

**THIRD SUPPLEMENTAL AGREEMENT
TO THE
INTERLOCAL AGREEMENT REGARDING THE
“NEW WHATCOM SPECIAL DEVELOPMENT AREA”**

This Third Supplemental Interlocal Agreement (the “Third Supplemental Agreement”) to the Interlocal Agreement regarding the “New Whatcom Special Development Area” is made and entered into by and between the Port of Bellingham (the “Port”) and the City of Bellingham (the “City”) pursuant to Chapter 39.34 RCW with regard to the New Whatcom Special Development Area.

WHEREAS, the City and the Port recognize the unique and historic opportunity for the citizens of Bellingham, Whatcom County, and the greater Puget Sound region to redevelop Bellingham’s central waterfront as a mixed-use development with significant public access opportunities; and

WHEREAS, redeveloping Bellingham’s central waterfront as a mixed-use area can provide numerous benefits for all of Whatcom County. These benefits include: (1) providing new marine facilities, public parks, openspace and trails, (2) helping generate new family-wage jobs; (3) providing an area for both housing and business development to occur in a manner that helps preserve the County’s limited supply of agricultural and natural resource lands; (4) remediating environmental contamination within the site to a standard suitable for mixed-use redevelopment; and (5) creating valuable near shore habitat; and

WHEREAS, redeveloping Bellingham’s central waterfront as a mixed-use site requires a higher clean-up standard and corresponding cost than would simply allowing the area to remain as an industrial site; and

WHEREAS, there is a shared public purpose for the City and the Port to jointly analyze the environmental impacts of redeveloping the central waterfront as a mixed-use area and to jointly prepare a development plan, development regulations and a development agreement to ensure that the redevelopment is financially feasible for both jurisdictions and that the redevelopment reflects the interests of the City and Port and their constituents; and

WHEREAS, it is in the community’s best interest to promote redevelopment of Bellingham’s central waterfront as a mixed-use area that would capture the unique and historic opportunity to create tremendous public amenities and value for the community and the environment, instead of having the central waterfront area continue to be an underutilized and contaminated industrial site; and

WHEREAS, the Port has executed an agreement with Georgia-Pacific to acquire certain parcels of its Whatcom County property, including the waterfront industrial property. The agreement provides that the Port assume responsibility for the

environmental remediation of certain known environmental conditions on the Georgia-Pacific property and in the Whatcom Waterway in exchange for transferring the property to the Port; and

WHEREAS, the acquisition of the Georgia-Pacific property and environmental remediation to a standard suitable for mixed-use redevelopment by the Port can only be accomplished if the Port forms strategic partnerships with key government agencies, such as the City, to assist in the redevelopment of the Bellingham central waterfront area; and

WHEREAS, recognizing this unique and historic opportunity and acting decisively to secure the benefits of redeveloping the central waterfront as a mixed-use area, on January 4, 2005, the Port and the City entered into the "New Whatcom Interlocal Agreement" for the New Whatcom Special Development Area (NWSDA) ; and

WHEREAS, on January 4, 2005, the Port and the City also entered into an Interlocal Agreement for the Implementation of the Waterfront Futures Group Recommendations; and

WHEREAS, on January 4, 2005 the Port and the City entered into an Interlocal Agreement to address in a comprehensive manner issues necessary for the successful redevelopment of the NWSDA and which specifies that the Port will convey at no cost to the City the appropriate property rights for the property containing public infrastructure and public parks and access areas as set forth in the New Whatcom Development Plan; and

WHEREAS, on December 14, 2005 the Port and the City also entered into an Interlocal Agreement regarding the Acquisition of the Chevron Property and the Colony Wharf Property and the Remediation of the Cornwall Avenue Landfill Site and the Central Waterfront Site; and

WHEREAS, fully implementing these agreements will result in both the Port and the City having significant property ownership within the NWSDA and a joint interest in ensuring the successful redevelopment of the NWSDA to maximize the value of this property and its benefit to the public; and

WHEREAS, the Port and City have engaged in the process of developing a Draft Framework Plan for the NWSDA on which further planning, economic modeling, additional in-depth market analysis and environmental impact statement work will be performed to prepare a Development Plan and Development Regulations which are anticipated to be embodied in a Development Agreement; and

WHEREAS, the New Whatcom Development Agreement will define the specific mix of uses, design and development standards to implement the community vision for

the NWSDA and the Port's Scheme of Harbor Improvements will address the marine infrastructure and development of Port properties within the NWSDA; and

WHEREAS, the Port and the City will be developing the Environmental Impact Statement ("EIS") under the State Environmental Policy Act ("SEPA") for the New Whatcom Special Development Area Development Plan to analyze the potential impacts and corresponding mitigating measures to address the conversion of a two hundred and twenty (220) acre industrial Brownfield site to a new mixed-use waterfront neighborhood. The site includes the former Georgia Pacific pulp and paper mill site, treatment lagoon and surrounding public and private properties within the NWSDA, established in the New Whatcom Interlocal Agreement; and

WHEREAS, the environmental review for the NWSDA Development Plan and Scheme of Harbor Improvements, including the development of draft and final EIS documents and the continuing work on the New Whatcom Development Plan, Development Regulations and Development Agreement (hereafter all collectively referred to as the "New Whatcom Development Plan") require additional consulting services; and

WHEREAS, the Port and City have agreed to jointly develop and fund the New Whatcom Development Plan; and

WHEREAS, the Port and City have jointly, through a competitive selection process, selected a team of consultants, including Artifacts Consulting, Blumen Consulting, Collins Woerman, David Evans, Grette Associates, Landau Associates, Northwest Archaeological, Norton Arnold, Primedia Group, Transpo, and Walker Macy to provide additional consulting services for the preparation of the EIS and the continuing development of the New Whatcom Development Plan; and

WHEREAS, the Port and the City desire to supplement the terms of the New Whatcom Interlocal Agreement with this Third Supplemental Agreement to address the funding of the additional consulting work related to plan development.

NOW, THEREFORE, in consideration of mutual covenants and conditions contained herein, the Port and the City agree as follows:

1. **Purpose and Joint Funding of EIS Preparation and Public Involvement Program.** The parties agree to provide additional funding in the year 2007 for data and technical support for the preparation of a Draft EIS and Public Participation program identified in Article III, paragraph 9 (a) of the New Whatcom Interlocal Agreement.

Phase 3 Amendment	Cost	Port Share	City Share
Data and technical support for EIS	\$655,626	\$327,813	\$327,813
Public Participation plan and support	\$118,256	\$59,128	\$59,128
Additional DEIS preparation work	\$31,875	\$15,938	\$15,937

1.1 The Port and the City agree that the purpose of the redevelopment project in the NWSDA will include environmental remediation to a standard suitable for mixed residential, commercial, light industrial, institutional and recreational use and the development of transportation and utilities, public access, parks and open space and marine infrastructure, including a three hundred to four hundred fifty (300-450) slip marina, a boat launch, transient moorage and associated parking. The environmental remediation for identified sites within the NWSDA will be analyzed in Remedial Investigation Feasibility Studies prepared by the Port for the Washington State Department of Ecology. Additional environmental review under SEPA will also be performed by the Washington State Department of Ecology, associated with the remediation of identified sites within the study area.

2. **SEPA Responsible Official.** The Port's Director of Environmental Programs shall serve as the Responsible SEPA Official for the New Whatcom Special Development Area SEPA Process. In undertaking these duties he shall coordinate with the City's Public Works Director.

3. **Joint Funding for Continuing Work on the Development of the New Whatcom Master Development Plan.** The parties agree to jointly provide additional funding in calendar year 2007 to undertake continuing planning activities as identified in Article III, paragraph 9(a) of the New Whatcom Interlocal Agreement. These additional funds will be used to fund the development of a public review Draft EIS, public involvement, responsiveness summary and Final EIS, Development Plan, Development Regulations and the Development Agreement (including project phasing) for New Whatcom.

4. **Contract Administration.** The Port will be the Lead Agency in contracting for the consultant agreements for work identified in Paragraphs #1 and #3 to this Supplemental Interlocal Agreement. The Port and City will each appoint its respective representative with regard to these contracts and these representatives will coordinate direction to the consultants. Upon receipt of an invoice from the consultants for work completed as described in Paragraph #1 of this agreement, the Port will provide a copy to the City for its review and the City will promptly pay to the Port its share of those costs that the Port and City's representatives jointly agree are due and payable through the invoice as defined in Paragraph #1 of this agreement. If there are any issues

concerning the invoice the Port and City representatives will meet and resolve the issues.

5. **New Whatcom Interlocal Agreement – Timeline for Adoption of New Whatcom Development Plan.** The Port and the City have been working diligently and cooperatively to develop the New Whatcom Development Plan. It is anticipated that the preparation and formal scoping, including public comment, for the New Whatcom EIS will be initiated in early 2007. Additional public comment on a Draft EIS is expected later in 2007. The final New Whatcom Development Plan and associated SEPA documents will be presented to the Port Commission and the City Council for consideration in 2007. However, the Port and the City recognize that these dates may be extended to ensure that comprehensive SEPA and New Whatcom Development Plan documents are provided for consideration.

6. **Terms and Conditions of Existing Interlocal Remain the Same:** The parties agree that, except as specifically modified hereinabove, the terms and conditions of the New Whatcom SDA Interlocal Agreement shall continue in full force and effect.

ADOPTED by each government noted below in an open public meeting on the date noted.

THE PORT OF BELLINGHAM

Commission President

Date _____

CITY OF BELLINGHAM

Date _____

Departmental Approval:

Mayor

Department Head

Attest:

Approved as to form:

Finance Director

Office of the City Attorney

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MEMORANDUM

TO: Bellingham City Council

DATE: March 8, 2007

FROM: Malcolm Fleming, CAO and
Len Johnson, Waterfront Redevelopment Manager

COPIES: Mayor Douglas, Finance Director Therese Holm, Dept. Heads

SUBJECT: Waterfront Project Update and 3rd Supplemental ILA

Following the approval by City Council on December 11, 2006 of the 2nd Supplemental Interlocal Agreement for the waterfront redevelopment project, extensive progress has been made on the project. Below is a synopsis of the accomplishments since last December, the anticipated next phase, and the financial impact.

Recent project accomplishments:

- The consultant teams led by Collins/Woerman conducted a detailed review of the draft framework plan evaluating the land use assumptions combined with an economic forecast completed by Hebert Research.
- The consultants concluded that the land use assumptions utilized in the draft framework plan were reasonable and could be accommodated within the redevelopment area. The draft framework plan was utilized to further evaluate a range of development options for the study area.
- Four development alternatives have been developed for evaluation in accordance with the Washington State Environmental Protection Act ("SEPA") in the form of an Environmental Impact Study ("EIS"). The EIS Alternatives include a range of development density alternatives ranging from high, medium to low and a no action alternative.
- The level of infrastructure and public amenities within these EIS alternatives varies according to the level of development intensity.
- All four EIS Alternatives assume construction of a marina and adjacent marina parks.
- The EIS Alternatives are assumed to be achievable during the duration of the EIS development timeline for both City and Port of Bellingham.

- A timeline has been established for scoping and conducting the EIS, which includes commencing the EIS during March and April.

In addition to the work that has been accomplished with the assistance of the consulting teams, other significant progress has occurred relating to the waterfront redevelopment project, including:

- NOAA's expressed interest in locating its Pacific fleet in Bellingham;
- Terraquarium is gaining momentum and interest in advancing their project on-site;
- Whatcom County's EDI Board recommended up to \$1.1 million in funding over the next 5 years – recommendation to be considered by the County Council Finance Committee on Tuesday, March 13th;
- March 15th the City and Port are hosting a presentation and reception with state legislators in Olympia called *Bellingham's Waterfront: 2007 and Beyond* ;
- Western Washington University's continued commitment to establishing a presence on the waterfront, including Huxley College of the Environment; and
- Advancing the study of the Shoreline Master Program

Anticipated next phase

With the funding for this 3rd Supplemental Interlocal Agreement, the Consultants will be retained to conduct the following work:

- Provide extensive data and technical support for the completion of a Draft and Final Environmental Impact Statement
- Assist the City and Port in preparation of a Public Involvement plan to ensure effective communications, public outreach and involvement in this effort
- Provide professional design, technical and/or facilitation services as needed to assist the City and Port with this project

Financial Impact

Staff has already provided the Council with estimates that it will cost over \$2 million for all the consulting services required to complete this work. According to the terms of previous Interlocal Agreements regarding this work, staff again proposes that this phase is funded equally by the Port and the City. The 2007 Budget includes the funding to support the efforts associated with this second phase.