

# PORT COMMISSION OF THE PORT OF EDMONDS

## MINUTES OF REGULAR MEETING

July 13, 2009

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### Commissioners Present

Bruce Faires, President  
Marianne Burkhart, Secretary  
Fred Gouge  
Jim Orvis

### Staff Present

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager  
Beverly Borth, Executive Assistant

### Others Present

Bradford Cattle, Port Attorney

### Commissioners Absent

Mary Lou Block, Vice President

### CALL TO ORDER

Commission President Faires called the meeting to order at 7:00 p.m.

### PLEDGE OF ALLEGIANCE

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

### CONSENT AGENDA

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

- A. APPROVAL OF AGENDA AS AMENDED.**
- B. APPROVAL OF JUNE 29, 2009 COMMISSION MEETING MINUTES**
- C. APPROVAL OF CHECK NUMBERS 5419 THROUGH 5429 IN THE AMOUNT OF \$870.84 FOR TENANT REFUNDS.**
- D. APPROVAL OF CHECK NUMBERS 68107 THROUGH 68143 AND DIRECT DEPOSITS D00448 THROUGH D00458 IN THE AMOUNT OF \$76,841.66 FOR PAYROLL.**
- E. APPROVAL OF VOIDED CHECK NUMBER 68178 IN THE AMOUNT OF \$170.14 FOR ACCOUNTS PAYABLE.**
- F. APPROVAL OF CHECK NUMBERS 68144 THROUGH 68181 IN THE AMOUNT OF \$37,607.50 FOR ACCOUNTS PAYABLE.**
- G. APPROVAL OF CHECK NUMBERS 10982 THROUGH 10992 IN THE AMOUNT OF \$20,006.71 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- H. APPROVAL OF RESOLUTION NUMBER 09-11 – APPROVING EMERGENCY REPAIR OF PUBLIC LAUNCHER AND WAIVING COMPETITIVE BIDDING REQUIREMENTS.**

**COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

**PUBLIC COMMENTS**

No one in the audience expressed a desire to address the Commission during this portion of the meeting.

**SPECIAL PRESENTATION BY LINDSAY SOVDE – BOND REFUNDING ANALYSIS**

Ms. Drennan recalled that the Commission asked staff to review the possibilities of refunding the Port's 1998 Revenue and Refunding Bond. The interest rates range from 4.5% to 4.8%. Staff was also asked to review the Port's loan with Cascade Bank, which currently has an interest rate of 7.38%. She introduced Lindsay Sovde, Senior Vice President, Seattle Northwest Securities, who was present to discuss the possibilities of refunding both the 1998 Revenue and Refunding Bond and the Cascade Bank Loan.

**Lindsay Sovde, Senior Vice President, Seattle Northwest Securities**, distributed a packet of information to each of the Commissioners and members of the public. She referred to Page 1, which contains two charts: one showing what interest rates have done over the last year and another showing what interest rates have done over the last 25 years. She observed that rates are quite low right now, when compared to rates over the past 25 years. However, there was volatility over the past year, particularly last fall when interest rates spiked. During the month of October the bond market was basically frozen, but it is improving. Although they are getting more bonds issued, it is important to understand that the market is very different than it used to be.

Ms. Sovde referred to Page 2, which provides a graph of the yield curve, which is a graphical representation of what interest rates on bond issues look like. Each year of a 20-year bond issue has its own interest rate. The longer you go out on the yield curve, the higher interest rates are. She summarized that, right now, there is a steep yield curve, where short-term rates are much lower than long-term rates. She observed that long-term rates over the last three years haven't changed; and it's the short end of the market where the greatest fluctuations have occurred. Part of the steepness in the yield curve contributes to why it would not make sense for the Port to refund their 1998 bonds. She explained that in order to refund, the Port would be required to put money into an escrow account. Right now the Port is investing at .5% to 1%, but they are still paying interest rates of between 4.5% to 5%.

Ms. Sovde reviewed Page 3, which illustrates both taxable interest rates and tax-exempt interest rates. She explained that in a normal market they would expect tax-exempt interest rates to be somewhere between 75% and 80% of taxable interest rates. She noted that last September, this market flipped because investors got very spooked with the global economy. Because U.S. Treasuries are considered to be the safest investments in the world, everyone started pouring their money into these investments, which made prices drop and the rates go up. The taxable rates fell precipitously, but the tax-exempt rates did not change a lot until October when there was no bond market. At that time, they shot up. She advised that, just recently, they have come back to something closer to normal, where taxable rates are just a little bit higher than tax-exempt rates.

Ms. Sovde referred to Page 4, which illustrates what interest rates have done on a daily basis for the last few years. She noted that in January and February 2007 there was not a lot of movement from day to day. However, when the market starting collapsing, there were significant swings. She cautioned that this type of volatility causes investors to tend to step out of the market. Commissioner Faires asked why interest rates went up in May and June. Ms. Sovde said there really hasn't been anything to drive the interest rates up.

Ms. Sovde reviewed Page 5, which tells the story between general interest rates and the interest rate on the Port's bonds. The graph shows the differential interest rates between an AAA bond issue and an AA bond issue. Over time, the spread differential has stayed just about the same. However, when bond insurance fell apart, the spread differentials between the A and BBB category really widened. She noted that up until August of 2007, all bond issues were sold with AAA insurance, which kept rates low for everybody. She explained that bond issues are priced off of the

Municipal Market Monitor (MMD) Index. A year ago on a Port of Edmonds A2 rated credit for a tax exempt bond issue, they probably would have traded for 30 or 40 basis points over the index. However, an issue today would be about 150 basis points over the index. In addition, bond insurance would probably not be available for the Port of Edmonds because their property tax levy is less than the debt service they own on their GO Bonds. Bond insurers rely upon property tax revenues as the source to pay debt service.

Commissioner Burkhart asked if bond insurers would consider only the property taxes the Port currently collects each year or the amount of taxes they could collect if they increased their levy to the maximum amount allowed. Ms. Sovde said it is based on the Port's current tax levy. Ms. Drennan added that the Port is further limited by their banked capacity. Even if they were to levy at the maximum banked capacity, they would still not meet the requirements of the bond insurance companies.

Commissioner Faires asked if any insured bonds defaulted over the past year. Ms. Sovde answered that, generally speaking, all of the insured bond obligations have been met. Commissioner Faires noted that the Federal Government spent a lot of money to ensure that all bonds were covered.

Ms. Sovde summarized that the Port's ability to refund their bonds is hurt by their inability to obtain insurance. In addition, because they are a small port, their chances of getting their credit rating into the AA category are pretty small. Therefore, interest rates would be higher. She advised that it would be impossible for the Port to get their revenue bonds rated or insured. Therefore, refinancing the revenue bonds would be subject to high spreads in interest rates. She noted that the last time the Port issued bonds, there were six AAA insurers, and now there is only one.

Ms. Sovde reviewed the following new financing programs that were authorized as part of the Federal Government's Stimulus Package that may be of interest to the Port if they are looking at new projects:

- Build America Bonds – These bonds are substitute bonds for tax-exempt bonds. If the Port had a tax-exempt project, rather than issuing tax-exempt bonds, they could issue taxable bonds and the Federal Government would pay 35% of the interest costs. This program is making sense for bonds that are longer than 10 years. Also, rather than taking the interest payment subsidy, investors could take a tax credit, but they have not had any investors interested in this option. Build America Bonds must be issued before January 1, 2011.
- Recovery Zone Economic Development Bonds – With the Recovery Zone Economic Development Bonds, instead of getting a 35% interest rate subsidy, you would get a 45% subsidy, as long as you are willing to designate some area where you have a project you want to build as a recovery zone. To designate something as a recovery zone, the Commissioners would merely have to identify it as such because the guidelines are very loose.
- Recovery Zone Facilities Bonds – These bonds are for projects that would normally be taxable, such as purchasing a building that is going to be occupied by a health club. Facility Bonds can be issued as tax exempt, which would save about 2% on interest. Unfortunately, it is not possible to refinance existing debt to take advantage of this bond.

Ms. Sovde cautioned that while an unlimited amount of Build America Bonds can be issued, the State of Washington was given a specific allocation for Recovery Zone Bonds. Allocations were also given to cities and counties with 100,000 people or more. Snohomish County received an allocation of about \$13 million for Recovery Zone Economic Development Bonds and about \$20 million for Recovery Zone Facilities Bonds. If the Port is interested in doing a project under either of these two programs, they would have to contact the County and request a portion of their allocation.

Commissioner Faires asked if Snohomish County has allocated any of the funds yet. Ms. Sovde said she has not heard that Snohomish County has made any decisions to date. She has received a phone call from another Port in

Snohomish County who is interested in what the allocations might be. She observed that Recovery Zone Facilities Bonds would really only be of interest to ports because ports are the entities that do projects that would normally have taxable status. Cities and counties almost never have taxable projects. She suggested it might be worthwhile for the Port to contact the County for more information. She clarified that projects would not have to be completed by the January 1, 2011 deadline, but the debt would have to be issued by that date. However, in order to issue bonds, there must be a reasonable expectation that the money would be spent within two years.

Ms. Sovde reviewed that the Port currently has a loan with Cascade Bank, with approximately \$8.5 million outstanding and a balloon maturity of 2016. The current interest rate is 7.38%. There is also a prepayment penalty. She noted that bonds to replace this loan would be taxable, so interest rates would be higher. This makes it less cost effective to refinance. She researched the following options for issuing Long-Term General Obligation (LTGO) Bonds with an A2 rating and no bond insurance.

- Over 25 years, the estimated cost of a \$5 million LTGO Bond would be 7.7%, which is no better than where they are today. The debt service would be just shy of \$450,000 per year.
- The Port could pay interest only on the \$6.5 million balloon maturity until 2016. After that they could start amortizing principal and interest. This would help reduce the debt service a little the first few years (closer to \$400,000), but then the burden would go up. The interest rate would be 7.9%, which is still higher than the current loan.

Commissioner Burkhart asked if the Port would be able to obtain bond insurance if they were to issue bonds in an amount that could be covered by taxation. Ms. Sovde answered that assuming all of the LTGO debt service could be paid by the property tax revenue, they would probably not have a problem obtaining bond insurance, which would result in an interest rate of at least 1% lower.

Commissioner Faires asked Ms. Sovde to provide her best guess for what the situation would be a year from now. Ms. Sovde said she does not believe the Port needs to be in a hurry to refinance the bonds today because their financial position should improve over time. She suggested they work on building their reserves and improving their general finances, which would give them a better opportunity to obtain a lower interest rate in the future. Commissioner Faires recalled that in 2008 the Port paid the maximum principal allowed on the Cascade Bank loan, and they would likely continue to pay it down at an accelerated rate. Ms. Sovde cautioned that it is also important to maintain ample reserves, but she agreed it is entirely appropriate to use excess reserves to pay off the loan.

Ms. Sovde advised there would be no financial savings to the Port if they were to refinance the 1998 revenue bonds as revenue bonds. However, if they were to convert them to General Obligation (GO) bonds, the savings would be about \$100,000 or 2.71% after all costs have been paid. She said she would not advise in favor of refinancing because it would require the Port to give up their debt capacity. She noted that their current 4.5% interest rate is quite good.

Ms. Sovde summarized that the Port is currently in good shape, as long as they can continue to build their reserves. They have a great financial picture. An A2 credit rating is good, and it would make sense to continue to keep their eye on interest rates so they can eventually issue bonds to pay off the Cascade Bank Loan.

Commissioner Gouge thanked Ms. Sovde for the information she shared, which will help the Commission make some long-term decisions. He noted that paying down the Cascade Bank Loan results in a 7.38% savings in interest for the taxpayers. He recommended the Commission continue to pay down their debt whenever they have reserves. He asked Ms. Sovde to notify the Port if and when she sees a significant change in the market. He agreed that it would not be in the Port's best interest to refinance the 1998 revenue bonds because it would tie up their ability to issues bonds that may be needed at some point in the future if an emergency were to occur. He said he also does not see a cost benefit to raising taxes at this time to increase the Port's debt capacity.

Commissioner Orvis recalled previous discussions that eliminating the Port tax would reduce the Port's ability to obtain bonds, and Ms. Sovde's presentation supports this finding. It is important to understand that reducing the

Port tax would significantly limit their ability to issue bonds, particularly in Washington where it is very difficult to increase property taxes.

Commissioner Gouge said it is clear that at some point, interest rates will have to go up to pay for the national debt. He expressed concern that when the Port considers the 2016 payment of their Cascade Bank Loan, timing will be very important. He said he anticipates significant inflation when the country has to start paying off their debt. This could result in a significant increase in bond interest rates.

**PUGET SOUND REGIONAL COUNCIL (PSRC) 2040 PLAN DRAFT ENVIRONMENTAL IMPACT STATEMENT (DEIS) REVIEW AND RESPONSE**

Mr. McChesney recalled that in May 2009 the PSRC published and circulated their Transportation 2040 Plan DEIS for public comments. He reminded the Commission that they have reviewed the DEIS and provided comments for a comment letter to the PSRC that elaborated their issues of concern. He referred to the letter that was attached to the Staff Report and advised that the strategic purpose of the letter was to ensure adequate transportation infrastructure that would promote economic development, safety, public access and quality of life for the Edmonds Port District and adjacent communities.

Mr. McChesney recommended the Commission accept and adopt the attached letter and authorize him to sign and send as presented. Changes may occur during the review process leading up to the PSRC's final EIS, of which staff will note and report to the Commission accordingly. He recalled the Commission earlier established the guideline that the Port's letter be consistent with the City of Edmonds' letter. Commissioners Gouge and Block have been working to finalize the draft letter, and Stephen Clifton, Edmonds Community Services Director, has indicated the City is in complete agreement except for the preferred alternative. The Port's letter expresses a preference for Alternative 5, based on a comprehensive tolling package (freeways, arterials, etc.). The City decided they are not entirely comfortable with Alternative 5, and they have gone on record as preferring Alternative 4, with modification to incorporate elements of Alternative 5.

Mr. McChesney said he received an email from Commissioner Block, who was absent from the meeting, expressing her desire to review the City's preferred alternative. The document was emailed to her. He announced that the comment deadline has been extended to July 31<sup>st</sup>, which allows the Port to postpone their action for a time. However, he noted that the July 27<sup>th</sup> meeting is scheduled as a short business meeting to approve the Accounts Payables. He requested specific feedback from the Commission regarding this issue.

Commissioner Burkhart suggested the Commission could approve the draft letter, but authorize the Executive Director to continue working to resolve the issue related to the preferred alternative. Mr. McChesney agreed that would be his recommendation.

Commissioner Faires inquired if Mr. McChesney communicated to the City that the Port Commission was in favor of Alternative 5. Mr. McChesney answered that the City actually used the Port's letter as the basis for their review, and initially, they were inclined to support Alternative 5, as well. However, as they went through their internal review process, they felt less comfortable with Alternative 5 than Alternative 4. Their letter elaborates on what they would like to see in the preferred alternative. He suggested that perhaps there is a way to make the Port's response more consistent with the City in regards to the preferred alternative.

Commissioner Gouge noted that the City's letter indicates that either Alternative 4 or 5 would be acceptable, but they would prefer Alternative 5. He noted the two alternatives are very similar, and the basic difference is that the tolling would be spread equally in Alternative 5. He said he believes the Port's draft letter would be adequate, recognizing that it is not always possible to be in lock step with the City regarding all issues. He reminded the Commission that their letter specifically addresses access to the waterfront and Port property and safety issues. He commended Mr. McChesney for doing such a great job drafting a response letter that addresses all of the issues and concerns raised by the Commission.

**COMMISSIONER BURKHART MOVED THE COMMISSION ACCEPT AND ADOPT THE ATTACHED LETTER FROM EXECUTIVE DIRECTOR MCCHESENEY TO THE PUGET SOUND REGIONAL COUNCIL, WITH SOME MINOR MODIFICATIONS BY THE COMMISSION IN CONSULTATION WITH THE EXECUTIVE DIRECTOR PRIOR TO THE COMMENT DEADLINE, AS THE PORT'S OFFICIAL POLICY STATEMENT IN RESPONSE TO THE PUGET SOUND REGIONAL COUNCIL'S TRANSPORTATION 2040 PLAN DRAFT ENVIRONMENTAL IMPACT STATEMENT, WHILE NOTING CHANGES MAY OCCUR DURING THE REVIEW PERIOD LEADING UP TO THE FINAL ENVIRONMENTAL IMPACT STATEMENT. COMMISSIONER GOUGE SECONDED THE MOTION.**

Commissioner Burkhardt pointed out that the letter adequately addresses all of the Port's issues, even if they are not all the same as those of the City.

Commissioner Orvis questioned the appropriateness of allowing the letter to be modified by the Commission in consultation with the Executive Director. Mr. Cattle suggested that because the Commission does not anticipate significant changes to the letter, they could address Commissioner Orvis' concern by amending the motion to add the words "substantially in the form of this letter, with minor modifications as may be approved by the Subcommittee and Executive Director." Commissioner Orvis pointed out that many professionals were involved in drafting the City's letter of response, and he would feel comfortable allowing Mr. McChesney to work with City staff and make any minor changes necessary. He cautioned against creating situations where the Commissioners are making decisions in an ad hoc manner.

**COMMISSIONER BURKHART MOVED TO AMEND HER DRAFT MOTION TO STATE THAT THE COMMISSION ACCEPT AND ADOPT THE ATTACHED LETTER FROM EXECUTIVE DIRECTOR MCCHESENEY, SUBSTANTIALLY IN THE FORM OF THIS LETTER, WITH MINOR MODIFICATIONS BY THE COMMISSION IN CONSULTATION WITH THE EXECUTIVE DIRECTOR, TO THE PUGET SOUND REGIONAL COUNCIL AS THE PORT'S OFFICIAL POLICY STATEMENT IN RESPONSE TO THE PUGET SOUND REGIONAL COUNCIL'S TRANSPORTATION 2040 PLAN, DRAFT ENVIRONMENTAL IMPACT STATEMENT, WHILE NOTING CHANGES MAY OCCUR DURING THE REVIEW PERIOD LEADING UP TO THE FINAL ENVIRONMENTAL IMPACT STATEMENT. COMMISSIONER GOUGE SECONDED THE MOTION TO AMEND. THE AMENDED MOTION WAS APPROVED UNANIMOUSLY.**

### **2009 BUDGET UPDATE**

Mr. McChesney reminded the Commission that during the 2009 budget cycle, they recommended a mid-year review of the 2009 Budget to actual. He reported that the Finance Committee met on June 30<sup>th</sup> to discuss the 2009 budget, budget amendments and actual results. The Finance Committee felt it would be prudent to identify those expenditures that were approved in 2009 but were not included in the 2009 budget. They also recommended other modifications to accomplish projects the Port needs to get done such as upgrading the restroom facility.

Ms. Drennan reported that the Finance Committee specifically discussed whether unbudgeted items that are approved by the Commission would automatically amend the budget. She has since confirmed that would be the case. She reviewed each of the changes as follows:

- The Harbor Square Redevelopment Master Plan line item was increased \$50,000.
- Upgrades to Harbor Square were approved in an amount of approximately \$60,000.
- The Finance Committee is proposing to move \$50,000 from the capital budget (new restroom complex) to the operating budget (repair and maintenance for the marina operations—public and private restrooms).

Commissioner Burkhart recalled that the Finance Committee actually requested that \$50,000 from the capital budget for the new restroom complex be transferred to the operating budget and that the capital budget line item should be reduced to zero. Ms. Drennan said her understanding was that the Commission would consider this change in 2010.

Commissioner Faires recognized that the Commission does not plan to pursue the new facility unless they can obtain grant funding. Identifying a zero balance in the budget would have no impact on their ability to move forward in the future. Commissioner Orvis recalled the Commission's previous discussion that the Operating Budget should accurately reflect what is going on. Commissioner Faires noted that the Commission could decide to add the project back into the 2010 Capital Budget, but it would not be funded in 2009. The Commission agreed that the new restroom facility should be identified as a line item in the draft Capital Budget for discussion purposes, with no dollar amount attached.

Commissioner Faires asked if the Commission wants to reopen the discussion of renovating the restrooms this year. While he knows what the financial impact would be, he questioned how this decision would impact the Port from an operational standpoint. Mr. McChesney said the Commission has the ability to defer just about any project, but they should keep in mind that the general condition of the existing restroom facility is substandard given the quality of facility the Port wants to provide. For the amount of public invitation and visibility of the waterfront, he suggested spending \$50,000 to renovate the facility would be prudent at this time. The Commissioners agreed.

**COMMISSIONER BURKHART MOVED THE COMMISSION AUTHORIZE THE TRANSFER OF \$50,000 FROM THE CAPITAL BUDGET, LINE ITEM NEW RESTROOM COMPLEX, TO THE OPERATING BUDGET, LINE ITEM REPAIR AND MAINTENANCE, FOR THE PURPOSE OF REMODELING THE MARINA OPERATIONS PUBLIC AND TENANT RESTROOMS. COMMISSIONER GOUGE SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

Commissioner Orvis recalled it was the Commission's intent that the page showing before and after be attached to any future budget documents that are presented to the Commission in 2009. It should be easy for the Commission to track the changes.

Mr. Cattle left the meeting at 7:55 p.m.

### **2010 BUDGET SCHEDULE**

Ms. Drennan announced that she would start working on the cost recovery formula within the next few weeks, but the official kick off for the budget process would be August 5<sup>th</sup>, when staff would meet to discuss the 2010 Operating and Capital Budgets. The first Commission workshop has been scheduled for August 31<sup>st</sup> to discuss the cost recovery formula, which would likely consume a significant portion of the meeting. On September 14<sup>th</sup>, the Commission and staff would discuss the economic development and property tax levy elements, and they would start discussions about the actual draft budget on September 21<sup>st</sup>. A draft budget should be available for Commission review on October 12, which would include information regarding moorage rates, dry storage rates, and marina operations rates. Public hearings would take place on October 26<sup>th</sup> and November 9<sup>th</sup>, and staff anticipates final approval by the Commission on November 9<sup>th</sup>.

The Commission accepted the proposed schedule as presented and asked that it be posted on the Port's website.

### **CITY OF EDMONDS – CITIZENS ECONOMIC DEVELOPMENT COMMISSION**

Mr. McChesney announced that Commissioners Faires and Burkhart have been named to the City of Edmonds Citizen Economic Development Commission by Mayor Haakenson and the City Council. He noted that 38 people applied, and seventeen individuals were appointed.

Commissioner Gouge thanked Commissioners Faires and Burkhart for volunteering to participate. He said he is glad they are finally moving forward, and he hopes they are able to make some significant progress. He observed that getting things done in government takes a long time, and both Commissioner Faires and Commissioner Burkhart understand the process well and can be leaders in helping the others understand what economic development means.

Commissioner Faires commented that his primary responsibility on the committee will be that of a citizen of Edmonds. But at the same time, he must also speak on behalf of the Port.

Commissioner Orvis said he appreciates Commissioners Burkhart and Faires' willingness to participate on the new Commission, but he has yet to see any interest in economic development on the part of the City of Edmonds beyond verbiage. He noted the Port has always been a leader in these efforts, and he sees their participation as a continuation of their previous efforts.

Commissioner Burkhart observed that there have been numerous recommendations made in the past that have never been acted upon by the City of Edmonds. If the new Commission does nothing but gather all of the good recommendations that have been made to date and get them approved, that would be a great service to the community. Commissioner Faires said he is optimistic that eventually the citizens of Edmonds will be ready to move forward with serious efforts towards Economic Development. Commissioner Orvis observed that the effort must go beyond a discussion of raising height limits.

#### **EXECUTIVE DIRECTOR COMMENTS**

Mr. McChesney reported on the following items:

- Work continues on the new Edmonds Yacht Club Building. There may be some schedule delays, but he doesn't know exactly what they are. He agreed to report back at the next meeting.
- The Property Committee met with representatives from LMN Architects and Berk & Associates on July 2<sup>nd</sup> to discuss progress on the latest feasibility concepts for the Harbor Square Master Plan, which is generally on schedule. Various assumptions were tested such as baseline evaluations and different development scenarios, but coming up with an economically feasible concept that works within the design constraints of existing zoning will remain a huge challenge. In addition to looking at different building footprints, they also discussed some interesting site configurations that have the potential to create higher values for attracting development partners, and the Property Committee is interested in testing them out. Their next meeting is scheduled for mid August. He concluded they are on schedule, and they like what they are seeing and hearing from the consultants.

Commissioner Faires observed that it is clear the consultants understand the Port Commission's goals. The LMN lead for the project also helped the Port and City through the previous Waterfront Redevelopment Process. He really understands the direction the Commission wants to head. He said he is optimistic about the quality and effectiveness of the consultants' work. Commissioner Burkhart said she was also impressed with the quality of the financial analysis, which was more realistic than the one completed a few years ago. Commissioner Faires observed that the financial consultant had already considered all of the Property Committee's questions. He noted that the goal is to get the master plan adopted into the City of Edmonds' Comprehensive Plan in 2010, which will require submittal sometime during the spring or summer of 2010.

- He attended the Snohomish County Public Hearing on the Final Supplemental Environmental Impact Statement for Comprehensive Plan Amendments. The Port's primary interest was redesignating Point Wells from Industrial to Urban Center. He did not testify, but the Port's previously written comments are a part of the record. Oral testimony is now closed, but the County would continue to receive written comments until July 22<sup>nd</sup>. A decision from the Snohomish County Council is anticipated to occur by August 26<sup>th</sup>. This is considered a non-project action, so there will be another detailed Environmental Impact Statement for Point Wells and another round of comments before any development activity can move forward.

Commissioner Burkhart noted that in order to adopt the proposed land use change for Point Wells, the County is also proposing to change their definition of "Urban Center." At this time, an Urban Center requires there be a stop for public transportation. The proposed change would only require that public transportation pass through.

- He attended the WPPA Executive Director's Conference at Port Ludlow last week, where there was a lot of good discussion. Of particular interest was a presentation by Jim Reinhardtsen, Managing Director of Heartland LLC, regarding the negotiation of real estate actions, particularly in this poor market. Based on the presentation, it appears the Port is doing exactly the right things at Harbor Square relative to the current market. If they come up with a good master plan, they should be in good shape when the market turns around in the years ahead. The speaker indicated that there is really not a lot of development activity going on. Instead, people are fishing for distressed properties they can purchase for pennies on the dollar.
- Ms. Kempf reported that staff has been contacted numerous times regarding the parking situation as a result of the Edmonds Yacht Club Building project, particularly during the 4<sup>th</sup> of July weekend. While the number of complaints has decreased, staff has decided it would be prudent to complete parking surveys for the area. The surveys indicate a particular problem between 3 p.m. and 5 p.m. on sunny Friday and Saturday afternoons. Lot 2 is essentially full during that time frame and up to 9 cars have been parked across the street in the visitor lot. Staff has provided more signage, and the lots were striped appropriately before last weekend. They did not receive as many complaints on Monday.

Commissioner Faires suggested it would be reasonable to request that tenants who are going to be out longer than a week park across the street rather than in Lot 2. The remainder of the Commission concurred. Ms. Kempf advised that staff has been aggressively tagging vehicles that are parked illegally in Lot 2. She emphasized that once the new building is completed, parking would be available on both the north and south side. The problem will only exist during construction.

Commissioner Gouge asked if it would be prudent to designate a specific place to park for people who are renting the current yacht club building on weekends during the summer months. Perhaps they should be required to park across the street in the gravel lot. Ms. Kempf said there has not been an issue with the parking lot near Marina Operations.

- Ms. Kempf announced that Jim Theadore, a Port Security Officer, has announced his plan to retire at the end of September. Staff will identify a process for filling this position.
- Ms. Kempf announced that operation hours for Marina Operations will change on Wednesday, July 15<sup>th</sup>. They will be open 6 a.m. to 7 p.m. instead of 7 a.m. to 7 p.m. She noted that July 16<sup>th</sup> is the big Chinook Salmon opening that everyone has been looking forward to. They anticipate that operations staff will be very busy during the next week.

### **COMMISSIONER COMMENTS AND COMMITTEE REPORTS**

Commissioner Gouge reported on his attendance at the recent Edmonds City Council Meeting, where the participants for the Economic Development Commission were finalized. The City Council also had a discussion about concessions near the ferry terminal. He recalled that the Port has tried unsuccessfully for many years to attract boardwalk vendors. He questioned how the Port could enlist the City's support to enable this type of use on Port property. Commissioner Faires observed that any type of concession that includes edible substances must comply with numerous regulations related to power, water, sewer, etc. These regulations make boardwalk vending opportunities unfeasible.

Commissioner Gouge noted that the Thursday Art Walks through Edmonds have been very successful. He suggested that perhaps there are opportunities for the Port to tie in with this effort at some point in the future. Commissioner

Orvis noted that the waterfront and Port property is at least seven blocks from where the art walks take place, and studies have indicated that anything more than ¼ mile would be too far away. Commissioner Faires pointed out that the art walks are supported by the downtown retail merchants, which is not the case along the waterfront. Commissioner Gouge said he is not ready to give up on the idea.

Commissioner Orvis announced that the South Snohomish County Cities dinner meeting is scheduled for September 24<sup>th</sup>. He asked the Commissioners to identify any issues they would like him to bring up to the Snohomish County Council or their State Legislators.

Commissioner Orvis noted that two of the Port's handicapped parking spaces have been moved, and the new locations are not easy to access. Mr. McChesney advised that the new location was the best solution they could come up with. Ms. Kempf noted that the two tenants who use the parking spaces are located on P Dock, and they have not expressed any concerns.

Commissioner Burkhart reported on her attendance at the July 6<sup>th</sup> Woodway Town Council Meeting where they announced that the Woodway Town Fair is scheduled for Saturday, August 22<sup>nd</sup>. They are considering having one of their Council Members become a representative to the Port. While they intended to work on committee assignments on July 6<sup>th</sup>, too many members were missing, and they decided to postpone the discussion.

Commissioner Burkhart announced that she plans to attend the Snohomish County Economic Development Council Meeting on July 13<sup>th</sup>, and she invited Executive Director McChesney to carpool with her. She also announced that the Ferry Partnership Group would have their first meeting on July 13<sup>th</sup> from 6 p.m. to 8 p.m. to begin their work on developing plans for testing the reservation system on the Edmonds/Kingston Ferry. In addition, she would participate in the first Edmonds Economic Development Commission Meeting on July 16<sup>th</sup>.

Commissioner Faires reported that the Edmonds Transportation Committee met on July 2<sup>nd</sup> and conducted a final review of the transportation section of the Comprehensive Plan, which will go before the City Council for review and approval this fall. The effort has proceeded quite well, given the amount of citizen involvement. They have done a good job looking into the future. It is a great plan, but there is not near enough funding available to implement it in its entirety. Therefore, priorities and tactical management will be very important as transportation evolves in the City.

Commissioner Faires reported on a recent conversation he had with Dick Potter relative to the possible extension of the lighthouse structure on the new Edmonds Yacht Club Building. Mr. Potter reported that he met with City representatives, and they now understand the process for approving a zoning change that would allow the additional height. The yacht club intends to proceed through the rezone process, and their plan is to change the building process to allow them to add the taller light house feature at a later time if the zoning change is approved. The taller lighthouse would be to the Port's advantage in that it would be more interesting and provide an iconic structure. He suggested the Port should be alert to ways they can support the yacht club's efforts. Once the process schedule is available, the Commission agreed to review it and identify how they can offer support.

Commissioner Gouge said that once there is more information available regarding the City Council's position on the Fire District Proposal, he would invite the Edmonds Fire Chief to provide an explanation as to how the Port would be impacted by the change. It is important to have a clear understanding about how the Port would be served by the proposed program. He observed that, right now, Edmonds fire fighters have been trained to work on the docks.

### **EXECUTIVE SESSION**

The regular meeting was adjourned to an executive session at 8:45 p.m. to discuss legal matters. In attendance were Commissioner Faires, Commissioner Gouge, Commissioner Orvis, Commissioner Burkhart, Bob McChesney, Marla Kempf, and Tina Drennan. No action was taken, and the session was adjourned at 8:55 p.m.

**ADJOURNMENT**

The regular session was reconvened at 8:56 p.m. and subsequently adjourned.

Respectfully submitted,

Marianne Burkhart  
Port Commission Secretary