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**APPROVED MINUTES
COMMISSION SPECIAL MEETING AUGUST 19, 2014**

The Port of Seattle Commission met in a special meeting Tuesday, August 19, 2014, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The special meeting was called to order at 12:05 p.m. by Stephanie Bowman, Commission Co-President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special meeting was immediately recessed to an executive session estimated to last 60 minutes to discuss matters relating to qualifications for public employment. Following the executive session, which lasted approximately 70 minutes, the special meeting reconvened in open public session at 1:18 p.m.

PLEDGE OF ALLEGIANCE

3. SPECIAL ORDERS OF BUSINESS

None.

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.]

At the request of Commissioner Bowman, agenda item 4c was removed from the Unanimous Consent Calendar and was laid on the table without objection.

- 4a. Approval of claims and obligations for the period of July 1-July 31 in the amount of \$65,417,787.17 including accounts payable check nos. 825808-825950 in the amount of \$53,070,524.17 and payroll check nos. P-177193-177463 in the amount of \$12,347,263.00 for a fund total of \$65,417,787.17.**

- 4b. Authorization for the Chief Executive Officer to complete design and installation of the replacement of A-dock finger float serving slips 11 and 12 at Shilshole Bay Marina. The amount of this request is \$60,000, for a total estimated project cost of \$322,000 (CIP #C800537).**

Request document(s) provided by Giuseppe Alvarado, Manager, Harbor Business and Operations, Recreational Boating, and Steve Miller, Capital Project Manager:

- Commission agenda [memorandum](#) dated August 12, 2014.
- Presentation [slides](#).

As noted above, the following agenda item –

- 4c. Authorization for the Chief Executive Officer to execute contracts for the purchase of three Cobus 3000 Airport ramp buses for use at Seattle-Tacoma International Airport for a total authorization of \$1,820,000 (CIP #C800714). [postponed]**

– was removed from the Unanimous Consent Calendar and laid on the table without objection.

- 4d. Authorization for the Chief Executive Officer to execute a major public works construction contract with the low, responsible bidder to perform the East Marginal Way Phase II Improvements and Argo Yard Truck Roadway project (MC-0317892).**

Request document(s) provided by Jonathan Ohta, Construction Manager, and Tim Leonard, Capital Project Manager:

- Commission agenda [memorandum](#) dated August 12, 2014.

- 4e. Authorization for the Chief Executive Officer to execute the proposed 2014 Duty to Defend Settlement Agreement and Partial Release between the Port of Seattle and Great American Insurance Company and Great American Insurance Company of New York.**

Request document(s) provided by Craig Watson, General Counsel, and Soojin Kim, Senior Port Counsel:

- Commission agenda [memorandum](#) dated August 11, 2014.
- Settlement [agreement](#).
- Attachments [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#), [8](#), and [9](#).

Motion for approval of consent items 4a, 4b, 4d, and 4e – Creighton

Second – Bryant

Motion carried by the following vote:

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

5. PUBLIC TESTIMONY

An opportunity for public comment was provided, but no testimony was offered at this time.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. **Authorization for the Chief Executive Officer to: (1) enter into a new agreement with an existing Port tenant, Wounded Warrior Project (WWP), to effectively relocate from Pier 66, extend the term, and expand the leased premises with WWP at World Trade Center West (WTCW) for an initial term of five years and four months, with one five-year option to renew; (2) include a Port-funded tenant improvement allowance in the amount of \$341,640 and payment of a broker fee in the amount of \$73,153; (3) terminate WWP's existing lease at Pier 66, which has a remaining term of two years and eleven months, upon full execution of the new lease and completion of the tenant improvements; (4) relocate an existing WTCW tenant, Pacific Merchant Shipping Association (PMSA), extending the initial term of the PMSA lease by an additional two years and nine months; and (5) include Port funded tenant improvement allowance in the estimated amount of \$34,470 in the PMSA lease. This request is for the total project cost of \$449,263.**

Request document(s) provided by Patricia Spangler, Real Estate Manager, and Melinda Miller, Director, Portfolio and Asset Management:

- Commission agenda [memorandum](#) dated August 12, 2014.
- Lease [agreement](#).
- Exhibits [A](#), [B](#), [C](#), and [D](#).

Presenter(s): Ms. Spangler and Jeffrey Sinchak, representing the Wounded Warrior Project.

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

- The current Pier 66 lease with the Wounded Warrior Project would be terminated in order to execute a new lease with the tenant for a larger space of approximately 11,300 square feet at the World Trade Center West.
- There was not sufficient space at Pier 66 to accommodate the extra square footage needs of the Wounded Warrior Project.
- The new lease would have a five-year term with one five-year option.
- The Port successfully renegotiated an early lease termination with the Pacific Merchant Shipping Association (PMSA) at the World Trade Center West to provide for the larger space for the Wounded Warrior Project. PMSA will be relocated within the same building with a new five-year lease.
- As part of lease negotiations, the Port will contribute \$450,000 toward tenant improvements and will pay a broker fee.
- The same broker was involved in the lease negotiations at Pier 66 and the World Trade Center West. The fee was negotiated in view of the unamortized portion of the original broker fee incurred for the terminated Pier 66 lease. There is no broker fee associated with the renegotiation of the PMSA lease.
- The tenant improvement cost of \$450,000 includes the broker fee. The tenant improvement cost *per se* of \$341,000 is comparable to other tenants at the World Trade Center West at approximately \$30/square foot.
- Staff expects to fill approximately 4,000 square feet of the vacated space at Pier 66 for use of another existing tenant.

- Mr. Sinchak described his background in the U.S. Navy, including the effects of Post-Traumatic Stress Disorder. He commented on the Wounded Warrior Project's programs and efforts to assist veterans and their families suffering from injuries and disorders incurred during their military service and to help them readjust to civilian life.

Motion for approval of item 6a – Bryant

Second – Albro

Motion carried by the following vote:

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

6b. First Reading of Resolution No. 3695: A Resolution of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle Cranes No. 61, 62, 63, 64, 66, and 68) for Port of Seattle purposes and authorizing its sale or disposal; and authorizing the Chief Executive Officer to execute all documents related to such sale or disposal.

Request document(s) provided by Steve Queen, Container Operations Manager, and Curtis Stahlecker, Project Manager:

- Commission agenda [memorandum](#) dated August 12, 2014.
- Resolution No. [3695](#).

Presenter(s): Michael Burke, Director, Seaport Leasing and Asset Management.

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

- The subject cranes are about 30 years old and are all the remaining cranes at Terminal 5. At 100-foot gauge, they and the strength of the dock beneath them are no longer adequate to accommodate increasing container ship capacity.
- Although the cranes still have value, they are not useful to the Port of Seattle, and their presence would inhibit improvements at Terminal 5.
- If they are unable to be sold, staff will return for additional funds to demolish the cranes.

Motion for first reading of Resolution No. 3695 – Creighton

Second – Gregoire

Motion carried by the following vote:

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

6c. Authorization for the Chief Executive Officer to sign a Feasibility Cost Sharing Agreement with U.S. Army Corps of Engineers.

Request document(s) provided by Linda Styrk, Seaport Division Managing Director, and Bari Bookout, Director, Seaport Commercial Strategy:

- Commission agenda [memorandum](#) dated July 14, 2014.
- Presentation [slides](#) were provided at the meeting by Ms. Bookout. A copy of the slides is, by reference, made a part of these minutes, is marked Exhibit A, and is available for inspection in Port offices.

Presenter(s): Ms. Styrk and Ms. Bookout.

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

- The agreement commits the Port to a 50-percent cost sharing arrangement with the U.S. Army Corps of Engineers to study the potential to deepen the navigation channels in the East and West Waterways around Harbor Island. Funding for the Port's share will come from annual expense budgets, and there is funding for the U.S. Army Corps of Engineers' portion in the President's 2015 budget.
- Container ships regularly calling at the Port of Seattle accommodate 8,000 – 10,000 TEUs (twenty-foot-equivalent units) and require drafts of 49 feet. Larger ships with deeper drafts already call at other West Coast ports.
- Pilots require for safety an extra 10 percent of a vessel's draft below the keel.
- These factors restrict vessels by tide and tonnage when channel depth is insufficient.
- In order to carry the maximum value of export cargo, ships must depart at full draft.
- The East Waterway navigation channel is only partially authorized to a depth of 51 feet. The West Waterway is only authorized to a depth of 34 feet. This means that shallower areas within the channels impede navigation for larger ships. With authorization, the U.S. Army Corps of Engineers will share in the cost of maintaining channel depth.
- During the current "reconnaissance phase" of the deepening study process, the federal interest in continuing to consider deepening the channels is examined. Completion of this phase of the feasibility study is expected in September.
- Under the terms of the Water Resources Development Act (WRDA), the feasibility study should cost no more that \$3 million, take no more than three years to complete, and is one of only three newly started studies this year within the U.S. Army Corps of Engineers.
- The text of the cost-sharing agreement will be available by the end of August.
- Construction on channel deepening would not commence until after completion of the three-year feasibility study period. The Seaport Division anticipates capital funding for channel deepening starting in 2018 and continuing through 2022.
- Berths can be deepened prior to channel deepening, which might lessen the tidal constraints for larger ships.
- Cost sharing applies to channel deepening. Once established at the greater depth, operation and maintenance of the channel becomes the responsibility of the U.S. Army Corps of Engineers.

Motion for approval of item 6c – Bryant

Second – Creighton

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

7a. 2014 Second Quarter Update on the Airport’s International Arrivals Facility (IAF) Program.

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

- Commission agenda [memorandum](#) dated August 12, 2014.
- Presentation [slides](#).

Presenter(s): Mark Reis, Airport Managing Director, and Frederick Robinson, Capital Program Leader.

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

- Authorizations for the IAF so far total \$8.5 million.
- A report on schedule and cost validation is anticipated on October 28, 2014.
[Clerk’s Note: Subsequent to this meeting, the timing of the schedule and cost validation report was postponed until early 2015.]
- Accomplishments to date include advertisement of request for qualifications and selection of a bridge as the proposed connector between the new Arrivals Facility and the South Satellite.
- Schedule and cost estimate validation will establish the “design-to” budget to complete the project. Three independent teams are working on validation of costs. The preliminary project estimate shared with the Commission in September 2013 will likely be exceeded. An example of a project component not accounted for previously is removal of the south ground transportation lot during construction, followed by its restoration afterward.
- An airline majority-in-interest ballot would be required if the project cost exceeds ten percent above the \$300 million range originally presented to the airlines for inclusion of the project under the terms of the latest signatory lease and operating agreement.
- There will be a third-quarter update on October 14, 2014.

7b. 2014 Second Quarter Update on the Airport’s NorthSTAR Program.

Presentation document(s) provided by George England, Program Leader, Aviation Project Management Group; Michael Ehl, Director, Aviation Operations; and David Soike, Director, Aviation Facilities and Capital Program:

- Commission agenda [memorandum](#) dated August 11, 2014.
- Presentation [slides](#).

Presenter(s): Mr. England.

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

NorthSTAR Program Overall

- The NorthSTAR project is an effort in partnership with Alaska Airlines to improve the northern part of the Airport, where Alaska's operations are centered, for operational benefits and enhanced customer experience.
- Commission authorization of a \$191 million budget increase will result in that amount moving from the "pending transfer" column of the second quarter report.
- Overall project management reserve is at \$4.1 million.
- The overall program is behind schedule due to the North Satellite component being behind schedule.
- Susan Kostoff no longer serves as Alaska's program leader for NorthSTAR. Greg Smith will fill this role going forward.
- Performance on Small Contractors and Suppliers program participation is ahead of forecast at 33 percent.

North Satellite Renovation and Transit System Lobbies

- Authorization for pre-construction services by the general contractor/construction manager is planned in the fourth quarter of 2014.
- North Satellite Renovation is at 30 percent review.
- The Commission approved North Satellite footprint expansion, and the airline majority-in-interest ballot for expansion was approved.
- An analysis of the capacity of the North Satellite Transit System loop was completed and shows that the system can accommodate the North Satellite expansion, although a fourth car may be needed eventually.
- North Satellite baggage system capacity was analyzed and the results will be examined within the context of broader baggage system optimization at the Airport to determine whether baggage system expansion is required now to support Alaska's operational needs. If determined appropriate to expand the North Satellite baggage system, authorization would be sought early in 2015.

Concourse C Vertical Circulation

- Progress on the C-2 sloped walkway has advanced beyond the level reported for the second quarter, and steel is being installed.
- Elevator pits have been completed, and elevators are expected to be brought on-line toward the end of October before completion of the walkways by the end of the year.
- The one safety hazard reported was an injury related to tripping over a survey marker and is being addressed.
- Small Contractor and Supplier participation during design is slightly behind target.

Main Terminal Improvements

- Landrum & Brown has been selected for the facility determination analysis.
- Coordination with work on the Sustainable Airport Master Plan will be critical, as is coordination of the architectural components between the Main Terminal and North

Satellite and the configuration of Checkpoint 5 in coordination with the Transportation Security Administration and Alaska.

Refurbish Baggage System

- The construction contract for the baggage system refurbishment has been awarded to M.D. Moore.
- Relocation of the baggage control office has created an additional schedule delay.
- Port Construction Services has completed tunnel work for this project component and has moved on to abatement.
- Small Contractor and Supplier participation is above forecast for the design phase.

North Satellite Concourse C and D Exterior Stairs

- This project component, which would enable dual-door operations, remains on hold pending further decision-making.

7c. 2015 Tourism and Office of Social Responsibility Strategies/Programs Discussion.

Presentation document(s) provided by Jane Kilburn, Tourism Development Director/Senior Communication Counsel, and Luis Navarro, Director of the Office of Social Responsibility:

- Commission agenda [memorandum](#) dated August 1, 2014.
- Presentation [slides](#).
- [Port of Seattle Tourism Development Strategy](#).
- [Office of Social Responsibility 2015 Budget Strategies](#).

Presenter(s): Ms. Kilburn and Mr. Navarro.

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

Tourism

- International tourism and markets with direct long-haul flights to Seattle are the focus of the Port's Tourism Program.
- Target markets include the United Kingdom, France, Germany, Japan, and China. Public relations firms are employed in each target country to promote U.S. tourism. Inbound familiarization trips for foreign media and tour operators are a valuable tool for promoting Seattle as a tourism destination.
- Results are measured by the number of tour "products," such as tour publications, that feature Seattle as a destination, advertising equivalency of media coverage, and in-kind contributions from the state's network of tourism providers.
- In 2013, over 500 tour "products" featured Washington state as a destination. There was about \$27 million in media coverage, and in-kind contributions were over \$600,000.
- Increasing the economic value of the cruise business, including a pilot project to promote extending stays in Seattle before or after a cruise, is a goal of the tourism program.
- Options for sustainable funding for the Washington Tourism Alliance (WTA) are still in development and are closely tied to the alliance's governance structure. A proposal is due to the Legislature in early December. The Port has invested \$255,000 in the WTA

since 2011 in addition to a \$5,000 annual membership fee. All of the \$250,000 has been matched, and future funding for the WTA is a future opportunity for the Port.

- In 2013, a task force of Washington ports with an interest in tourism was formed. There are currently at least 20 in the task force.
- Enhancement of the Port's tourism program is another opportunity for the Port. To support incremental growth in this program, it is recommended to budget between \$347,000 and \$500,000 in 2015. This would fund a public/private mission to the United Kingdom in 2015 and a cruise business workshop to help local businesses tap into the cruise market. At the higher level, it could fund entry into new markets. Potential funding for grants to promote local tourism is an opportunity to consider.
- Use of the Airport to market tourism assets elsewhere in the state was discussed.
- Hosting of the U.S. Open Golf Tournament in 2015 at the Chambers Bay Golf Course in University Place, Washington, was discussed as an opportunity for tourism promotion.

Office of Social Responsibility

- Efforts of the Office of Social Responsibility (OSR) include the small business program, workforce development, and community engagement.
- A goal of 35 percent of eligible contracting dollars spent with small businesses is recommended for 2015.
- Rebranding of the small business program as the "small business and inclusion program" is also recommended in 2015.
- The direction of the small business program will be affected by a recently completed disparity study, the results of which are expected to be reported to the Commission in September.

[Clerk's Note: At the time of approval of these minutes, reporting on the disparity study was delayed until December 2014.]

- Workforce development recommendations are expected in September upon completion of consultant work.
- In 2015, OSR will continue to support community engagement in the Quality Jobs Initiative, the Clean Truck program, and community forums in the minority, immigrant, and disadvantaged communities.
- A recommended increase by Port staff of 10 percent in the value of payroll deductions for the Community Giving Campaign and increased volunteer participation in community non-profit organizations is proposed.
- Other goals for OSR in 2015 include updating the small business resolution, Resolution No. 3618, collection and reporting of ethnicity data in Port contracting relationships, pursuit of appropriate procurement policy changes based on the findings of the disparity study, and continued monitoring of compliance with I-200, the State's 1998 initiative to end discrimination and preferential treatment in public employment, education, and contracting on the basis of race, sex, color, ethnicity, or national origin.
- Funding for workforce development program expansion will have to consider Federal Aviation Administration funding restrictions on use of Airport revenue. Potential alternate funding sources include the tax levy, general fund, tenant charges, and contractor labor hour charges.

- Workforce development funding in 2015 is currently recommended at a placeholder amount of \$1.9 million, increased from the 2014 budget of \$850,000. With OSR's small business work and in-kind contributions, the OSR 2015 budget request would be approximately \$3.4 million. Before the budget amount is requested, more specific recommendations and consultant findings will be presented.

8. NEW BUSINESS

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 3:05 p.m.

Tom Albro
Secretary

Minutes approved: October 28, 2014.