

REGULAR COMMISSION MEETING MINUTES

April 21, 2022

The Port of Tacoma Commission met for a regular meeting on April 21, 2022. Commissioners Keller, McCarthy, Marzano and Meyer were present at the Fabulich Center, Room 104: 3600 Port of Tacoma Road, Fife, WA.

CALL TO ORDER

The meeting was called to order at 10:06 am and Commissioner Meyer recessed into Executive Session until 11:10 am to discuss two items:

- | | |
|--|---------------------|
| (1) One item of potential property acquisition | RCW 42.20.110(1)(b) |
| (1) One item of potential litigation | RCW 42.20.110(1)(i) |

RETURN TO ORDER

Commissioner Meyer returned the meeting to order at 12:03 pm and led the Pledge of Allegiance. Commissioner Meyer then acknowledged that this meeting was taking place on the ancestral lands of the Puyallup Tribe of Indians. At 12:04 pm Commissioner Ang joined the meeting.

APPROVAL OF THE AGENDA

The agenda was adopted by unanimous consent.

SPECIAL ORDERS OF BUSINESS

None.

CONSENT AGENDA

- A. Approval of the Minutes: March 17, 2022
- B. Approval of the Check Certification: Checks #232873 through #233162 in the amount of \$7,242,992.07
- C. Resolution 2022-10-PT: Personal Property Surplus – Second Reading

MOTION: Approve the above stated Consent Agenda

Motion was made and seconded.

VOTE: MOTION CARRIED 5-0

PUBLIC TESTIMONY

1. **Dr. Robin Evans-Agnew:** He stated he is a planetary nurse and that our Mitigation Plan should include a fourth principle, which is partnerships with people. He would like to see partnerships with Pierce County and Puget Sound Partnership, for example. The Port needs a broader vision than what is in the plan now and beyond just the legal regulations. These 40-year-old principles need an update. No one can do mitigation alone anymore. We interact with nature and humans are given short shrift. We need areas to just be. A vision for mitigation should take into account the humans that will be here to sustain these areas after we are all gone. It is about more than just wetlands. Fish and humans need tree canopy. The plan to raise the forest along Thorne Road breaks his heart. Mitigation actions should account for the direct and indirect harm to people when habitat is destroyed. He also commented that the Dept. of Transportation contractors were clearing the homeless from the Highway 509 median during a driving rain. This struck him as an additional cruelty. Human health matters in the decisions made here. It matters as part of the interconnected biodiversity of this vital ecosystem in the Tideflats.
2. **Adam Kulaas, Tacoma Public Schools:** Director of Innovative Learning and Technical Education for Tacoma Public Schools. He announced that Tacoma Public Schools is pursuing exploration and creation of a Tacoma Maritime Skills Center. This holistic learning experience will serve students throughout the South Puget Sound region and amplify access to high family wage jobs within maritime industries. The legislature approved a planning budget for this project. He asked the commissioners to join them in celebration and he looks forward to partnered opportunities and updates as they move forward with this exciting endeavor.

We had a very special guest in the audience, Dr. Garcia, Superintendent of Tacoma Public Schools. Commissioner Meyer thanked him for his leadership and Adam's role in the creation of a maritime skills center. He stated that he is looking forward to great things. Workforce development and a focus on bringing youth into the Tideflats are very important to all five of the commissioners. He thanked him for his enthusiasm and commitment and stated that he looks forward to working with him.

EXECUTIVE DIRECTOR'S REPORT

- **Earth Week Events:** Eric Johnson reports that it is good to be together in person again. It is Earth Week and we have a few exciting events. We have partnered with Forterra, who works with us on a lot of our stewardship sites, and they are out at Gog-le-hi-te today with area businesses and tenants maintaining that site. This volunteer work will continue on Saturday morning with more members of the public at 9:00 a.m. You can sign up to volunteer on Forterra's website or our website. Tomorrow we will be hosting one-hour group tours. There will be five tours with 10 people each at the new Wapato Creek site. Those sold out immediately, so he envisions more tours in the future and not just for Earth Day.
- **Federal Grant Opportunities:** Executive Director Johnson had a productive briefing with U.S. Congressman Rick Larsen of the 2nd Congressional District up in Snohomish County. He is very senior on the House Transportation Committee and as a result is very involved in the infrastructure grant policy discussions that are going on in Washington D.C. Executive Director Johnson was keenly interested in sitting down with him and learning about the many different programs available right now. We're sorting all of this out at the staff level. We have been the recipient of some of that funding through the Port Infrastructure Development Program, but there are additional pots of money that he thinks we need to investigate. Port infrastructure has been highlighted in that package and transportation, generally, is one of the big themes with roads, bridges, etc. We are well positioned to take advantage of that and staff will be leaning into that opportunity. Some of the commissioners will be in Washington D.C. next week and he encouraged them to ask lots of questions so they can share what they learn from that trip with all of us.

COMMISSION ACTIONS

A. Resolution 2022-06-PT: Master Policy - Second Reading

MOTION: Adopt Resolution 2022-06-PT, Master Policy, superseding Resolution 2021-08-PT.

Motion was made and seconded.

DISCUSSION:

This is the updated version of the Master Policy with the changes requested by the Commission. These changes include expanded requirements for public auctions to include family members with a report to Commission after the auctions. There was also a change with the Mitigation Bank credits section.

VOTE: MOTION CARRIED 5-0

B. Resolution 2022-09-PT: Habitat Strategy Adoption

MOTION: Adopt Resolution 2022-09-PT, superseding Resolution 2014-02, and establishing an updated Port of Tacoma Habitat Mitigation Strategy.

Motion was made and seconded.

DISCUSSION:

1. The Port adopted a habitat strategy in 2012 and made minor updates in 2014. There were three major initiatives. We have nearly completed initiatives A and B and are working on Saltchuk.
 - A. Upper Clear Creek Mitigation Site
 - B. Lower Wapato Creek Mitigation Site
 - C. Evaluate Saltchuk part of Tacoma Harbor Deepening

2. The purpose of having a habitat strategy is to provide staff with strategic direction in the program. There are four components to a strategy (1) mitigation credit portfolio, (2) future habitat mitigation site development, (3) local partners, and (4) site stewardship. Adopting this strategy is not adopting any particular initiative, it just provides staff with strategic direction.
3. The guiding principles were discussed from the strategic plan.
4. Credit Sales: We have ensured that we have enough credits for our own projects out to 2035. We anticipate having a surplus of approximately 5.5 to 10 credits in future years. We reviewed our portfolio of projects and in the next five years we anticipate having 9.67 extra credits; in 10 years we anticipate having 5.34 extra credits.
5. The commission asked if we will need more credits with new legislation. Staff replied that they used today's ratios and with a 20% contingency built in.
6. With all of the policy changes for mitigation, the commission doesn't want to give the impression that we have a lot of credits for sale until we know how we are going to use them and what the policy changes are going to be. They don't want to mislead the community that we have more available than we really do.
7. A sale of credits can also be in the form of giving some to WSDOT as part of our financial commitment for the completion of SR-167 and SR-509.
8. Staff are still looking for more mitigation banks.
9. How staff could use the surplus: Wetland credits are the most difficult to get. It took the Port six years to get our bank. We have an opportunity to expand the Upper Clear Creek bank, as we built wetlands up to our boundary and typically you don't get credit when there are no buffers to the site. We built it this way in anticipation of buying adjacent properties. We can amend our bank and get 2.8 more wetland credits. We could then expand the wetlands after we buy those sites. We have a partnership with Pierce County – they bought property for a flood zone. We can partner with them to make more room for salmon. Fish credits are much easier to obtain. We can sell them at about half the cost that Puget Sound Partnership charges. We could possibly put together a fish bank supporting the Port, Pierce County and others. This is one of our core strengths.
10. How do we maintain the value of our bank? We don't want to oversupply and lose funds, as then we wouldn't be able to afford doing as much mitigation. It is too hard for the private sector to maintain a mitigation bank. This, plus policy changes, will keep our price high.
11. Saltchuk Harbor Deepening: This is on Dept. of Natural Resources land. The Puyallup Tribe of Indians has raised concerns. We are working to improve this process and the design of the deepening project. Saltchuk Beach Area: This part of the project is difficult because if we build Saltchuk before the beach area then the beach will be difficult to build, but we can't have the gap be so big between the two phases that winter storms wash it away. We will need a berm to knock down storm energy first.
12. Upper Clear Creek & surrounding properties: How do we build these out? Gog-Li-Hi-Tee III: This will be our last big inner tidal site for habitat. It was a landfill, so we will have to dispose of the dirt. The Tribe owns 20% of the land along the river. We are partnering with the Tribe out there and putting together a basis of design with them to see what we can come up with.
13. There is a fish barrier to the upper reaches of Clear Creek. Only 20% of fish have room to spawn there. We need to find a way to fix this. There are lots of opportunities for partnerships here.
14. We would also like to explore an "Adopt a Habitat Site". It is difficult to find crews for stewardship. The Army Corps. of Engineers are interested in adopting a site. That fits with our stewardship goals and their corporate social responsibility goals.
15. Commissioner McCarthy stated he would like to carry this over to another meeting. This is a lot of information to digest. He is not sure what guiding principles are and has some concerns with them. He also asked why we would build mitigation only before we need it, rather than concurrently. Why tie our hands? Staff responded that this is how we've done habitat development for 30+ years. Building a site in advance has advantages, as we get a better mitigation ratio. When you do advance mitigation, the ratio is 1 acre of mitigation for 1 acre of impact. When it is built after the fact, the ratio is 3 acres of mitigation for every 1 acre of impact. Staff does acknowledge that there are exceptions. The Saltchuk project is not mitigation. This isn't an appropriate example because it is an ACE project. Administratively we can't take any credit for this one; however, if we need to do a concurrent job we could. Commissioner McCarthy wants the resolution to state that building mitigation sites in advance is not required.

16. Staff stated that the Port likes to build sites that provide the best ecological development. Agencies used to require onsite mitigation sites, but these are not always as usable. We can do off-site mitigation where it makes more sense now. Commissioner McCarthy has concerns that this will obligate us to complete all sites on the list. He would like staff to define what we are obligating ourselves to in the resolution; anything mandatory causes him concern. Staff reassured the commission that the Mitigation Strategy is clear that we are looking into projects, but projects will come before the commission for approval before any are started.
17. Commissioner Marzano stated that this is a strategy; it doesn't mean it is in concrete. We can make changes as we go.
18. Commissioner Meyer likes setting a framework and a policy direction, rather than setting a roadmap obligating us to anything. What have we done with our strategy? How are we going to complement what we have underway? This information would be helpful to explain this to our community. He believes there is a better way to articulate the strategy in the resolution. He also stated that it should always be our goal to build mitigation in advance. He would like to start with what we've already accomplished. If we pursue this strategy what will be the outcome? Quantification makes it easier to explain to the public.
19. Commissioner Ang stated that it makes sense to do mitigation in advance. She asked how surplus credits will be sold. Will we give preference to those in the supply chain? She is not sure we should sell credits at less than market value. Staff responded that the resolution doesn't allow us to sell below market value.
20. Commissioner Ang also stated that currently we have volunteers maintaining our sites. It may be better to put maintenance of our sites in the budget. We need to have the people to pay to do the backbreaking work of removing invasive species, etc. There are not a lot of people who want to do this voluntarily.

Commissioner Marzano withdraws his motion and asks that we treat this as a first reading and bring it back next month for action.

VOTE: TABLED TO MAY 2022 MEETING 5-0

C. Arkema Grant Acceptance and Interim Action Approval:

MOTION #1: Authorize the Executive Director or his delegate to enter into a grant agreement with Ecology for \$2 million for corrective action at the Arkema Manufacturing area required under Ecology Agreed Order DE 5668.

Motion #1 was made and seconded.

MOTION #2: Authorize the project in the amount of \$320,000, for a total authorized amount of \$320,000, for the Arkema Manufacturing Area Interim Action, Master Identification No. 101585.01. This effort is a portion of the Arkema Remediation program (MID 096201 and 101585.01).

Motion #2 was made and seconded.

DISCUSSION:

1. The background on the Arkema area was reviewed. Arsenic is the main issue we have on this project.
2. The remaining work is primarily at the manufacturing area. Arkema made chemicals for the paper and pulp industry and they have already spent more than \$70 million in remediation. Their efforts were reviewed.
3. We submitted several remedies to Ecology. We also proposed some interim actions. These would be done in conjunction with the Feasibility Study.
4. We are currently transitioning from Planning to Public Works. Ecology agrees with the interim action of building a low permeability wall and capping. However, there are three tasks needed prior to site capping and low permeability wall construction. Once this is completed staff will return to Commission for final design funding.
5. The timeline and budget were reviewed. Final deliverables are expected in September of 2022. The estimated cost is \$320,000 for preliminary design. The estimated budget for the interim action is \$4.3 million. The Interim Action, Remedial Investigation and Feasibility Study cost breakdowns were reviewed.

VOTE: MOTION #1 CARRIED 5-0

VOTE: MOTION #2 CARRIED 5-0

D. Tacoma Propeller Club Month-to-Month Lease at the Fabulich Center:
This item was postponed to a future meeting.

E. Atkinson Land Lease - 2nd Reading:

MOTION: Authorize the Executive Director or his designee to enter into a three-year lease with two mutually approved one-year extensions with Guy F. Atkinson Construction, LLC. for a 52-acre parking area at the Fabulich Center located at 3600 Port of Tacoma Road, Tacoma, WA.

Motion was made and seconded.

DISCUSSION:

1. The background of Guy F. Atkinson Construction was reviewed. They have worked on many WSDOT projects. They are involved in the SR-167 and SR-509 projects and rent space on the 3rd & 4th floors of the Fabulich Center. Now they are looking for a parking area at the Fabulich Center.
2. The lease terms were reviewed. They will improve the property and we'll lease it back to them.

VOTE: MOTION CARRIED 5-0

F. Fabulich Center Envelope Restoration:

MOTION: Authorize an additional \$590,000, for a total authorized amount of \$650,000, for the Fabulich Center Envelope Restoration, Master Identification No. 101529.02.

Motion was made and seconded.

DISCUSSION:

1. The current vacancy rate at the Fabulich Center is 7%. In the near future we'll be close to 100% occupancy. With the COVID-19 pandemic, occupancy decreased to 70%.
2. This is required maintenance as our obligation as the landlord. Water has been coming in through the walls and windows and the exterior all needs to be resealed. There are visible cracks on the exterior, water-stained ceiling tiles, and dry sealant around windows and doors.
3. This project will be weather dependent, and we hope to complete it by late October 2022. The cost is \$590,000. Our capital improvement plan has allocated \$650,000 for this project. The breakdown of costs was reviewed.
4. No permits are required.
5. The building assessment included the roof, which has five years left before we need to do any repairs or replacement.
6. Commission asked if we are keeping the building and, if so, how much will we spend on it. Commission would like to see the plan for this building.

VOTE: MOTION CARRIED 5-0

G. Fabulich Center Light Upgrade, Floors 3 and 4:

MOTION: Authorize an additional \$467,000, for a total authorized amount of \$545,000, for the Fabulich Center Lighting Upgrade – Floors 3 & 4, Master Identification No. 101530.01.

Motion was made and seconded.

DISCUSSION:

1. Staff explained that we can't find replacement ballasts and parts for the old fluorescent fixtures, as a majority of the lighting is from 1985. The plan is to upgrade with LED lighting on floors 3 & 4 and then use the removed lighting as replacement parts for the other floors. Also, we will have energy savings with the LED lights.
2. Completion is anticipated by December 2022.

3. The estimated cost is \$545,000. The cost breakdown table was reviewed.
4. The old lights will be collected and disposed of properly.

VOTE: MOTION CARRIED 5-0

NONACTION NEW BUSINESS

None.

COMMITTEE REPORTS

Workforce Development: The committee met this morning and came away with a great synopsis of the options. Two dozen options were presented that the Port might invest in. Commissioners Keller and Meyer asked staff to draft proposals on the options they identified to move forward with and bring a formal list to consider to the July Commission meeting. They are excited about the possibilities and reaching out to the community about workforce development. The main consideration is to ensure that the fiscal cost will be in our budget going forward.

ISSUE BRIEFINGS

Port of Tacoma Financial Update – 2021 Year-End and 2022 Q1:

1. The 2021 financial highlights were reviewed. This was a very good year for the Port of Tacoma with a decrease in operating expenses, lower interest on bonds, and increased operating revenue. Revenue was 74% higher than in 2020. The NWSA contributed a lot in 2021. We will have no need to borrow any money until 2026 if all stays stable. We reduced our liabilities by 2%.
2. Operating revenue for the Port was reviewed in detail. Port of Tacoma-only (without the NWSA contribution) revenue is 7% above budget through Q1. The combined revenue (Port of Tacoma and NWSA) increased 33% from 2020.
3. Operating Expenses: The drop in 2021 expenses is due to the pension liability decrease. Operating expenses are right on budget through February and if we include March, we're running lower than the budgeted amount.
4. Britt will return in July with more financial results for 2022. The main message is that expenses are lower than budgeted and revenue is above budget. 2021 was a banner year for the increase in net income.
5. Net income is slightly down through February 2022 due to rising interest. Cash income is not expected to decrease.
6. We continue to reduce the total debt. Staff does not expect to have to borrow any money until at least 2026. Our liabilities-to-equity ratio continues to decrease; it was 1.64 in 2016 and 1.13 in 2021. We were in a much better cash position at the end of 2021 – \$30 million above budget. When we completed the 2022 budget, we anticipated having to borrow money in 2024. Capital spending was much lower than the budgeted amount of \$45.9 million, with actuals of \$15.8.
7. We reviewed the Capital Investment Plan (CIP). We are starting with about \$50 million more cash than forecast. The Port is in a strong position financially at this point.
8. The tax levy rate has not changed at all. It is separated out and tax does not go into our operating revenue. Commissioners would like to see where tax dollars are spent.
9. If we developed a prioritized CIP it would give us more insight. We have required CIP projects vs. discretionary projects. We can reduce our discretionary projects, and we have had about a \$60 million reduction in the last four years.
10. Commission would like to get the ball rolling on land acquisitions, so they don't cost us more down the road. They would also like to see the Port fully staffed.

ANNOUNCEMENTS / COMMISSIONER COMMENTS

Commissioner Ang: She wished everyone a happy Earth Week. She also thanked staff for the great events surrounding this. She would like the Commission to have a presentation about Tacoma becoming a hydrogen hub. Companies are looking at our area as a potential place for green energy. Executive Director Johnson is working with Jackie Flowers of TPU to tee-up a briefing on the potential Tacoma hub for hydrogen (carbon free electricity).

Commissioner Keller: A couple of weeks ago she attended the Daffodil Queen coronation. The court talked about their future goals and it was very impressive. We also have Quarter Master candidates. Pierce County has great agencies to help our kids.

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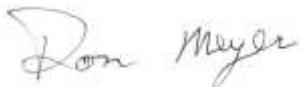
Commissioner Marzano: Thanked staff for all of the work presenting the issues for the Commission meeting today. He recently attended the Propeller Club Scholarship Awards dinner. Listening to these young adults gives him faith that we are going in the right direction.

Commissioner McCarthy: He asked about our remediation cost sharing agreements. He received the memo that looked at seven parcels that we own that have current agreements. He asked about the properties that will have a remediation cost, but do not have an agreement in place yet. He asked how many properties we have that we'll need to spend money on later, as well as how many we remediated when we didn't have a liability that forced us to remediate. He doesn't want to obligate ourselves when we have no liability to remediate. Jason Jordan's team will follow-up with that information.

Commissioner Meyer: Stated that Everport is working on hydrogen projects in their operations, and he would like this included in a future briefing on hydrogen as a green energy.

ADJOURNMENT

With no further business, Commissioner Meyer adjourned the meeting at 2:20 pm.



Don Meyer, President
Port of Tacoma Commission

Attest:



Kristin Ang, Secretary
Port of Tacoma Commission



Judi Doremus, Clerk of the Port
Port of Tacoma