



**Commissioners**

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**APPROVED MINUTES  
COMMISSION REGULAR MEETING JUNE 10, 2014**

The Port of Seattle Commission met in a regular meeting Tuesday, June 10, 2014, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Albro participated by telephone.

**1. CALL TO ORDER**

The regular meeting was called to order at 1:05 p.m. by Stephanie Bowman, Commission Co-President.

**2. EXECUTIVE SESSION pursuant to RCW 42.30.110**

None.

**PLEDGE OF ALLEGIANCE**

**3. SPECIAL ORDERS OF BUSINESS**

**3a. Terminal 91 – Neighbors Advisory Committee – 2013 Annual Report.**

Presentation document(s) provided by Rosie Courtney, Public Affairs Program Manager, and John Kriese, Neighbors Advisory Committee Chairperson:

- Commission agenda [memorandum](#) dated May 19, 2014.
- Terminal 91 Neighbors Advisory Committee 2013 Annual [Report](#).

Presenter(s): Ms. Courtney and Mr. Kriese.

The Commission received a presentation that included the following relevant information:

- Traffic levels at Terminal 91 continue to meet the trigger levels set in the 1985 Terminal 91 Short Fill Redevelopment Agreement. Traffic trigger counts at the T-91 gates have consistently broken triggers set in the agreement. Since execution of the agreement, traffic measurement methodologies have improved.
- Due to the difficulty of crafting meaningful mitigation for future violations of updated level-of-service standards or traffic count triggers, the Neighbors Advisory Committee (NAC) has agreed not to open the agreement to amendment until more is known about potential North Bay redevelopment.

- The Ballard Interbay Land Use Corridor Study, conducted by the City of Seattle, encompasses a three-mile corridor along Elliot Avenue West and 15<sup>th</sup> Avenue Northwest from Interbay to Ballard.
- The NAC is concerned that the City of Seattle is piece-mealing its approach to planning and will fail to identify traffic and other issues covered by the agreement, and urged the Port to continue to engage the City and advocate for a more holistic approach to city planning.
- The NAC supports the transfer of the West Yard from the Port to the City for the construction of a park. The NAC is closely following plans for how the park and co-located Combined Sewer Overflow Facility will function, and supports a plan for unimpeded foot traffic through the park area.
- Little action was taken in 2013 to initiate redevelopment of the uplands at T-91, but it remains an issue of paramount importance to the NAC.

**3b. Recognition of 2013 Firefighter of the Year Beau Grubb.**

There were no presentation documents for this agenda item.

Presenter(s): Randy Krause, Port of Seattle Fire Chief

Chief Krause presented 2013 Firefighter of the Year Beau Grubb, noting his accomplishments and leadership abilities. Chief Krause explained that the annual award is conferred by the recipient's peers. Commissioner Bowman noted the importance of the Port of Seattle Fire Department, which responds to about 5,000 calls per year and is a first responder for incidents at the Airport.

**4. UNANIMOUS CONSENT CALENDAR**

*[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]*

*Agenda item 4e was removed from the Unanimous Consent Calendar and laid on the table without objection.*

- 4a. Approval of the minutes of the special meeting of January 14, 2014.**
- 4b. Approval of [claims and obligations](#) for the period of May 1-May 31 in the amount of \$36,992,991.56 including accounts payable check nos. 824350-825181 in the amount of \$29,111,468.96 and payroll check nos. P-176750-176974 in the amount of \$7,881,522.60 for a fund total of \$36,992,991.56.**
- 4c. Approval for the Chief Executive Officer to: (1) increase the Airport Fire Station Network Upgrade project authorization by \$52,000 for a total authorization of \$330,000; (2) authorize the completion of the Fire Station Network Upgrade project; and (3) authorize the Port to purchase and install communications hardware.**

Request document(s) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated June 2, 2014.

**4d. Authorization for the Chief Executive Officer to prepare design and construction bid documents for the replacement of approximately 160,000 square feet of roof systems located on three buildings: the Alaska Hangar One and associated maintenance building, Air Cargo 6 facility, and the former United Cargo Building at Seattle-Tacoma International Airport for an amount not to exceed \$453,000 of a total estimated project cost of \$4,785,000. (CIP #C800637)**

Request document(s) provided by Wayne Grotheer, Director, Aviation Project Management Group, and David Soike, Director, Aviation Facilities and Capital Program:

- Commission agenda [memorandum](#) dated June 2, 2014.
- Terminal [diagram](#).

*As noted above, the following agenda item –*

**4e. Authorization for the Chief Executive Officer to execute a new collective bargaining agreement between the Port of Seattle and the ILWU Local Union No. 9 representing Tour Group Coordinators. This contract has a two-year term from March 1, 2014, to February 28, 2016, covering the 2014 and 2015 cruise seasons. [laid on the table]**

– was laid on the table without objection.

**Motion for approval of consent items 4a, 4b, 4c, and 4d – Bryant**

**Second – Creighton**

**Motion carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)**

## **5. PUBLIC TESTIMONY**

Public comment was received from the following individual(s):

- Dave Chaplain, Mayor, City of Des Moines. Mr. Chaplain spoke in support of agenda item 6a, lease agreement with Panattoni Development Company Inc. for the development of 87 acres of the Des Moines Creek Business Park. The property has lain unproductive for 25 years, and Des Moines supports the proposal on the understanding that it will add to the city's economic base, contribute to the Port of Seattle's operations, and provide employment for local residents.
- Bart Brenstead, Partner with Panattoni Development Company Inc. Mr. Brenstead commented that the project connected to agenda item 6a will promote job creation, trade and commerce advancement, and industrial growth and will stimulate economic activity.
- Keith Weir, Seattle-King County Building and Construction Trades Council. Mr. Weir commented on the importance of fair contracting principles concerning the project

associated with agenda item 6a and encouraged the use of bidder responsibility language to avoid conflicts between developers and labor.

**6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS**

**6a. Authorization for the Chief Executive Officer to execute substantially consistent with the terms described in this memorandum: (1) an option agreement and related ground lease agreements with Panattoni Development Company, Inc. or an affiliated entity; and (2) an amended and restated second development agreement with the City of Des Moines in order for Panattoni to develop a business park consistent with the Port and City of Des Moines vision for the Des Moines Creek Business Park.**

Request document(s) provided by Mark C. Griffin, Director, Real Estate Development:

- Commission agenda [memorandum](#) dated May 19, 2014.
- Presentation [slides](#).
- Draft Option [Agreement](#).
- Draft Ground Lease [Agreement](#).
- Amended and restated Second Development [Agreement](#).

Presenter(s): Mr. Griffin.

The Commission received a presentation that included the following relevant information:

- The site measures 87 acres and is the eastern gateway to the City of Des Moines, along South 216<sup>th</sup> Street, extending north along 24<sup>th</sup> Avenue South to South 208<sup>th</sup> Street. It runs along the jurisdictional boundary with the City of SeaTac.
- The option agreement allows Panattoni Development Company Inc. to lease the site over seven years in three anticipated phases, Phase 1 beginning summer 2014. The agreement requires Panattoni to meet milestones in leasing and construction of an industrial park.
- The ground lease covers all 87 acres, including the 9 acres that are unusable due to being environmentally sensitive, for a 55-year initial term. Panattoni will have two options to extend the lease by 10 years.
- Panattoni expects to build approximately 1.4 million square feet ultimately, at a total investment of \$117 million. The three phases of construction were described.
- Phase one is expected to create 605 permanent jobs and 139 construction jobs.
- The initial annual base rent will be \$0.53 per square foot of usable acreage annually and \$0.04 per square foot of unusable acreage. An eight percent discount rate is applied and the nominal total rent projected for the life of the lease is about \$115 million. Rent increases annually and at the beginning of development phases two and three. There will be periodic reappraisals and an appraisal-based base rent collar will be applied.
- The net lease on the property will go to the Port of Seattle. Panattoni is responsible for all taxes, utilities, insurance and maintenance expenses. A maximum rent credit of \$450,000 proposed associated with Panattoni's extension of South 208<sup>th</sup> Street.
- The economic benefits associated with the project are considerable. At full build-out, the project is expected to generate 1,600 permanent jobs and 305 construction jobs. The tax

revenue at full build-out is projected to be \$6.1 million annually, with \$1.2 million going to the City of Des Moines. Gross receipts at full build-out are projected at \$338 million annually. Employee earnings are projected at \$114 million annually.

- The development agreement with the City of Des Moines has a 15year term, unless terminated earlier by the interested parties. Development regulations currently in place will vest over the full term, excepting building codes and other regulations needed to protect public health and safety.
- The Port enters the agreement as the owner of the site. All obligations are passed to Panattoni as part of the option and ground lease agreements.
- Development of the site triggers certain street improvements based on the City's development regulations. The Port prepaid a discounted amount of \$6 million to the City in 2012 for street improvements.
- Panattoni will reimburse the undiscounted amount of \$9.1 million to the Port by phase, each phase financed over seven years at eight percent interest.
- The development agreement requires the construction of three internal streets on the site, deeded to the City upon completion and maintained by the City. The construction of two stormwater facilities is also required, deeded to the City upon completion.

**Motion for approval of item 6a – Creighton**

**Second –Gregoire**

**Motion carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)**

## **7. STAFF BRIEFINGS**

### **7a. Update and 2014 First Quarter Report on the Airport's International Arrivals Facility Program.**

Presentation document(s) provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated June 3, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Ehl, Mr. Grotheer, and Frederick Robinson, Capital Program Leader, Aviation Project Management Group.

The Commission received a presentation that included the following relevant information:

- The current Federal Inspection Services (FIS) facility at the South Satellite at Seattle-Tacoma International Airport is 40 years old, has a passenger capacity of 900, and needs to be replaced with a new International Arrivals Facility (IAF) to handle modern international travel rates, which can reach 2,100 passengers during peak hours. The progressive design-build (PDB) project was organized to design and manage construction of the new IAF.

- Mr. Robinson is the new IAF program leader.
- International traffic through the Airport is expected to increase. It is anticipated seven new international flights will be added before the IAF is complete. The new IAF will be aesthetically updated and more flexible and efficient, with a projected minimum connect time between international and domestic flights of 75 minutes (down from 90 minutes) and a travel termination process of 45 minutes.
- Four specific tenets of performance criteria for the design team were identified as capacity, customer service, community image, and competitive advantage.
- Success factors for evaluating program performance include the following: organization adaptations, timely decision making, detailed and comprehensive program definition, stakeholder engagement, selecting the right partner, design review and control, and open book accounting.
- The design team is currently in the planning process for defining space. An airline technical representative has been hired to represent all airlines that fly internationally. Staff is working closely with other airports to learn from their progressive design-build experiences.
- Major project milestones include the resolution of whether to connect the South Satellite to the new IAF via a bridge or tunnel. Staff intends to present its final analysis on this subject on July 22, 2014.
- A timeline and budget evaluation for the project is expected on September 9, and in October, staff will request Commission authorization of full program funding for project design and construction. August 2016 is the target for having the full scope of the project settled and presenting the guaranteed maximum price (GMP) to the Commission.
- The PDB process intends to set the GMP between the stages of 30-60 percent overall program design.
- The schedule for opening the new IAF is expected to extend beyond 2018, but is subject to change.
- The IAF program is currently authorized to \$8.5 million. The program expended \$281,000 in the first quarter of 2014. The rate of expenditure increased significantly, partly due to the need to transfer leaders from other projects to this one. Present estimates of total project costs are expected to increase, based on design.
- Program definition and project planning are well under way. Cost and schedule validation, design standards, and design procurement are just beginning. The start of these concurrent activities is what is driving expenditure in the second quarter.
- The Airport will validate both the project cost and schedule this summer.

**7b. 2015 Business Plan and Budget Process Briefing.**

Presentation document(s) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager:

- Commission agenda [memorandum](#) dated May 22, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Thomas and Mr. Tong.

The Commission received a presentation that included the following relevant information:

- Key changes are being made to the budget process, based on feedback from Commissioners. Commissioners wished for fewer and shorter PowerPoint presentations, to be engaged earlier in budget planning process to allow for more meaningful input, and for materials to be more consistent across the divisions.
- Written business plan summaries from each division will be provided in the coming week, followed by roundtable discussions in July. Due to the cancellation of the August 26 Commission meeting and the inability to obtain the necessary information prior to mid-August, the budget assumptions briefing will take place in September.
- Key dates in the budget process include June 17, when division business plans and Tourism and Office of Social Responsibility (OSR) write-ups are due; July 29, when the Commission will be briefed on the Tourism and OSR program business plans; and August 5, when the Commission will be briefed on second quarter financial performance.
- The 2015 preliminary budget will be available to the Commission on October 21 and will be released to the public on October 23. The 2015 final budget and draft plan of finance will be released to the public by December 12.

## **8. ADDITIONAL NEW BUSINESS**

### **ANNOUNCEMENT**

Robin Romeo, Labor Relations Director, read out a notice from the Washington Public Employment Relations Commission detailing employees' right to collective bargaining with their employers and ruling that the Port of Seattle committed an unfair labor practice by unlawfully failing to provide Teamsters Local 117 the notice and opportunity to bargain with the employer's decision to change the night-shift sergeant staffing level when overtime was required. The Port was ordered to bargain in good faith with Teamsters Local 117 and provide back pay to employees affected by the night-shift staffing change. The notice must remain posted for employees to read for a period of 60 days. A copy of the notice is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for review in Port offices.

## **10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 2:55 p.m.

Tom Albro  
Secretary

Minutes approved: February 10, 2015.