



**Commissioners**

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Rob Holland  
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*Audio and video recordings of the meeting proceedings and meeting materials are available on the Port of Seattle web site - [www.portseattle.org](http://www.portseattle.org). The approximate point in the video recording for each agenda item is identified by hours, minutes, and seconds; example: 00:01:30.*

**APPROVED MINUTES  
COMMISSION SPECIAL MEETING DECEMBER 6, 2011**

The Port of Seattle Commission met in a special meeting Tuesday, December 6, 2011, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, and Tarleton were present. Commissioner Holland was absent. Commissioner Bryant was absent after 2:30 p.m.

**1. CALL TO ORDER**

The special meeting was called to order at 11:40 a.m. by Bill Bryant, Commission President.

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

The special meeting was immediately recessed to an executive session estimated to last approximately 90 minutes to discuss matters relating to real estate and legal risk. Following the executive session, which lasted approximately 94 minutes, the special meeting reconvened in open public session at 1:25 p.m.

**PLEDGE OF ALLEGIANCE**

**3. (00:01:20) APPROVAL OF MINUTES**

Regular meeting of October 4, 2011.

**Motion for approval of minutes for the October 4, 2011, regular meeting – Tarleton**

**Second – Albro**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

**4. SPECIAL ORDER OF BUSINESS**

**a. (00:01:45) The Port Centennial 1911-2011.**

Presentation document(s): Commission agenda [memorandum](#) dated November 29, 2011, [attachment](#), computer slide [presentation](#), and video provided by Jane Kilburn, Tourism Development Director.

Presenter(s): Nancy Blanton, Business and Corporate Communications Manager.

Commissioner Creighton commented on the history of the Port of Seattle, its influence on the local economy over the past century, and its central mission of economic stimulus and job creation. He noted the main goal arising from the Commission's Century Agenda process is the creation of 100,000 jobs over the next 25 years in the maritime and aviation sectors.

Commissioner Bryant commented on the honor of serving on the Port Commission during its Centennial year and complimented staff on their efforts to communicate the impact of the Port on the lives of King County residents today and over the past century.

Ms. Blanton reported on the role of the Port of Seattle as a catalyst for enduring economic development and creation of living-wage jobs. She noted current projects and lines of business that demonstrate the Port's continuing influence in the region, including the Consolidated Rental Car Facility at Seattle-Tacoma International Airport, maritime and commercial fishing business, and the Port's cruise terminals at Pier 66 and Smith Cove. She concluded by outlining several events, awards, and communication initiatives associated with the Port's Centennial and presented a video montage representing the year's events and the Port's hundred-year influence.

Commissioner Creighton expressed his appreciation of the efforts of staff to provide a meaningful observance of the Port's Centennial year on a limited budget. In response to Commissioner Creighton, Ms. Blanton confirmed that the Port's Centennial map and timeline would continue to be available online. Commissioner Tarleton commented that it is valuable to have the Port's history available to the public, especially school children, online.

**5. (00:14:55) UNANIMOUS CONSENT CALENDAR**

Commissioner Bryant reminded Commissioners that several of the items on the consent calendar authorize expenditures already approved in the Port's budget or otherwise previously addressed.

- a. Authorization for the Chief Executive Officer to execute appropriate contract documents, including amendments, to continue to receive software and hardware maintenance services for the Airport's Direct Digital Control System. Authorization is being requested to execute contract documents for service through December 2016. This system is utilized to operate and maintain many of the mechanical systems throughout the Airport. The cost of this annual service is \$359,000 including tax for up to five years for total payments estimated at \$1,793,100.**

Request document(s): Commission agenda [memorandum](#) dated November 22, 2011, provided by John Christianson, General Manager of Aviation Maintenance.

- b. Authorization for the Chief Executive Officer to execute appropriate contract documents, including amendments, to continue to receive elevator and escalator**

**maintenance and repair services for all elevators, escalators, and moving walks at the Seattle-Tacoma International Airport, excluding the Rental Car Facility. Authorization is being requested to execute Airport contracts via the statewide contract for service over a five-year period through December 2016. The budgeted cost of this service for the year 2012 is \$3,062,000 including tax. Costs will be determined annually and included in each forthcoming annual budget.**

Request document(s): Commission agenda [memorandum](#) dated November 22, 2011, provided by John Christianson, General Manager of Aviation Maintenance.

- c. Authorization for the Chief Executive Officer to advertise and execute a major construction contract and provide installation of computer hardware by Port staff for the South Satellite Common-Use Infrastructure Expansion project at Seattle-Tacoma International Airport, for \$2,403,500 out of a total projected program cost of \$2,909,500 (CIP #C800276).**

Request document(s): Commission agenda [memorandum](#) dated November 28, 2011, provided by Michael Ehl, Airport Operations Director; Peter Garlock, Chief Information Officer; and Wayne Grotheer, Director of the Aviation Project Management Group.

- d. Authorization to (1) advertise and execute a major construction contract and (2) authorize Port Construction Services to perform regulated material management design and monitoring for the C22 connection to C1 Baggage Handling System (BHS), C1 make up device 1 (C1-MK1) replacement at Seattle-Tacoma International Airport. The amount of this request is \$3,604,000. The total cost of the C22 BHS connection to C1 / C1-MK1 Replacement / TC3 Replacement project is \$5,335,000. The currently estimated capital cost of the airline realignment is \$38 – \$42 million, and the total overall estimated total capital and expense cost is \$58 – \$72 million (CIP #C800382).**

Request document(s): Commission agenda [memorandum](#) dated November 28, 2011, and [attachment](#) provided by David Soike, Aviation Facilities and Capital Program Director, and Wayne Grotheer, Aviation Project Management Group Director.

- e. Authorization for the Chief Executive Officer to authorize design of the Miscellaneous Building Improvements – Airline Realignment at Seattle-Tacoma International Airport. This authorization is for \$1,721,000 of a total project cost of \$7,922,000. The currently estimated capital cost of the airline realignment is \$38 – \$42 million, and the overall estimated total capital and expense cost is \$58 – \$72 million. (CIP #C800475).**

Request document(s): Commission agenda [memorandum](#) dated November 28, 2011, and [attachment](#) provided by Michael Ehl, Airport Operations Director, and Wayne Grotheer, Aviation Project Management Group Director.

- f. Authorization for the Chief Executive Officer to authorize design of the Airline Tenant Improvements – Airline Realignment at Seattle-Tacoma International Airport. This authorization is for \$3,776,000. The currently estimated total expense cost of the airline realignment is \$20 – \$30 million, and the overall estimated total expense and capital cost is \$58 – \$72 million (CIP #C800475).**

Request document(s): Commission agenda [memorandum](#) dated November 28, 2011, and [attachment](#) provided by provided by Michael Ehl, Airport Operations Director, and Wayne Grotheer, Aviation Project Management Group Director.

- g. Authorization or the Chief Executive Officer to execute a lease and concession agreement with Airport Management Services LLC, a Seattle Joint Venture (dba Hudson Group) to operate “Hudson Marketplace” in the Airport’s Central Terminal for a term of seven years.**

Request document(s): Commission agenda [memorandum](#) dated November 22, 2011, computer slide [presentation](#), and [draft lease and concession agreement](#) provided by James R. Schone, Aviation Business Development Director, and Deanna Zachrisson, Concessions Business Manager.

**Motion for approval of consent items 5a-5g – Albro**

**Second – Creighton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

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

- a. (00:15:55) Authorization for: (1) annual authorization for a total of \$56,500,000 including: (a) spending \$23,600,000 in 2012 for environmental remediation liabilities; and (b) obligating contracts (POs) valued at \$32,900,000 in 2012 for work that will be performed in later years. (2) Commission approval of the five-year spending plan of \$91,100,000 for the Environmental Remediation Liability Program for Seaport, Real Estate, and Airport for 2012 through 2016.**

Request document(s): Commission agenda [memorandum](#) dated November 22, 2011, and maps of environmental remediation liability sites at [north properties](#), [south properties](#), and [Aviation sites](#) provided by Stephanie Jones Stebbins, Seaport Environmental and Planning Programs Director, and Elizabeth Leavitt, Aviation Planning and Environmental Services Director.

Presenter(s): Kathy Bahnick, Environmental Programs Manager, and Don Robbins, Senior Environmental Program Manager.

Ms. Bahnick explained that, as a property owner, the Port of Seattle has environmental cleanup liabilities related to historic contamination, remediation of which can span from one to ten years or more. She stated that some of the locations referred to in projects cited in the agenda memorandum include remedial investigation and feasibility studies and cleanup projects at varying stages of design and implementation. Ms. Bahnick commented on staff’s attention to cost recovery for these projects, including receipt of Model Toxics Control Act grants for Terminal 117, Terminal 91, and the Lora Lake Apartments sites.

Although the authorization request is an annual request, Ms. Bahnick pointed out the inclusion of a five-year spending plan and stated that funds projected to be spent after 2012 would require further authorization by the Commission.

In response to Commissioner Creighton, Ms. Bahnick stated that while many of the remediation efforts are related to contamination that occurred prior to the Port's ownership of the subject property, there are examples of direct responsibility by the Port such as contamination from underground fuel storage tanks at the Airport and ongoing source-control mitigation affecting stormwater runoff.

Commissioner Tarleton remarked that environmental remediation values have increased significantly since 2008 due to the transition from assessment into cleanup. She stated that discipline would be required to ensure continued funding of the projected \$91 million over five years. She commented on the responsible approach of the Port to undertake the financial burden of cleaning up the affected properties.

Commissioner Creighton noted that much of the remediation cost stands to be recovered from responsible parties, and Commissioner Albro commented that the Commissioners have been briefed extensively on the details associated with the remediation costs.

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

**Second – Creighton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

- b. (00:23:28) Authorization for the Chief Executive Officer to proceed with construction of the Terminal 18 Pilot Pile Cap Repair and Maintenance Project using Port Construction Services, Maintenance crews, and small works contractors for an additional estimated cost of \$700,000, bringing the total authorized cost of this project to \$1,000,000. Expenditures incurred and payable in 2012 are included in the 2012 Operating Expense Budget (PID #104559).**

Request document(s): Commission agenda [memorandum](#) dated November 22, 2011, and pile cap [photo](#) provided by Scott Pattison, Seaport Asset Manager, and Anne Porter, Capital Project Manager.

Presenter(s): Mr. Pattison and Ms. Porter.

Mr. Pattison commented on a May 10, 2011, briefing by staff on pile cap deterioration and the Commission's authorization on May 24, 2011, for a pilot project to address pile cap repair and maintenance. He said the current request is for funding to execute the pilot project, which he said would be complete by mid-2012. In response to Commissioner Bryant, Mr. Pattison explained that the pilot project is intended to inform long-term pile cap repair and maintenance.

In response to Commissioner Creighton, Mr. Pattison reported that staff is working with the terminal operator to minimize disruption to terminal operations during the performance of the work.

**Motion for approval of item 6b – Albro**

**Second – Tarleton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

**7. STAFF BRIEFINGS**

**a. (00:28:20) Fishermen’s Terminal 20-Year Plan and Net Shed Briefing.**

Presentation document(s): Commission agenda [memorandum](#) dated November 28, 2011, land-use regulations and development zones [attachment](#), concept screening summary [attachment](#), and computer slide [presentation](#) provided by Melinda Miller, Portfolio Management Director; Darlene Robertson, Harbor Services Director; and Joseph Gellings, Seaport Senior Planner.

Presenter(s): Ms. Miller, Ms. Robertson, and Joe McWilliams, Real Estate Division Managing Director.

Mr. McWilliams reported that the starting point for planning at Fishermen’s Terminal is protection of the needs of the fishing community and that initial planning addresses the conditions of the net lockers and bringing them into compliance building and fire codes.

*[Clerk’s Note: The November 8, 2011, agenda memorandum for this briefing included the following additional background concerning required building and fire code compliance. It stated in part, “After inspecting the net sheds in April 2009 . . . the Seattle Fire Department (SFD) cited the Port for various City of Seattle fire and building code violations. Since receiving this citation letter, the Port has been working with the SFD and Department of Planning and Development (DPD) to develop a viable plan to bring all of the net sheds into compliance with the applicable fire and building codes as quickly as possible.”]*

Ms. Miller pointed out that planning for Fishermen’s Terminal includes feasibility drivers such as cost of construction, market demand, and time to execute plans. She outlined the planning effort for Fishermen’s Terminal, including an asset condition assessment, the net shed code compliance project, and a 20-year plan for the uplands and commented that the Port has invested approximately \$70 million in Fishermen’s Terminal over the past nine years. She noted the Real Estate division’s goal of long-term financial self-sustainability for Fishermen’s Terminal. In response to Commissioner Creighton, Ms. Miller clarified that current planning does not envision operational self-sufficiency for Fishermen’s Terminal.

Ms. Miller described the facility, noting over 26 acres of dry land, 21 existing buildings, including nine net sheds, and 690 parking spaces and commented on the importance that the Fishermen’s

Terminal upland facility meet the needs of the Port's customers and provide a reasonable return to the Port.

Commissioner Albro commented on the fishing and maritime industry cluster in Seattle representing \$4-5 billion in output and approximately 6,000 jobs. He stated that the asset at Fishermen's Terminal doesn't generate enough revenue to cover its operational and maintenance expenses and that it is important to balance the financial return of the asset while supporting the fishing and maritime industry.

In response to Commissioner Tarleton's request for information on zoning distinctions applicable to Port facilities, Ms. Miller explained that the industrial general (IG) zoning designations at Fishermen's Terminal are citywide designations that are applied differently based on location and interaction with the city's shoreline overlay.

Ms. Miller listed the planning goals at Fishermen's Terminal, including supporting the fishing industry, generating a financial return that justifies investment, and achieving maximum use of assets. She stated the asset condition assessment was begun in 2010, including lifecycle costs of in-water facilities, which found that structures at the terminal have reasonable life remaining. Ms. Miller outlined the current planning constraints, including city land-use codes that restrict non-water-dependent uses at Fishermen's Terminal to 40,000 square feet.

In response to Commissioner Creighton, Ms. Miller stated that, for planning purposes, staff assumed a stable fishing industry over a 20-year period.

Ms. Miller stated the core functions critical to support of the fishing fleet include provision of net sheds, an open yard area, and a net repair area, and she noted the planning constraint posed by poor soils at Fishermen's Terminal.

Ms. Miller described the applicable base zoning and shoreline overlay restrictions applicable at Fishermen's Terminal under city code and the city's implementation of the state's shoreline management program.

Ms. Miller outlined the planning outreach program, including involvement with the Fishermen's Terminal Advisory Committee, individual interviews, open houses, postcard surveys, and presentations to community and industrial groups. She noted a wide diversity of opinion gathered in the outreach process, which demonstrated a desire to maintain the industrial character of the area unimpeded by conflicting uses and noted suggestions of new compatible uses for the facility. Ms. Miller presented a screening summary of concepts introduced in the outreach process, in which some alternatives remained under consideration and others did not.

In response to Commissioner Albro, Ms. Miller explained the relative benefits and costs of pursuing rezoning of the property, which Commissioner Albro requested be kept in consideration by staff based on potential changes expected in the maritime industry over the next 20 years.

Commissioner Tarleton commented on the importance of maintaining the industrial character of Fishermen's Terminal and the importance of avoiding actions that conflict with the demonstrated

sentiment for Seattle to be central to the Pacific Northwest fishing industry. In response to Commissioner Creighton, Ms. Miller stated that additional potential uses identified in the outreach process represent stakeholder interest, but not necessarily economic viability. She explained that further market testing is intended later in the planning process.

Ms. Miller noted various options considered to fulfill the need for net sheds at Fishermen's Terminal in light of costs and relative benefit. She stated that 14 scenarios were considered for development of the overall site and presented four scenarios that would continue to have net positive value.

*Commission President Bryant was absent after 2:30 p.m., after which the meeting was chaired by Commission Secretary Creighton.*

Ms. Miller explained that all of the development scenarios assume demolition of the Seattle Ship Supply building, which would be more costly to rehabilitate than remove, and none of the scenarios include the cost of making the net sheds code-compliant, since that cost is still unknown. She presented Composite Scenario 1, which involves maintenance of the status quo at the site after removal of the Seattle Ship Supply building. She stated this scenario represents the baseline for purposes of comparing net present value of the various scenarios.

In response to Commissioner Albro, Ms. Miller confirmed that net present value is the revenue over time derived from the particular investment contemplated by a given scenario.

Ms. Miller presented Composite Scenario 2, including removal of the Seattle Ship Supply building and two net sheds and adding industrial flex space via a ground lease. In response to Commissioner Albro, Ms. Miller stated that with operational changes, two net sheds could be removed without reducing capacity. Commissioner Tarleton noted that this scenario would leave no expansion capacity for seasonal net shed use. In response to Commissioner Albro, Ms. Robertson estimated approximately five percent of the net sheds are leased to non-active fishermen for other uses.

Ms. Miller presented Composite Scenario 3, which involves ground leasing the current bank building on Emerson Street and an area near the waterfront. Composite Scenario 4 would involve ground leasing the current bank building and two adjacent net sheds in lieu of a waterfront area.

A table identifying the investment costs and net present value by asset for the four scenarios was presented. Ms. Miller also presented key development questions for Commission consideration regarding Commission preferences related to replacement of aging buildings and use of ground leases at Fishermen's Terminal. In response to Commissioner Tarleton, Mr. McWilliams provided several examples of local long-term ground leases. Commissioner Tarleton commented on the importance of maintaining appropriate industrial uses in the context of a long-term ground lease. Mr. McWilliams noted that the Port, as a public agency, is not in a position to subordinate the land in a ground lease to a lender.

Ms. Robertson reported on options available to bring the Fishermen's Terminal net sheds into compliance with current applicable codes. She described the original uses for the sheds and the



modifications that have been introduced over time, as well as incompatible uses that have gradually encroached into the sheds. She stated that the Port has been cited by the Seattle Fire Department for noncompliant conditions in the sheds and reported on various efforts by the Port to work collaboratively with tenants to correct code violations.

Four options for modification of the net sheds were presented, including various arrangements of the types of materials stored in the sheds with minimum aisle requirements, inclusion of mezzanine levels or false ceilings with specific fire sprinkler systems and venting, and the maximum heights allowed for storage of various commodity types. Ms. Robertson explained that there are considerations for storage of materials in proximity to those stored in adjacent sheds and development of storage master plans for the net sheds. She described the relative costs of construction and compliance management associated with the options presented.

Ms. Robertson stated Option 3, which is preferred by staff, allows for storage to a height of 15 feet of mixed commodities with installation of smoke and heat vents, false ceilings, and fire sprinklers, but does not require a storage master plan. She reported that the estimated project costs for Options 1, 2, 3, and 4 are estimated at \$2 million, \$8.4-9.1 million, \$5.8-6.4 million, and \$9.3-10 million, respectively. She outlined the factors for which Option 3 is preferred, including its resemblance to current net shed use, flexibility in meeting customers' storage needs, lack of a requirement to segregate stored materials, fewer challenging long-term enforcement requirements, lack of need for a storage master plan for all the net sheds, and fewest code compliance liabilities and lowest compliance cost over time. In response to Commissioner Albro, she added that Option 3 represents a high density of use of the net sheds compared with square footage.

Ms. Robertson outlined next steps, including refinement of an implementation plan, refinement of development scenarios with stakeholders, and eventual Commission authorization of a net shed code compliance project and development plan. Commissioner Tarleton commented on the importance of quantifying initial project construction cost compared to long-term operational cost for a given scenario.

In response to Commissioner Albro, Ms. Miller explained that building C-14 is a ground-leased asset not included in the development alternatives presented and that it is expected to remain leased after reverting to the Port. She added that the building is currently 90 percent leased. Commissioner Albro recommended that uses at Fishermen's Terminal be limited to uses that strengthen the fishing and maritime industry and he suggested strengthening the industrial uses might be a higher priority for stakeholders than preserving an industrial aesthetic.

## **8. NEW BUSINESS**

### **(01:37:50) Public Comment.**

Public Comment was received from the following individuals:

- Fred Felleman, Northwest Consultant for Friends of the Earth. Mr. Felleman commented in support of furthering the goals of the Puget Sound Partnership. He also commented on an International Maritime Organization certification process intended to reduce CO<sub>2</sub> levels from ships and suggested development of an incentive program to reduce ship

CO<sub>2</sub> emissions. Mr. Felleman commented on a proposed amendment to the Cruise Memorandum of Understanding by Friends of the Earth, People for Puget Sound, and the Puget Soundkeeping Alliance submitted to the Commission to create a no-discharge zone for cruise ship wastewater discharges.

**(01:42:36) Receipt of Annual Financial Report Award.**

Commissioner Creighton announced that the Port's 2010 Comprehensive Annual Financial Report has been awarded the Certificate of Achievement of Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada.

**(01:43:20) 2012 Budget Amendment.**

Regarding the November 22, 2012, Second Reading and Final Passage of the Port's 2012 Budget Resolution No. 3654, Commissioner Tarleton commented that she was concerned that the phrasing of the amendment adopted to reduce the tax levy amount was not clear to her at the time it was being discussed and voted upon. She explained that the amendment changed the assumption of the amount of tax levy funding represented in the five-year plan of finance for 2012-2016. She stated her interpretation of the amendment language was that only the amount of tax levy collected for 2012 would be reduced, and that the plan of finance for 2013-2016 would remain unchanged. She stated if she had understood the amendment to reduce the tax levy assumption for the entire period of 2012-2016, she would not have voted in favor of the 2012 budget.

**9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the special meeting was adjourned at 3:12 p.m.

Tom Albro  
Secretary

Minutes approved: February 28, 2012.