



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

January 9, 2017

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#### COMMISSIONERS PRESENT

Fred Gouge, President  
David Preston, Vice President  
Steve Johnston, Secretary  
Bruce Faires  
Jim Orvis

#### STAFF PRESENT

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager

#### OTHERS PRESENT

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

#### CALL TO ORDER

Commission President Gouge called the regular meeting to order at 7:00 p.m.

#### PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

#### CONSENT AGENDA

**COMMISSIONER FAIRES MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- B. APPROVE OF DECEMBER 12, 2016 MEETING MINUTES**
- C. APPROVAL OF DECEMBER 27, 2016 MEETING MINUTES**
- D. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$201,388.87**
- E. AUTHORIZATION FOR EXECUTIVE DIRECTOR TO WRITE OFF \$2,714.99 AND SEND ACCOUNT TO COLLECTIONS**
- F. RESOLUTION NUMBER 17-02, RECONFIRMING SCHEDULE AND LOCATION OF PORT COMMISSION MEETINGS.**

**COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

#### PUBLIC COMMENTS

Edmonds City Council Member Teitzel announced that he has been appointed to be the City Council's liaison to the Port for 2017. He said he looks forward to an exciting and productive year.

## **RESOLUTION NUMBER 17-01, APPROVAL OF SPECIAL REVENUE BOND**

Mr. McChesney referred the Commissioners to the loan documents that were provided to them prior to the meeting. He advised that Ms. Drennan has been working very hard on the agreement, which will save the Port a substantial amount of money. He said he is very encouraged and thankful for the opportunity.

Ms. Drennan introduced Scott McJannet from K&L Gates, who assisted the Port with the special revenue bond. She reviewed that in April of 2006, the Port obtained a \$10 million, 10-year loan at 7.38% interest from Cascade Bank to purchase the Harbor Square Buildings and the Athletic Club. In August of 2011, the Port refinanced that loan with a \$7,898,115.09 loan from Opus Bank. The 10-year loan had a 7-year fixed rate of 5.25% and a compensating balance of 60% of the principal, which meant the Port was required to keep 60% of the principal balance in funds at Opus Bank. She further reviewed that at the November 28<sup>th</sup> meeting, staff notified the Commission that they would be proceeding with negotiations with Opus Bank for a new 3-year loan, with a 3-year fixed rate of 2.59% and a reserve of 50% of the annual loan payments. Since that time, staff has worked with Bond Counsel (K&L Gates), Opus Bank and Opus Counsel to prepare Resolution Number 17-01 and the Loan Agreement. The resolution is ready for final approval, but a few additional changes to the Loan Agreement are still needed. She noted that updated drafts of the agreement were provided just prior to the meeting, with changes highlighted. The draft motion would allow the Executive Director to sign the final Loan Agreement after the changes have been made.

Ms. Drennan summarized that refinancing the loan will result in a net savings of approximately \$620,000, and the loan is expected to close on January 18<sup>th</sup>. In order to refinance, the Port will need to pay loan fees of 0.10% of the principal balance, bank legal fees not to exceed \$5,000, and Port Bond Counsel fees of approximately \$6,500. Refinancing the loan is consistent with the Port's mission of being a responsible financial steward, and staff recommends the Commission approve Resolution Number 17-01 and authorize the Executive Director to sign the First Amendment to Loan Agreement.

Commissioner Faires said it is important to note that the entire Harbor Square Business Complex loan will be paid in full at the conclusion of the loan. Ms. Drennan clarified that the agreement is for a 3-year loan that will be paid off in January of 2020.

Commissioner Preston asked staff to explain the \$15,000 costs associated with the loan. Ms. Drennan answered that the costs represent a loan fee of .10% of the principal balance, bank legal fees not to exceed \$5,000 and Port Bond Counsel fees of approximately \$6,500.

**COMMISSIONER ORVIS MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 17-01, AUTHORIZING THE EXECUTION OF A FIRST AMENDMENT TO THE LOAN AGREEMENT BETWEEN THE PORT AND OPUS BANK DATED AUGUST 17, 2011, TO PROVIDE FOR REDUCING THE INTEREST RATE AND PRINCIPAL AMOUNT OF THE PORT'S SPECIAL REVENUE REFUNDING BOND, 2011 (HARBOR SQUARE PROPERTY – TAXABLE) AND OTHER CERTAIN TERMS, AND AUTHORIZING THE REISSUANCE OF THE BOND IN THE AMOUNT NOT TO EXCEED \$4,070,000 TO AMEND AND REFINANCE THE EXISTING LOAN FROM OPUS BANK.**

**COMMISSIONER ORVIS FURTHER MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE FIRST AMENDMENT TO LOAN AGREEMENT. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

**Jack Bevan, Edmonds**, said he appreciates the action the Commission just took relative to the Harbor Square Loan. However, he referred to the November 28<sup>th</sup> meeting minutes in which Commissioner Gouge is quoted as saying that once the Harbor Square loan is paid off in three years, the *“revenue would be pure cash flow of \$1.1 to \$1.2 million each year. This money can be used for future infrastructure upgrades, as well as investments as interest rates go up in the future.”* He commented that it is too easy for elected officials to spend money when they have more. He reminded the Commission that the taxpayers went on the hook with the initial General Obligation Bond that was used to purchase Harbor Square, and the Commission should consider giving them a break by reducing or eliminating the tax levy when the loan is paid off in three years. Commissioner Faires agreed with Mr. Bevan. The taxpayers built the marina and they should not be responsible for rebuilding it. Given the future projected cash flow, the Commission should seriously consider reducing taxes.

The Commission took a short break to allow Commissioners to work with Mr. McJannet to sign the appropriate documents to facilitate the loan agreement.

### **2017 COMMITTEE ASSIGNMENTS**

Mr. McChesney reviewed that the committee assignments are updated each year, and Commission President Gouge has made some assignment changes that have been reviewed by the Commissioners. The document is now before the Commissioners for final review and approval.

Commissioner Faires noted that the schedule should be updated to indicate that the Edmonds Citizens Economic Development Commission was reactivated in 2017.

Commissioner Gouge commented that the Commission can always change assignments or add committees as the year progresses. It is important for the Port to have representation at all events related to the Port. Commissioner Orvis commented that he likes that a number of committees have been removed from the list. This allows them to focus on committees that have a particular impact to the Port and perhaps add committees as appropriate. Commissioner Gouge encouraged the Commissioners to think outside of the box as they serve on the various committees and come up with ideas to bring back to the Commission.

Commissioner Preston asked about the responsibilities of the Social/United Way Committee. Mr. McChesney explained that Port staff can choose whether or not to participate in United Way since it is a voluntary program. The Social/United Way Committee is the avenue the Port uses to make that happen. Commissioner Faires commented that United Way is more or less the central organization of Snohomish County for contributions that stay at home and end up in the hands of the needy. The Port has always had an employee volunteer to circulate forms and invite employees to contribute. United Way is a deserving organization that is generic and should remain an option. Commissioner Orvis added that United Way allows people to contribute to a number of organizations, which is important for people who do not seek out the means to donate.

Commissioner Preston announced that he was invited by Edmonds City Council Member Tibbott to serve on the Edmonds Housing Task Force. He noted that the Port previously suggested that Harbor Square is a location that could offer more affordable housing options. Mr. McChesney advised that while participation on the task force seems like a worthy endeavor, there are questions as to whether or not the meetings would be officially sanctioned by the Port Commission since the Port is not in the business of developing residential housing. He would suggest Commissioner Preston participate on the task force, but the Commission must decide whether or not it would be considered a reimbursable meeting. Commissioner Gouge suggested that Commissioner Preston attend the first meeting and bring back information to the Commission relative to the task force's goals and focus. The Commission could then make a decision relative to whether or not the meetings would be officially sanctioned.

**COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION APPROVE THE 2017 COMMITTEE ASSIGNMENTS AS STATED ON THE SPREADSHEET, PORT OF EDMONDS 2017 COMMITTEE ASSIGNMENTS. COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

### **JACKSON MAIN ARCHITECTURAL SERVICES CONTRACT**

Mr. McChesney reviewed that there has been some interest to develop a vacant parcel of land adjacent to the workyard for a new marine related use such as a boat dealership, service and repairs and/or marina chandlery. At a previous meeting, the Commission directed staff to conduct a planning process, using a model similar to the Jacobsen facility, but on a slightly smaller scale because it is a smaller parcel. He explained that the permit application process was originally hired out to Reid Middleton, but at the predevelopment conference with the City of Edmonds, it was determined that more detail would be required in order to submit a complete Shoreline Permit application. He referred to the City's report, which was attached to the Staff Report and advised that he subsequently solicited a proposal from Jackson/Main Architects to be the lead consultant. In addition to a moderately detailed architectural element, the application also requires a site survey, preliminary drainage and utility plans, a landscape plan and a traffic study. Staff believes this work is too unwieldy to manage each element

separately, and it would be more efficient to put it all under the scope of work of one architectural firm. Jackson/Main was chosen simply because they were the architectural firm that completed the Jacobsen project, and much of that work translates well into what is anticipated for the new project.

Mr. McChesney summarized that, if everything goes well, the Port should have a valid Shoreline Permit in hand for the parcel by the end of 2017. He recommended the Commission approve the contract with Jackson/Main Architects in the amount of \$50,435.00 for planning services necessary to obtain a Shoreline Permit as described. He explained that it is very hard to market a vacant piece of ground that has no entitlements. If the Port goes forward with the Shoreline Permit process now, the cost can be built into the lease rate of a future tenant. He expressed his belief that the work must be done in order for the Port to have a chance of getting the property leased out in a reasonable amount of time.

Commissioner Faires asked how long the permit would be valid, and Mr. McChesney answered that it would be good for five years. There must be some meaningful and measurable start within that time frame. While he supports the proposal, Commissioner Faires questioned how valid the plan would be relative to its applicability to a wide spectrum of potential lessees. Mr. McChesney answered that the goal is to have a plan that is specific enough to obtain a Shoreline Permit, but still be as flexible as possible. At this time, the Port does not know what type of use will locate on the property. However, to satisfy the City's requirements for architectural review, they must know what the building will look like and have some idea of what will happen inside. They will not get into the finish details until the property has been leased.

Commissioner Faires commented that it is possible that there could be two or three marine-related businesses located in the new building. Mr. McChesney agreed. He reminded the Commission that the Port did a preliminary market study on the concept and some businesses have already indicated a desire to come to Edmonds. However, they did not want to engage in the time-consuming and costly process required for the Shoreline Permit. The Commission decided to move forward with the work needed for the Shoreline Permit and City staff has worked with them to shape the permit to meet the Port's future needs.

Commissioner Faires asked if it is possible the Port could build a generic building with Port funding and then do tenant improvements as the spaces are leased. Mr. McChesney agreed that is possible, but not the preferred scenario. He would like the Port to do the entitlement work and then find someone else to do the development. He could see a situation where the Port also makes the pad ready, but he felt it would be a challenge to convince the Commission to approve a building based on speculation. Another option would be to construct a building to suit after a long-term, credit-worthy tenant has been identified. At this stage, the critical path is to obtain the Shoreline Permit. Commissioner Faires agreed that should be the primary strategy.

Mr. McChesney said he hopes to market the land at the Seattle Boat Show to generate interest and talk to others who may be interested in the location. Having a Shoreline Permit in hand would allow the Port to present a better story.

Commissioner Johnston asked about the Jacobsen process, and Mr. McChesney said it was lengthy and time-consuming. A lot of progress was made architecturally and the Shoreline Permit was obtained, but the wheels came off because of an imposition the City was trying to interject into the design. The recession also hit about the same time. The Port reconnected with Jacobsen's Marine, with the cooperation of the City, to preserve the Shoreline Permit. In this case, the permit was obtained by Jacobsen's rather than the Port. Commissioner Orvis added that the Port learned some lessons with Jacobsen's as they worked through the permit process and that is why they are interested in getting the entitlement work done now. They need to get a permit started now or they could end up with the property being rezoned so that the only viable use is a parking lot.

Commissioner Preston asked if there is a reason why the permit application does not include the property to the south. Mr. McChesney answered that the concept is to create bookend development around the workyard, with Jacobsen's Marine on one side, and the new marine-related business on the other. He also pointed out that expanding the area would eliminate needed parking spaces to accommodate the uses located on Port property.

**COMMISSIONER FAIRES MOVED THAT THE COMMISSION APPROVE THE CONTRACT WITH JACKSON/MAIN ARCHITECTS FOR PROFESSIONAL SERVICES TO OBTAIN A SHORELINE PERMIT TO ENABLE VACANT PARCEL DEVELOPMENT IN THE AMOUNT OF \$50,435.00. COMMISSIONER ORVIS SECONDED THE MOTION.**

Commissioner Preston asked if the traffic study done for the Jacobsen Project would be valid for the current project, as well. Mr. McChesney answered that some elements would be valid, but the City is requiring a new one, as well. Commissioner Preston also asked if mitigation requirements would be identified early in the process before the project is started. Mr. McChesney answered no, but the situation will be better. He explained that with Jacobsen's some mitigation was required for the permit because the property is located within 200 feet of a critical area even though it was physically isolated and functionally separated from the critical area and there were no environmental impacts. The Port paid \$11,000 for marsh buffer enhancements to mitigate for a project that should not have required any mitigation at all. Commissioner Faires said he was not opposed to paying for mitigation because improving the marsh buffer was in the Port's best interest anyway. Commissioner Orvis said he deeply resented the City requiring the Port, late in the project, to pay an additional \$4,000 to maintain what the City required them to put in. He felt this was extortion on the City's part. Mr. McChesney said he does not believe they will have the same problem with the current project since the City's updated Critical Areas Ordinance includes revised requirements for properties that are physically isolated and functionally separated from a critical area.

**THE MOTION CARRIED UNANIMOUSLY.**

**EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney reminded the Commissioners of their desire to schedule a retreat early in the year. He invited them to share their thoughts on potential dates and topics of discussion. The Commissioners agreed to schedule the retreat for February 27<sup>th</sup> at 9:00 a.m. They also discussed the following topics for the agenda:

- **Potentially forming a new Marketing and Tourism Committee and coming up with a 5-year plan for tourism, boating and fishing.** Commissioners Orvis and Faires agreed to meet together to discuss a strategy for creating a marketing and tourism program and identify what type of support would be needed from the City to make the effort successful. Regarding the discussion about tourism, Mr. McChesney suggested that the Commission invite Patrick Doherty, City of Edmonds Economic Development Director, to attend the retreat to talk to the Commission about economic development and tourism opportunities. The Commission agreed that would be helpful, and they also suggested that Greg Urban from the Chamber and the Director of the Snohomish County Tourism Bureau could also be invited to participate in the discussion.
- **Due to changes in tourism and fishing, is it necessary to consider changing the configuration of the marina?** The Commissioners agreed to invite Paul Sorenson to the retreat to discuss current boating trends. Commissioner Orvis said he supports the Port's marketing efforts, but he is not prepared to expand to additional programs if the City of Edmonds and the Chamber continue to do nothing. The Port has participated in similar efforts in the past, and they have not been successful. Commissioner Faires agreed that the Port needs to keep the City and the Chamber apprised of their activities, but this is different than involving them in what they are doing. He recommended that the Port should be the lead agency. While the City and Chamber could be invited to help, he is not interested in a partnership effort at this time.
- **How can the Port of Edmonds capture some of the tourism opportunity that flows into the Port of Seattle?** Again, Commissioner Orvis said he is not prepared to support any new marketing and tourism program unless the City agrees to support rather than obstruct their efforts. If they are want to bring more tourism into Edmonds it cannot be done in a vacuum. He is not prepared to support a program where the Port goes it alone without some sort of accommodations and support from the City. Commissioner Preston said he supports the Port being the lead agency since the Port has the ability to take more action than the City.
- **Creation of a communications plan.** Commissioner Johnston reported that he met with Mr. McChesney recently about the process for rolling out the communication and public relations piece that was recently completed. Mr. McChesney added that staff is preparing a draft communications plan that will be presented to the Communications Committee prior to presenting it to the Commission at the February retreat.

- **Presentation to the Edmonds Citizens Economic Development Commission.** Commissioner Faires agreed to prepare an outline for the presentation the Port will put together for the Edmonds Citizens Economic Development Commission.
- **Long Range Capital Expenditures on the Marina.** It was discussed that maintenance of the breakwaters will be necessary within the next few years, and this will be a costly endeavor. Commissioner Orvis said that although it may appear that the Port is making a lot of money, there are some tremendous expenses coming up in the next few years. The Commission asked Ms. Drennan to prepare a model to illustrate the capital expenditures needed over the next several years.
- **Submitting expense reports on time.**
- **Reports from Senior Staff.** Commissioner Gouge said it would be helpful to hear from senior staff to learn their perspective about the condition of the marina, etc. and to solicit feedback on what they think the Port should be doing.

The Commission discussed the idea of hiring a facilitator for the meeting, but decided against it. Commissioner Gouge agreed to meet with Mr. McChesney to prepare the final agenda. He encouraged the Commissioners to follow through with their individual assignments in a timely manner so they are ready for the retreat discussions.

Mr. McChesney reported that the Travelift overhaul project got started today, and the engine was taken to K.C. Martin to swap out parts. It will hopefully be reinstalled in short order and operational by Wednesday. He also reported that the Bud's Bait facility will be removed from the marina starting next week. The gutter replacement project is underway, and Ms. Drennan has been working to get the fuel dock transaction infrastructure update completed.

Ms. Kempf announced that the Seattle Boat Show is scheduled for January 27<sup>th</sup> through February 5<sup>th</sup> at the Century Link Field Events Center on South Lake Union. The Port's booth will be #726, which is the same location as the past several years. All of the slots for staffing the booth have been filled by staff, and staff will meet prior to the boat show to discuss the details. The Northwest Marine Trade Association is planning Friday night events and tickets are available on their website.

Ms. Kempf reported on the following marketing activities:

- Two businesses have agreed to participate in joint promotion with the Port at the show. Puget Sound Express has donated four tickets plus parking, which will be raffled off on two separate occasions. These tickets have a value of about \$600.00. In addition, there will be three drawings for tickets donated by All Seasons Charters (1<sup>st</sup> ticket free and second ½ off.).
- To incentivize people to purchase fuel in December and January, the Port has offered 1 free ticket to the boat show to people who purchase 20 gallons of fuel. Those who purchase 40 gallons of fuel will receive 2 free tickets. So far, the Port has given out 17 free tickets.
- A letter has been sent out to brokers to announce the Port's various specials. They are asking the brokers to direct people who purchase boats to the Port's booth to sign up for moorage.
- The boat show promotion will continue this year, offering 1<sup>st</sup> month's and 12<sup>th</sup> month's moorage for \$20.17.
- The free launch punch card will also be offered again in 2017.
- An email will be sent out a week before the boat show to all people (about 700) who signed up at the 2016 boat show to receive communications from the Port, inviting them to visit us at booth #726.
- The handouts for the boat show have been redesigned to carry the Port's brand throughout all the materials. The brochure for Port services was also redesigned.
- A Roll-Back-the-Clock promotion will be offered in the boatyard again in January and February, and the March-on-In promotion will be offered to tenants who have been at the Port for more than 12 months. The intent is to make up for the fact that the Port offers new tenants first month rent of \$20.17. As per the offer, tenants will receive a discount of 50% for Travelift services.
- Staff will walk the show and provide handouts to the boat dealers.

Ms. Kempf announced that staff is in the process of rolling out the 2017-2018 Destination Port of Edmonds Program (DPOE). The Port has purchased 800 bags, and Anthony's has agreed to provide an additional 1,500 bags. The contents of the bags will include key tags to use at participating businesses. This year, there are 37 businesses participating and offering quality discounts.

Ms. Kempf advised that staff prepared a photo board for Bud's Bait that has been signed by members of Puget Sound Anglers and others. She invited the Commissioners to sign the board, as well. The board will be given to Bud to honor his 53 years of service at the marina.

### **COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS**

Commissioner Faires recalled the Commission's discussion of about a month ago, about how the Port has done a lousy job of public communications and they are behind the curve. He suggested the Commission approach future planning with a sense of urgency. They need to do a better job of telling constituents what the Port does and why the Port exists.

Commissioner Preston announced that he would attend a presentation by Western Washington University Students to recap their sustainability program that was done in conjunction with the City of Edmonds. The meeting will take place from 2:00 to 4:00 p.m. in the Brackett Room of City Hall. He also announced that he would attend an After-Hours Event on January 12<sup>th</sup> at Gallagher's that is sponsored by the Economic Alliance of Snohomish County. He recommended that a Commissioner also be present at the ACE meeting that is scheduled for later that evening in the Commission meeting room, and Mr. McChesney agreed to attend.

Commissioner Preston said he had an exciting conversation with Frans Munson, a commercial fisherman who lived in the neighborhood he grew up in. He learned that he was part of a group that planted silver salmon in Shell Creek; they did not naturally occur. He said it was amazing to hear his stories, and he was hoping that he and Commissioner Gouge could meet with Mr. Munson in the near future to learn more.

Commissioner Orvis announced that he would also attend the presentation by Western Washington University Students. He said he read through their draft report, which included a proposal to build a wooden boardwalk out into the marsh for viewing platforms. He finds that extremely strange in view of what the Port has been going through with the City's Shoreline Master Program. He noted that the City does not own any of the access property. He felt that too many people do not understand that much of this property, along with Harbor Square, is owned by the Port. The Commission needs to reassert the fact that it is Port property and the Port will decide what will happen with it.

### **EXECUTIVE SESSION**

Commissioner Gouge announced that the Commission would move into an executive session at 8:15 p.m. pursuant to RCW 42.30.110(1)(i) to discuss with legal counsel potential litigation to which the agency is likely to become a party. He further announced that the executive session would last 20 minutes, after which, the Commission would resume the public portion of the meeting. No action would be taken after the executive session, and the meeting would be adjourned at the end of the executive session. At 8:35, the Port Attorney announced to the public that the meeting was extended for another 10 minutes.

### **ADJOURNMENT**

The executive session adjourned at 8:42 p.m. back to the regular meeting, which was subsequently adjourned.

Respectfully submit



Steve Johnston  
Port Commission Secretary