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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 REGULAR MEETING JUNE 5, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, June 5, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present.

**1. CALL TO ORDER**

The regular meeting was called to order at 12:01 p.m. by Gael Tarleton, Commission President.

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

The regular meeting was immediately recessed to an executive session estimated to last approximately 60 minutes to discuss matters relating to legal risk, sale or lease of real estate, and performance of a public employee. Following the executive session, which lasted approximately 55 minutes, the regular meeting reconvened in open public session at 1:12 p.m.

**PLEDGE OF ALLEGIANCE**

**3. (00:01:58) APPROVAL OF MINUTES**

Regular meetings of April 3, 2012, and April 10, 2012.

**Motion for approval of minutes for the regular meetings of April 3, 2012, and April 10, 2012 – Albro**

**Second – Bryant**

**Motion carried by the following vote:**

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

**4. SPECIAL ORDERS OF BUSINESS**

**4a. (00:01:25) Commission Activities Report.**

Presentation document(s): Commission agenda [memorandum](#) dated May 29, 2012, provided by Mary Gin Kennedy, Director of Commission Services.

Commissioner Tarleton summarized the Commission's activities for the month of May, including Century Agenda outreach activities, legislative testimony, Port-related travel, meetings with the Washington State Transportation Commission and Washington Public Ports Association, and various other public appearances.

**4b. (00:04:48) Reserve Sailor of the Year: Sergeant Doug Newman, Port of Seattle Police Department.**

Presentation document(s): Commission agenda [memorandum](#) dated May 25, 2012, and computer slide [presentation](#) provided by Colleen Wilson, Port of Seattle Police Chief.

Presenter(s): Chief Wilson.

Chief Wilson commented that the first promotion she had made as Port of Seattle Police Chief was to promote police officer Doug Newman to sergeant. She reported that Sergeant Newman was selected as Navy Reserve Sailor of the Year. She commented on Sergeant Newman's work starting the Port of Seattle Police Department's gang unit and his embodiment of the Navy Reserve motto "Ready now – anytime, anywhere." She summarized the process of becoming Sailor of the Year and commented on the important work Reservists do when they are called to serve. Sergeant Newman thanked the Commission and the Chief Executive Officer for their support and commented on the role of supportive employers in reinforcing the mission of the Navy Reserve.

Sergeant Newman is a Master-at-Arms First Class (SCW/FMF) in the U.S. Navy Reserve. His enlisted warfare designations are Seabee Combat Warfare Specialist and Fleet Marine Force Warfare Specialist.

**5. (00:14:20) UNANIMOUS CONSENT CALENDAR**

**5a. Authorization for the Chief Executive Officer to execute a lease for a five year and two month term substantially as drafted in Attachment 1 and according to the terms laid out in this memorandum at a fair market rate, with Wounded Warrior Project at Pier 66 and to reimburse the tenant in an amount not to exceed \$137,284 for tenant improvements of \$112,769 and the brokerage commission of \$24,515.**

Request document(s): Commission agenda [memorandum](#) dated May 29, 2012, and lease [agreement](#) provided by Melinda Miller, Director, Portfolio Manager; and Patricia Spangler, Real Estate Manager.

**5b. Authorization for the Chief Executive Officer to execute one two-year lease option as provided for in the Lease and Concession Agreement with Massage Bar Inc. The total lease term, if the option is exercised, is seven years.**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, terminal [diagram](#), and news [article](#) provided by James R. Schone, Director, Aviation Business Development; and Deanna Zachrisson, Manager, Aviation Concessions Business.

**5c. Authorization for the Chief Executive Officer to execute one two-year lease option as provided for in the lease and concession agreement with butter LONDON Inc. The total lease term, if the option is exercised, is seven years.**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, and terminal [diagram](#) provided by James R. Schone, Director, Aviation Business Development; and Deanna Zachrisson, Manager, Aviation Concessions Business.

**5d. Authorization for the Chief Executive Officer to authorize all work, execute indefinite delivery, indefinite quantity (IDIQ) contracts and all service directives and amendments for personal services to support the concession tenant-funded joint concession marketing program. The total combined value of all of these procurements is estimated at \$1.75 million for contracts whose terms range from three to five years in duration.**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, [exhibit A](#), and signage [sample](#) provided by James R. Schone, Director, Aviation Business Development; and Deanna Zachrisson, Manager, Aviation Concessions Business.

**5e. Authorization for the Chief Executive Officer to execute indefinite delivery, indefinite quantity (IDIQ) contracts for environmental site management support services for both the Seaport Environmental and Aviation Environmental programs. Four IDIQ contracts will be issued for the not-to-exceed amount of \$1,500,000 each with a three-year contract ordering period for a total maximum value of \$6,000,000. No funding is associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, provided by Robert Duffner, Senior Manager, Aviation Environmental Programs; Don Robbins, Senior Environmental Program Manager, Aviation Environmental Programs; Kathy Bahnick, Manager, Seaport Environmental Programs; and Brick Spangler, Environmental Program Manager, Seaport Environmental Programs.

**5f. Ratification of Port of Seattle actions related to purchasing contracted airport snow removal services at Seattle-Tacoma International Airport during the snow and ice storm the week of January 15, 2012.**

Request document(s): Commission agenda [memorandum](#) dated May 10, 2012, provided by John Christianson, General Manager, Aviation Maintenance.

**Motion for approval of consent items 5a, 5b, 5c, 5d, 5e, and 5f – Bryant**

**Second – Creighton**

**Motion carried by the following vote:**

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

**(00:15:14) PUBLIC TESTIMONY**

As noted on the agenda, public comment was received from the following individuals:

- Bob Sheckler, Des Moines City Councilmember. Mr. Sheckler commented in support of agenda item 6c as an example of a good public-private partnership and thanked all the parties for their cooperation on the project.
- David Namura, Local Government and Community Relations Manager for Puget Sound Energy. Mr. Namura commented on the strong partnership between the Port and Puget Sound Energy and his support of agenda item 6c.
- Stefan Moritz, Director of Strategic Affairs for Unite Here Local 8. Mr. Moritz spoke in opposition to agenda item 6a, due to the lack of a comprehensive plan for the concessions program at the Airport and potential loss of business for other concessionaires in the area surrounding the proposed McDonald's. He commented further on a joint meeting of the House Labor and Workforce Development and the Senate Labor, Commerce, and Consumer Protection Committees held on May 31, 2012, on the topic of the Airport concessions program. He submitted a copy of responses to information provided at the State legislative hearing, which is, by reference, made a part of these minutes, is marked [exhibit A](#), and is available for inspection in Port offices. Mr. Moritz questioned the accuracy of numbers presented at the hearing by Port staff regarding growth of represented jobs at the Airport under the current concessions program.
- At the request of the Commission Services Director, email correspondence from State Government Relations Manager Clare Gallagher dated June 5, 2012, describing the Port's methodology for determining the growth in represented jobs at the Airport since 2003 was entered into the record. A copy of the email is, by reference, made a part of these minutes, is marked [exhibit B](#), and is available for inspection in Port offices.
- Robert Comiskey, Owner/Operator of the Comwell Company, doing business as McDonald's. Mr. Comiskey spoke in favor of agenda item 6a, commented on appealing to the segment of passengers currently not making any purchases from Airport concessions, mentioned the 60 new jobs his franchise would create at the Airport, and noted the advancement opportunities for and importance of his employees.
- Angela Shim, employed by McDonald's. Ms. Shim spoke in favor of agenda item 6a and commented on the desire of her team to contribute to the Airport's standards of excellence. She noted the availability of nutritious food, fast service, and employee empowerment represented by Mr. Comiskey's McDonald's franchise.
- Commissioner Tarleton read a letter dated June 2, 2012, from Fishermen's Terminal Advisory Committee Chair David Harsila regarding endorsement of staff's proposal found in agenda item 6f. A copy of the letter is, by reference, made a part of these minutes, is marked [exhibit C](#), and is available for inspection in Port offices.

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

- 6a. (00:27:55) Authorization for the Chief Executive Officer to negotiate and execute a lease and concession agreement with McDonald's Corporation to operate a restaurant in a currently vacant location on Concourse B for a term of 12 years. The draft lease**

**(Exhibit E) is not necessarily the final version and is subject to negotiation within the stated parameters provided in this memorandum.**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, request for interest response [form](#), terminal [diagram](#), computer slide [presentation](#), McDonald's fact [sheet](#), and draft lease and concession [agreement](#) provided by James R. Schone, Director, Aviation Business Development; and Deanna Zachrisson, Manager, Aviation Concessions Business.

Presenter(s): Ms. Zachrisson.

Ms. Zachrisson presented the proposal for the concessions lease, noting the steps taken by staff since originally presenting the request in March 2012 to validate that it is a fair and sound proposal. She noted the presence of only one existing quick-serve hamburger concept at the Airport, where Central Terminal concessions are over capacity and experiencing loss of business due to customers abandoning waiting lines ("walk-offs"). She stated the proposed space for McDonald's has been vacant for a long time, producing no revenue for the Airport, and summarized the wages, benefits, and advancement opportunities available to McDonald's employees who would work at the location.

Ms. Zachrisson described the proposal as a thoughtfully negotiated and competitive deal, and summarized the percentage rent, term length, and investment requirement for the lease. She noted that the terms were consistent with other direct leases of food service establishments in the Central Terminal, except that the minimum annual rent guarantee during the first year of \$280,000 required of McDonald's was not imposed on other lessees. She explained that the minimum required investment amount of \$2 million is more than twice that required of other quick-serve operators and noted that the Airport's new concessions program consultant estimated first-year sales for an Airport McDonald's between \$3.1 million and \$3.6 million.

Ms. Zachrisson reported that McDonald's is a desired concession by travelers that will take advantage of the untapped sales potential of the 25 percent of travelers who currently make no purchases in the Airport and 39 percent who make no food purchases at the Airport, and she stated there is capacity for a McDonald's at the Airport. She described staff efforts to verify the validity of the proposed lease, including issuance of a request for interest to national and local quick-serve vendors, none of whom showed interest in the subject location.

Ms. Zachrisson described a new financial analysis of the effects of introducing a McDonald's into the Airport concessions program on surrounding businesses. She reported that the Port's consultant confirmed the assessment of staff that the two food-service concessions nearest the McDonald's location would not be affected by addition of a McDonald's due to the fact that over half the sales at the two locations are from alcohol. She summarized new financial analysis that projected the percentage loss of sales necessary to other Central Terminal and Concourse B food concessions in order for the introduction of McDonald's to create a neutral or slightly negative effect on overall concessions sales and Port revenues. She acknowledged that an initial 12-month sales disruption was likely due to the McDonald's being a new offering, but that afterward, sales numbers are expected to settle into a more long-term pattern in which sales overall are expected to be higher than before.

Ms. Zachrisson summarized the anticipated results of approval of the lease with McDonald's, including continued competitiveness of the Central Terminal; relief of Central Terminal congestion; no impact to the bars near McDonald's; increased competition for the two quick-serve concessions on Concourse B, for which Port staff is preparing to provide assistance; provision of a desired choice for travelers; increase of sales to passengers not previously making purchases; and addition of new jobs while providing a financial benefit to the Port.

Ms. Zachrisson presented a diagram of the quick-serve restaurants on Concourse B in relation to the location of the proposed McDonald's. Of these, she said all except Quizno's are directly operated by HMS Host, and that Quizno's is an HMS Host sub-tenant. Ms. Zachrisson stated that staff is committed to the success of Quizno's and believes that with improved signage and the continued benefits of national advertising and corporate support, Quizno's can successfully compete with McDonald's.

Commissioner Holland commented on a pending Commission motion on Airport Concessions Disadvantaged Business Enterprises (ACDBEs) and stated that he would support the McDonald's lease based on his expectation that the ACDBE motion, which includes provisions for lease extensions for ACDBE businesses, would be passed later in the month.

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

**Second – Albro**

Commissioner Creighton commented on the potential for lost revenue to businesses surrounding the proposed McDonald's and the need for financial analysis that considers bankruptcy of concessions competing with McDonald's. He stated he was concerned about extending a 12-year lease that would remove McDonald's from negotiations during the major concessions transition planned to occur in the next few years. He said he would support the proposal provided staff works to assist competing concessions and provides quarterly reports on the status of the surrounding concessionaires.

Commissioner Tarleton commented on the need for the concessions program to reflect the values of the Commission's policy direction for development of the Airport concessions program as adopted February 14, 2012. She stated the Commission wants union jobs, equal opportunity for disadvantaged business enterprises, and success for all concessions parties and added that the Port has an obligation to these values as a public agency and that disadvantaged businesses are not able to compete equally due to the conditions unique to the Airport environment.

The question recurred on the motion by Commissioner Holland, seconded by Commissioner Albro, for approval of agenda item 6a.

**Motion carried by the following vote:**

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

**Opposed: Tarleton (1)**

- 6b. (00:49:45) Authorization for the Chief Executive Officer to: A: For CIP #C800412, (1) advertise for construction bids and execute construction contracts and (2) execute contracts to purchase furnishings and casework for the South Satellite Concessions Project at Seattle-Tacoma International Airport (Airport). This authorization is for \$2,185,700 of a total estimated project cost of \$2,535,700; and B: For CIP #C800466, (1) advertise for construction bids and execute construction contracts and (2) execute contracts to purchase furnishings and casework for the South Satellite Additional Gate Lobby Project at the Airport. This authorization is for \$930,000 of a total estimated project cost of \$1,344,000. The total combined authorization request for both projects is for \$3,115,700 of a total combined estimated project cost of \$3,879,700.**

Request document(s): Commission agenda [memorandum](#) dated May 29, 2012, and computer slide [presentation](#) provided by Wayne Grotheer, Director, Aviation Project Management Group; James R. Schone, Director, Aviation Business Development; and Mike Ehl, Director, Airport Operations.

Presenter(s): Deanna Zachrisson, Manager, Aviation Concessions Business; and Sean Anderson, Capital Project Manager.

Ms. Zachrisson summarized the projects affected by the request, noting the effects of consolidation of operations by Delta and Northwest Airlines on gate lobby space at the South Satellite, and the impacts of escalator installation on the gate lobbies and duty-free concession in the South Satellite. Ms. Zachrisson described the proposal, which would relocate, update, and enlarge the duty-free store, remove underutilized restrooms, reconfigure gate podiums, create a common gate lobby, and introduce space for a 1,500 square-foot full-service restaurant.

In response to Commissioner Tarleton, Ms. Zachrisson estimated the new duty-free location would open by June 2013 and the restaurant would be included in the concessions master plan.

Commissioner Creighton commented on his concerns over proceeding with a request for proposals for leasing the duty-free concession without resolving a worker retention component and stated he would not support the current project authorizations. He acknowledged that the concessions and gate lobby construction projects would be needed regardless of the outcome of the duty-free concessions lease request for proposals but stated the projects are not critical-path projects.

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

**Second – Albro**

**Motion carried by the following vote:**

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

**Opposed: Creighton (1)**

- 6c. (01:01:48) Authorization for the Chief Executive Officer to execute, substantially consistent with the terms described in this memorandum: (i) a ground lease and related agreements with Puget Sound Energy Inc. (PSE) and Benaroya Capital Co. LLC**



or an affiliated entity (Benaroya); and (ii) a Second Development Agreement with the City of Des Moines (City), including authorization to pay the City \$6 million to fully satisfy all frontage improvements in-lieu fees that will become due as the Des Moines Creek Business Park (DMCBP) site is developed. The Port's actual out-of-pocket expenses from the proposed ground lease are anticipated to total approximately \$545,000. The Port will also provide rent credits to PSE in an amount not to exceed \$1.836 million for stormwater and street improvements benefitting both PSE's leased premises and the larger DMCBP site that Benaroya will construct as part of the project.

Request document(s): Commission agenda [memorandum](#) dated May 29, 2012, site [plan](#), draft lease [agreement](#), draft development [agreement](#), and computer slide [presentation](#) provided by Mark C. Griffin, Director, Real Estate Development.

The Port Commissioners having reviewed the request documents previously, no presentation was made at this time.

**Motion for approval of item 6c – Bryant**

**Second – Creighton**

**Motion carried by the following vote:**

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

**6d. (01:03:35) Authorization for the Chief Executive Officer to: (1) utilize 0.16 acres (6,900 square feet) of Port-owned commercial waterway district property for shoreline rehabilitation project in the Duwamish Waterway in conjunction with 0.17 acres (7,450 square feet) of City of Seattle right-of-way on South Riverside Drive; (2) obtain permit approvals for shoreline rehabilitation project; and (3) approve the expenditure of funds from Washington State Department of Transportation for use by Port crews to construct a shoreline rehabilitation project for an estimated construction cost of \$250,000, which will be reimbursed 100 percent with state funds. This project is being accomplished through an existing contract with the Washington State Department of Transportation, which expires on December 31, 2012.**

Request document(s): Commission agenda memorandum dated May 24, 2012, site plans, State Environmental Policy Act checklist, and Amendment No. 2 to Agreement No. GCA 5246 provided by Stephanie Jones Stebbins, Director, Environmental and Planning Services; Paul Meyer, Manager, Environmental Permitting and Compliance; George Blomberg, Senior Environmental Program Manager.

Presenter(s): Mr. Blomberg.

Mr. Blomberg reported that the project is a good opportunity to model Duwamish habitat restoration on a small scale and begin work toward the habitat restoration goals of the Century Agenda. He stated the work will create public access to the shoreline and is compatible with existing industrial uses in the area. He commented on the opportunity the project provides to work with citizens groups and the City of Seattle.



In response to Commissioner Albro, Mr. Blomberg clarified the general location of the project near the intersection of South Portland Street and Eighth Avenue South, just north of construction of the new South Park Bridge and opined that public access and habitat restoration at the site would be compatible. Mr. Blomberg noted similarities with the successful integration of public access and habitat restoration at Terminal 105.

In response to Commissioner Tarleton, Mr. Blomberg explained that state funds for the project come from mitigation measures for I-5 and I-405 transportation projects, and noted participation by the Muckleshoot Indian Tribe.

**Motion for approval of item 6d – Bryant**

**Second – Holland**

**Motion carried by the following vote:**

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

**6e. (01:13:37) Authorization for the Chief Executive Officer to change the scope of this previously authorized project as follows: (1) remove the replacement of the passenger loading bridge (PLB) at Gate N3 as originally authorized; (2) proceed with design, purchase and installation of one new PLB and associated fixed walkway section at Gate S3; and (3) add the refurbishment of the fixed walkway section at Gate S12 at Seattle-Tacoma International Airport. No new budget is requested in association with these actions (CIP #C800267).**

Request document(s): Commission agenda [memorandum](#) dated May 25, 2012, and [attachment](#) provided by John Christianson, General Manager, Aviation Maintenance; and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Stuart Mathews, Senior Manager, Aviation Maintenance; and Alan Olson, Capital Project Manager.

Mr. Mathews explained that implementation of the NorthSTAR project had required the removal of one passenger loading bridge at Gate N3 from CIP #C800267 and that the additional new loading bridge required at Gate S3 that was originally considered a candidate for rehabilitation had been discovered to require replacement. He added that new information precipitated the additional scope related to fixed bridges at Gates S3 and S12.

Mr. Olson described the project's original scope of work and described the factors affecting the change of scope, including the loading bridge at Gate S3 lacking an articulating cab floor and uncertainty in the configuration of the loading bridge at Gate N3 due to the advent of the NorthSTAR project. He stated that the inclusion of fixed walkway replacements at Gates S3 and S12 were elected in concert with these changes and noted the changes do not alter the requested authorization amount.

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

**Second – Holland**

**Motion carried by the following vote:**

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

**6f. (01:19:12) Authorization for the Chief Executive Officer to proceed with design, permitting, and project management for recommended Option 3 for the Fishermen’s Terminal Net Sheds Building Code Compliance Improvements in the amount of \$650,000. Staff will return to Commission at the end of 2012 with additional design and cost information including construction details. The preliminary estimated total project cost is \$4,700,000 for seven net shed buildings to \$6,000,000 for all nine net shed buildings per the recommended storage Option 3.**

Request document(s): Commission agenda [memorandum](#) dated May 30, 2012, City of Seattle citation [letter](#), and computer slide [presentation](#) provided by Darlene Robertson, Director, Harbor Services, Real Estate Division; and Melinda Miller, Director, Portfolio Management, Real Estate Division.

Presenter(s): Ms. Miller and Ms. Robertson.

Ms. Miller reported on use of the net yard at Fishermen’s Terminal and the importance of the net sheds to the Port’s customers at Fishermen’s Terminal. She summarized various options for configuration of the net sheds that failed to promise adequate return on investment due to the high cost of construction at Fishermen’s Terminal and the low level of revenue produced by the net shed use. She commented on development of alternative options for the net sheds as part of the 25-year plan for Fishermen’s Terminal and noted the proposed demolition of two net shed buildings as a component of all scenarios.

Ms. Robertson described conditions and uses of the net sheds, noting that the sheds were originally designed for drying cotton fishing nets but, with the advent of nylon nets, the use of the sheds has evolved toward high-pile storage of mixed commodities. She reported on a 2009 citation by the City of Seattle due to ad hoc construction of loft structures by tenants, storage of hazardous materials, and noncompliant comingling of mixed commodities.

Ms. Robertson described implementation of a pilot storage program in which loft structures were removed and 31 units were installed with storage racks to accommodate tenant storage needs. In response to Commissioner Tarleton, Ms. Robertson stated there are 250 units that have to be brought into compliance. She noted that the pilot project did not address all the code compliance issues for which the Port had been cited. In response to Commissioner Albro, Ms. Robertson commented that the pilot project most closely resembled staff’s option number 1 as outlined in the request documents, but emphasized that the pilot project did not achieve code-compliant conditions. She stated that a consultant was secured to advise on development of a code-compliant solution for the sheds and that planning was aimed at avoiding the triggering of additional code requirements, such as for seismic stability.

Ms. Robertson summarized four options for bringing the net sheds into compliance with fire and building codes, as presented to the Commission on December 6, 2011. She noted that Option 3 most closely matches the way in which commodities are currently stored in the net sheds. In response to a previous request from the Commission, Ms. Robertson presented potential storage volumes for each of the four options using Net Shed No. 10 as a typical example. Commissioner Albro noted that the current typical use of a unit's gross volume of 15-30 percent is comparable to the range of maximum gross volume available with implementation of Option 1. In response to Commissioner Albro, Ms. Robertson reported that during the pilot project, there was adequate space to return the contents of the storage units after rack installation, although there was no consideration given to code-compliant segregation of hazardous or mixed commodities and opportunities were provided to tenants to dispose of materials free of charge.

Ms. Robertson noted that although Option 1 is the lowest-cost alternative, it provides the lowest gross storage volume of the options considered, requires segregation of commodities, implementation of a storage master plan for each net shed building, and a higher level of enforcement to ensure compliance. She summarized Option 3, which provides the largest storage volume of the four alternatives, requires no segregation of commodities, involves no storage master plan, and requires a lower level of ongoing enforcement. She noted that the Fishermen's Terminal Advisory Committee has endorsed the use of Option 3.

Ms. Robertson contrasted risk management analysis of Options 1 and 3, noting that Option 1 creates a higher burden of risk to the Port by necessitating additional training for compliance oversight, requires more complicate enforcement policies and procedures, and creates potential for more widespread damage in the event of a fire.

Ms. Robertson reported that staff recommends adoption of Option 3, although not the least expensive option, because it provides the most storage volume, closely matches tenants' current storage patterns, does not require segregation of commodities or a storage master plan for each net shed building, and will be easier and less expensive to enforce.

Next steps were summarized, including Commission project approval in the first half of 2013, with construction to commence fall of 2013 and continue through 2015.

Commissioner Albro opined that the recommended option is not the most advisable path because Option 1 is the cheapest alternative and will provide sufficient, if not maximum, storage volume. He asserted that removing and restoring items in the net sheds would result in removal of many items, that the Port has proven it can work with tenants to change current storage patterns, that Option 1 would be able to be implemented incrementally, and that the tenants are prepared and able to comply with the necessary commodities segregation required by Option 1.

Commissioner Albro noted that ongoing compliance costs of roughly \$80,000 per year should be compared to the project cost difference between Options 1 and 3 of approximately \$4 million. He commented on the tax levy as the funding source, the lack of a Fishermen's Terminal 25-year plan, and uncertainty as to how the project would correspond to Century Agenda goals.

Ms. Robertson commented on the reduction of storage space that will result when commodities in the net sheds are segregated. Tim Leonard, Seaport Capital Project Manager, clarified that although the pilot project mimics Option 1 from a cost perspective, the storage arrangement reflected by the pilot project most closely matches Option 3. He added that practical considerations, such as maneuvering space and the need for heavier items to be relocated above lighter materials would make implementation of Option 1 unfeasible.

Commissioner Tarleton commented on the importance of selecting the option that provides the best long-term value, not necessarily the lowest cost, the need to consider the effects of disrupting work of fishermen at Fishermen's Terminal, and the Port's liability risks associated with the net sheds and stated she supported Option 3.

Commissioner Albro stated his preference for Option 1 and that choosing to implement Option 1 would not preclude changing later to embrace Option 3 if Option 1 turns out to be unworkable. He added that selecting Option 1 would preserve \$4 million for other reinvestment in Fishermen's Terminal.

**Motion for approval of item 6f – Holland**

**Second – Tarleton**

**Motion failed to pass; the vote was as follows:**

**In Favor: Holland, Tarleton (2)**

**Opposed: Albro, Bryant, Creighton (3)**

Commissioner Albro proposed the following alternative motion:

**Motion to authorize the Chief Executive Officer to proceed with design and permitting to implement alternative Option 1 for the Fishermen's Terminal Net Sheds Building Code Compliance Improvements as described in the request documents submitted for agenda item 6f in the amount of \$650,000. The design will include examination of the risks if Option 1 is found to be insufficient to meet the needs of the fishing industry. This authorization does not include approval for demolition of net sheds.**

**Second – Creighton**

Commissioner Bryant commented that pursuing Option 1 at this time does not preclude later pursuing Option 3 if Option 1 is found not to meet the needs of the fishing industry.

Upon inquiry of General Counsel Craig Watson, Commissioner Tarleton clarified that the authorization amount would remain at \$650,000. It was recommended by Commissioner Tarleton that the authorization include examination of the risks during the design phase should Option 1 not be sufficient.

Ms. Robertson noted that under the current motion, staff would pursue design of Option 1, and that if Option 1 were found to be inadequate, additional design work would potentially be required to plan for a different alternative.

In response to Ms. Miller, Commissioner Albro stated a 25-year plan for Fishermen's Terminal should not be proposed prior to establishing the Century Agenda goals relevant to Fishermen's Terminal. In response to Ms. Robertson, Commissioner Tarleton clarified that the motion on the floor does not include authorization for demolition of net shed buildings.

Chief Executive Officer Yoshitani stated that staff would determine and report to the Commissioners on an appropriate mechanism by which to determine whether Option 1 would be considered not to be viable.

The question recurred on approval of the motion made by Commissioner Albro and seconded by Commissioner Creighton to authorize the Chief Executive Officer to proceed with design and permitting to implement alternative Option 1 for the Fishermen's Terminal Net Sheds Building Code Compliance Improvements as described in the request documents submitted for agenda item 6f in the amount of \$650,000. The design will include examination of the risks if Option 1 is found to be insufficient to meet the needs of the fishing industry. This authorization does not include approval for demolition of net sheds.

**Motion carried by the following vote:**

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

**6g. (02:13:42) Authorization for the Chief Executive Officer to execute a Memorandum of Understanding (MOU) memorializing the pension rehabilitation plan agreement between the Port of Seattle and the International Brotherhood of Electrical Workers, Local Union No. 46 representing Electronic Technicians effective upon execution, and retroactive to December 1, 2011, through May 31, 2014. The total overall additional cost to the Port for the term of this MOU is \$57,867 covering all employees.**

Request document(s): Commission agenda [memorandum](#) dated May 30, 2012, and copy of the [MOU](#) provided by Lisa Hornfeck, Labor Relations Manager.

Presenter(s): Ms. Hornfeck.

Ms. Hornfeck reported that the requested authorization would provide for supplemental pension funding for electronic technicians. She explained that the memorandum of understanding would expire at the end of the current collective bargaining agreement, at which time there would be a review of the health of the pension and status of the pension rehabilitation plan. In response to Commissioner Albro, Ms. Hornfeck reported that there are employer representatives on the pension trust. She added that the Port is currently evaluating the status of 10 multiple-employer defined contribution pension plans and the extent of the Port's liability with respect to the plans and noted the collaborative efforts of the union and employees to address the pension underfunding.

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

**Second – Bryant**

**Motion carried by the following vote:**

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

- 6h. (02:18:47) Authorization for the Chief Executive Officer to execute a memorandum of understanding (MOU) between the Port of Seattle and the International Brotherhood of Teamsters, Local Union No. 117 representing Non-Sworn Supervisors effective March 26, 2012, through December 31, 2013. The MOU modifies the Non-Sworn Supervisors Collective Bargaining Agreement – Police Administrative Supervisor Hours of Work, Meal Period, and Wages. The total additional estimated cost to the Port for the MOU is \$11,391.81 over the 21-month period.

Request document(s): Commission agenda [memorandum](#) dated May 30, 2012, and copy of the [MOU](#) provided by Trish Murphy, Labor Relations Manager.

Presenter(s): Kim Ramsey, Labor Relations Manager.

Ms. Ramsey reported that the modifications to the collective bargaining agreement were necessary to increase the hours of work for one police administrative supervisor and to better align the position's hours of work with those of the supervisor's subordinates.

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

**Second – Creighton**

**Motion carried by the following vote:**

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

- 6i. (02:21:22) **Second Reading and Final Passage of [Resolution No. 3663](#): A Resolution of the Port Commission of the Port of Seattle restating the Port of Seattle Statement of Investment Policy; authorizing its implementation by the Treasurer of the Port and Repealing Resolutions No. 3569 and No. 3589 in their entirety.**

Request document(s): Commission agenda [memorandum](#) dated May 29, 2012, Resolution [No. 3663](#), proposed [Statement of Investment Policy](#), and [redline](#) version of proposed Statement of Investment Policy provided by Craig J. Kerr, Treasury Manager.

The Port Commissioners having reviewed the request documents previously, no presentation was made at this time.

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

**Second – Creighton**

**Motion carried by the following vote:**

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

## **7. STAFF BRIEFINGS**

- 7a. (02:22:45) Briefing on the Port Property Insurance Renewal for the Policy Year Beginning on July 1, 2012.

Presentation document(s): Commission agenda [memorandum](#) dated May 30, 2012, and computer slide [presentation](#) provided by Jeff Hollingsworth, Risk Manager.

Presenter(s): Mr. Hollingsworth.

Mr. Hollingsworth announced the selection of Hugh Wood Inc. as the Port's broker for procuring property insurance. Mr. Hollingsworth summarized the Port's current property insurance structure, noting main limits and major deductibles per occurrence. He presented a summary of property insurance costs over the past 12 years and noted insurance cost-containment measures.

In response to Commissioner Albro, Mr. Hollingsworth stated that insurance rates have recently increased most in the area of catastrophic coverage and noted that the main driver of Port insurance costs is the growth of the Port's asset base.

Mr. Hollingsworth commented on the challenges associated with carrying earthquake coverage, which he stated represents low limits compared to the Port's value at risk but imposes a high carrying cost in the form of premiums based on percentage of value at risk.

Mr. Hollingsworth estimated the property insurance renewal would cost \$1.5 million, the final amount of which would depend on final adjustment of insured property values, final estimation of capital projects for 2012-2013, and any changes to the program structure of deductibles and limits.

**8. NEW BUSINESS**

None.

**9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 3:45 p.m.

Tom Albro  
Secretary  
Minutes approved: July 24, 2012.