

**Minutes of Everett Port Commission
Retreat & Special Meeting
March 7, 2023 - 9:00 am**

PRESENT:	Glen Bachman	President
	Tom Stiger	Vice President
	David Simpson	Secretary
	Lisa Lefebber	Executive Director
	Eric Russell	Chief Finance Officer
	Jordan Stephens	Port Attorney

March 7, 2023 – Day 1

CALL TO ORDER: The meeting was called to order by Commission President Glen Bachman at 9:00 a.m.

Commission President's Report

Commissioner Bachman announced the upcoming Memorial Service for Mack Monts and asked for a brief pause.

President Bachman reported he had an upcoming meeting with the Washington Council on International Trade and looked forward to learning about the plans for Washington state.

Commissioner Stiger had no comments.

Commissioner Simpson thanked Lisa Lefebber, Adam LeMieux and Staff for their hard work with the Legislators in Olympia.

Citizen Comments

There were no Citizen comments.

CEO/EXECUTIVE DIRECTOR'S REPORT

2023 Strategic Plan Goals

CEO/Executive Director Lisa Lefebber provided a high-level overview of the Port's 2023 Strategic Plan and Goals and indicated that Staff would be providing progress reports to the Commission for many of these goals that include the Waterfront Place, Marina investments, Federal Initiatives, LPC West, Blue Heron Slough, Mukilteo Tank Farm, refinancing of the LTGO Bonds, budget projections, and the goal for a 25% gross operating margin.

The Port is a public/private institution that is tasked with economic development, and the return on investment is necessary for the Port to be able to reinvest in its capital. Before the Strategic Plan and Goals were set, the Port wasn't anywhere close to 25% in operating income. Now, the Port is exceeding the 25%; however, a lot of this was tied to supply chain issues at the Seaport. When this goal of 25% was set, it was an aggressive goal and Lefebber cautioned that expectations need to be managed about the Port's budget projections due to the resolution of many supply chain issues and drop in trade.

Lefebber also stated she has made note to revisit the Financial Guidelines and bring them back to the Commission to either reaffirm or make modifications to the guidelines.

Communication & Government Affairs Outreach Report

Director of Communications and Marketing Catherine Soper provided the highlights of the 2022 outreach efforts for each of the Port's business lines in accordance with the Port's Strategic Plan & Goals and explained how the department approached each project.

The Communications team provided many celebrations, groundbreakings and ribbon cuttings in 2022 including Sound 2 Summit Brewing and Woods Coffee, the Muse, Norton Terminal, Everett Ship Repair (new dry dock), the nature trail and Blue Heron Slough unveiling. Staff expects to have even more celebrations in 2023.

Soper reported that outreach efforts included numerous open houses such as Waterfront Place, the Muse, Marina Slipholders and Mukilteo Waterfront, to name a few.

Throughout the year, the team focused on a variety of events, presentations, marketing and materials, advertising efforts, project support, publications, legislative support, partnerships and community presence, press releases, maritime jobs, and workforce development and education.

Government Affairs – Federal/State Accomplishments

Government Affairs Manager Adam LeMieux, provided the following highlights of both Federal and State accomplishments:

The Federal accomplishments were policy related and included opportunities to build upon the existing Radiation Portal Monitors that are at the Seaport to enhance capacity and move cargo through the terminals faster.

The Port Infrastructure account in Washington State Commerce was created for future long-term grant funding for seaports. In this, the Port was successful with a \$2 million award that went to the Norton Terminal Construction.

The Port was able to buyout the USFW/RCO Guest Dock 6 grant which gives the Port the flexibility to use it for revenue generating moorage and other needs as development moves forward on the waterfront.

LeMieux stated that an item giving the Port a lot of traction in the State Legislature was the Port's success in securing an extended grant agreement with the Department of Ecology for the Mill A Cleanup project. As a result, the Port of Everett is the first recipient of this extended grant agreement which will allow the Port to take on a large project like Mill A in a way that is financially responsible to state taxpayers, and allowing the State to put big chunks of funding into an account that can operate over multiple biennium for completion of a large project.

Another large project is the inclusion of the Boat Launch Connector Channel to the Corps Federal Navigation Channel that exists in the Snohomish River. The Corps maintains the navigation channel through the river, and because of how the sediment has been flowing, it has been blocking the boat launch from the deeper channel that has led to groundings and safety issues for boats that launch from there, including the Department of Defense, Coast Guard, recreational boaters and fishing crews. The Port dredged on an emergency basis early last year, and is now in the process of permitting a wider channel. Once that work is completed, the Port can hand it over to the Army Corps of Engineers to maintain.

For grants last year, the Port realized \$385,000 for the Segment E Bulkhead reconstruction effort which was in addition to the \$1.5 million that was secured through PSRC. As part of work that Executive Director Lefebber did with the County, the Port was awarded \$1 million in COVID relief.

LeMieux added that Port Staff helps legislators understand what ports do in Washington State because ports operate much differently in other states than they do here. The Port has provided numerous tours for legislators in addition to the advocacy that Staff does in Washington D.C. and Olympia. Of note, Congressman Rick Larsen was at the Port three times last year because he wanted to see the kind of projects the Port would be eligible for with the Inflation Reduction Act funding and for the Infrastructure Grant dollars that may be available in the next 3-1/2 years.

Executive Director Lefebber also noted that Senator Patty Murray made an in-office visit at the Port for a priorities briefing this year.

2023 Federal Priorities

LeMieux identified five categories that the Port needs Congress to play a greater role in this year. The 2023 priorities include:

Regulatory Environment

The National Marine Fisheries Service (NMFS) must be open to alternative models for their assessment of the effects of maintenance of marine structures on endangered species in the Salish Sea Nearshore Program in a way that won't threaten both the environmental and economic health of Washington State. Congress needs to make some changes to their authorities. The Port has been working with PNWA to make changes so that the regulatory process works for large projects.

Infrastructure

- Preserve annual appropriations for the Port Infrastructure Development Program
- Support decarbonization funding for electrical infrastructure investments at Pier 3
- Protect federal project funding at risk from permit review delays
- Introduce Railroad Rehabilitation & Improvement Financing (RRIF) reforms to expedite loans and stimulate public investment in critical rail access projects

U.S. Army Corps of Engineers

- Dredge the Snohomish River to its authorized width and depth
- Support request to modify the authorized depth of the East Waterway Federal Navigation Channel from -35 MLLW to -50 MLLW

FY24 Appropriations

- Support the \$2 Million Segment E Bulkhead and Wharf Congressionally directed spending request to protect SR 529 and to enhance the safety and capacity of the popular trail junction
- Support the \$1 Million Fuel Dock Infrastructure and Revitalization Project Congressionally directed spending request to complete Naval Station Everett mission support asset at the Marina

Department of Defense/Homeland Security

- Invest in continued Radiation Portal Monitor (RPM) procurement to ensure the Port has enough RPM coverage

- Ensure funding for replacement of Piers D & E at Naval Station Everett
- Increase Customs and Border Patrol funding for staffing resources to maritime activities to alleviate pressure being felt by ports in the region

Environmental and Climate Action Strategy Report

Director of Environmental Programs Erik Gerking provided an overview of the sustainability and climate strategy to which the Port is committed and delivers through compliance, cleanup and pollution prevention, relationships and partnerships, integrated planning, regulatory engagement, restoration, financial and resource planning and investing in clean technology.

The Port's environmental stewardship program memberships include the Clean Marina and Green Marine programs. Gerking said the Clean Marina certification occurs every three years and is a checklist of best practices that are implemented at the Marina (BMPs) including fueling and spill response preparedness, vessel maintenance/derelict vessels, waste management, invasive aquatic species awareness/habitat protection, facility maintenance and communications on best practices.

The Green Marine program is a superior program for the Seaport involving technical resources, identified goals for ports to work toward incremental improvements by levels and reporting requirements annually. There are 450 members with 120 participants in the program.

The Port's most involved and capital intensive program related to the environment is its cleanup program. The approach and goals include leading the cleanup projects, integrating economic and cleanup strategy to bring project sites to closure effectively and efficiently, maintain good working relationships with cleanup partners/stakeholders, cost control through effective use of legal and technical resources, and leveraging funding strategies.

A comprehensive cleanup program at the Port began in 2007 in association with the Puget Sound Initiative and currently the Port is about 85% complete with its upland cleanups and the in-water cleanups are upcoming. Completed upland cleanup projects include Riverside Business Park, Waterfront Place Central, Bay Wood, and Kimberly-Clark and the Port is currently working on Weyerhaeuser Mill A and the East Waterway.

Blue Heron Slough is a 365-acre intertidal marshland/wetland habitat restoration /conservation bank project. The Port constructed 9 miles of channels that benefit juvenile Chinook salmon, bull trout, waterfowl and other wildlife. Juvenile Chinook salmon are the primary food source of the resident Orca whales. The construction aspect of the project was completed in late December 2022 in partnership with private, public and tribal partners. The planting of the site is currently underway, and once that is complete, the project goes into a long-term monitoring phase.

Climate Change Strategy

Gerking explained that the Port developed a climate change strategy in 2020 with a two-phased approach:

- Adapting to climate change with the Port's operations and properties through regulatory compliance and engagement, planning for sea level rise, climate change vulnerability assessment, planning for increased sedimentation in the Snohomish River navigation channel, marinas and terminal berth areas, waterfront resilience communication coordination, business risk awareness and planning, resilient economy and adaptation funding.

- Participating in the global effort to reduce greenhouse gas emissions through regulatory compliance and engagement, Air Emissions Study, green purchasing, leveraging action with the Port's partners to reduce greenhouse gas emissions, commuter trip reduction, continue development of the Waterfront Place Central mixed-use development, continue efforts to protect and create carbon sinks on Port properties and assisting with greenhouse gas mitigation planning and implementation efforts.

Gerking added that in 2023, Port staff plans to complete the Puget Sound Air Emissions Inventory, support and complete the Snohomish County PUD fleet vehicle study, evaluate and plan for current and potential future grants that could support decarbonization and waterfront vulnerability studies, regulations and policies; and update and continue to implement the Port's Climate Change Strategy.

CHIEF FINANCIAL OFFICER REPORT

Department of Commerce Grant

Grant Administrator Nancy Overton reported that in June 2022, Governor Inslee signed the 2022 Supplemental State Capital Budget, which included a \$2 Million appropriation for the Norton Terminal Construction Project. The Department of Commerce would retain \$50,000 of the award for administrative costs, leaving a net grant award of \$1,950,000. The scope of work for the grant is terminal construction, including filling/grading, utilities, stormwater, lighting, and paving for the newly developed terminal. The grant period began in July 2021 and ends June 2023. The grant will reimburse the Port for costs previously paid.

Overton stated that Staff is requesting that the Commission authorize the CEO/Executive Director to sign grant agreement 23-96522-007 with the Department of Commerce accepting \$1,950,000 in state funding for the Norton Terminal Construction Project.

After discussion, Secretary David Simpson moved that the Commission approve and authorize the Executive Director to sign grant agreement 23-96522-007 with the Department of Commerce accepting \$1,950,000 in state funding for the Norton Terminal Construction Project in a form substantially as presented. Vice President Tom Stiger seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Simpson, Stiger, Bachman
No:	None
Abstained:	None

Motion carried.

CERB Loan Application for Millwright Loop Infrastructure Resolution No. 1208

Grant Administrator Overton reported that Port Staff is seeking Commission authorization to apply for \$5 million in Community Economic Revitalization Board (CERB) funds to help finance Phase 2 of the Millwright Loop Road construction. A resolution of the Commission is a requirement of the application. The payback period is up to 20 years at a 3% interest rate. Annual loan repayments would begin 13 – 19 months following the first disbursement of loan funds.

Overton asked the Commission to approve Resolution No. 1208 authorizing the CEO/Executive Director or their designated staff to apply for \$5,000,000 in CERB loan funding for the Millwright Loop Road Phase 2 project.

Upon discussion, Vice President Tom Stiger moved that the Commission approve Resolution No. 1208 authorizing the CEO/Executive Director or their designated staff to apply for \$5,000,000 in CERB loan funding for the Millwright Loop Road Phase 2 project. Secretary David Simpson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Stiger, Simpson, Bachman
No:	None
Abstained:	None

Motion carried.

Year End Financial Report

Director of Finance Robert Marion reported that Port-wide Operating Revenue exceeded budget by \$26.8 million and beat 2021 operating results by \$11.6 million, which is an increase of 25%. The Marina had a \$1 million increase from 2021 and was at \$12.5 million in 2022. For Properties, there was a \$67,000 decrease from 2021.

Operating expenses totaled \$38.6 million which is 24% greater than 2021.

For Operating revenue before depreciation, the gross margin was 34% versus the goal of 25%. Port-wide, including Administration, the 2022 income before depreciation was \$19.7 million, compared to \$14.7 million in 2021.

The Non-Operating revenue results for year-to-date 2022 was \$5.08 million; and the budget was \$5.2 million. Non-Operating expenses were flat. The Statement of Net Position shows that the Port has \$16.7 million in cash and investments, and when the reserves are subtracted in compliance with the financial guidelines, that leaves \$8.7 million total available cash. Accounts Receivable in 2022 were \$5.6 million versus \$11.5 million in 2021. Capital Assets grew substantially with an increase of \$23.3 million over 2021 figures. Non-Current Assets grew by the value of the pension asset. A current liability increase reflects the environmental mediation costs for the Port's environmentally challenged sites.

The Port is scheduled for an audit starting on April 3, 2023.

For the 2023 Capital Budget, the assumptions were that the Port would spend \$4.4 million in Seaport Modernization for the completion of the Norton Terminal, Mill A and the Master Planning effort; \$9.7 million for Creating a New Waterfront Community including ground lease retail projects, the eastern portion of Millwright Loop Road and Destination Retail; \$3.6 million in taking care of Port facilities with Seaport bulkhead renovation, South Marina covered roofs and fire damage repair the major projects; \$2.7 million for Sustainable Marina Operation including moving the fuel tanks and the Marina Maintenance Shop; \$1.4 million for Economic Development for Blue Heron Slough and other environmental cleanup projects; and \$2.9 million in other projects such as cargo handling equipment and rolling stock and boat launch rinse facility improvements. Capital Investments are budgeted at \$25.7 million gross in 2023 and \$75.3 million for the period 2023 – 2027.

The assumptions for the Financing Plan are that the Port will finance part of the capital budget with an \$830,000 decrease in cash during 2023, incur additional debt for loans for cargo handling equipment, construction of Millwright Loop Road, refinance and extend the term of the 2013 LTGO bond debt and possibly borrow another \$5 million in LTGO debt. The risks associated with this budget plan as a whole include a recession resulting in less revenue and loss of discipline on spending. The Budget Plan includes

opportunities for accelerating projects with Commission approval if cashflow increases or grants are secured.

Marion provided a projection for which the Port could borrow funds moving forward and refinance its existing debt service and the cost of interest. The projection anticipates \$5 million in new money with a 20 year amortization, level debt service, and the first principal on the debt in 2027. For the refunding of the 2013 LTGO debt, the first principal would also be in 2027 with final maturity in 2030. Currently, the outstanding debt principal is \$79 million, and after the new money and the refinancing of 2013 LTGO bonds it would be at \$83.1 million.

Recess

Commissioner Bachman recessed the meeting at 11:00 am for a short break. The meeting was reconvened at 11:20 am by President Bachman.

Exploring Boundary Expansion

Lefebber reported that under RCW 53, the primary purpose of a port district pertains to trade and industry, but port districts have additional powers that allow them to contribute directly to communities. These powers include operation of Foreign Trade Zones, Intermodal movement of interstate and foreign cargo, acquisition of property and operation of facilities, community revitalization financing, cooperative watershed management, construction, upgrading, improvement and repairs to streets, roads and highways, and construction, purchasing and acquisition of telecommunications facilities. Port districts are special purpose governments, have their own governing bodies and act independently of local and state legislatures allowing ports to exercise their unique powers under the guidance of their commissioners and invest in a variety of projects within the district, not just seaport related.

Lefebber reviewed the historic timeline of the Port of Everett. Notably, once the Port was created, almost immediately the Port built the ferry terminal in Mukilteo to be able to serve transportation needs. Historically, the Port has been building facilities throughout the waterfront since its inception.

The current governance structure includes three elected commissioners with six-year terms. The current Port District encompasses most of Everett, portions of Mukilteo and Marysville, as well as parts of unincorporated Snohomish County, and is **not** a county-wide port district. The Port is not allowed to invest resources that are non-revenue generating outside of its district.

In 2018, which was the Port's 100 year anniversary, the Port started a Strategic Plan Update and the Commission instructed Port Staff to explore the district boundaries, the economic value, and whether or not the community would be amenable to an expansion of the Port District. The Port has been working with Maul Foster this past year to do a legal assessment in terms of defining the legislative process to make the boundaries expand, and determine the community's appetite or interest for an expansion. Lefebber stated that the boundary expansion does align with other Commission strategic plan initiatives in terms of supporting regional transportation, the Cascade Industrial Center and improving the connectivity of different facilities from the land to the water.

Of importance, the legal requirement is that the boundaries have to be contiguous, and the Commission has to pass the measure to initiate a vote for the specified boundaries. The Snohomish County Council has to agree that they want it to go to a vote of the people. Assuming that outreach is such that it indicates the matter should be put to a vote, it would have to pass by voters in the expanded area by a

50.01% or simple majority. The current Port District residents do not get to vote. If passed, the boundaries would expand. At the next election cycle, it would be redistricting into the new areas; and, if the population increased to over 400,000, according to state law the district would be required to have a five-member commission with four-year terms. However, Lefebber said she needed to check if that requirement was only for a county-wide port district.

Lefebber said the first step is to begin talking to the County Executive, the County Council and the Mayors of the respective cities, and that outcome would feed into what Staff would be recommending to the Commission on next steps.

Last year, Port Staff spent a large portion of time performing the legal assessment, and looking at an outreach approach in terms of what is needed to be done. The next step would be to identify and inform key stakeholders and to provide education as to what the value would be if the Port was to expand.

Ultimately, it will be the voters choice.

Staff has done a framework for the boundary assessment and performed the initial outreach with the Portside Newsletter. The first meeting will be with the County Executive to brief him on this issue. For all of these "interviews" Maul Foster will be involved and they will summarize the feedback to make sure that the Port has a solid foundation for any Staff recommendation. Most of Q1 and Q2 will be outreach, and during Q3 a survey will be generated to key stakeholders and residents with the goal of making a recommendation to the Commission in Q4 on next steps.

Recess

Upon discussion, President Bachman recessed the meeting for a lunch break at 12:05 pm for 30 minutes.

The meeting was reconvened at 12:35 pm.

Seaport Modernization and Trade Development

Executive Director Lefebber reported that industry trends include larger ships to transport more cargo but the majority of seaports are not ready for larger vessels. The Port of Everett is working toward accommodating a Post-Panamax vessel that can handle anywhere between 6,000 to 8,500 TEUs. The Commission has set goals to get the Port an 1,100 ft berth to be able to have a deeper draft to support the growing trend into larger cargo ships. A big challenge for the Port of Everett is that in the past decade about \$11 billion in federal investment was allocated to the East Coast to prepare for larger vessels versus the \$1 billion for the U.S. West Coast. A large portion of not only this infrastructure investment, but also different tax structures between Vancouver BC and in the U.S. with the Harbor Maintenance Tax has put Washington State in a bit of a disadvantage because the Port of Everett has so much discretionary cargo which could go through other ports to get to its ultimate destination. The Port of Everett has been advocating at the State and Federal level for help to level-load the investment on the West Coast compared to the East Coast.

The Port has made significant investments over the years in preparing for trade of the future. In 2008, the Port approved the Marine Terminal Master Plan, and the Port has been using that as its roadmap for infrastructure investments since that time. In 2009, the Port successfully received the strategic seaport designation. The Port has invested over \$150 million in the last 10 years on docks, rail and equipment

upgrades, and there is still more to do with the Mill A cleanup. The Port has rebuilt South Terminal, added significant amounts of rail, acquired the Norton Terminal and cleaned the property and put it back into use, as well as securing a new shipyard to meet the growing military and commercial demands of the shipyard industry.

The Port has achieved completion of many of the Commission stated goals for the terminals with the last remaining portion tied to the Port's ability to clean up the Mill A site. This will make sure that the Port can continue to support Naval Station Everett, other national security needs, movement of cargo, aerospace industry, job creation and make the Port's facilities stand out and more competitive. The Port is not a large port in terms of footprint, so one of the things that Port Staff focuses heavily on is making sure there is flexible infrastructure so when Staff goes out to meet the newest cargo demands, the Port has the equipment and infrastructure to support any types of cargo.

In terms of progress for the Mill A Interim Action, the Port has completed dredging for expanding the berth area at Pacific Terminal, completed two phases of rail expansion, completed dock strengthening at South Terminal, added two, 100-ft gauge gantry cranes, upgraded the gantry cranes, relocated the cargo transit shed, acquired Kimberly-Clark Mill site and partnered with Ecology and Kimberly-Clark to clean up the historic contamination of the Mill site, constructed the Norton Terminal with the environmental cap, and is currently in review for the appropriate use for the 360,000 ft warehouse that resides on the new Norton Terminal. The Port is currently beginning the process of electrifying Pier 3, is supporting possible relocation of the Navy Drydock to the Port and has secured a commercial shipyard. Staff is working on relocating the Foreign Trade Zone #85 to the former mill site, and the boat launch dredging has been completed with the public access money from Norton Terminal.

Lefebvre commented that the South Terminal Modernization completion could not have been better in terms of timing. Opening that facility put the Port in a great position to be able to support supply chain issues as they emerged from the pandemic.

The Feasibility Study for the Mill A cleanup has been submitted and is with Ecology and Weyerhaeuser for comment. The grant agreement is in place to be able to secure resources over several biennium to complete the cleanup. Erik Gerking added that the extended grant agreement and the current \$35 million request is a great start for moving this cleanup forward. Staff met with Ecology last week who emphasized how important this project was to the agency to keep the project moving forward as fast as possible. The pressure is moving in the right direction.

As reported, Lefebvre said the Norton Terminal is complete and was opened in December 2022. For the adaptive reuse of the Warehouse at Norton Terminal, Port Staff has been looking at different options for the facility but aren't quite sure what the market demand will be for the building. There has been interest in transloading, office, shipyard as well as cold storage. The Port is trying to preserve its flexibility and is still evaluating this asset in terms of moving forward.

The Port has been working on greening the supply chain – the South Terminal is all wired for shorepower and the Port is waiting for the industry to standardize. The Port has been investing in newer and greener equipment and undertaking different electrical upgrades which is helping to reduce the Port's carbon footprint. The Port will continue to make investments to support its commitment to be as green port as practical.

Due to the pandemic in 2021 there were over 100 ships sitting at anchor in LA/Long Beach and it became an issue of not enough port capacity on the West Coast. People were buying at historic levels and panic buying manifested itself into supply chain disruptions. Businesses shifted from the need of a month's worth of supplies to a 3-month need of supplies in warehouses, which created unprecedented levels of construction of large distribution centers. Customers started using ports as storage yards, resulting in stacking up the ships in the harbor. Labor shortages ensued on the docks, the trucks, the railyards, and the warehouses due to illness from the pandemic. The Port of Everett was in a good position to accept diversionary cargo coming out of LA/Long Beach, and cargo volumes went up over 400% during that time. The timing of this event was great for the Port because of the newly modernized terminal. It was well timed for the Port of Everett to be able to pick up some revenue on its infrastructure investments tied to the supply chain issue.

For 2023, Lefebvre reiterated that the Port's first quarter will be down from 2022 as late 2021 and 2022 were unprecedented and not the norm. However, the Port was able to grow its business and customer mix and establish those relationships so that the Port can continue to grow with its customers.

Carl Wollebek, Chief Operating Officer, reported that he was recently in Long Beach at the TPM 23 conference which is the Super Bowl for the container industry. All of the CEOs for the major container lines were there as well as the major importers. Contracts are negotiated in April to be effective May 1, and the container freight rates are at pre-pandemic levels, going from a high of \$20,000 a container from China to LA down to about \$1,500 - \$2,000. There are more container ships on order than there has ever been, and in the next 2 years there is 7 million TEUs of capacity that will enter the market; so as supply increases the rates should continue down. It has already started to happen; the Port just did its last Walmart ship and the Port hasn't heard from Amazon recently but Staff feels they may be gone now because most of their cargo was being railed down to LA, Texas and Chicago, and the large ships are taking their containers back. Wollebek said an economist at the meeting said "I'm really afraid of ship owners that don't have any money and are broke, but I'm more afraid of ship owners that do have money." Another economist predicted that the market was low now, but it might get a lot better or a lot worse than the 4th quarter. Nobody can predict anything right now.

For the roll-on, roll-off business, nobody could get chips or car parts which resulted in a huge demand, and now the chips are coming in so the roll-on, roll-off carriers are full. The Port has already seen the benefit with the excavators from Komatsu, Caterpillar and Volvo because they can't get space anywhere else. Staff is talking to an auto importer because the surge is strong and the Port might be putting autos in the Norton Terminal within the next few days which is expected to last through 2023.

The project business is getting better; the oil and gas companies have quite a bit of money and are starting to invest in infrastructure, and the Port is starting to see some of that business. The Port signed a contract with Swire Shipping who is bringing in the JB Hunt containers and the contract is good through the middle of 2024. The containers are parking at Norton Terminal because demand is down, but the Port is getting paid for their occupancy at the terminal.

The Port has another agreement with Ceva through the end of 2023 which includes the handling of the crates. Also, Swire completed the purchase of Westwood Shipping so there should be room for expansion as the Port has had a great relationship with both companies. The Port has been handling all of Westwood's breakbulk cargo, and the pulp exports continue.

A lot of the cargoes that the Port handles is high, wide and heavy, and the Canadians have put in a lot of infrastructure that can't handle this type of cargo, and they are also expanding more into bulk like coal, cranes and containers; a lot of the breakbulk capacity that they used to handle is reduced so the Port of Everett is seeing a lot more Canadian cargo.

Wollebek stated that for 2023 and 2024, the Port is looking pretty good. Some cargo has been lost, but the Port has been able to keep some of its cargo and has gained some cargo. Also, people are starting to travel again, and Staff has had some meetings with Boeing recently and they think their production rates are going to start going up – they announced a 737 line is coming to Everett. The Port of Everett will see some cargo due to that, however, the amount is uncertain at this time.

Wollebek reported that for market opportunities, the Bureau of Land Management auctioned over 372,000 acres in Northern California for just under \$1 billion to five companies for an off-shore floating wind farm. The Port may be able to solicit the business to assemble the components or working with the shipyards to build the pontoons. In terms of capacity, there is no way that just one port can handle all of the work, so there is opportunity there. The power generation is required by 2030. The Port of Everett is trying to get in front of this business opportunity early to offer its facilities to handle the business.

For short sea shipping, Wollebek stated that the Port did its first barge of containers from Everett to Canada in 2022 and continues to do the work between the Port's facilities and Mt. Baker Terminal.

For Intermodal Rail opportunities, the Port is only able to load ½ a train in the Port's existing facilities because of rail length. The Port is reviewing a potential expansion at Smith Island Terminal and discussions are ongoing. For military cargo, the Port has been pursuing a meeting with the 833rd battalion at JBLM and is actively trying to attract more military cargo. The Port is a member of the National Defense Transportation Association which is a private/public forum for the military and private industry to convene to discuss future project opportunities.

Executive Session

President Glen Bachman recessed the Commission Retreat into Executive Session at 1:48 pm for approximately 1 hour - to conclude by 2:45 pm.

The purpose of the Executive Session was pursuant to RCW 42.30.110(1)(i), to discuss with legal counsel matters relating to pending litigation to which the agency is a party; and pursuant to RCW 42.30.110(1)(i), to discuss with legal counsel matters relating to potential litigation to which the agency is likely to become a party; and pursuant to RCW 42.30.110(1)(b), to consider the selection of a site or the acquisition of real estate by lease or purchase, as public knowledge would cause a likelihood of increased price.

At the conclusion of the Executive Session, there was no action taken by the Commission and no announcements were made.

THE COMMISSION RETREAT WAS RECESSED AT 2:45 PM TO THE NEXT DAY, MARCH 8, 2023 AT 9 AM.

**Minutes of Everett Port Commission
Retreat & Special Meeting
March 8, 2023 – 9:00 am**

PRESENT:	Glen Bachman	President
	Tom Stiger	Vice President
	David Simpson	Secretary
	Lisa Lefebber	CEO/Executive Director
	Eric Russell	Chief Financial Officer
	Jordan Stephens	Port Attorney

March 8, 2023 – Day 2

CALL TO ORDER: Commission President Glen Bachman called the meeting to order at 9:03 am.

Welcome, Commission Discussion, Citizen Comments

Commissioner Bachman welcomed all and asked for Commissioner comments. Secretary Simpson thanked Staff for the presentations at yesterday's session as they were very informative. There was no further Commission discussion.

There were no Citizen comments; however, CEO/Executive Lisa Lefebber said there was an expectation that during the Mukilteo update, the Mayor and members from the Mukilteo City Council may be in attendance or participate via zoom, or a combination of both.

Waterfront Place Project Update

Executive Director Lisa Lefebber and Chief Financial Officer Eric Russell presented the Waterfront Place Update.

Lefebber reported that in the 2018/2019 timeframe, the Port officially made the switch from a light industrial waterfront to a year-round destination waterfront. As such, this switch created the need for people, activity and vibrancy in order to make sure all of the Port's businesses are successful. When the Waterfront Place Project is done, it is estimated there will be over \$1 billion in investment. The current investment is at \$300 million, but with the LPC West deal, along with the Schuster Group and others, that number will continue to grow. At full buildout, the Port expects the project to generate about 2,000 jobs and significant state and local taxes.

Some of the Waterfront accomplishments include the Fisherman's Dock, the promenade, Jetty Landing Restroom, Pacific Rim, Dock Walk, and the Bulkhead Replacement. Other accomplishments include the Waterfront Place housing, the soon to open Fisherman Jack's and South Fork Bakery in A-8, and the development of long-term partnerships with the Schuster Group for retail and LPC West for Millwright. Lefebber stated that these two partnerships and development agreements are critical to be able to deliver on the promise of Waterfront Place from a time and resource standpoint.

Lefebber outlined some of the projects currently under construction and projects that the Port expects to open during 2023, including five restaurants, three new boat businesses, the Everett Yacht Club and Jetty Playset. Projects that are breaking ground in 2023/2024 include the Millwright Loop Road, the fuel dock, and projects for A-12 and A-6. The B-11 (restroom) and the Destination Tasting Rooms are expected to break ground in the 2024/2025 timeframe.

A-8 is substantially complete and tenant improvements are underway. The goal is to have both Fisherman Jack's and South Fork Bakery open in the May/June 2023 timeframe. A-17 is also substantially complete and tenant improvements are underway for Freedom Boat Club, Waterline and Bellingham Yachts. Openings are targeted for spring of 2023. Port Gardner Landing is expected to open in June 2023, and the Weyerhaeuser Muse/Whiskey Bar & Coffee Shop is expected to open in late-spring 2023. Subleases have been secured with Milltown Sailing and Mukilteo Yacht Club for the second floor of the historic building.

At the South Marina, the Port has a lease secured for proposed Building 5, and there are four additional lease negotiations underway and, depending on the amount of space they require, there are 3-4 spaces available. The Port hopes to do some construction and utility relocation and parking lot reconfiguration in late 2023 or early 2024.

Chief Financial Officer Eric Russell reported that the Commission had approved the agreement with LPC West substantially as presented in December. Since then, Port Staff has spent time going through some of the more detailed issues that had not been finalized at that point. Of note, because legal counsel is involved, it takes time to get documents back from the different attorneys to keep the discussions going forward. Items that need to be refined include the final unit count, the road surface, schedule, parking, instructions for the appraiser, and indemnifications and releases going forward. An outstanding issue includes common area maintenance charges, but Staff expects to have everything signed off soon and moving forward.

LPC West has not provided a date for breaking ground, but they have been working hard on the design for the apartments; however, Staff has not been provided with any drawings to share. Russell added there is a lot of city coordination that must happen as LPC West has some changes they would like to see made in the Development Agreement. On the West parcel LPC West is requesting 300,000 sq ft for multifamily residential, for the East parcel 150,000 sq ft primarily for commercial office space with some retail around the edges. This is also where the clock tower will be built.

Russell stated that the Port is officially negotiating an option agreement and under that agreement, LPC West will make decisions on when they want to move forward, or if they want to move forward; so, while there is discussion to do three parcels, there is a possibility that they will just do one or two. Also, as part of the agreement, LPC has negotiation rights for the wharf's edge, and that right strictly means that the Port has to talk to them first and try to negotiate a deal.

There has been an amendment to the existing CC&Rs that addresses design and maintenance items.

Millwright Loop Road Status

Russell reported the Port had started construction of the Millwright Loop project last summer with demolition of buildings, removal of utilities/asphalt, and the preload. This work has just recently been completed.

Next month, Staff will be asking the Commission for approval to go to bid for the construction of the road and utilities, and then in June returning to the Commission for approval to contract for the work and to have the work begin in August 2023. The work will be primarily focused on the road and east and west marina parking lots with construction slated for completion in late fall of 2024. As part of the work, the contractor must remove the preload to the final grade. Some of the preload will be moved onto Weaver Street to begin preloading that street. Under the agreement with LPC, they will build the street once the preload settles. The remaining preload will be moved to Sawyer Street. North and South Millwright Loop will be built out to Sawyer and Chamfer will be built across the middle. Landscaping improvements for these streets will be performed as the buildings get built.

The parking lots on the south side are both Marina dedicated parking lots and the Port will be installing gates to keep these areas for Marina use and not the general public. The esplanade along the south edge of the parking lots will be extended nearly to the gatehouse down to the fuel dock.

Lefebvre emphasized that the Port will do everything possible to mitigate the disruption for the Marina boaters due to construction. For example, golf carts have been purchased to transport boaters to and from marina gatehouses. When the project is complete it will be great but there likely will be impacts and inconveniences along the way.

Segment E Bulkhead

For the Segment E Bulkhead project, Lefebvre stated that one of the big challenges is the permitting because of the new overwater coverage where the Port plans to straighten out the wharf. In order to do this, the deck has to be removed so the bulkhead can be replaced which is actually holding up the southbound lanes of SR 529. If the bulkhead fails, the southbound lanes are impacted. The goal is to start construction in 2024, however, this is contingent on permitting.

Marina Fuel Tanks and Dock Improvements

As reported in February, Phase 1 construction is underway; there will be five to eight months of preload settlement, followed by the installation of diesel and gas tanks to support the upgraded Marina Fuel Dock. Work is expected to be completed late summer 2023.

Lefebvre added that Staff is reviewing the possibility of adding a restroom, vending machines, and a commercial pump-out for this project. The Department of Ecology passed the No-

Discharge Zone for Puget Sound, and currently there are not enough commercial pump-out services in the area, so this would provide additional commercial pump-out capabilities for larger vessels up to 100 ft. This project is scheduled for construction during the next fish window of August 2024 and is expected to be complete in 2025.

Within the District, Executive Lefebber said that Port Staff would like to build in art and themes in each of the regions so that as people follow the trail systems, there will be experiences to enjoy. For example, items to focus on would be boat building with the Equator, some type of art at Jetty Landing in partnership with the Tribes, the commercial fishing statue is in place, signage commemorating the Weyerhaeuser building that would double as art, a Boxcar Park monument sign, more signage representing the mills, and signage for the boating industry and others.

For the Fisherman's Harbor construction schedule, Lefebber said that A-8 and A-17 will be completed in 2023, A-6 and A-12 will be started in 2023 – 2024, A-7 will start in 2025 for completion in 2026 and be the last building in Fisherman's Harbor.

For the Millwright District construction schedule, the road construction that started last year will continue through 2025; LPC West will start in 2023 and continue on until all three option phases are complete; and the Marina Maintenance Shop has been temporarily relocated to the Ameron site – a new shop will be built in the canopy that will start later in 2023.

At the esplanade, the fuel dock and tank relocation started last year and will continue through 2025, Port Staff expects the B-11 restroom to start in 2025, and Weyerhaeuser improvements will be complete in 2023.

The South Marina Destination retail will start in 2024 and continue through 2025/2026.

Waterfront Place Lease Portfolio

Real Estate Manager Tara Hays provided an update on the Port's current lease portfolio in terms of renewals and future opportunities.

In 2022, the Port completed four 1-year leases, seven 5-year leases and two 10-year leases, one extension, three expansions and three short-term deals. Lease revenue collected was \$3,067,790 in base rent.

For 2023, three renewals are currently being negotiated, four expirations – three of which will convert to month-to-month most likely in order to maintain flexibility in the building. There are five upcoming vacancies, two of which are currently in negotiation with the Department of Fish & Wildlife. Existing lease revenues are at \$2,380,834 in base rent – this does not include leases that are being negotiated.

On the horizon for 2024, there are five expirations that have options, and eight other expirations that are currently all expected to renew.

Recess

President Glen Bachman recessed the meeting for a break at 10:13 am.

The Commission Retreat was reconvened at 10:30 am by President Bachman.

Annual Marina and Public Access Report

Chief of Marina Operations Jeff Lindhout provided the 2022 Marina metrics showing that moorage occupancy and revenue were both strong for 2022. Storage for boats decreased by 500 boats due to the closure of some storage yards and there was an increased number of boats in the workyard. Guest dock moorage decreased, haul-outs for the Travelift increased, fuel dock gallons sold decreased due to higher fuel costs and a reduction in visiting boaters, and there was a decrease in boat launches likely due to higher fuel prices.

A Marina performance recap included the relocation of the Operations shop to the Ameron site, Clean Marina re-certification, expanded DockWa functionality, new boat show display booth, full moorage at North J-dock, relocated Operations office, Jetty Landing Boat Launch restroom, South Marina waterline replacement, tracking mechanism for dock carts, fuel dock Class 4 Ecology fueling certification and the removal of 28 seized boats via auction/demo or salvage.

For Customer Service, Lindhout reported that Staff implemented Tankful Tuesdays which is an incentive program for the fuel dock, reopened the Haul-out Office, is relocating LAZ Parking to the Waterfront Center for easier boater and visitor access to parking support, hosted a Marina Open House to enable moorage holders to get information about the Marina, increased and enhanced construction communication for Millwright Loop Road and future development, and are implementing mitigation measures to support boaters during construction. Lindhout also provided a list of staffing changes at the Marina.

Since the early 2000s, the Port has invested over \$165 million in Marina improvements including the South P&Q dock rebuild, 14th Street Bulkhead rebuild, Central G-dock rebuild and dredging, Central ESY in-water cleanup and I-dock rebuild, and the new 220-slip yacht-class Marina at North docks. A lot of upgrades and improvements have been made at the Marina.

2022 projects included the South waterline repairs, the commencement of the fuel dock tank relocation, the installation of an access ramp to the Ameron site, the completion of the Jetty Landing restroom, the relocation of the Maintenance shop and boat launch dredging.

Upcoming projects for 2023 include the new Marina Operations Shop, the Everett Yacht Club building, South Marina gatehouses, access controls, fuel dock tank install, boat launch rinse station, rebuilding lane 13 at the boat launch, and additional cameras.

Public Access Report

Communications and Marketing Director Catherine Soper reported that of the 3,300 acres that the Port encompasses nearly 1,800 of these acres are dedicated to either public access or environmental purposes. Soper provided an overview of the public access areas with the largest area being Jetty Island. The Port has invested approximately \$26 million since the early 2000s in public access.

Public access is a key component of the Port's Strategic Plan and Comprehensive Scheme of Harbor Improvements. While the Port is not a parks and recreation district, it can support parks and recreation where it is appropriate and enhances the Port's business lines.

The Port provides public access through its 2% for Public Access Policy for Capital Improvement projects, maintenance and repair projects and through partnerships and outreach. Other types of public access include the Port's role as the local sponsor for the US Army Corps of Engineers Maintenance Dredging of the Snohomish River Channel, Jetty Island Beach nourishment and expansion, and freight mobility project support for transportation improvements.

Various types of public access and recreation at Destination Waterfront include the beaches at Jetty Island, parks and plazas, trails, boating/kayaking, kiteboarding, outdoor movies, live music concerts, harbor tours, festivals and special events. For Waterfront amenities, the Port continues to add restaurants, marine businesses and hospitality, and is in close proximity to the Tulalip Casinos/Seattle Premium Outlets, Angel of the Winds Arena and golfing and hiking.

Soper provided public access highlights from 2022 that included the Bay Wood Nature Trail, the new maritime exhibit at Imagine Children's Museum, Mukilteo Parklet, Jetty Landing Restroom, Lunch and Launch, Flashback Friday history tours, Puget Sounds, Pacific Ice, Holiday on the Bay and the winter lighting displays.

A look ahead for 2023 includes trails within the Millwright Loop Road system, vistas, South Marina Destination Retail and public spaces, Weyerhaeuser Muse opening with museum elements, Texas A&M outreach for the Equator, Jetty Landing playground and Maritime Education and Workforce Development.

Mukilteo Waterfront Update & Artist Renderings

Executive Lefebvre reported the Port transferred the tank farm property parcels to the Port's respective stakeholders in 2016, but there has been very little forward movement for the parcels. The Mukilteo Waterfront is 26 acres and represents 10 property owners. In 2020, NOAA (National Oceanic & Atmospheric Administration) indicated they would not be moving forward with their research center and under the Congressional legislation, the property was to return to the Port of Everett.

The Port hired an architectural firm to help with a design and visioning process for the Waterfront parcels. A stakeholder workgroup was formed that represented the various

interests at the Waterfront. Workgroup sessions were held to discuss current waterfront opportunities and constraints, a vision and principles.

Extensive public outreach was performed with an Open House and public survey and very detailed comments were received which provided good guidance. Of note, recreation, diving, restaurants, activities, places for the public to gather, beach access, honoring the maritime industry, honoring the history of the site with the Tribes, and parking were identified as being important.

Some of the survey results indicated that a large portion of the public go to the waterfront for the ferry, the park, the beach and the restaurants. The survey also revealed that people want more dining opportunities, more shopping opportunities and better parking.

With the public feedback, a very diverse group of stakeholders representing all of the types of users at the waterfront developed a vision statement and guiding principles that were approved unanimously by the Port Commission and the Mukilteo City Council. Lefebber recited the Vision Statement and Guiding Principles.

Currently, the NOAA property is in the process of being transferred to the Port of Everett but may not occur until 2024. NOAA has cleaned up and cleared their site for transfer to the Port. The Port did acquire the former ferry holding lanes to secure them for future development. Smith Investments and Ivar's are fully on board with the redevelopment of the waterfront. The Port has plans to activate the Parklet on the Mukilteo Waterfront this summer with live music, games and wildlife viewing.

The Port was asked to provide artist renderings so that the City and the City Council could see how a partnership and a development could look. Typically, artist renderings are developed after the project has been started and the mix of uses have been determined, whether or not it can be built and paid for, and if there is a market demand for the project. Lefebber emphasized that none of this work had been performed. The artist renderings are the result of NBBJ and Port Staff's taking the public feedback and integrating it into an artist rendering that was felt most appropriate given the availability of the parcels and information that was available to them.

Four artist renderings were prepared, one each of the entire Waterfront, Front Street, NOAA and the City site, and the Tulalip Tribes property. The public feedback indicates that the community wants to see a more activated park at Lighthouse Park, and a better parking arrangement.

Lefebber's recommendation on the partnership structure is that the City of Mukilteo would take the lead on the Lighthouse Park, the Port would take the lead on the area from Losvar to the ferry, WSDOT would take the lead on their property, the Port and City would partner on

Japanese Gulch, the Port would work with Tulalip to complete their vision, and the Port would take the lead on Mt. Baker Terminal and Edgewater Beach.

The remaining work includes decisions on partnerships, roles and responsibilities to see if a partnership agreement can be reached, or if the parties should develop their parcels individually; Lefeber indicated she would be contacting the City and other partners to schedule meetings.

Mayor Joe Marine said he appreciated the drawings and having conceptual drawings to look at was very helpful. Arnie Hammerman of the Mukilteo Planning Commission said that the Planning Commission wants to work with the Port of Everett to make sure that the stakeholders are represented.

Recess

President Bachman recessed the meeting for a lunch break at 12:00 pm for 40 minutes.

The Commission Retreat was reconvened at 12:40 pm.


Commissioners Simpson, Stiger and Bachman thanked Port Staff for the very informative recap of projects from 2022 and what is projected to take place in 2023 and beyond. There were no further comments.

No Executive Session was held.

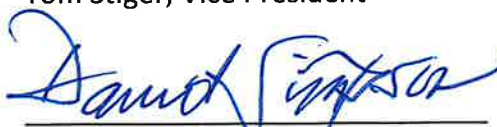
THE COMMISSION RETREAT WAS ADJOURNED AT 12:41 PM.

APPROVED THIS 13th DAY OF APRIL 2023.

EVERETT PORT COMMISSION

DocuSigned by:

D884C4BAE8DF4DC...
Glen Bachman, President


Tom Stiger, Vice President


David Simpson, Secretary