

PORT COMMISSION MEETING – May 9, 2007

The Port of Port Townsend Commission met in regular session in the Commission Chambers, Hudson Point Administration Building, 375 Hudson St, Port Townsend, WA.

Present: Commissioners – Beck, Sokol, Thompson
Executive Director – Crockett
Deputy Director – Pivarnik
Auditor – Taylor
Senior Accountant/Recorder – Hawley
Attorney – Harris
Absent: Marine Facilities Director – Radon

I. CALL TO ORDER

The meeting was called to order at 1:00 PM.

II. APPROVAL OF AGENDA

The agenda was revised as follows: the addition to Old Business of Item D - Aircraft Hangar Buildup, and under New Business the addition of Item B. – Puget Sound Energy Contract for Underground Utilities at Hudson Point.

The meeting time for the 5/23/07, Regular Meeting was corrected from 7:00 PM to 6:30 PM.

Upon motion of Commissioner Beck, the revised agenda was unanimously approved.

III. CONSENT AGENDA

A. Approval of Minutes – 4/25/07

B. Approval of Warrants

#36764 through #36767 in the amount of \$144,173.87

#36768 through #36797 in the amount of \$35,100.00

#36798 through #36807 in the amount of \$46,782.92

#36808 through #36868 in the amount of \$65,587.21

C. Resolution No. 488-07 – Authorizing Sale of Abandoned Vessels

A change was noted on page 2 of the 4/25/07 minutes as presented in the Commission Packet beginning with “House Bill #2404 would prevent Ports from the use of eminent domain and would repeal the Industrial Development Corporation District Legislation”.

Upon motion of Commissioner Beck, the Consent Agenda with changes was unanimously approved.

IV. PUBLIC COMMENTS (Not related to agenda)

None

V. OLD BUSINESS:

A. JCIA Based Aircraft Inventory:

Mr. Crockett informed that the FAA was in the process of changing the process in which annual entitlement funding was disbursed to general aviation airports. At present, the annual allocation to all airports was \$150,000. The proposed changes (if the legislation passed Congress) would fund airports based on the number of home-based aircraft for each airport. The new legislation (to be started in 2008) would provide four levels of entitlement funding. #1 those with 100 or more based aircraft would receive \$400,000; #2 – 70 – 100 based aircraft would receive \$200,000; #3 40 – 70 based aircraft would receive \$100,000 and #4 -40-to below 10 based aircraft nothing. Additionally, stated Mr. Crockett, the fund uses, which previously had been very narrow, would be broadened to include maintenance of horizontal surfaces, paving, striping, lighting, navigational aids, etc.

Mr. Crockett informed that the FAA had a database in which all pilot licenses were listed and that all planes were registered with an N number; however, the FAA database did not link the actual physical location with the N number. The Port, to meet the new funding requirement, had been directed to provide a listing of the planes located at the airport with their N numbers. Mr. Crockett stated that the 100 + aircraft limit had been met and that the information had been sent to the FAA by May 1st deadline. He stated the process would be repeated annually and suggested that the Airport Rules and Regulations should be updated to include another line or to two to codify that an annual inventory of planes present would be made.

Discussion followed regarding the Condo Association by-laws; “through the fence” operators (those business operators who did not have a lease with the Port but who desired to work on aircraft or at the airport); the FAA requirement for those operators to obtain minimum liability insurance and, finally, that the FAA encouraged airports to charge those businesses a fee for the privilege of working on the airport premises.

Commissioner Sokol inquired if the additional annual allotment would move the Port ahead on the non-precision approach schedule.

Mr. Pivarnik informed that the schedule for the non-precision approach system was because the FAA had 92 airports to update within the next two years.

Mr. Crockett informed that another FAA requirement would be to move the beacon over the south side of the airport, which would cost, approximately, \$30,000 to \$40,000.

B. Munitions Investigation Update:

Mr. Crockett provided history regarding this topic and related the meeting he had attended in Olympia with the Department of Ecology. He stated that the Federal Department of Defense was working with each state and researching approximately 2000 former military installations across the nation. The research was to provide an appraisal of any munitions related hazards that might still be present. Last year, they researched Fort Flagler and this year Old Fort Townsend was selected. Information, was in part, provided by a letter written to the Governor from an WWII vet who claimed that while stationed at Old Fort Townsend that his unit would go down to the airport and fire their weapons. Old maps indicated the demo range, burn pit and possible small arms range, which terminated at the center of the current airport grass tie-down. Mr. Crockett stated that what was under discussion was small arms, pistol and rifle cartridge types of munitions, not unexploded ordnance. He assured them that stormwater samples were taken monthly. After the meeting in Olympia, most of the meeting attendees convoyed and met at the airport and viewed the area. He informed them, he stated, that the entire area had been scraped, refilled and built up over the years. At the end of the field trip, he stated, most were convinced that it was highly unlikely that there had been a small arms field located there. In order to resolve any outstanding issues, they would return in approximately 30 days and take a few small soil samples to check for powder residue, if the samples return clear of residue the airport would be checked off the list.

C. Visit by Rep. Van de Wege

Mr. Crockett informed that a public meeting with Representative Kevin Van de Wege was scheduled for Thursday, May 10 at 4:00 PM. He reminded that concern had been raised concerning the five bills Representative Van de Wege had introduced at the end of the last legislative session. Mr. Van de Wege represented three Port Districts (Port of Grays Harbor, Port of Port Angeles and the Port of Port Townsend) and the legislation introduced would affect the Ports economic development authority on several fronts. Mr. Crockett briefly outlined the bills, House Bill 2404 through 2408 and some of the possible impacts to the Ports.

A lengthy discussion period followed regarding the economic impact to the Ports if the bills should pass; how the proposed legislation affected only Port Districts (which number 75 within the State of Washington) and not Cities, Counties or other special districts; possible reasons to explain the introduction of the bills, the fact that Representative Van de Wege had not met with any of the Ports in his district and questions to be raised at the public meeting, etc.

D. Aircraft Hangar Buildup

Mr. Pivarnik briefed that the storm-water pond at the airport was nearing completion and that construction would begin on the hangar sites at the end of next week. He stated that it was anticipated that the work would be completed by mid-August, first of September at the latest. Staff recommended the assignment of the hangars so that the developers could start the permitting process through Jefferson County. Mr. Pivarnik stated that his goal was to see construction begin on the hangars this year. He informed that an advertisement had been placed which asked interested parties to come forward. He had phoned those developers who had expressed interest in the project over the past 2-3 years. He stated that there had been an excellent response; in fact, he stated a better response than anticipated. It

was now necessary to determine who would get which hangar site. Staff, he informed, had devised a lottery system in which each developer completed a form stating what his hangar pad choices were, was given an assigned number, and those numbers would be drawn at random from a “hat” by an impartial person. He stated that the system had been working well and that the actual lottery had been scheduled for Wednesday, May 2, 2007, however, on Tuesday, May 1, 2007 the Port had received an unsolicited proposal from someone who wanted to take the entire development. Staff halted the lottery process at that point until direction from the Commission was obtained. He stated that senior staff had met to discuss the various elements and it was their recommendation that the lottery continue, as it seemed to be the most fair to all of the entities. He stated that hangar construction standards had been developed, with the aid of an engineer, and that a copy of those standards had been sent to Jefferson County for their review.

Mr. Crockett informed that he had developed three different options for awarding the hangars: #1 proceed with the full lottery, keeping hangar pad #6 for the Port and putting seven pads into the lottery “hat” to be drawn. If there were five interested developers, then after the first lottery round the two remaining hangar pad numbers would be returned to the “hat” and drawn again. #2 option would be a partial lottery, which would mean putting only five pads into the drawing right now and carrying over the remaining two pads until next year. #3 option would be to do a formal advertisement for Requests for Proposals (RFPs) which would delay the project and could also mean that a developer from out of the area would be the one doing the development at the airport.

Mr. Harris expressed concern and advice that the Port should be absolutely positive that it was getting the very best price for the hangars since the Port was not selling free title to real estate. He suggested an auction or competitive bids to ascertain that the best price was obtained.

A lengthy discussion ensued which included the fact that the Port does obtain a market rate appraisal (from an impartial appraiser) every three years on which to base the lease rates, that the FAA did not want to see long term options where several years go by and nothing was built, they wanted to see hangars built soon, that one stipulation the Port would impose would be that be that the hangars completion deadline would be 18 – 24 months, the \$1,600,000 FAA Grant, the pluses and minuses of the lottery system versus a full RFP, trading of the hangar pads between the lottery participants, but no outright selling of same, the 50 year hangar lease term, the \$2.50 per square foot development fees to be paid up front, (final fee was not yet determined), getting the process started sooner than later, Condominium Hangars in general, and, finally, that everyone wanted to see the hangars built and the economic benefit to the airport, etc.

Commissioner Sokol called for public comment:

Forrest Rambo inquired if there were any precedents with any other Port District for doing this kind of thing for either an auction or a lottery and if there were, would it be possible to use some of those guidelines.

Barry Shandre noted that one concern had been that a developer might take the entire project and because of circumstances beyond his control, be unable to complete the whole development. In his opinion, holding an auction and awarding the project to the highest bidder would then put the project into the hands of one developer only.

Attorney Harris reiterated his concerns.

Additional discussion took place.

Commissioner Sokol made a motion to direct Staff to move forward with a lottery system for a maximum of 7 hangar pads, holding back the western most parcel pad for the Port, to be drawn through however many rounds was necessary until the 7 pads were gone, and that lease agreement would be signed and estimated development fees of \$2.50 a square foot (still pending finalization) to be paid at signing and that the hangar pad construction would take no longer than 18 months and that Staff would determine the time and place for the drawing for those interested in the lottery.

Further discussion took place regarding the project completion timeline, the impact fee payment, the right of the lottery winners to swap or trade, but not sell, their sites, timeline for signage of lease, and start date of hangar rent from the time the permit was issued and construction began.

Mike Biggs stated that he was opposed to the lottery and agreed with Mr. Harris. He stated that he thought the Commissioners had a responsibility for optimizing the return from the property and that the standard way of doing that would be through RFPs. He stated that, in his opinion, innovative ideas come forth through the RFP process either of a monetary or non-monetary preference to the Port and by not going through the RFP process the Port was not taking, in his opinion, advantage of those options. He stated that if the Port went ahead with the lottery and advertised again that there could be 15 people now interested instead of the five that already qualified for the lottery.

Mr. Crockett informed that the advertisement had been a request for interested parties to submit letter of intent.

Mr. Pivarnik stated that the lottery was already in place with the five people who had responded to the advertisement asking interested parties to come forward.

Discussion followed regarding the original advertisement and that it requested interested parties to step forward but did not advertise a lottery, that another advertisement was not necessary as the original five developers who had come forward were already in place for the lottery drawing, that the lottery had not been canceled but delayed until direction was given from the Commission.

The Attorney for Barry Shandre stated that after a wait of almost two years that his client was willing to come forward and do all of the items listed if a selection was made today.

Additional discussion followed.

Commissioner Sokol amended the motion on the floor:

Commissioner Sokol moved to direct Staff to move forward with the lottery system for the seven airport hangar pads, retaining the pad on the western most side for Port use, providing that any of the lottery participants would be allowed to drop out at any time due to unforeseen circumstances, that as many drawing rounds as was necessary to disburse all the available hangar pads be done, that the development fee of \$2.50 per square foot was an estimate and was dependent on final development, that hangar construction was required to be completed within 24 months, that the development fees would be required to be paid up front, that Staff would determine the time and location for the Hangar Pad drawing which would only involve the original group of interested parties and finally, that the lease rent would begin when construction began, barring any unforeseen circumstances. He added that the lottery participants could exchange, but not sell, hangar pads between themselves, and that they must agree to sign a prepared lease within 30 days of the drawing, which would require them to pay the development fees at that time also.

*** See below for vote.

David Ward expressed concern about the exchange of pads between participants, and wanted to know what would happen if his company was to start the building and the market fell flat, and Mr. Biggs company was there, was there any reason why he, or someone else, wouldn't say, pay me my development fees and the pad is yours?

Commissioner Sokol stated, in his opinion, if a developer defaulted on the project, it should revert to the Port.

Mr. Ward inquired if the pad then could be sold again with additional development fees and stated that he already had 40 of them sold.

Further discussion took place regarding the fact that the Port should have veto power over any assignment to be sure that person was qualified and have the monetary wherewithal to complete project and meet the lease requirements. Also discussed was that a hangar pad swap or trade would only be between the original lottery participants.

Mr. Ward voiced concern over the possibility that some of the participants might not have previously built a hangar, or set up a Condominium Association and so might underestimate the project complexity.

Additional, lengthy discussion took place, which included the cost of the projects and that “due diligence” should be completed by those interested.

Commissioner Sokol called for a vote on the motion on the floor and it carried by unanimous vote.

VI. NEW BUSINESS

A. Operations Report – Month of April, 2007:

Mr. Crockett briefed in Mr. Radon’s absence. He stated that the appointment books were heavily scheduled for both the Work Yard and Ship Yard. He advised that the wait list had grown in all boat lengths. As far as the total ins and outs, he stated that the Work Yard was a little ahead over the same time period for last year and the Ship Yard was a little behind. The Ship Yard, he noted, had more lineal feet this year compared to April 2006.

Mr. Taylor informed that as of the end of April, the total Work Yard lineal feet was down by a little over 10% from the same time period in 2006. After adjusting the 2007 revenues for the January 1, 2007 rate increases, he stated, the Work Yard revenues were down a little over 2%, dollar for dollar from last year. He stated that using the same formula that the Ship Yard was down about 15%. Mr. Taylor remarked that the gap is widening each month between last year and this year for billable feet each month, which he stated, appeared to be the direct result of the rate increase.

Mr. Crockett informed that the number of RVs was down compared to last year, but stated that weather seemed to have more influence than the fuel increases.

B. Puget Sound Energy Contract – Underground Utilities at Hudson Point:

Mr. Pivarnik informed that although originally a meeting had been held with Puget Sound Energy 1 ½ years ago regarding the project, PSE was just now getting back to the Port with a design and price. He said that the intention was to eliminate all but two of the power poles in the Marina and install underground cables. One of the two remaining poles was located on Monroe Street, right at the corner, and held 3-phase power and a transformer and the other was located by the Landfall Restaurant and was situated on City property. He informed that a possible joint venture with the City might be negotiated but that it was not part of this project. He stated that May 21, 2007 was the project start date. He stated that PSE price quote was for \$133,000 with WSST.

Commissioner Sokol made a motion to authorize Staff to proceed with the contract with Puget Sound Energy for underground utility work at Hudson Point, not to exceed \$133,000 including WSST.

Discussion before the vote followed:

Mr. Pivarnik briefed that the above-mentioned work was for Puget Power’s portion only, which involved Puget installing the primary power and did not include digging the ditches or the connection of the individual buildings. There would be additional charges for that work, he noted, for which he did not yet have bids.

Mr. Taylor informed that the cost would be more than the amount listed on the project control form since that form did not list line items for additional power work.

Discussion followed regarding the length of time the project would take, how each business would be informed of power shut-down scheduling, that Puget would run a 4 inch conduit with handholds and 5 transformers spaced throughout the facility, and that each business (the Port Moorage office would share a meter with the next door tenant) would have an individual meter; that the restaurants had already been changed out to individual meters. There was also discussion involving the Sail Loft building, which currently had 3-phase power provided by an overhead line from Monroe Street and upgrades would not be part of this project. The re-wiring of Jana Allen’s house was also not included in the current project.

Commissioner Sokol called for a vote on the motion on the floor, which carried by unanimous vote.

VII. STAFF COMMENTS

Mr. Pivarnik stated that advertising for the two new security positions had been posted internally (with no interest) and was now in the local newspapers. Additionally, he informed that the Wills House had been removed from the airport.

Mr. Crockett asked for an executive session for discussion on real estate and legal issues.

VIII. PUBLIC COMMENTS

None

IX. COMMISSIONER COMMENTS:

Commissioner Beck informed that he had gone to Quilcene for the opening day of Shrimp season and that he had counted over 100 vehicles parked on the newly graveled Port lot.

Commissioner Sokol informed that a Thank You note had been received thanking the Commissioners for their donation supporting the Stars of Tomorrow program.

XII. NEXT PUBLIC MEETING will be held Thursday, May 10, 2007 at 4:00 PM, in the Port Commission Chambers, 375 Hudson St, Port Townsend, WA 98368.

NEXT REGULAR MEETING will be held Wednesday, May 23, 2007, at 6:30 PM, in the Port Commission Chambers, 375 Hudson St, Port Townsend, WA 98368

XI. EXECUTIVE SESSION

The regular meeting adjourned into Executive Session at 3:06 PM for discussion regarding two legal and one real estate topics, duration of twenty minutes and no action taken.

XII: ADJOURNMENT:

The regular meeting reconvened at 3:37 PM and adjourned at 3:37 PM there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President