

MINUTES
COMMISSION MEETING
June 18, 2020

The Port of Tacoma Commission met Thursday, June 18, 2020. Commissioners Ang, Keller, McCarthy, Marzano and Meyer were all present via video conference.

1. CALL TO ORDER AND FLAG SALUTE: Commissioner McCarthy called the meeting to order at 9:04 a.m. and lead the Pledge of Allegiance.
2. STUDY SESSION:
 - A. 2020 Goals and Expectations: Commissioners and the Port of Tacoma Executive Director, Eric Johnson reviewed the 2020 Port of Tacoma Performance Goals and Expectations document.
 - The Performance Measures section associated with land acquisition/real estate portfolio long-term strategy should identify which properties are considered “strategic properties.”
 - The key priority of environmental stewardship should include reference to OxyChem, the former Hooker Chemical plant. Although not owned by the Port, it owns the property around it and has interest in its cleanup.
 - Consideration should be given toward the development of the Arkema property. A clear picture of the Port’s finances is critical in evaluating opportunities for land acquisition.
 - Commissioners want more emphasis on public affairs and community outreach. Priorities should include an increased focus in identifying and expanding the Port’s role in workforce development through public schools and non-profits. It was suggested that the Port needs to do a better job conveying its needs to higher education including community colleges and trade schools so students are ready and have access to the higher paying jobs the Port can offer.
 - Transportation issues in the Tideflats, including the 11th Street Bridge were discussed.
 - Tribal relations and Port sponsored internships were also discussed.
 - B. Tacoma Rail Update: A letter was sent from the Port to the City of Tacoma and Tacoma Public Utilities (TPU) asking if they were interested in engaging in discussions about the possibility of their possible partnering with the Port, or potential purchase of Tacoma Rail by the Port. The City responded it cannot discuss the issue at this time due to COVID-19 limitations on public meetings and that future discussion should begin with the TPU board. A meeting took place in June wherein The Northwest Seaport Alliance (NWSA) CEO outlined the issues with the South Intermodal Yard and the potential value of the Port acquiring the rail line, particularly in light of competition with Canada and Southern California. Commissioners provided background on previous discussions and obstacles.
3. EXECUTIVE SESSION: Commissioner McCarthy announced the Commission would recess into executive session to discuss one item related to both the purchase of real estate(RCW 432.30.110(1)(b)) and, in consult with legal counsel, the legal and financial risks of a proposed course of action (RCW 42.30.110(i)(iii); one litigation/potential litigation item (RCW 42.30.110(i)); and one annual performance of a public employee (RCW 42.30.110(1)(g)). The executive session lasted one hour and 48 minutes.
4. RETURN TO ORDER: Commissioner McCarthy reconvened the meeting at 12:36 p.m.

5. CONSENT AGENDA:

It was moved and seconded to approve consent agenda

- A. Approval of the Minutes of May 21, 2020
- B. Approval of the payment of checks 226984 through 227243 and wire transfers in the total amount of \$17,818,310.62 during the period May 9, 2020 through June 5, 2020, certified by the Port of Tacoma auditor.

The motion carried unanimously.

6. PUBLIC COMMENT: None.

7. BRIEFINGS:

A. Port of Tacoma Mitigation Bank.

Presented by Tony Warfield, Environmental Senior Project Manager, and Mark Rettmann, Environmental Project Manager II.

Staff provided a background and update on the Port's Upper Clear Creek Environmental Mitigation Credit Bank. The purpose of the briefing was to set up thinking on the part of the Commission for future guidance to staff in managing this asset.

Discussion:

- A mitigation bank is a port asset made up of environmental bank credits that can be used to streamline future Port development projects, support development partners projects, or can be sold on the open market.
- There are many approaches an organization can take to mitigation. The Port's is rooted in the Puyallup Land Claims Settlement, which is to build habitat mitigation in advance of its need and focus on salmon recovery. Based on Puyallup Tribe's fisheries data, Clear Creek has seen the largest return of chinook salmon in over 40 years.
- The mitigation bank is 28 acres that will produce 12.5 Acre Credits and approximately 273 Fish Credits. The market value based on Pierce County In-Lieu Fee and last known fish credit sales is \$1.4 million per Acre Credit (wetland) and \$50,000 per DSAY (fish credits) for a total value of \$17.64 million and \$13.65 million, respectively. These credits could be used toward the Parcel 129 expansion area.
- Policy questions raised include what process the Commission wants for the use of credits, whether or not the Port will sell credits, how and to whom and pricing of credits. Administrative questions include how to book the credits and how the credits will be treated internally.
- Commissioner Marzano noted the good news story regarding the fish habitat. He also noted that as the Commission develops its strategic plan it needs to identify how the Port can utilize the credits before entertaining putting credits on the market. He stated that was the original goal when the plan was developed.
- Commissioner Meyer also expressed the importance of the Port understanding its own needs for property and infrastructure before considering open market sale. He asked for clarification on regarding the \$127,000 payment to Forterra. The US Army Corps of Engineers requires a third-party conservation easement holder. The one-time payment goes into an endowment fund to cover Forterra's work.

- Commissioner McCarthy was on the Commission and part of the negotiations of the Indian Land Claims Settlement when he first heard the term mitigation bank from Karl Anderson. Mr. Anderson represented the business landowners in the Tideflats in the negotiations. Commissioner McCarthy credited Mr. Anderson with first raising the specter of creating a bank prior to development and focusing on fisheries improvement. Commissioner McCarthy stated it is incredible to see the philosophy carried forward 35 years later.
- Commissioner McCarthy provided additional comments:
 - Use of credits for Port development projects should be prioritized over supporting partner projects or sale on the open market.
 - The Port has spent a lot of money to develop the mitigation bank. He noted the approximately \$250 million spent by the Port on environment projects. The opportunity to recoup some of that so it can continue development and cleanup is a great opportunity.
 - The process of using the credits should be by Commission action, not executive action. It is Commission action that provides transparency.

8. ACTIONS:

A. Parcel 29 Building Demolitions.

Presented by Norman Gilbert, Engineering Project Manager

It was moved and seconded to grant project authorization in the amount of \$314,000 for a total authorized amount of \$314,000 for the Parcel 129 Building Demolition, Master Identification No. 101448.02.

The motion carried unanimously.

Discussion:

- The buildings were declared surplus by Resolution 2020-02-PT.
- Parcel 129 is adjacent to the Port's Upper Clear Creek Mitigation site and is planned to be developed into wetland habitat that will expand that site and potentially increase the credit in the Port's environmental mitigation bank.
- A \$300,000 executive authorization is being used to perform preliminary design and advance work to support the generation of habitat development alternatives to optimize future mitigation credits and development costs.
- The scope of the overall project is to develop the entire 10.1-acre site into wetland habitat. The scope of this request to develop the design and bid package for the demolition of up to five buildings, HAZMAT investigation and potential abatement, demolition and disposal of the buildings, decommissioning of on-site septic system and well and project management.
- Marketing efforts for the buildings were described. There has been interest, the arena and the mobile home. If those transactions were to be completed, the Port would avoid the cost of demolition.
- The timeline establishing the actual site was discussed.
- Commissioner McCarthy asked whether renting/leasing some of the property out until absolutely need to address demolition is feasible. Staff informed that the septic system has failed, and the well is now failing and would require substantial cost to address. The only feasible area to rent is the arena. The Port is working on its potential sale. The security requirements to maintain that area to keep it from becoming a nuisance property would exceed the benefit of any rent potential.

- Commissioner Marzano asked if Port operations had any use for the area or the arena structure. Staff responded that the way the arena was constructed makes very expensive to deconstruct and then reconstruct in another area. The cost would not justify the benefit and at this time there is not a known need by operations for such a structure or area.

B. First Reading: Concrete Technology Corporation (Concrete Tech) Lease.
Presented by Scott Francis, Director of Real Estate

Discussion:

- This is a first reading. No action is requested at first reading. At the July Commission meeting, staff intends to request that the Commission authorize the Port of Tacoma Executive Director, or his designee, to enter into a three-year lease with Concrete Technology Corporation for the premises located at 1202 Port of Tacoma Road, Tacoma, Washington.
- Staff provided the background and went over the primary lease terms.
- Concrete Tech's facility is located adjacent to the Port's property at 1202 Port of Tacoma Road. They need additional space. The 1202 property provides the needed space but is currently leased to Milestone Trailer Leasing, LLC (Milestone). Milestone has agreed to move to a new location. Moving costs to be paid by Concrete Tech.
- Prior to any action at second reading, Commissioner Meyer wants to know whether staff considers rent to be close to market value and to provide the estimated return on investment. Those are two factors he considers in reviewing any lease proposal.

C. First Reading: Milestone Trailer Leasing, LLC.
Presented by Scott Francis, Director of Real Estate

Discussion:

- This is a first reading. No action is requested at first reading. At the July Commission meeting staff intends to request that the Commission authorize the Port of Tacoma Executive Director, or his designee, to enter into a three-year lease with Milestone Trailer Leasing, LLC for the premises located at 1721 Thorne Road, Tacoma, Washington.
- Staff provided the background and went over the primary lease terms.
- To accommodate Concrete Technology's request to lease the 1202 property, Milestone has agreed to relocate and lease the property located at 1721 Thorne Road.
- Commissioner Ang asked if the cost of moving was agreed upon between Concrete Tech and Milestone, or if the Port was involved. Staff informed that it was a three-way agreement with Concrete Tech, Milestone, and the Port. It was negotiated up front to relocate Milestone to the alternative site opening up the 1202 property for Concrete Tech. The estimated moving cost is approximately \$100,000 and relocation costs are to be paid by Concrete Tech.

D. Master Policy Delegation of Authority – Resolution 2020-04-PT.
Presented by Carolyn Lake, Port General Legal Counsel

It was moved and seconded to adopt Resolution 2020-04-PT of the Port of Tacoma delegating administrative authority to the Port of Tacoma Executive Director and superseding prior Port of Tacoma Resolution No. 2018-01-PT.

The motion carried unanimously.

Discussion:

- The Commission annually considers proposed revisions to the Master Policy Resolution, Delegation of Authority.
- Changes presented fall into several categories, including changes to align with NWSA policies, highlighting language that appears only in the Port Master Policy that illustrates structural distinctions between the Port and the NWSA, New Port only changes, clarifications, scribes' errors, and one statutory update.
- At the request of the Commission, the presentation focused on "Port only" and "New-Port only" categories. Materials highlighting all the revisions are posted to the Port's website.
- Section III. H (3) clarifies that for approved leases for properties not listed with a broker, which are initiated and completed by a licensed broker, a maximum commission equal to three (3%) of Net Rent shall be paid. This sets a ceiling, not a floor in order to provide room for negotiation.

- E. Juneteenth Proclamation.
Presented by Commissioner Ang

It was moved and seconded to adopt a Port of Tacoma Proclamation, whereby the Port of Tacoma Commission recognizes June 19, 2020 as Juneteenth and urges all citizens to become more aware of the significance of this celebration in African American history and in the heritage of our nation and community.

The motion carried unanimously.

Discussion:

- Commissioners Keller and Marzano expressed their support.
- Commissioner Meyer supports as well. He stated this action reinvigorates him about the importance of the Port of Tacoma to provide good paying jobs and the Port's leadership role.
- Commissioner McCarthy noted the Port entertains very few proclamations which underscores the importance of this action in restating the values of the Port.
- Commissioner Ang followed up on Commissioner Meyers comments regarding jobs. Juneteenth is also known as Freedom Day. Freedom is also economic freedom, and this should be integrated into the Port's mission.

- F. Executive Director Annual Review Discussion.
Presented by Commissioner McCarthy

Discussion:

- Eric Johnson started with the Port last June as its Executive Director. The Commission has met with Mr. Johnson and conducted an evaluation of his work. The commission wholeheartedly supports the work of Mr. Johnson.
- Mr. Johnson commented on ongoing priorities and new priorities for the next year. He stated his appreciation for the guidance of the Commission and staff during his first year. Mr. Johnson declined any salary increase at this time.
- Commissioner McCarthy, on behalf of the Commission expressed appreciation for Mr. Johnson's sensitive decision to forego a salary increase, though deserved, in light of today's economic environment.
- Individual commissioners expressed their support.

9. GENERAL BUSINESS:

A. Financial Update.

Presented by David Morrison

Discussion:

- Net Income is slightly better than budget. Net Income Before Tax Levy is positive; Tax Levy is not subsidizing Port operations.
- Ending cash is less than originally budgeted because the Port chose to pay down \$27.2 million in debt early. 2014A bonds were permanently retired one year early. This saved approximately \$60,000 this year and \$50,000 next year. The Port is slightly below 2x debt service but exceeds all bond covenants.
- The plan of finance and cash flow were briefed in detail.
- Actions taken to reduce costs include \$2.6 million in reductions in the categories of salary and wages, travel and hosting, training, and projects.
- Commissioner McCarthy is concerned that the Port's Income before Net Tax Levy is only \$2.9 million, which includes Net Distributable Income from the NWSA. Discretionary spending must be scrutinized.
- Commissioner Marzano agreed the Port must look at where investments are made and return on investment. He shared his perspective, that Port is a catalyst of over 40 thousand family wage jobs and is still forecasted to make \$2.9 million.
- Commissioner Keller emphasized that in addition to scrutinizing spending and cutting back, the Port should focus on, what kinds of things the Port will do differently and what other businesses opportunities to pursue.
- Commissioner Meyer noted the drop in Income before Net Tax Levy from 2019 actual of \$23.5 million to the 2020 forecast amount of \$2.9 million. He wants to see trend lines in the presentation.
- Staff noted that the drop in forecast is due to the NWSA picking up significant depreciation with the completion Husky and the cranes. That depreciation is non-cash. So, while on the P & L it looks like a big drop, on a cash flow statement, the funds provided by operations and the NWSA depreciation cash add back is about the same.
- Commissioner Ang stated that the Port is more than a business. It exists for public benefit as an economic engine, for jobs and for the environment. She expressed agreement with Commissioner Keller that the Port needs to diversify its business.
- The Local Economic Development Investment Fund is a non-operating expense. The funds come out of cash. Staff does not segregate Tax Levy from operating cash.
- The Early Business Center cleanup was delayed due to their ability to execute on the work this year, not because remedial action grants were paused.

B. Strategic Plan Update

Presented by Jim Darling and Matt Hoffman of Maul Foster and Alongi

Discussion:

- A special study session is scheduled in July 2020 to move the strategic plan process from information gathering to decision making.

- Consultants from Maul Foster Alongi presented findings from interviews and survey data collected from commissioners related to internal and external goal areas and plan structure. The next steps in the strategic plan process and schedule were presented.
- Commissioners want advance visibility to the outreach process and want to ensure the tribes are included.
- Separate from a strategic plan session, there will be a transportation update presented at the August Commission meeting. That will help to inform this component in the strategic plan.

C. Executive Director Announcements, Events, Recognitions

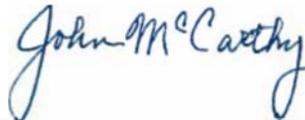
- Eric Johnson highlighted items that will be coming before the commission at the July meeting.
- The Manufacturing Industrial Council in the Tideflats is partnering with the state Employment Security Department to develop a virtual job fair for manufacturing businesses on June 30, 2020 10 a.m. – 2:00 p.m. Anyone with jobs invited to have a virtual booth.
- Puget Sound Gateway received a federal transportation grant of almost \$74 million. A portion will go to the S.R. 167 project.
- KOMO TV featured Port Communications Director, Rod Koon's front lawn concerts to raise funds for the Emergency Food Network.

10. COMMISSIONER COMMENTS:

- Commissioner Ang: There will be a Juneteenth celebration on June 19, 2020 at People's Park in Tacoma from 3:00 p.m. to 10:00 p.m. that will also celebrate Pride. June is Pride month which commemorates the 1969 Stonewall uprising. The US Supreme Court ruled discrimination of gay and transgender people in the workplace is prohibited. ILWU dock workers in all 29 west coast ports in solidarity will observe Juneteenth, taking eight hours off work tomorrow.
- Commissioner Keller: Wished all fathers a Happy Father's Day.
- Commissioner Marzano: Recognized Rod Koon for all his good work representing the Port.
- Commissioner Meyer: Suggested that the Port's bylaws reflect that all commissioners should see any letters of support before they go out. He would also like to understand the Port's policy on lethal action by our security personnel.
- Commissioner McCarthy described the challenges of timely providing letters of support for ongoing projects if all five commissioners need to review first. In the past the commission president has been asked to sign such letters. He emphasized the need for commissioners and staff to stay in touch and continue, with enthusiasm, all contacts on behalf of the Port during the pandemic.

11. ADJOURNMENT:

There being no further business before the Commission, the meeting adjourned at 3:26 p.m.



John McCarthy, President
Port of Tacoma Commission

Attest:



Don Meyer, Secretary
Port of Tacoma Commission



Juliet Campbell, Clerk of the Port
Port of Tacoma