

**Minutes of Everett Port Commission
Regular Meeting
May 5, 2020**

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

CALL TO ORDER: The meeting was called to order by Commission Vice President Tom Stiger at 12:03 p.m. and stated for the record that Commissioner Glen Bachman, Commissioner David Simpson, and Port Attorney Brad Cattle were participating by Zoom.

CEO/EXECUTIVE DIRECTOR'S REPORT

COVID-19 Update

Executive Director Lisa Lefebber updated the Commission on COVID-19. The Stay-at-Home order was supposed to be lifted today, May 5, however the order has been extended until May 31, 2020 and a four (IV) Phase reopening plan has been established by the Governor. Effective today, outdoor recreation and construction activities are able to resume. The boat launch is at full operation, all 13 lanes, and Edgewater Beach and Union Slough are back open. Also, the Port has opened the three main public restrooms at the marina. All Port construction projects have restarted as well. Because there is some gray area in the Governor's reopening plan, as it relates to "government services", the Port has delayed the opening of the Marina Office. There was thought that the Marina Office could open as part of boating in Phase I but because of lack of clarity, the Port decided to err on the side of caution and delayed the opening. Appointments are being taken for Port customers that do need to come in and sign up for moorage and customers are required to wear a mask. The Governor is saying there will be three weeks between each Phase, but Phase II may not even start until June 1. Phase III is when government services can start back up and that may happen mid to late June.

The events that have been cancelled by the city of Everett this summer, due to budget cuts, are Music at the Marina, Street Tunes, 4th of July celebration and fireworks festival and Jetty Island Days. Anything that has been tied to the Everett general fund has been cancelled so the maximum amount of days the Jetty Island can operate this summer, if allowed at all, will be five (5) days. The Port will continue to track these initiatives.

The Port has received five (5) tenant requests for relief under the tenant rent relief policy. The total is about \$45,000 a month in rent relief. Tenants have three (3) months of rent relief to be paid back over a year period.

Other areas of expended funds under the Emergency Declaration included installing safety plexiglass in the Marina Office, around \$8,500. All the experts are saying plexiglass is here to stay so it is a permanent investment.

Maintenance crews are back to work in full force with staggered schedules and breaks to ensure social distancing guidelines. The Port has provided masks, sanitizer, proper PPE, and all safety requirements necessary. Also, on May 4, a safe work guidance was issued for Port employees which will be modified as needed.

Commissioner David Simpson asked about the summer cinema night at the Port. Lefebber said the Port plans to turn the Sail-In Cinema into a drive-in theater and it will be the only summer event the Port will be able to move forward with because everyone will be contained to their vehicles.

Commissioner Tom Stiger said on a positive note, he believes the Port is well prepared as it moves through the phases and hopes to enter the phases sooner than projected.

2020 Budget Reductions

Executive Director Lisa Lefebber reported with the COVID response, typically what is found is that the Port of Everett tends to do OK in the year of the crisis because a lot of the business and activities the Port has are already fixed and planned years in advanced. What the Port starts to see happen is in the 12-18 months after the crisis, the financial impacts start to hit. In light of Boeing's announcement of the reduction from five (5) 777 down to three (3), that is a significant financial impact to the Port combined with the trade war, low gas prices and the current state of affairs with the COVID situation as it relates to tourism businesses. Fortunately, there has not been any major impact on marina moorage yet, assuming that will continue strong as a steady line of business. Considering the reality and assumptions, the Port has started planning and preparing for reductions in 2020 to make 2021 less severe in terms of financial impacts.

In February, when the first declaration came down from the state, the Port implemented a hiring freeze. The Port has ten vacant positions currently, which is extremely unusual and is a major savings, close to \$1 million in wages and benefits. That will help the Port mitigate some of the costs. In 2018, when the Port had a downturn, with the switch from the 777 to 777X, the Port was in a major building program and had to cut expenses so in 2020, the Port was starting to add some back in. The Port will keep the ten positions open through 2020 and is looking at \$1.5 million in project deferrals. The Kimberly-Clark project will continue to move forward and the conversion of that to the cargo terminal. That is a strategic priority for the Port and we want to make sure that when the market does come back, the Port is ready for it.

Looking into 2021, the Port will look at slowly bringing back some of the vacant positions, depending on how the seaport business does. Between the Russian sanctions, trade war with China and the status of the airline industry the Port's three major cargo sectors, which are oil and gold mining, forest products and aerospace, are all down. The Port will be having very conservative projections going into 2021. It will also require the Port to take a hard look at capital projects and timing. Staff will have meetings to look at how the projects could move forward and under what circumstances and financial compacity required. The Port had every intention on building the restaurant pads later this year going into 2021. Chief of Business Development Terrie Battuello and team are well on their way in terms of designing them so now is the time to get creative and see how to keep these initiatives moving forward but not impact the financial sustainability of the Port. One thing that is interesting timing is that the Port has been moving forward with an economic impact study, which was started back in December 2019, and they are looking at 2019 economic impacts. That will be forthcoming in the next few months.

MARITIME INDUSTRIAL EXPANSION

Department of Homeland Security Grant Application

Executive Director Lefebber reported that on April 30, 2020, the Port submitted a grant application under the Fiscal Year 2020 Port Security Grant Program (FY20 PSGP) requesting federal funding to install security fencing and rail and vehicle gates at the new Norton terminal, expanding the existing MTSA regulated terminal northward. The total estimated eligible cost for this project is \$684,800, with the 75% federal share \$498,600 and the Port's 25% match requirement \$166,200.

Awards are scheduled to be announced in mid-July, with a grant start date of September 1, 2020. Grant funding is available through August 31, 2023 but it is anticipated that this project would be completed by December 31, 2022.

Lefebber said Staff is working on a site plan and hope to present to the Commission next month, preferably in person so the Commissioners can review and ask questions.

SEAPORT MODERNIZATION

Crane Transport, Change Order & Contract Closeout

Chief Operations Officer Carl Wollebek reported the South Terminal Wharf upgrade is designed to accommodate two (2) 100-foot container cranes to service larger ships. The Port decided to pursue used cranes in lieu of brand-new cranes as a cost savings measure. The cost of two new cranes would far exceed \$20 million.

In April 2018, the Port issued a Request for Information (RFI) to assess the availability of used 100-foot gauge container cranes. Staff determined the cranes at the Port of Los Angeles Everport were the only viable options. On July 25, 2018, the Commission authorized a Request for Proposals for the transportation of those used cranes located at the Port of Los Angeles, CA at the terminal of Evergreen Terminal Services (ETS).

Due to the shortened time frame allowed for removal of the cranes from ETS, on August 14, 2018 the Commission authorized:

1. A motion waiving any competitive process for the general transportation services necessary for the transportation and delivery of the cranes based on "special market conditions."
2. A motion authorizing the Executive Director to sign the necessary contracts to acquire and transport the cranes.
3. A motion to amend the 2018 budget by an increase of \$3 million for payment of services for the transportation and delivery of cranes.

The Port contracted with Engineered Heavy Services on a time and materials basis to transport from ETS. The cranes arrived in Everett on June 11, 2019 and have been placed into upland storage at the South Terminal. The Port ran into several issues related to the project including extra engineering and seabracing required due to length of voyage out in open sea vs within Puget Sound. In addition, once the cranes were weighed, the center of gravity was found to be different than what was on the drawings provided to the Port requiring extra seabracing and engineering. Also, the Port ran into union jurisdictional issues in Everett and because of the South Terminal Wharf project construction Phase II needed to provide temporary wharf improvements, including building two bridge structures across the landside rail beams and providing two mooring bollards. All issues caused significant increases in cost.

On August 13, 2019, the Commission authorized a budget transfer from the CIP contingency fund to the Container Crane project in the amount of \$3 million. This action increased the budget for this project from \$5 million to \$8 million.

The Marine Terminal is a facility of statewide significance and the cranes are necessary and routine for the Marine Terminal as part of its Port operations. The contract for the change order and contract closeout was entered into before the Governors proclamation of COVID-19 so the action by the Commission is a necessary and routine matter.

Staff requested two (2) motions.

After discussion, Commissioner David Simpson moved that the Commission authorize the CEO/Executive Director to sign Change Order #1 with Engineered Heavy Services in the amount \$1,115,420.87. Commissioner Glen Bachman seconded the motion. A vote was called for:

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

Motion carried.

Commissioner Tom Stiger asked for a timeline regarding the move of the cranes. Wollebek stated the cranes are in storage. Last month, the Commission approved the drive system upgrades. Next commission meeting, Project Manager Willie Watson will be coming to the Commission to request approval to publish a Request for Proposal (RFP) to move the cranes. This month the panzer belt installation has commenced. Things are moving along on schedule and hopeful to get the cranes into place by November 2020.

Commissioner David Simpson moved that the Commission approve the closeout of the transport contract with Engineered Heavy Services in the amount of \$4,962,382.87 and authorize the CEO/Executive Director to sign the required documents. Commissioner Glen Bachman seconded the motion. A vote was called for:

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

Motion carried.

Wollebek thanked Willie Watson and Maija Lampinen for all their hard work and help that went into this very complex project and they did a great job!

Washington State Department of Commerce Grant Agreement

Executive Director Lisa Lefebber reported in November 2018, the Port requested funding in the 2019 Capital Budget to support the anticipated berth deepening at South Terminal. In June 2019, the legislature awarded the Port a capital grant in the amount of \$300,000. Due to the increased costs surrounding that project, the Port requested a scope change to utilize the funding toward the cost of relocating the cranes from Los Angeles, which was approved. The grant agreement provides \$294,000 (\$300,000 less

Department of Commerce 2% administrative fee) to be applied toward the costs of \$5,468,134, which were the costs to date incurred on the move through August 2019. This grant allows a prior cost reimbursement of construction expenses back to July 1, 2016, making these costs eligible.

Upon discussion, Commissioner David Simpson moved that the Commission accept the grant from the Department of Commerce in the amount of \$294,000 net for the purchase and relocation of cranes to the South Terminal, such work to be performed in compliance with RCW 39.12 (Prevailing Wages Laws) and authorize the CEO/Executive Director to sign the Department of Commerce Grant agreement. Commissioner Glen Bachman seconded the motion. A vote was called for:

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

Motion carried.

DEPARTMENT REPORTS

Properties

Latitude Ground Lease Modifications

Chief of Business Development Terrie Battuello stated the Port's real estate attorney, Sallie Lin, evaluated the Governors proclamation and real estate transactions are necessary and a routine matter for the Port of Everett.

Battuello reported on March 31, 2020, Latitude Development, manager of RBP1, LLC, requested to exercise its option to purchase Lot 4 of Riverside Business Park in accordance with the Lease Agreement with the Port dated October 12, 2016. This request was regarding the 210,798 square foot parcel which sits adjacent to the Safran and Amazon complexes. In reviewing the Option to Purchase clause in the lease, the Port negotiated a market price for the land because the right to exercise the option was allowed after improvements were completed. To allow for the sale now, before the development, the Port updated the valuation of the site from \$6.75/square foot to \$9.00/square foot, the current market value based on compatible industrial properties. Latitude intends to build an 85,000 square foot manufacturing building. With the amendment to the lease, the sale would close mid-May 2020 at a value of approximately \$1.9 million. Port Administration recommends this amendment to allow the sale at market price.

After discussion, Commissioner David Simpson moved that the Commission authorize the CEO/Executive Director to sign the Third Lease Amendment between the Port of Everett and Latitude Development authorizing certain terms to be amended, in a form substantially as presented. Commissioner Glen Bachman seconded the motion. A vote was called for:

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

Motion carried.

Projects

Blue Heron Slough Project Update

Director of Environmental Programs Erik Gerking updated the Commission on the Blue Heron Slough project and gave an update on the property which led to where the Port is today with the project. The project is now under construction and moving forward with the second accreditation for mitigation credits. The project is currently approved for a conservation or fish credit but moving forward with a much more valuable and usable credit known as a wetland credit. Once the bank is fully established there will be four openings to the slough, three on the north and one on the south and a variety of different habitats that will be created. From an environmental perspective, the bank will essentially create an addition to the Snohomish Estuary Echo System. It will provide a place for micro-organisms, plants, algae and different little critters that form the bottom of the food web which will then support a bigger population of the larger animals like salmon, flat fish, birds, crabs and others. From an economic stand point, the slough will serve as a mitigation bank for providing compensatory mitigation for project proponents that are in the Port's service areas that need the type of offsets that the Blue Heron Slough can provide. Wildlands, the Port's development partner, and their contractor mobilized to the site in Fall of 2019. There was a bit of a slow start since it started in fall and the winter rain created a lot of mud. They were able to make some progress, but it was too mushy. However, they did complete the building demolition, including the former Biringer house. They have cut new channels in the south and there will be a network of channels dug throughout the interior of the site. One of the key earthwork jobs is for Wildlands to cut all the channels to precise elevations and locations. They have done some earthwork in the north and imported habitat material and soil to build up habitat mounds. Along I-5, they have been continued constructing the I-5 protective dike which will prevent water from reaching I-5 and potentially causing problems there.

The project has established a conservation or fish bank and created a service area. The conservation bank can offset impacts to the habitat of federally listed or threatened fish species. This was approved in 2008 and has been active for quite some time but can't get the credits for the bank until certain milestones are hit. The milestones start with the filing of the conservation easement. The took place last summer. Fifteen percent (15%) of the fish credits were released at that point in time. The conservation easement was filed as a requirement of the Natural Resource Damage Consent Decree. One of the key aspects of these mitigation banks is the service area which covers the entire Snohomish River watershed. These banks are designed to be compensatory for watershed scale impacts. Since this is a fish bank, it compensates for fish that have a broad migratory pattern that is why there is a marine service area. So, impacts to threatened fish species could be mitigated using Blue Heron Slough credits which goes all the way down to near Federal Way or as far north as Warm Beach. One of the nuance here, the farther away from Blue Heron Slough, other tribes get involved with permitting processes and sometimes near Seattle, tribes that have usual and accustom (UnA) rights prefer the mitigation is done within their UnA area.

Now, the team is underway with the wetland mitigation bank. The process involves an inner agency review team led by the U.S. Army Corps of Engineers, Department of Ecology and other agencies that have responsibility. Near the beginning of the process, the team released a prospectus, which is a wetland mitigation banking proposal, for public review which lines out the basic framework, including the proposed service areas. The whole process is anticipated to take around 12 – 18 months and started about 30 days ago. There has been a lot of ground work laid with the agencies so far to get this started up. So far, through the public review process, there haven't been any comments. Following the public comment period, which runs through June 9, 2020, the Port should hear of any comments. At that point, there will be a kick off meeting for negotiating what will be the ultimate goal of this process, which is the

mitigation banking instrument. This is the contract with the agencies that allows the Port to sell wetland mitigation credits. These credits are there to offset impacts to wetlands and impacts to waters of the U.S. so once the Port has the fish credits and the wetland credits available at the bank, it is a pretty holistic package for projects doing water work around wetlands and marine areas. It is important for people to know that the federal and state agencies are very supportive of banks. Their preference is actually to use mitigation banks versus one-off mitigation projects that don't have all the assurances and track record of performance and have the lift that this type of project does for the environment.

Commissioner Glen Bachman mentioned that Erik Gerking did a great presentation to the Master Builders Association a few months ago on this topic and it was well received. They are anticipating the completion and the function of this particular mitigation bank. Also, Commissioner Bachman's daughter is an Ecologist and is absolutely thrilled with the areas that this covers. The functionality and the value to these is just spot on. This will be a great success and meaningful asset to this region.

Commissioner Tom Stiger asked about public access such as hunting and fishing in this area, is it permissible? Gerking responded saying there are two components to public access. One component is general public access and in terms of the mitigation bank, within the core of the bank, there won't be any public access. The original SEPA that was done for the project envisioned a public access viewpoint at the entrance. In the future, once the bank is built, there could be a viewpoint out there for the public to go see from a distance. The conservation easements that are used for these mitigation banks are there to protect this area as a conservation area, protect the habitat and make sure it's not being trampled on, so it doesn't really allow for general public access features. Second component, in terms of hunting and fishing, the Tulalip Tribes are the holder of the conservation easement and it is allowed that Tribal members only can exercise their UnA rights on this land.

Commissioner Stiger asked when a developer purchases bank credits, how is that granted and secured? Gerking outlined the steps to provide the credits. There is a mitigation banking instrument that is set up for the wetland bank and the Port already has a banking agreement for the fish bank. If a project is impacting resources that Blue Heron Slough can compensate for, the agencies will put a credit number to the impact that the permitting party needs. Then a bill of sale will be asked to be issued for those credits. Along with the bill of sale, the project will also have to provide a ledger that shows the deduction of the credits from the overall balance of credits. The ledger is an accounting mechanism that is managed by Wildlands and the agencies that are responsible for the bank.

Commissioner Stiger asked what is the dollar value of a credit? Gerking explained that the credit value is determined by Wildlands per the Port's agreement with them and they have put out various prices for credits, depending on the amount being purchased, is it a small or big transaction? The only published credit was the NRD settlement, \$9,700 per credit. The Port's agreement with Wildlands eventually is a 50/50 share. Gerking mentioned that Executive Director Lefeber did a fantastic job re-organizing the waterfall agreement with Wildlands. The waterfall agreement is a key component to the agreement with Wildlands and it specifies as revenue comes in, who gets paid first. Eventually once everyone's costs are paid for, then it's a 50/50 share but the Port land cost, which is around \$3 million, come immediately after Wildlands construction and costs associated with construction are funded. Executive Director Lefeber stated one of the key users of this project will likely be transportation projects. If they ever do anything to redo the US2 Trestle or any other bridge project, those would be big users in this type of bank.

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Commissioner Bachman wondered if Wildlands will publish the pre-scripted path for the use of the property so that an agency or a developer with someone in house would know ahead of time where this is of some value or whether they fall into play with that. Gerking said he's been talking with Wildlands recently about this sort of idea. An example might be a brochure of Blue Heron Slough that could be both available online but also available at a local jurisdiction.

Lefebber stated that Erik Gerking and the team are working on reconciling how each the Port and Wildlands classifies overhead costs or administrative costs. In order to make sure it's equitable and make sure that the waterfall agreement works as it should, Wildlands and the Port need to make sure to account for the same types of overhead costs.

Commission President's Report

Commissioner Glen Bachman stated he anticipates every time the Port does a commission meeting on Zoom but also cannot wait to attend them in the same room hopefully soon.

Commission Discussion

There was no Commission Discussion.

Citizen Comments

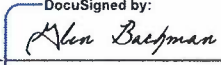
There were no citizen comments.

No Executive Session was held.

THE REGULAR MEETING WAS ADJOURNED at 1:30 p.m.

APPROVED this 9th day of June, 2020.

EVERETT PORT COMMISSION

By: 
Glen Bachman, President

By: 
Tom Stiger, Vice President

By: 
David Simpson, Secretary