

MINUTES
COMMISSION REGULAR MEETING OCTOBER 17, 2019

The Port of Tacoma Commission met in a regular meeting Thursday, October 17, 2019, in the Fabulich Center, 3600 Port of Tacoma Road, Tacoma, Washington. Commissioners Johnson, McCarthy, Marzano, Meyer and Petrich were all present.

CALL TO ORDER AND EXECUTIVE SESSION

Commissioner Petrich called the meeting to order at 10:30 a.m. and recessed into executive session for 90 minutes to discuss two real estate purchasing items RCW 42.30.110(1)(b), one real estate leasing item RCW 42.30.110(1)(c) and one litigation/potential litigation item RCW 42.30.110(i). No votes or actions were taken.

PUBLIC SESSION

1. RETURN TO ORDER:

Commissioner Petrich reconvened the meeting at 12:05 p.m. and lead the Pledge of Allegiance.

2. CONSENT AGENDA:

- A. Approval of the minutes of the September 26, 2019 special meeting.
- B. Approval of the check/wire certification: Approving the payment of checks 224616 through 224850, and wire transfers in the total amount of \$11,260,222.08 during the period of September 14, 2109 through October 14, 2019, certified by the Port of Tacoma auditor.

It was moved and seconded to approve the consent agenda as presented.

Commissioners requested additional information related to sponsorships in general and specifically a sponsorship to Pacific Lutheran University for \$4800. Staff will review the information and provide to Commissioners.

The motion carried unanimously.

3. PUBLIC COMMENT:

Public comment was received from the following individual:

- Ralph Ibarra, Washington District Export Council, encouraged the Commission to approve continued funding to the World Trade Center Tacoma (WTCT).

4. BRIEFINGS:

A. World Trade Center Tacoma Update

Presenters: Mike Fowler, Sr. Trade Consultant WTCT and Tom Pierson, President & CEO Economic Development Board Tacoma Pierce County Chamber. Introduction by Evette Mason, Mgr. Government Affairs, Port of Tacoma.

A brief update on the operations of the WTCT was given. Mr. Fowler described several training and events held in collaborated with other regional organizations. Highlights included a mini export series done in cooperation with US Commercial Service and a memorandum of understanding signing ceremony for an incoming business delegation to explore how Washington state agricultural products can be sold through the Free Trade Zone in Fuzhou, China with lower tariffs.

Fee for service offerings include their export store, consulting. Mr. Fowler stated that new channels have opened for accessing new clients and provided examples. He said their financial trajectory is upward.

Commissioner Marzano emphasized the need to continuously communicate the impacts of tariffs on Washington state and its families.

B. Economic Development Board (EDB) Update

Presenter: Bruce Kendall, President & CEO Economic Development Board Tacoma Pierce County. Introduction by Sean Eagan, Dir. Government Affairs, Port of Tacoma.

Mr. Kendall provided an update on the EDB's partnership with the Port of Tacoma. The two principle missions of the EDB, retention and expansion of existing primary firms and the recruitment of new businesses. Mr. Kendall described primary firms as firms that are (or will be) making a product in this market and exporting it nationally or internationally. Successes and prospects were highlighted.

The Port is wrapping up the second year of the existing two-year contract with EDB. In 2020, EDB will be out in the market with a new work program for investors/funders.

C. Canyon Road Regional Connection Project

Presenter: Letticia Neal, P.E. Pierce County Planning & Public Works. Introduction by Evette Mason, Mgr. Government Affairs, Port of Tacoma.

A general overview of the Canyon Road Connection Project was provided. The project goal is to improve freight connection between the Port of Tacoma and the Frederickson Manufacturing/Industrial Center. This is a project that has spanned 30 years. Ms. Neal provided a history of the planning effort. The project is divided into two pieces, the railroad crossing and the river crossing. Elements, features and benefits of each portion were discussed. Total cost of the project is estimated at \$250-300 million – the single largest transportation project in Pierce County's history.

D. Capital Investment Plan (CIP) Overview

Presenter: David Morrison, Dir. Financial Planning & Treasury, Port of Tacoma

* Commission President revised the order of business, without objection, to hear this item after completion of the Action agenda.

This year the list of CIP projects was divided into three areas. Projects that are required, discretionary projects and a list of projects debated by staff that did not make it into the budget. Discretionary, defined in the presentation doesn't mean that the project doesn't need to be done necessarily. It means the timing can change, negotiation can take place, or it may mean the Port decides not to do the project. Staff described the CIP process which begins in July when project managers update their estimates and new projects are identified. The top 14 projects make up 80 percent of the budget. A brief overview projects was provided. Staff emphasized that just because a project is in the budget, it doesn't mean that the project is approved. Projects would still need to come before the Commission for authorization

5. ACTIONS:

Commission President revised the order of business without objection. Action item 5C was heard first.

C. Second Reading: Purchase and Sale Agreement for Buildings at 2602/08 Port of Tacoma Road and Long-term Ground Lease of land at 2602/08 Port of Tacoma Road, Tacoma, Washington.

Presenter: Scott Francis, Dir. Real Estate

It was moved and seconded to:

- Approve the Purchase and Sale Agreement with Prologis to sell the buildings located at 2602 and 2608 Port of Tacoma Road, Tacoma, Washington and authorize the Executive Director or his designee to execute any and all additional documents and take any and all additional actions necessary or required in connection with the completion of this building sale.
- Authorize the Executive Director or his designee to enter into a 50-year lease with a 25-year extension option with Prologis for the approximately 14.2 acre premises located at 2602 and 2608 Port of Tacoma Road, Tacoma, Washington (a portion of tax parcel 0320021002) and authorize the Executive Director or his designee to execute any and all additional documents and take any and all additional actions necessary or required in connection with the completion of this land lease.

Public Comment: Dax Koho, ILWU Local 22. Spoke in opposition to this action citing a lack of flexibility on a 50-year lease with 25-year extension option. Offered criticism of the Port's management of its assets stating ILWU wanted to maintain the buildings but were told no.

Public Comment: Todd Iverson, ILWU Local 23. Spoke in opposition to this action citing a lack of alternatives presented. He echoed Mr. Koho's comments regarding the length of the lease terms. He urged the Commission to put the action on hold until the Port's new strategic plan is completed.

Public Comment: Patrick Gemma, Sr. VP, Prologis. Spoke in support of this action. He stated the interest of the Port and of Prologis are aligned. He said that Prologis is the largest industrial landlord in the world. Their focus is leasing to tenants that want to use port services. He noted they agreed to use Port labor up to 700 hours per year as part of the lease.

Commissioner McCarthy opposes both the purchase and sale agreement for the buildings and the long-term lease. He gave the following reasons.

- A lease term of 75 years is too long.
- A sale price based on a best offer, not appraisal and without knowing the cost if the Port were to raise and rebuild the buildings itself.
- Frequency in market rate adjustments is insufficient.
- Warehouse space is not using this location to its maximum benefit.

He also stated deferred maintenance of the Port's assets is a problem.

Subsidiary Motion:

It was moved and seconded to table item 5C.

The motion failed 2-3 by the following vote:

In favor: McCarthy and Meyer

Opposed: Johnson, Marzano and Petrich

Discussion continued on the main motion.

Commissioner Meyer also opposes this action and gave the following reasons:

- This action relinquishes the Port's interest in controlling and augmenting what comes through its terminals.
- This decision does not need to be made at this time.
- He does not accept financial modeling that assumes at the end of 20 years and after spending \$15 million that there would be no value.

He added that he believes the deferred maintenance of Port assets, is putting the Port on glidepath to failure at its warehouses.

Commissioner Johnson responded saying that the Port has to focus on what it is good at. He said the Port has demonstrated that it is not good at maintaining a lot of structures. He said that it is not due to bad management or neglect, but because the Port has been in the process over the last few years of spending close to \$1 billion on modernizing the Port to be competitive. He said eventually you run out of money. Selling versus keeping the buildings is a \$14.5 million-dollar swing. He said from his perspective the best thing the Commission can do is to make sure its cash fund is as big as possible, noting there are opportunities that the Port can do, that it doesn't have to maintain and run.

Commissioner Marzano said that the businesses of Prologis and PCC compliment what the Port does on the waterfront. He added that he doesn't think the buildings could be repaired for the \$12.5 million estimated (noting the over \$2 million price tag of completing just one roof on another building). He said if the Port is going to invest that kind of money, he would rather see it go toward other projects. He said he sees more "at water expansions" along the Blair waterway and to do that, the Port needs to acquire more property. He said he believes this action will continue to grow the Port and move more cargo through its terminals.

Commissioner Petrich said taking on this project would be fiscally irresponsible given the condition of the buildings and the cost to repair. She stated that the Port has a tenant that is committed to its activity at the Port, doing the work that the Port of Tacoma is all about. She noted Prologis is willing to rebuild the buildings and make them available for the kind of tenants needed at the Port. By taking this action, the Port keeps the land and can invest the funds and income from the lease of the land in other places.

Commissioner Meyer asked how the buildings can be sold without an appraisal. Legal counsel clarified that the buildings are considered real property fixtures. The land is not included in the sale.

The motion carried 3-2 by the following vote:

In favor: Johnson, Marzano and Petrich

Opposed: McCarthy and Meyer

Commissioner McCarthy left at 1:57 p.m.

- A. Second Reading. Three-Year Lease with Pac-Van, Inc.
Presenter: Annika Bjorkman, Real Estate Property Mgr.

It was moved and seconded to authorize the Executive Director or his designee to enter into a three-year lease with Pac-Van, Inc. for the premises located at 1701 Port of Tacoma Road, Tacoma, Washington.

Commissioner Meyer expressed concerns over deferred maintenance. Commissioner Marzano requested that the executive director provide the commission with an update regarding maintenance schedules, stating that it is possible they may need to revisit that issue. Commissioner Johnson cautioned against looking at maintenance as a single-issue item. It needs to be looked at in the context of the whole of what you want to achieve over the next few years.

The return on investment (ROI) is 10.3 percent if the income stream continues for 25 years. Commissioner Meyer commented he has a problem when an ROI is presented based on very minimal maintenance.

The motion carried unanimously 4-0.

- B. Second Reading. Five-Year Lease with The North West Company (International) Inc.
Presenter: Scott Francis, Dir. Real Estate

It was moved and seconded to authorize the Executive Director or his designee to enter into a five-year lease with The North West Company (International) Inc. for the premises located at 2000 Taylor Way, Tacoma, Washington.

Based on the purchase price, cash-on-cash the ROI is 5.3 percent.

The motion carried unanimously 4-0.

- D. Port Security Grant Program 2019 – Award Acceptance.
Presenter: Louis P. Cooper, Jr., Sr. Dir. Security & Corporate Social Responsibility

It was moved and seconded to authorize the Port of Tacoma Executive Director or his designee to establish acceptance of \$686,483.00 in grant award funding with the Department of Homeland Security (DHS), for Port Security Grant Program (PSGP) 2019, which includes a 25 percent or \$228,828.00 Port match for a total authorization amount of \$915,311.00.

This action is for acceptance of the grant. The projects themselves will come before the commission for approval. Discussion took place regarding the funding awarded for firewall replacement. The Port needs to replace two firewalls as they have reached end of life. The Port applied for funds to replace two, however the grant award would only partially fund one. The total project cost for firewall replacement is expected to be \$633,670. With grant funds of \$237,626 toward one of the firewalls, the Port's cost for the complete firewall project is \$545,662. Replacing the second firewall is not a condition of the grant, but staff will be requesting authorization for replacement of both for business reasons.

Public Comment: Dax Koho, ILWU Local 22. Asked how many of the recommendations contained in a recent security threat assessment are being followed through with and when will they all be completed. Staff responded a handful were being addressed. The rest may be addressed at the next federal grant period unless the Port takes on the expense to do it itself. Commissioner Marzano stated that there is nothing more important than the safety of our workers, union or non-union, and that if there are issues that have not been brought to the Commission or things, we need to look at that we can't wait for federal grants, we need to talk about those right now.

The motion carried unanimously 4-0.

- E. Datacenter Space & Services
Presenter: Paul Adams, Sr. Mgr., IT Infrastructure & IT Service

It was moved and seconded to authorize to contract with Optic Fusion for datacenter space and services in the amount not to exceed \$1,855,980.00 plus Washington state sales tax for 60-month service term from January 1, 2020 to December 31, 2024 with the option for two additional five-year terms.

The motion carried unanimously 4-0.

- F. Ratifying Vote: Port Appointees to the Subarea Plan Stakeholders

It was moved and seconded to ratify the selection of the following as the Port of Tacoma's appointees to the Subarea Plan Stakeholders:

Port tenant category

Greg Underbrink, VP of Business Development for Ports America (primary); Brenda Martin, Superintendent of Husky Terminals (alternate).

Environmental water quality category

Joel Baker, Head of the UW Tacoma Endowed Chair Environmental Sciences & Dir. Center for Urban Waters (primary); Bruce Martin, Westrock Energy Resource Manager and Urban Waters Advisory Board (alternate).

The motion carried unanimously 4-0.

6. GENERAL BUSINESS:

- A. Events, Announcements and Recognitions
Presenter: Eric Johnson, Executive Director

The Port's executive director gave a presentation at the Fife, Milton, Edgewood Chamber Luncheon and spoke to 125 eighth graders part of Columbia Junior High School's Science, Technology, Engineering, Arts and Math (STEAM) program. He recognized David Morrison, the Port's Director of Financial Planning and Treasury, for achieving his Port Professional Management (PPM) Certification from the American Association of Port Authorities (AAPA). The ports biologist, Jenn Stebbings lead a tour of The Place of Circling Waters for interested members of the public. He noted

the high level of environmental stewardship the Port provides. The Port's external affairs director position is now vacant.

7. COMMISSIONER COMMENT:

Commissioner Marzano: Attended the Transportation Club of Tacoma Luncheon. Meredith Neal, Director for the Manufacturing Industrial Council for the South Sound gave a report on Manufacturing Industrial Centers (MIC).

Commissioner Meyer: The AAPA recognized the Port's 100 anniversary program, David Morrison's PPM certification and The Northwest Seaport Alliance's Clean Truck Program. He thanked staff.

Commissioner Petrich: The World Affairs Council event took place at the Tacoma Art Museum there were 15 consuls from all over the world. The Port of Seattle was involved in sponsorship and the director of the airport at the Port of Seattle was a speaker.


8. ADJOURNMENT:

The meeting ended at 3:00 p.m.




Clare Petrich, President
Port of Tacoma Commission

Attest:



John McCarthy, Secretary
Port of Tacoma Commission



Juliet Campbell, Clerk of the Port
Port of Tacoma

