



Commissioners

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Commission President
Tom Albro
John Creighton
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(The approximate point in the audio recording for the specific item is identified by hours, minutes, and seconds; example: 00:01:30)

**APPROVED MINUTES
COMMISSION REGULAR MEETING AUGUST 9, 2011**

The Port of Seattle Commission met in a regular meeting Tuesday, August 9, 2011, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present.

Commissioner Holland was absent after 3:05 p.m.

1. CALL TO ORDER

The regular meeting was called to order at 12:35 p.m. by Bill Bryant, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The meeting was immediately recessed to an Executive Session lasting approximately 15 minutes to discuss real estate matters. The regular meeting reconvened in open public session at 1:05 p.m., chaired by Commissioner Bryant.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Regular meeting of June 14, 2011.

Motion for approval of minutes for the June 14, 2011, regular meeting – Albro

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Tarleton (4)

Abstaining: Holland

Commissioner Holland was absent from the subject meeting.

4. SPECIAL ORDER OF BUSINESS

None.

5. (00:01:38) UNANIMOUS CONSENT CALENDAR

At the discretion of the Chair, agenda item 5a was removed from the Unanimous Consent Calendar for separate discussion and vote.

- b. Authorization for the Chief Executive Officer to execute a lease and concession agreement with U.S. Bank Corporation for the management and operation of an on-site banking facility and automated teller machine concession at Seattle-Tacoma International Airport for a term of seven years with one, one-year option at the Port's sole discretion. The total minimum annual revenue to the Port, including rent for the bank space, is \$673,350.**

Request document(s): Commission agenda [memorandum](#) dated July 28, 2011, lease and concession [agreement](#), and main terminal [diagram](#) provided by James Schone, Aviation Business Development Director, and Deanna Zachrisson, Aviation Concessions Business Manager.

Motion for approval of consent item 5b – Tarleton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

- a. (00:02:26) Authorization for the Chief Executive Officer to authorize Port Construction Services to perform work in conjunction with small works contractors in support of the Concession Unit Readiness Project at Seattle-Tacoma International Airport. This authorization is for \$578,000 of a total estimated project cost of \$2,087,000 (CIP #C800147).**

Request document(s): Further corrected Commission agenda [memorandum](#) dated August 8, 2011, concessions [diagram](#), and concept [illustration](#) provided by James R. Schone, Aviation Business Development Director; Wayne Grotheer, Aviation Capital Development Director; and Deanna Zachrisson, Aviation Concessions Business Manager. The further corrected Commission agenda memorandum presented on August 9, 2011, was later added to the posted agenda updated on August 10, 2011.

Presenter(s): Mr. Schone.

Commissioner Bryant explained that agenda item 5a was removed from the Unanimous Consent Calendar due to a last-minute change in the memorandum text. Mr. Schone described the change to the financial analysis section, noting that the total project net present value was reduced to \$1.7 million from \$2.8 million due to recalculation based on incremental revenue and that net operating income was adjusted from \$500,000-700,000 to \$300,000-500,000. He stated that despite the revised numbers, the project is still financially worthwhile.

Motion for approval of item 5a – Albro

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- a. (00:05:36) **Authorization for the Chief Executive Officer to execute the following amendments substantially as drafted: (1) Fifth Amendment to the Terminal 18 Lease between the Port of Seattle, SSA Containers Inc. and SSA Terminals LLC; (2) Second Amendment to the Terminal 18 Crane Agreement between the Port of Seattle, SSA Containers Inc., and SSA Terminals LLC; and (3) First Amendment to Supplemental Crane Agreement between the Port of Seattle, the Bank of New York Mellon, as the Bond Trustee, and the National Public Finance Guarantee Corp., as the Bond Insurer.**

Request document(s): Corrected Commission agenda [memorandum](#) dated August 5, 2011, Terminal 18 crane activity [report](#) and lift volume [report](#), [Fifth Amendment](#) to Terminal 18 Lease, [Second Amendment](#) to Terminal 18 Crane Agreement, and [First Amendment](#) to Supplemental Crane Agreement with the bond insurer provided by Michael Burke, Seaport Leasing and Asset Management Director.

Presenter(s): Mr. Burke.

Mr. Burke reported that the proposal creates an incentive to keep and attract shipment of more cargo through the Port of Seattle. He noted that the proposal is similar to one previously authorized in the Customer Support Package, following which the Port's cargo volume reached record levels. *[Clerk's Note: the Customer Support Package was authorized on April 14, 2009.]*

Mr. Burke emphasized that this is a balanced financial proposal in that the revenue lost to implementing the incentive is balanced out by the tenant's relieving the Port of the future obligation to replace cranes at Terminal 18. He noted that the Port would be obligated to extend a similar incentive to Eagle Marine Services at Terminal 5 and stressed that an agreement with Eagle Marine Services would have to provide a similar balanced financial benefit to the Port. He added that the Port would not be obligated to extend a similar incentive package to tenants at terminals that do not have on-dock rail yards, such as Terminal 46.

Commissioner Creighton spoke in support of the proposal. He voiced concerns over continued progress on vessel emissions goals, but noted the environmental benefits of reducing diesel fuel consumption by encouraging use of on-dock rail transport. Commissioner Holland also spoke in support of the proposal, noting the importance of the Port's partnership with SSA to promote worldwide commerce and the importance of keeping people employed.

Public comment was received from the following individuals:

- Mark Knudsen, Vice President of Business Development at SSA Marine. Mr. Knudsen commented on the competitive environment for his company, SSA Marine's interest in preserving business in Seattle, and the importance of the intermodal lift fee waiver to SSA Marine in retention of their customers.
- David Mendoza, Policy Analyst for Puget Sound Sage. Mr. Mendoza spoke in opposition to the amendments, which he described as having unclear benefits and a cost to the Port of millions of dollars of lost revenue. He stated that the measure is an unnecessary giveaway to highly profitable corporations, questioned the quality of the financial analysis presented, and suggested the cost for the Port's cranes would be shifted from private corporations to be borne ultimately by taxpayers.
- Dan McKisson, International Longshore and Warehouse Union (ILWU) Local 19. Mr. McKisson commented in support of the amendments and stated that the new cranes provided by SSA Marine would improve efficiency and productivity and create jobs by attracting customers to the Port. He commented that the measure would reduce truck congestion by encouraging use of on-dock rail.

Commissioner Albro spoke in favor of the proposal and noted the Port's lack of market pricing pressure. He stated that SSA's new cranes will anchor maritime business at Terminal 18 and support the Port's strategic goal of growing long-term cargo volume. He cautioned against undervaluing the cost to the Port to replace cranes and stated that the proposal mitigates the financial impacts to the Port and provides it greater flexibility as other financial obligations emerge related to the environment and transportation.

In response to Commissioner Holland, Mr. Burke stated that the trend for ports to divest themselves of crane ownership on the West Coast has been fairly dramatic, especially in southern California, although the percentage of publicly owned cranes in the Pacific Northwest is higher than average. He stated that terminal operators typically have greater market leverage than ports with respect to purchasing cranes and that they often prefer to own the cranes themselves. Mr. Yoshitani commented that it typically takes 18 months for the Port to order and receive a new crane, whereas SSA might be able to have new cranes delivered to Terminal 18 in about five or six months. He also pointed out the difficulties inherent in maintenance of Port-owned cranes operated by a terminal operator or shipping company and stated that the agreement resolves those issues.

Commissioner Tarleton spoke in support of the amendment and commented on balancing the cost of creating new jobs and maintaining existing jobs and the importance of continuing to move cargo through the Port. She noted that the Port is obligated to pay debt service on bonds for Terminal 18 through 2036, which debt service needs to be offset by terminal revenue. She stated that the

Port's investment in the infrastructure at Terminal 18 has positioned it to grow cargo volumes there beyond the terminal's previous capacity as the economy continues to recover.

Commissioner Holland stated that the tax levy helps promote jobs and the Port of Seattle is a discretionary port. He said that partnerships with workers, companies, and the public help maintain and grow jobs locally.

Motion for approval of item 6a – Albro

Second – Tarleton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

- b. (00:34:22) **Authorization for the Chief Executive Officer to enter into a lease termination agreement for the former Borders bookstore location at Seattle-Tacoma International Airport, including the payment of \$70,000 to the Borders Group Inc. bankruptcy estate in consideration for the lease termination and release of the Airport lease from the bankruptcy liquidation proceedings. The transaction also includes waiver of amounts owed the Port for percentage rent, utility, and other charges totaling approximately \$28,000. The lease termination proposal has been negotiated directly with the bankruptcy liquidators.**

Request document(s): Commission agenda [memorandum](#) dated August 8, 2011, and lease termination [agreement](#) provided by Mark Reis, Managing Director, Aviation Division; James R. Schone, Aviation Business Development Director; and Deanna Zachrisson, Concessions Business Manager. The Commission agenda memorandum and lease termination agreement presented on August 9, 2011, were later added to the posted agenda updated on August 10, 2011.

Presenter(s): Mr. Schone.

Mr. Schone reported that the February 2011 bankruptcy filing by Borders Group Inc. resulted in the closure of the Borders bookstore at the Seattle-Tacoma International Airport on August 5, 2011, despite that particular location's strong business performance. In order to secure control over the future leaseholder and to minimize potential lost revenue, Port staff directed negotiation for purchase of the lease from the bankruptcy liquidators, with the goal of securing a locally owned bookstore to replace Borders at the Airport.

Motion for approval of Item 6b – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

Commissioner Bryant announced that copies of revised Commission memorandums for agenda items 5a and 6b were available at the meeting for anyone interested. *[Clerk's Note: On August 10,*

2011, corrected memos and attachments for items 5a and 6b were posted on the Port's web site and linked to the agenda for the regular Port Commission meeting of August 9, 2011. Both items 5a and 6b were previously listed on the August 9 agenda as posted August 8, 2011.]

7. STAFF BRIEFINGS

a. (00:38:26) Presentation by Waterfront Seattle on Central Waterfront Planning.

Presentation document(s): Commission agenda [memorandum](#) dated August 3, 2011, and computer slide [presentation](#) provided by Joe McWilliams, Real Estate Division Managing Director.

Presenter(s): Michael Merritt, Government Relations Manager; Steve Pearce, Waterfront Seattle Project Manager, Seattle Department of Transportation; Marshall Foster, City Planning Director, City of Seattle Department of Planning and Development; and Charley Royer, Central Waterfront Committee Co-Chair.

Mr. Merritt introduced Mr. Pearce, Mr. Foster, Mr. Royer, and Bob Chandler, Program Manager for the Seattle Department of Transportation's Alaskan Way Viaduct Replacement and Seawall Project. Mr. Pearce explained that removal of the Alaskan Way Viaduct and replacement of the Elliott Bay seawall create the opportunity to create a revitalized waterfront. He described the project goals of improving access to the waterfront and downtown Seattle and better connecting the waterfront to the downtown. Mr. Pearce reported that the City of Seattle is working with the design firm of James Corner Field Operations to work on the project.

Mr. Pearce presented a map of the core project area currently occupied by Alaskan Way and the Alaskan Way Viaduct between King Street and the south portal of the Battery Street Tunnel. He explained that the project would remove the Viaduct and replace the surface street, creating opportunities for new public spaces and improved connections with the rest of the City. Mr. Pearce commented on related traffic projects, and demonstrated the area of the Elliott Bay seawall. He presented a schedule and phasing plan for the project that showed completion of conceptual design in 2012, seawall construction between 2012 and 2015, design work and early waterfront construction from 2012 to 2016, viaduct demolition in 2016, and construction of public spaces, streets, and utilities for the waterfront project between 2016 and 2019.

In response to Commissioner Creighton, Mr. Pearce stated that a financing strategy for the waterfront project is expected to be proposed by mid-2012. He commented that \$225 million might be raised through a local improvement district, and an array of financing solutions are under consideration.

Mr. Foster presented the overall goals for the project, including the following highlights:

- Construction of a diverse waterfront that is accessible to all residents of the city and the region of all walks of life and income levels and is a dynamic place for people, commerce, culture, and recreation;
- Improved visibility of the aquatic habitat elements of the waterfront's dynamic shoreline environment;

- Reconnection of the waterfront and the city;
- Embracing and celebrating Seattle's past, present, and future in a waterfront district that is not merely a park;
- Improved access and mobility for people and goods;
- Development of a bold, adaptable vision; and
- Development of strong, consistent leadership for the project.

Mr. Royer described the role of the Central Waterfront Committee, which is endorsed by both the Seattle City Council and Mayor, is established by ordinance, and is organized into subcommittees focused on design, public engagement, partnerships and financing, and operations and programming.

Mr. Pearce and Mr. Foster commented on public meetings held on February 17, 2011, and May 19, 2011, and outlined the substance of the public comment collected.

Mr. Foster expounded three scales of design oriented toward recentering Seattle around Elliott Bay, connecting the city to the waterfront, and reflecting the tidelines and folds of the waterfront itself. Some of the design components highlighted included the following:

- Rings of public places oriented toward Elliott Bay;
- Reinforcing east/west connections to the waterfront;
- Enhanced access to the waterfront through transit, including waterway transit;
- Neighborhood scale of public spaces;
- Flexibility of public spaces to allow them to evolve over time;
- Design elements to overcome topographic challenges to accessing the waterfront;
- Bicycle and pedestrian access and traffic safety concerns;
- Reflection of tide lines in design elements such as terraces and garden stairs;
- Use of landform folds; and
- Possible provision of additional uses, such as parking, beneath landform folds.

Examples implementing some of these design components were demonstrated in concepts for an aquarium plaza at Pier 59, a Pier 62/63 link to Pike Place Market, a Belltown overlook, a ferry terminal park, and a Pier 48 beach environment and festival pier.

Mr. Foster reported that there would be another public event in October 2011 at which the next iteration of the waterfront concept design would be presented.

Commissioner Albro commented on the opportunity to reflect the character of the various landward neighborhoods in the design and scale of different portions of the waterfront and suggested incorporating Native American and early explorer themes. Commissioners Creighton and Tarleton remarked on the iconic nature of the orange cranes on the Seattle waterfront.

Commissioner Tarleton commented on the importance of connecting all the Elliott Bay waterfront neighborhoods, possibly through an 11.9-mile trail system. Commissioner Holland remarked on the success of redevelopment of open space and parks in Boston, Massachusetts.

Mr. Yoshitani observed that to be inviting and able to support commercial activity, public space should attract the public in all seasons.

b. (01:49:09) Briefing on a Proposed New Comprehensive Conference and Event Centers Management Agreement.

Presentation document(s): Commission agenda [memorandum](#) dated August 1, 2011, and computer slide [presentation](#) provided by Melinda Miller, Portfolio Management Director, and Patricia Spangler, Real Estate Manager.

Presenter(s): Ms. Miller and David Smith, Conference Center Consulting Group.

Ms. Miller commented on the Port's establishing a conference and events center enterprise in 1995, which she stated has returned over \$1.6 million in annual net revenue to the Port over the last 10 years. She remarked on the jobs sustained by the enterprise, its economic impact on area vendors, and its outstanding reputation.

Ms. Miller reported that the current management agreement for the event and conference facilities expires at the end of May 2012. She stated the competitive process for establishing a new management agreement focuses on financial return to the Port, international visibility, and community accessibility to the facilities. She outlined a two-step process involving issuance of a request for qualifications (RFQ) and a request for proposals (RFP) and introduced David Smith, founder and president of Conference Center Consulting Group.

Ms. Miller described the following components of the conference and events facilities:

- World Trade Center;
- Maritime Events Center;
- International Conference Center;
- Cruise Terminal at Pier 66; and
- Smith Cove Cruise Terminal.

Mr. Smith outlined the following areas of support provided by his firm to the process of securing a new management agreement for the conference and events center:

- Preparation of the RFQ and RFP and identification of possible management operators;
- Due diligence research of operator proposals to ensure bidding management firms can fulfill the agreement requirements; and
- Ensure the contractual elements of the agreement continue to optimize financial and customer service returns to the Port.

Mr. Smith described the Port's 15-year-old conference center facilities as a nonresidential conference center that is now the dominant form of conference center development in the U.S. and Canada. He reported on the fragmented nature of the conference center industry and described different levels of events centers.

Mr. Smith remarked on the status of the conference center industry with respect to emerging social media technologies, which he stated are best suited to smaller groups, and the current economic climate, which he stated has not reduced the need for meetings. He commented that the fact that the Port's conference center returned revenue in 2009, when approximately half of the conference centers in the industry were not successful that year, demonstrates the strength of the enterprise.

Mr. Smith noted that the use of a management agreement rather than a lease agreement in operating the conference center adds flexibility to the operation of the enterprise.

In response to Commissioner Creighton, Mr. Smith explained that the subcontracting opportunities, employment, and vendor relationships inherent in managing a conference center engage small businesses on a regular basis, even though the conference center operator might be a larger corporation. Ms. Miller added that use of small businesses is included among the evaluation criteria for reviewing the RFQ submissions. In response to Commissioner Holland, Mr. Smith noted that while small, local catering companies can add diversity to the catering services and menu options at conference centers, food handling regulations can be especially onerous to such companies and create a variety of insurance risks.

Commissioner Albro commented on the need for the conference center management operator to build international demand. In response to Commissioner Albro, Ms. Miller noted that the combination of critical facilities and noncritical facilities in the business terms of a new management agreement presumes the flexibility to increase or reduce space covered under the agreement as warranted by the needs of the Port. She added that the proposed agreement's 10-year term with one 10-year renewal option makes this flexibility very important.

In response to Commissioner Tarleton, Ms. Miller stated that the RFQ would be widely published and would be used to develop a short list of qualified operators who would be invited to submit a proposal during the RFP process. Mr. Smith said the list would likely be a dozen or fewer qualified operators.

Mr. Yoshitani acknowledged the Port's successful partnership with the current conference center operator, Columbia Hospitality Inc. and explained that the process of soliciting proposals for a new management agreement is a function of the Port's responsibility as a public entity.

Commissioner Tarleton requested an opportunity through the RFQ process to identify opportunities for related development at Fishermen's Terminal.

Ms. Miller reported that a request to execute a management agreement incorporating specific terms would most likely be available for Commission consideration on August 23, 2011.

Commissioner Holland was absent after 3:05 p.m.

8. NEW BUSINESS

(02:29:28) Workers' Issues.

Public comment was received from the following individuals:

- Greg Ramirez, External Organizer, SEIU (Service Employees International Union) Local 6. Mr. Ramirez commented on the workers, especially at the Seattle-Tacoma International Airport who work for minimum wage and hold multiple jobs to make a living. Mr. Ramirez spoke of unfair pressure placed on employees of an Airport concessionaire by their employer to reportedly reduce their hours and prevent them from holding additional employment. He asked Port Commissioners to advocate for a particular employee and to encourage concessionaires at the Airport to recognize the right of their workers to form a union.
- Danilo Gumabau, employed by Bags Inc., an Airport concessionaire, and Continental Mills, manufacturers of the Krusteaz® brand. Mr. Gumabau commented on his positive experiences working for Continental Mills and his negative experiences at Bags Inc. and stated he is advocating for a union at Bags Inc., but not Continental Mills. He asked the Commission to intervene in employee complaints against Airport concessionaires.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:42 p.m.

Tom Albro
Assistant Secretary
Minutes approved: October 25, 2011.