OF \$141,704.94 FOR JANUARY ELECTRONIC TRANSFERS.**
- D. APPROVAL OF CHECK NUMBERS 67384 THROUGH 67404 INCLUDING DIRECT DEPOSITS D00309 THROUGH D00319 IN THE AMOUNT OF \$34,509.79 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERS 67405 THROUGH 67464 IN THE AMOUNT OF \$59,368.23 FOR ACCOUNTS PAYABLE.**
- F. APPROVAL OF VOIDED CHECK NUMBER 10848 IN THE AMOUNT OF \$2,507.77 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- G. APPROVAL OF CHECK NUMBERS 10870 THROUGH 10878 IN THE AMOUNT OF \$73,152.60 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- H. APPROVAL OF CLASSIC YACHTS ASSOCIATION REQUEST FOR MOORAGE.**

COMMISSIONER ORVIS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

APPROVAL OF FEBRUARY 9, 2009 COMMISSION MEETING MINUTES (ITEM A ON THE CONSENT AGENDA)

Commissioner Block recalled that at the last meeting, Mr. Keuss announced that a vendor for KECO Pump Stations indicated the State of Washington would reimburse agencies 100% for new energy efficient pump systems. She asked if staff has pursued this opportunity. Mr. Keuss answered that he has obtained the paperwork to make application for the program. However, he said the State has clarified that the program is a 75% match rather than 100% as he was originally informed.

COMMISSIONER BURKHART MOVED THAT THE COMMISSION APPROVE THE MINUTES OF FEBRUARY 9, 2009 AS AMENDED. COMMISSIONER BLOCK SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Jack Bevan said that as a taxpayer (shareholder) of the Port of Edmonds, he wanted to congratulate Mr. Keuss for his 12 years of wonderful stewardship.

HARBOR SQUARE SPACE RENOVATION

Mr. Keuss advised that, upon the request of the Commission, Port staff and the property management firm at Harbor Square have been working together to coordinate a list of minor and major repairs that are needed or should be considered at the Harbor Square Business Complex. The broker, Colliers International, met with the Property Committee and staff to review some of the issues that they recommended should be addressed in order to show the spaces more favorably to potential tenants. He referred the Commission to a spreadsheet that was prepared by staff to identify the issues that should be addressed. He noted that the list was color coded to identify those projects currently being completed, as well as those staff recommends to be completed as soon as possible. The projects are listed by building and suite number and are broken down into three categories:

- Basic Cleanup – Staff has already been directed to move forward as quickly as possible with the items identified on the spread sheet as basic cleanup. These projects include vacuuming, cleaning windows, replacing ceiling tiles, touch up paint, etc.

- Minor Repairs – The items identified as “minor repairs” are those that staff estimates would cost more than \$100 but less than \$500. The list includes wall repair, carpet cleaning, replacing blinds and doors, etc. Some of these items are not typically done until a new tenant has rented the space and tenant improvements have been negotiated.
- Major Repairs. The items identified as “major repairs” are those that will likely cost more than \$500. The list of items includes replacing broken windows and window seals, replacing failed windows, replacing the leaky skylight, etc.

In addition to the items on the list, Mr. Keuss advised that the property management team has recommended the Port set up a display room or area at Harbor Square to show prospective clients what the space could look like when it is fixed up. They also recommend that display boards be provided to illustrate different options for paint, carpet, etc.

Mr. Keuss reported that he has already authorized staff to install a new lock system for the vacant spaces. Staff has researched options and believes they can make the necessary change for less than \$1,000. The change would allow the broker to access all of the vacant spaces with just one key.

Mr. Keuss informed the Commission that the exterior of the windows have not been washed since the Port purchased the buildings. The estimated cost of this project would be about \$1,400. Because of the close proximity of the railroad tracks and construction that is currently taking place in the area, it is a good idea to have the windows cleaned on a regular basis.

Mr. Keuss summarized that staff is recommending the Commission authorize them to move forward with those major and minor repairs that are highlighted in blue and pink on the spreadsheet for an estimated total cost of \$45,129. Staff is already in the process of accomplishing the clean up items highlighted in yellow.

Commissioner Orvis questioned why staff is recommending that the three broken windows in Building 1 be replaced without considering the option of installing triple glazed windows to block out the sound from the adjacent railroad tracks. Mr. Keuss answered that the existing windows on all of the buildings are double paned. However, he agreed that there may be some noise issues associated with Buildings 1 and 4 as a result of their close proximity to the train tracks. He agreed the Commission could make a decision to triple glaze the windows on the west side of the two buildings, and he estimated the cost would be about \$25,000 per building. In the meantime, the broken windows need to be fixed as soon as possible.

Commissioner Block suggested that staff contact owners of other buildings along the train tracks who have used the triple glazed windows to find out how effective they are at blocking out the train noise. Commissioner Burkhart said that she was inside Building 1 when the Amtrak train came through, and she was surprised how little noise there was. In fact, she suggested the noise was less than what exists in her home on 5th Avenue. Commissioner Orvis expressed his belief that noise from the train would not likely be a problem for Building 4 since most of the west side of the building is used for warehouse space. Mr. Keuss pointed out that there is a major office space in the northwest corner of Building 4, and there are windows on both the north and the west side of this space.

Commissioner Burkhart reported that she visited the Harbor Business Complex and found two vacant spaces that were in need of particular attention. Suite 104 in Building 1 has a strong mildew smell as a result of water damage. She suggested the Port do whatever is necessary to get rid of the bad odor. She also noted that Suite 106A in Building 5, which is located in the southeast corner of the building, appears to be more chopped up than space in the remainder of the building. She expressed her belief that the Port would not likely be able to rent the space unless they do more than just clean it up. The carpet is heavily soiled, and there needs to be a better separation between the office and warehouse space since the office space gets a lot of cold air from the warehouse. She noted that both of the spaces are in prime locations that would make them desirable for prospective tenants.

Commissioner Gouge expressed concern about the condition of the spaces that are currently being leased by tenants, as well. He suggested that if the Port is going to take steps to improve the spaces that are vacant, they should also

review the needs of the spaces that are currently occupied by tenants. He summarized that the Port should attempt to serve their existing tenants first. The remainder of the Commission concurred.

Commissioner Burkhart expressed her belief that cleaning the exterior windows on a twice-a-year basis would make the space more rentable and encourage current tenants to maintain their leases. Commissioner Orvis suggested that the HVAC drip pans should be replaced as soon as possible. However, he said he hates to replace carpet now only to find out that a future tenant wants something different. He suggested the Port not replace existing carpet unless it is in such disrepair that it cannot be cleaned.

COMMISSIONER BURKHART MOVED THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SPEND UP TO \$45,129.00 FOR REPAIRS TO VACANT TENANT SPACE AT THE HARBOR SQUARE BUSINESS COMPLEX. COMMISSIONER ORVIS SECONDED THE MOTION.

Commissioner Orvis summarized that approval of the motion would allow the Executive Director enough flexibility to prioritize the projects. Again, he expressed his belief that the HVAC drip pans should be replaced as soon as possible. He also encouraged staff to research the option of replacing the windows on the west side of Buildings 1 and 4 with triple-glazed windows. Commissioner Gouge said that while he supports the need to make the repairs, he is concerned that this work was not identified earlier by the property management team as part of their agreement with the Port.

Jack Bevan inquired if the money for the repair projects was identified in the Port's 2009 Harbor Square Operating Budget. Mr. Keuss answered that the approved repair and maintenance budget would cover approximately half of the costs, but the total cost would result in a line item overrun.

THE MOTION CARRIED UNANIMOUSLY.

Commissioner Gouge reminded the Commission that the Port is spending public money to upgrade the Harbor Square Business Complex so it is important to make sure the property management team and the broker have a clear understanding of what the Port has hired them to take care of. He said he is not happy about having to spend money to make repairs at this late date. The problems should have been identified by the broker and the property management team as soon as the units became vacant.

Commissioner Orvis agreed with Commissioner Gouge's frustrations. He noted that the Port has hired maintenance staff to take care of these situations, and problems should have been identified and resolved much earlier. He emphasized that it is unacceptable for the Port staff and property management team to let the vacant spaces remain dirty and in ill repair for so long. He referred to the Property Manager's suggestion that the Port obtain the services of a broker who is familiar with the property, and that is what the Commission thought they were paying Colliers to do. He noted that many of the projects are the result of the failure of staff, the broker and the management team to do their jobs.

Commissioner Burkhart suggested that the property management team should have a protocol for general maintenance and repair of the building, particularly when a tenant vacates a space; and this protocol should be reviewed with the maintenance staff on a regular basis.

Commissioner Faires agreed with the concerns of Commissioners Gouge and Orvis. However, he also recognized that the Commission has not defined a clear set of expectations, either. They assumed the space would be cleaned up, but they have not outlined their expectations. He suggested the Commission must accept the responsibility of setting clear expectations for what they want to happen at Harbor Square. Commissioner Block agreed the Commission could have been clearer in their expectations, but it should go without saying that the property management team would identify and deal with issues such as carpet and window repairs. The Commission should not have to establish specific standards to identify these issues. When someone moves out of a space, the property management team should create a punch list of repair and cleanup projects that need to be completed. Commissioner Orvis agreed

with Commissioner Block; the Port hired a professional management team and expected them to manage the property in a professional way. They need to be more proactive in notifying the Port of projects that need to be completed

Mr. Keuss said he does not disagree with the Commissioners' concerns, and he takes a lot of the responsibility for what has happened. He said there is no excuse for uncleanness. However, he pointed out that the past practice has been to wait to do extensive improvements to a space until the new tenant has identified the improvements they desire. He suggested that this philosophy should be modified to be more consistent with the Commission's direction. As an example, he pointed out that a large vacant space in Building 1 currently has magenta blinds and mauve carpet and countertops. He said staff would come before the Commission in the near future with a proposal to improve this situation.

THE PORT ATTORNEY LEFT THE MEETING AT 7:42 P.M.

COMMISSION MEETING SCHEDULE

Mr. Keuss reviewed that the March 9th meeting proposed agenda would include the following:

- Edmonds Yacht Club Loan Agreement
- Edmonds Yacht club Parking Amendment
- Snohomish County Economic Development Council Annual Report
- Report by Burlington Northern Santa Fe Railroad
- 2009 Waterfront Festival – Rotary Club Agreement

UPDATE REGARDING EXECUTIVE DIRECTOR POSITION

Mr. Keuss reported that the application period for the Executive Director position closed at the end of the day on February 20th, and the Port received 73 applications. The applicants had a wide range of experience and background. He advised that he has divided the applications into three categories: those that would be reviewed further, those that might be reviewed further, and those that would receive no further review. The Screening Committee would review the 24 applications that have been designated for further review.

Commissioner Faires recalled that the Commission previously agreed the Screening Committee would consist of two Commissioners and the Executive Director. He noted there would be another opportunity for Commissioners to participate in the screening process via the Interview Panel before the final Commission interviews take place. He advised that Commissioner Burkhart has suggested that because he and Commissioner Block participated on the committee to develop the selection process, perhaps one of them should participate on the Screening Committee and one should participate on the Interview Panel. However, he noted that because the Interview Panel and Screening Committee would both involve two Commissioners, one of the Commissioners would be left out of the early part of the process. It was noted that each of the Commissioners would have an opportunity to review all of the applications regardless of whether they participate on the Interview Panel or the Screening Committee.

The Commission appointed Commissioners Block and Burkhart to serve on the Screening Committee. They agreed to meet with Mr. Keuss sometime before the end of the week to review the applications and narrow the candidates down prior to the Interview Panel process.

The Commission discussed that the Interview Panel would include two Commissioners, an individual with real estate and redevelopment background, a representative from the Town of Woodway, a representative from the City of Edmonds, and a representative from the port community. They discussed possible candidates as follows:

- **Port Commission Representative:** The Commission agreed that Commissioners Orvis and Faires would serve on the panel.

- **Real Estate and Redevelopment Representative:** Commissioner Block suggested that Mark Hinshaw would be a good candidate for this position. However, the Commission may want someone who is less involved in policy and more involved in the field. Commissioner Gouge recommended that Kevin Hanchett, a local developer and attorney, would also be a good candidate for this position. He noted that Mr. Hanchett currently sits on the Edmonds Community College Board and has been involved extensively in the community throughout the years. The remainder of the Commission agreed and asked Commissioner Faires to contact him regarding his willingness to participate.
- **City of Edmonds Representative:** Commissioner Faires announced that City Council Member Ron Wambolt, the Port's liaison, has indicated his willingness to serve on the Interview Panel. He noted that Council Member Wambolt has been extremely diligent in his attendance at Port meetings, and he likely understands more about the Port than anyone else from the City. The remainder of the Commission concurred.
- **Town of Woodway Representative:** Commissioner Block suggested that Mayor Carla Nichols be invited to participate on the panel. The remainder of the Commission concurred and Commissioner Block was asked to extend the invitation to Mayor Nichols.
- **Port Community Representative:** Commissioner Faires suggested that John Mohr, Executive Director for the Port of Everett, would be a good candidate for this position, and the remainder of the Commission concurred. Commissioner Block was asked to contact him regarding his willingness to serve.

Mr. Keuss reminded the Commission that the Screening Committee is scheduled to complete their work by February 27th. The Interview Panel would conduct their interviews sometime the week of March 23rd. The Commission would interview the final candidates the week of March 30th. The Commission agreed to consider the schedule further at their next meeting when they know the availability of the Interview Panel participants.

Mr. Keuss reviewed that his responsibilities over the next week would include meeting with the Screening Committee over the next few days to go through the applicants that he has selected for the next round. He would mail letters to all applicants who are no longer being considered as candidates by February 27th. Also by February 27th, he would notify the six to ten finalists to inform them that they have been selected as finalists. At that time, he would review the salary range and selection criteria with them and ask their permission to contact references.

EXECUTIVE DIRECTOR COMMENTS

Ms. Kempf reported on the following items:

- A ceremony to celebrate the opening of the MAX Foundation Mural on the side of The Landing Building has been scheduled for April 16th from 5:00 to 7:00 p.m. Staff is working on the logistics of the event. They have signed an agreement with The Landing on placement of the mural on the building.
- After a site visit, the Port was recertified as a Clean Marina. The Port has made a pledge to make certain improvements. Staff is currently working on the logistics to start a program to recycle the tarps that are used in the workyard, and they hope to have the program available within the next 30 days. They are also working on a program that would allow boaters to recycle the monofilament line they find while out fishing. This material can be recycled as part of the tarp recycling program. There would be no charge to the Port for this program, and staff plans to advertise the service to tenants via the tenant newsletter.
- The Puget Soundkeeper Alliance has purchased a number of 160 gallon recycling bins for bilge water, and they have agreed to install the containers at locations throughout the State, and the Port has indicated they would like to participate in the program. The container would likely be placed close to the oil recycling station, which would allow the Port to process the material as recyclable rather than hazardous waste. Because they would be able to accept more than five gallons at a time, more people may be encouraged to participate.

Mr. Keuss reported on the following items:

- The Destination Port of Edmonds booklets are available and have been placed in the tote bags. The booklets were hand delivered to participating merchants, and they are excited about the new window placard that was provided to

identify them as a participating business. They also appreciate that the Port's website provides a link to their businesses. A Port website visitor can click on a business and go directly to their website.

- The Audit Committee and staff participated in an exit meeting with the State Auditor a few weeks ago. There were no findings. After additional research, staff learned there have been no findings in Port audits over the past 36 years. Commissioner Burkhart suggested it might be worthwhile to suggest to the State Auditor that since the Port has gone so long without a finding, perhaps they could require fewer audits to save the State and Port money.
- The Executive Director attended a public hearing before the Edmonds Hearing Examiner on February 19th regarding the Edmonds Yacht Club's Shoreline Substantial Development Permit. Representatives from the Yacht Club were in attendance, but there was no one from the public present. On behalf of the Port, the Executive Director recommended the Hearing Examiner approve the proposed design as presented. The Hearing Examiner has 10 business days to issue a decision.
- Dayton Street will be closed for up to two weeks starting March 2nd. Traffic would be routed to Main Street and down Railroad Avenue. Access would be provided to the Harbor Square Business Complex. The Harbor Square property management team has been notified of the closure, and they have been asked to distribute the information to tenants. Staff would also post notification on the dock gates to inform the tenants.
- The Executive Director recently received a copy of Snohomish County's draft Supplemental Environmental Impact Statement for their comprehensive plan amendments. He and Commissioner Block have reviewed the amendments and have submitted a letter on behalf of the Port to remind Snohomish County of the Port's previous letter dated November 28, 2007, asking that the plan allow the possibility of a waterfront or marine type facility at the Point Wells site. He and Commissioner Block would attend the public hearing on February 24th.
- The City of Edmonds has sent out a notice that they would conduct a public meeting regarding their draft Transportation Comprehensive Plan Update, which includes an update on the SR 99 and 76th Avenue West Intersection Improvement Project. A public meeting is scheduled to take place on March 5th from 5:00 to 7:30 p.m. in the Brackett Meeting Room.
- At the last meeting a Commissioner requested information about amortization of the dry stack facility. Ms. Drennan researched the matter and learned that there is only 2009 and 2010 remaining.
- The Port has received the necessary permits from the Corps of Engineers for the M/N Dock Project. However, because of the fish window, the Port cannot start work on the project until after July 15th. The Executive Director plans to have the project ready to go before he leaves the Port.
- The Port has funds in several different banks in the area. Because of the situation that occurred with the failure of the Bank of Clark County, by law, all banks that are part of the pool agreement for public depository funds must make good those funds. Therefore, other banks have had to contribute. Prime Pacific Bank has recently notified the Port that when their two CDs mature in February and June they will have to take their money elsewhere. The Port's thought is to place this money in the Local Government Investment Pool, which is currently earning 1% interest. While the Port has not received official word from other banks, they expect to hear the same news. Commissioner Block asked if staff has contacted members of the pool regarding this issue. Mr. Keuss answered that Ms. Drennan has been in contact with her counterparts at other ports and they are experiencing the same problems. At this time, the Senior Vice President at Evergreen Bank is checking to see what their policy will be. Mr. Keuss said staff is hoping the State will resolve the situation with the banks within the next few days.

COMMISSIONER COMMENTS AND COMMITTEE REPORTS

Commissioner Gouge announced that the Prosperity Partnership has announced a tour of public and private business centers in Kitsap County on March 13th. Mr. Keuss explained that Bob Drewell is in charge of organizing the tours throughout the State, and he had in the past attended a tour of Snohomish County.

Commissioner Gouge announced that he attended the February 17th Edmonds City Council Meeting where they conducted a public hearing regarding accessory dwelling units and attached building regulations. The City Council also conducted a public hearing regarding the proposed nuisance standards that apply to residential properties only. He reported that at the City Council's February 24th meeting, Stephen Clifton would provide a status report on the

Sound Transit Project. In addition, the City Council would consider the proposed amendments to the Edmonds Community Development Code related to the permit process and notice requirements.

Commissioner Block reported that she and Mr. Keuss would attend a Snohomish County Public Hearing for the draft Environmental Impact Statement related to the Point Wells site. She also advised that either she or Commissioner Gouge would attend the Puget Sound Regional Council Transportation Committee Meeting on March 12th.

Commissioner Orvis announced that the WPPA Legislative Committee has scheduled a meeting on March 6th, which is the same date as the Commission's special meeting. He suggested the Commission reschedule their special meeting so that at least one Commissioner could represent the Port at the Legislative Committee Meeting. The Commission changed their special meeting to March 5th from 9:00 to 12:00.

Commissioner Orvis reported that ENDURIS, the Port's insurance carrier, was recently audited and received good reviews. No findings or comments were made, which seems to be a tradition with this group, as well.

Commissioner Orvis announced that he received a copy of a letter that the Lake Ballinger Watershed Group sent to the Department of Ecology. In the letter, the group tried to spell out how foolish, inopportune, and regressive some of the Department of Ecology findings are.

Commissioner Faires advised that the Washington State Department of Transportation (WSDOT) has hired a consultant to study purported opportunities for public/private development on WSDOT land. The study looks at three different ferry terminal areas around Puget Sound, one of which is Edmonds. He recommended it would be wise for the Port Commission and staff to review the report because it is very specific in its recommendations for Edmonds. He briefly reviewed the report's proposal, which would include the construction of a parking garage that would have holding lanes on top of it. He noted that implementation could have a significant impact on both the Port of Edmonds and the City of Edmonds.

Commissioner Faires reported that there is currently a legislative proposal for defining transit-oriented districts around commuter stations. He has been assured by the City of Edmonds that this would include the Sound Transit Station, as well. The legislation would mandate that a high-density zoned area be maintained within a certain radius of a commuter station. This high-density zone would require a minimum height of six-story buildings, which could significantly change the landscape of Edmonds.

Commissioner Orvis announced that the State has scheduled a Legislative Day for Ports on March 24th and 25th. There will be a Governor's Reception on the evening of the 24th, and meetings and events throughout the day on the 25th.

Commissioner Faires reminded the Commission that legislation has been proposed that would create a combined port authority, which would include the Ports of Everett, Edmonds, Seattle, and Tacoma. While the legislation would probably not move forward this year, it is important to keep in mind that there is still an effort to create a port district that combines the three shipping ports on Puget Sound.

ADJOURNMENT

The meeting was adjourned at 8:47 p.m.

Respectfully submitted,

Marianne Burkhart

Port Commission Secretary