

AGENDA FOR TWO MEETINGS: MARCH 29, 2011

The BOARD OF COMMISSIONERS of the PORT DISTRICT OF SOUTH WHIDBEY ISLAND

**9:00 am - SPECIAL WORKSHOP with IMPACT WASHINGTON
at PSE Office Meeting Room, 1794 Main Street, Freeland WA**

**10:15 am – SPECIAL MEETING (in workshop format)
at Port Office Conference Room, 1804 Scott Road, Freeland, WA**

WORKSHOP CALL TO ORDER (9:00 am, at PSE Office)

1. Pledge of Allegiance
2. Presentation by Impact Washington
3. Discussion

WORKSHOP ADJOURNMENT

SPECIAL MEETING CALL TO ORDER (10:15 am, at Port Office)

PROJECT ACTION ISSUES - Staff Report, Commissioners' Discussion & Action

1. South Whidbey Harbor
 - A. Expansion Project
 1. *Boating Infrastructure Grant Application Update*
 2. *Review of Design and Funding Approaches*
 3. *Review of First-phase Concepts*, incl Direction for further analysis
 4. *Permit Update*, incl. Request from Federal Services for Marina Mammal Monitoring Plan plus Marbled Murrelet and Proposal from GeoEngineers
2. Mukilteo Parking Garage Concept (Gordon)

SPECIAL MEETING ADJOURNMENT

PORT DISTRICT OF SOUTH WHIDBEY ISLAND

Minutes of the Special Meeting

March 29, 2011

Freeland, Washington

Commissioners Present: Chris Jerome (Langley), Curt Gordon (Clinton) and Geoff Tapert (Freeland)

Others Present:

Port Staff: Ed Field (Port Manager), Dane Anderson (Port Financial Manager) and Molly MacLeod-Roberts (Port Clerk)

MEETING CALL TO ORDER: The Special Meeting of the Port District of South Whidbey Island's Board of Commissioners was convened on Tuesday, March 29, 2010, at the Port office conference room at 1804 Scott Rd. in Freeland, WA. As announced, the primary purpose of the Special Meeting was to conduct a workshop for Commission and staff to conduct review of design and permit issues for the South Whidbey Harbor Expansion Project. Although the Meeting was of course open to the public, this Special Meeting was scheduled to enable the Commission to fully review project details with staff and to address scooping, prioritization and direction for the designers and staff, and public participation was not on the Agenda. Commissioner Jerome, President, called the Special Meeting to order at 10:18 a.m., followed by the Pledge of Allegiance.

PROJECT ACTION ISSUES – Staff Report, Commissioners' Discussion & Action

1. South Whidbey Harbor

A. Expansion Project

1. Boating Infrastructure Grant (BIG) Application Update: As previously communicated to the Board, the Port's B.I.G. application for \$1.5 million c/o Recreation & Conservation Office (RCO) was denied by the US Fish & Wildlife Service. Port Finance Manager Dane Anderson noted that although the Port had not been relying on receiving the grant, we have been waiting for the outcome of the application to figure out what the next steps might be for the expansion project.

(Items 2 and 3 are combined for clarity in discussion)

2. Review of Design and Funding Approaches and

3. Review of First Phase Concepts, including direction for further analysis: Subsequent to the RCO grant decision, Anderson said he and Port Operations Manager Ed Field put together a series of five different scenarios, four of which were distributed to the Commission on 3/25/11, with the fifth presented today after submittal from Harbormaster Rick the day before. Anderson explained, "What we tried to use as the baseline for whether or not they were realistic scenarios was operational viability of the structure and the constructability of it, with the knowledge that funding is certainly an issue but it's one we have a little more control over than the environment." Staff doesn't really have a recommendation; they are just laying it out for the Commission to see what the realities are funding-wise.

The five scenarios are as follows:

- *Phase 1 Alternate with E Dock (not G fingers);* Cost Est. \$9.39 million (**EXHIBIT A**). Installation of modified version of Phase 1, including all of D Dock (180' connector, 400' Bremerton breakwater, and 375' new breakwater) and the 220' G Dock breakwater, but with all of E Dock instead of the G Dock access pier & fingers.

- *Starter Set (180' Connector, 400' Breakwater, G Breakwater)*; Cost Est. \$5.80 million (**EXHIBIT B**). Installation of west portion of D Dock (180' connector/breakwater, 400' Bremerton breakwater), rotated to connect with the 220' G Dock breakwater. The 180' connector/breakwater float and 400' breakwater are configured to meet the final marina layout, after relocation. (This was initially called "Phase 1A Curt.")
- *Economy Scope (Landing Float, 400' Breakwater, G Breakwater)*; Cost Est. \$4.56 million (**EXHIBIT C**). This is the minimum scope that Staff considers to be 1) operationally viable year-round, and 2) *probably* acceptable under the existing RCEDF (Rural County Economic Development Funds) and Port Security Grant criteria. It consists of a small landing float (20' x 40') for the gangway, the 400' breakwater, and the 220' G Dock breakwater as the smallest viable enclosure.
- *Phase 1 Complete (D & G Docks)*; Cost Est. \$9.22 million (**EXHIBIT D**). Installation of complete Phase 1 as currently proposed, including all of D Dock (180' connector, 400' Bremerton breakwater and 375' new breakwater) and all of G Dock (220' breakwater with access and finger piers) with all utilities.
- *Breakwater Solo (Landing Float, 400' Breakwater)*; Rough Cost Est. \$2.22 million. Harbormaster Rick Brewer's minimum recommendation, a version similar to one previously suggested by Boatyard Inn co-owner Tony Puma and others. Field described it as "an absolute bare bones minimum – get the dock and the float out there at the absolute least cost." Since it probably voids out the Port Security Grant and it's not functional year-round, Anderson and Field had not considered it equivalent to the other four scenarios, but it does deploy the breakwater to meet criteria from the transfer ILA with Langley.

Field said the first four scenarios come into two categories: 1) those that fall into the less than \$4-5 million range which is sort of an economy, starter set but still a reasonably viable harbor that would meet the general operational and financial grant criteria (and therefore wouldn't void out any of our existing grants), and 2) larger scope projects that are more expensive. The fifth scenario is a very low budget alternative that does very little for the eventual expansion (almost everything would have to be redone), but it does expand the harbor in some way, shape or form. He said the discussion comes down to: "We've got a minimum, a medium and a high scope. Do we charge ahead with the minimum? Do we charge ahead with the medium? Do we keep investigating?" Field explained that Staff is looking for direction in general project scope and in particular, to develop one or the other.

Anderson reiterated that the financial model is for the entire Port District for the next 25 years. He said the model has some pretty big assumptions in it, but it walks us through where we spend money on our existing facilities and staff in light of having an expanded harbor. As they ran the scenarios through the model, Anderson said it became apparent that with the exception of the absolute bare bones minimum scenario (Breakwater Solo), to build any of the scenarios, the Port has to somehow increase revenue beyond what comes in from operations. So part of the conversation might be: If the Port is going to raise funds that are not operations-oriented, what other kind of projects do we want to put on the list to make that proposal very viable to the Port's constituency?

Jerome confirmed that all of the first four scenarios would require some sort of levy. He thought the bare bones scenario (Breakwater Solo) would work, but asked if it was viable operationally and how much does it really save. Field said the 400' breakwater and the landing float would probably be tied together as one large unit with everything on anchor chains and no piles out there. He said, "It will be hopping around in big weather." Based on the assumption, the Port would lose the \$1.4 million Port Security Grant and would have the additional cost for removal of the sunken tire reef in addition to the old Hein dock. It would also require a major rework of the mitigation, and there could be a risk of losing the mitigation (if the remainder of the project isn't completed within the 5-year timeframe). Field noted that running utilities, especially water, out to the breakwater could be costly. Everything would have to

be re-worked for additional expansion. Jerome said, "It seems to me that the basic decision we need to make is: Do we want to try to do something we can do without going out and raising money, and then go out later and raise money for a bigger project?"

Gordon said in his view, the Port's previous effort for a levy lift failed because voters were unwilling to be taxed **just** to expand the marina in Langley. His goal is to find ways to get the marina expansion moving and get some other projects going in other areas of the Port District. That will create voter confidence in the Port, and the Port could then go back to the voters for a levy or millage renewal/reset for the next phase of the marina expansion. He asked if there was a project scenario (such as building out G Dock) where the Port could potentially lease slips for 10-15 years via public/private partnership and combine that revenue with the existing funding and build something there. Field said there isn't one that is operationally or technically viable. Anderson noted that both *Phase 1 Alternate with E Dock (not G fingers)* and *Phase 1 Complete (D & G Docks)* include the fingers paid for at least partially by long-term leases. Gordon asked Staff, "Is there a model that works without increased tax revenue?" Anderson said there is not, and Jerome reiterated, "So even if we consider the most optimistic public/private partnership we can imagine, none of the four scenarios work without also getting revenue from someplace else." Anderson further explained that the analysis for those two scenarios included long-term leases of 12 years (with 50' slips sold for \$112,000), and it still doesn't pencil – the Port would still need an additional levy amount of \$0.07/\$1,000 of assessed value to make it work.

Gordon asked if Staff was not recommending the G-Dock build-out because there would be too many expenses that would not be recovered later. Field said, "That's one of the reasons, along with having lots of utility lines and foot traffic across old congested docks, but another reason is that the layout of E Dock is potentially a more productive layout with more, bigger slips to accommodate larger boats."

Jerome noted that the InterLocal Agreement (ILA) with the City of Langley states that the Bremerton breakwater must be deployed. Field said there have been inquiries about purchasing the breakwater and the Port could sell it, but it would reopen major political discussions and require an amendment to the ILA.

Tapert suggested, "We take the Bremerton breakwater, put it in its proposed permanent location, use a temporary log boom to protect the it from exposure to the east, connect it with a gangway (modifying it as necessary), leave the sunken tire reef (and dive area) and remove the Hein dock. If we could do that for \$4-5 million, that would be fine with me. What I don't want to do is go down a course where we are putting in pilings that we abandon in a few years when we get additional revenue for the remainder of the project. I don't want to spend the money twice." Regarding funding/financing, Tapert said he liked the idea of putting together a "district-wide" package that also includes 3-4 different potential projects such as the Mukilteo parking garage concept or an industrial park outside of Langley, investing in real estate while the market is low. The package would then have "something for everybody on the south end" and could be funded by a "reset" of the levy or an Industrial Development District (IDD). Field noted that the scenario Tapert suggested would cost \$2.2 million plus the cost of the 180' connector float and the pilings for that. Jerome added, "My concern with that design is log boom or no, it's pretty exposed, and my sense is the dive site goes away as soon as we have marina traffic on the outside of the stockade. Whether or not the sunken tire reef is there, we cannot allow diving in that marina traffic area. It's a disaster waiting to happen."

After additional discussion, the Commission agreed that the "*Breakdown Solo*" (absolute bare bones minimum) scenario was not a viable option and was no longer up for consideration.

Jerome asked Gordon and Tapert, "What direction do we want to give Staff? Do we have enough information here, or are there other scenarios we need to explore?" He added, "For me, I think I can

pretty much see the range of possibilities here, but if there's something else you want Staff to work up in terms of the first-phase concept, let's get that information." Tapert said if they have to go out for additional tax revenue (via levy lift or IDD), his comfort level would be for a \$5-\$6 million marina project and add another \$3 million for 3-4 other projects from other areas of the district (investments in real estate, etc.). He added, "The possibility of partnership with all these projects – with the Port of Everett for the Mukilteo parking garage, maybe the sewer district for another project, etc. is attractive. When going out for grants – there is safety in numbers, as noted with the success of the Port Security Grant, which involved a consortium that included the Sheriff's office and Fire District #3." He said he is resigned to the fact that the Port will need to go back to the voters again or an IDD, but if the Port is careful and does the projects as stepping stones rather than full-blown, it will be viewed as good business. It's what the Port is supposed to be doing – investing in the community.

Jerome summarized that the Port has enough conceptual and cost information for the Mukilteo parking garage and the Harbor expansion project. He said, "So if were to take that approach, we need to identify pieces of property we might consider and direct Staff to determine the cost (maybe in the airport industrial zone, for example) and identify the nature of the project to partner with the sewer district – we'll need to get specific." Tapert said the two pieces he was thinking of are 1) the 40 acres by the treatment plant in Langley and 2) the Schuster property that involves the former Beachfire Grill restaurant and the marina at Holmes Harbor Golf Course. When the economy gets better, he said the Port could turn around and lease out that building to a viable business (a restaurant or something) and a company that would both operate and maintain the golf course while the Port maintained ownership.

Gordon said, "I love the idea of the golf course property and that marina, but I think that each of us (the Commissioners) could direct Staff toward some ideas we have and have them work on those. Then if we need to, we could do some emergency Comprehensive Plan changes, which are overdue anyway and we could add in some potential facilities and start working on that."

In response to Gordon's request for additional information regarding the public/private partnership via long-term moorage leases, Anderson explained in further detail the financial model used and the mix of permanent and transient moorage. He noted that the *Economy Scope (Landing Float, 400' Breakwater, G Breakwater)* scenario would require the highest moorage rates of the regional market. Field pointed out that *Phase I Alternate with E Dock (not G fingers)* has the huge advantage of doing all the construction on new docks – no construction on the old docks and not re-doing anything. It would also lend itself greatly to bidder designs for the two outer breakwaters, and the Port could get some aggressive bidding. He added, "If we could do this one, then replacement of the old facility would be a slam dunk." By comparison, *Phase I Complete (D&G Docks)* would make replacement of the old marina moderately difficult and there would be no utilities for G Dock for an extended period during the removal of the old docks and until the new utility feed lines are in place. Tapert said *Phase I Alternate with E Dock (not G Fingers)* was his preference; it makes the most sense.

Jerome said it sounds like the Port basically has get more revenue in order to do anything that we're comfortable with at the marina. He thinks they have as much conceptual information about the Harbor as they need, so if that is the strategy, the Commission needs to focus on how to get the revenue.

Gordon asked about extending the long-term moorage leases to 20 years. Anderson said they could look at it and see what it does to the financial model. Gordon confirmed that the Port's Department of Natural Resources (DNR) lease is for 30 years. Anderson reported that DNR really does not like the idea of long-term leases over the water. The DNR representative has said he probably couldn't stop us, but Anderson explained that the Port would "have to do some real goofiness" with our subleases in order to be in compliance with our Aquatic Lands Lease. Anderson said, "We can do it and it will be legally sound, but it will be 'kooky'." Jerome added, "And it will annoy DNR." Anderson reiterated that the long-term

lease option is certainly something the Port can pursue, noted that the folks at DNR had advised him to try and talk the Commissioners out of it because they will be hung in effigy by the public toward the end of the lease term. The public doesn't like the idea of the slips being tied up for long terms by private individuals without the public having access to them.

4. *Permit Update, including request from Federal Services for Marine Mammal and Marbled Murrelet Monitoring Plan, and Proposal from GeoEngineers:* On the whole, Field said the Port is in very good shape with the permits. The Army Corps of Engineers has determined that the use of an impact hammer for pile driving will likely require formal consultation with the National Marine Fisheries Service and US Fish and Wildlife Service (Services), so the Corps has requested that the Port develop monitoring plans. GeoEngineers has submitted a proposal (**EXHIBIT F**) to prepare a combined Marine Mammal and Marbled Murrelet Monitoring Plan to address potential impacts during construction as required by the Services as part of the formal consultation process. The estimated budget for Task 1 is \$6,500.

ACTION: A Motion was made by Gordon and seconded by Tapert to approve GeoEngineers' proposal as submitted. The Motion passed unanimously.

Tapert asked when we would have permits, and Field said the monitoring plan was the last big piece – everything else is sort of falling together. Tapert said, "So assuming we had the money and we had the contracts (however we bid those out), we could potentially be doing some construction this summer?" Field said, "If it was the project as permitted, but I'm not sure how long the Marbled Murrelet monitoring timeframe will be." Gordon asked, "How long will it take to get bid documents from Reid Middleton once we have requested them?" Field said, "Longer than this summer – we're only at 50% so we're not close to bid documents." However, he noted that the one possible project that would be doable this year is the boat ramp floats. We don't know if the money is coming through with the Boating Facilities Program (BFP), etc., but it's a relatively small contract and the permits are close to issuance. Gordon asked, "Would it be a big enough contractor to pull out the Hein dock at the same time? Could you work it that way, so it didn't hurt us a lot financially but it got the ball rolling down there?" Field said, "Possibly part of it." He thinks the Port could probably get the superstructure (the decking) that is an attractive nuisance out and maybe the inshore piles (because we have to pull 11 piles at the ramp). The outermost pile of the Hein dock; however, would require a barge and a greater, more expensive effort. Gordon asked if there would potentially be any economy of scale by combining the ramp float contractor with the demolition of the Hein dock and Field said, "Yes, we could get some advantage." Anderson noted that those are the two projects that we could put in place quickly to demonstrate that the Port is actually doing something. We're still waiting to hear about the BFP grant application for the ramp floats, and he reminded the Commission that we still don't know if the BFP will even be funded this year (Olympia swept the program funds last year). That's a big question mark. Therefore, the only potential project that we really have control over is the Hein dock removal. Tapert noted that the Hein dock is also a safety hazard, and from a public relations standpoint it would really help to remove it.

Continuation of discussion re: Items 2 and 3: (Review of Design and Funding Approaches and Review of First Phase Concepts, including direction for further analysis): In response to Anderson's request for Staff direction for the next two weeks until the next regular meeting, the Commission agreed that *Phase 1 Alternate with E Dock (not G fingers)* was generally where they wanted to go from here. Field asked if they wanted him to talk to Reid Middleton about possible cost ranges or improvements we could see for some of the big components of that project. Gordon asked for a ballpark estimate as to what it would cost to tighten up those numbers, and Field guessed it would be around \$500. Gordon said, "I'd be in favor of tightening that up, and having Dane (Anderson) working on qualifying the grants in terms of what we can use and what we can't. Anderson clarified that he sees both the Port Security Grant and the RCEDF grant being compatible with the *Phase 1 Alternate with E Dock (not G fingers)* project.

Tapert asked if it was too early to ask Reid Middleton to move forward on contract documents, and Staff said it was. Gordon pointed out that they first needed to come up with a plan for a source of dollars, and he doesn't want to spend six figures getting contract documents until they've done that.

Anderson suggested Staff could look at other potential projects within the District and put those into the financial model so they know what it does to the Port's cash flow long-term. One of those could be the prospective Mukilteo land purchase (not the building construction) for parking that Gordon has asked him to look into. Anderson told Tapert, "If there's a Freeland project you'd like me to pursue, let me know what it is and I'll be happy to get some numbers for it." Tapert asked for general consensus of the Commission as to whether or not they were interested in looking into the financials of purchasing the building and marina at Holmes Harbor. Gordon said, "I think it's a great idea, and if the golf course came with it, I think we could convince the Parks District to run it." Anderson asked for clarification, "You're talking about the over-water structure, the clubhouse, and the parking lot – are you talking about the golf course as well?" Tapert thought they probably all have to go hand in hand. Gordon suggested they should leave it vague for now, just look into all of it, find out what's available, and go from there.

Gordon said the Port District is more like a business than any other governmental agency, and we need to make it clear to the public that that's what the Port is about. He added, "We can buy Mukilteo parking property and if it doesn't work out, we can sell it. We can do the same thing at Holmes Harbor." Anderson cautioned that the Port would have to be very careful with the uplands golf course, because it can be construed basically as a park and the Port is currently selling the upland portion of Possession because it is a park. Gordon said the golf course is also a potential commercial venture, and the Port is about economic development. Tapert noted that the Holmes Harbor Sewer District is reliant upon having the golf course maintained to a certain level in order to discharge the sewage output. He thought having the golf course owned by a public entity to support a public utility would fall within the Port's purview. Someone else could run it, while the Port retains ownership. Anderson said he would look into it.

Jerome summarized that there was general support for Staff to look into those two projects (Mukilteo parking and Holmes Harbor). He asked if there were any other projects, and Tapert added the potential purchase of the 40-acres south of the Langley Treatment Plant. Anderson said he would research all three per Commission direction.


2. Mukilteo Parking Garage Concept: (Gordon) Gordon said he would like to get started with some sort of purchase option with the owners of the land, with the contingency that the Port is working on funding. He said the property is listed for \$660,000, and the owners are willing to take a down payment and carry a contract. He added, "Basically that would change the ability of our District to sell GO (General Obligation) Bonds, because we'd be committed to making a payment. But we could immediately set a couple of ecology blocks over there, clean the property up, pave it, have 20 stalls rented in heartbeat, leave the building up and that all fits under the Mukilteo code. Meanwhile, we could spend time trying to figure out how to get help with funding for a \$2 million, 3-level parking garage. Gordon noted the parking garage is a conditional use allowed within the City of Mukilteo as long as there is retail space along the front of the building.

Tapert had no objection to tying up earnest money for a purchase option, but ultimately they would want to go through a feasibility study and hire a professional planner to verify everything. Gordon agreed. He noted that there is stream running through it and there are going to be some issues. He would like to find a way to open the door via a purchase option and tie it up, and then discuss hiring someone to do the feasibility. Jerome said he was also supportive, but noted that we also need agreement from the Port of Everett since the property is in their district. Anderson said the latest email from the Port of Everett representative was that the Port's request was "moving up the chain," so we are waiting on a response. Gordon concluded, "So after we hear back from the Port of Everett, we can begin some kind of

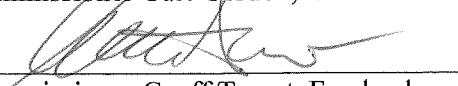
negotiation, figure out a price, and tie this property up.” Field said, “I think the Port’s Comprehensive Scheme needs to plug in there somewhere before we can spend the money – I’ll double-check the rules. I know engineering and planning can be done early on, but I need to check the WAC and RCWs to find out when money can be spent on a project that is not identified in the Comprehensive Scheme.” Tapert noted that there is some vague section in the Comp Scheme that refers to “transportation alternatives to and from the Island.” Field agreed there is a section, but spending money for a project outside of the District that is not even mentioned in the Comp Scheme would need some sort of action by the Commission on the Comp Scheme.

ADJOURNMENT: The Special Meeting was adjourned at 12:03 p.m.


Approved:


Commissioner Chris Jerome, Langley


Commissioner Curt Gordon, Clinton


Commissioner Geoff Tapert, Freeland

Minutes prepared by:


Edwin S. Field, Port Manager

- Exhibit A: *Phase 1 Alternate with E Dock (not G fingers)*
- Exhibit B: *Starter Set (180' Connector, 400' Breakwater, G Breakwater)*
- Exhibit C: *Economy Scope (Landing Float, 400' Breakwater, G Breakwater)*
- Exhibit D: *Phase 1 Complete (D & G Docks)*
- Exhibit E: *Breakwater Solo (Landing Float, 400' Breakwater)*
- Exhibit F: *GeoEngineers 3/24/11 Proposal for combined Marine Mammal & Marbled Murrelet Monitoring Plan*