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Port of Port Townsend  
2<sup>nd</sup> Monthly Meeting Agenda  
Wednesday, May 22, 2019, 5:30 p.m.  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Public Comments
- IV. Consent Agenda
  - A. Approval of Public Workshop Minutes – May 8, 2019.....1-2
  - B. Approval of Regular Meeting Minutes – May 8, 2019.....3-5
  - C. Approval of Warrants
- V. Second Reading
  - A. Resolution No. 700-19 – Climate Mitigation & Adaptation.....6-9
  - B. Stormwater Rate Increase.....10-11
- VI. First Reading
  - A. Leasing Policy.....12-31
- VII. Regular Business
  - A. Airport Garbage.....32-35
  - B. April 2019 Financials.....36-39
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Public Workshop / Regular Business Meeting:  
Wednesday, June 12, 2019. Workshop at 9:30 am, Meeting at 1:00 pm  
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Executive Session
- XII. Adjournment

**PORT COMMISSION PUBLIC WORKSHOP – May 8, 2019**

The Port of Port Townsend Commission met for a Public Workshop in the Port Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners Putney, Hanke & Tucker  
Interim Executive Director Pivarnik  
Deputy Director Toews  
Recorder Nelson

Excused: Port Auditor Berg

I. CALL TO ORDER:

Commissioner Putney called the Workshop to order at 9:30 a.m.

II. AGENDA:

Refer to attached workshop agenda for items discussed.

IV. ADJOURNMENT:

The Workshop adjourned at 11:19 a.m.

ATTEST:

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William W. Putney III, President

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Stephen R. Tucker, Secretary

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Peter W. Hanke, Vice President

**Port of Port Townsend  
Public Workshop  
Wednesday, May 8, 2019, 9:30 am  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA**

**AGENDA**

- **Leasing Policy**  
For discussion.
- **Broadband Discussion**  
Commissioner Putney will provide an update.

Note: This is a Public Port Commission Workshop. Workshops are for information sharing only and no decisions will be made during the session. Public input may be taken at the Commissions' discretion.

**PORT COMMISSION REGULAR BUSINESS MEETING – May 8, 2019**

The Port of Port Townsend Commission met in regular session at the Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners –Putney, Hanke & Tucker  
Interim Executive Director Pivarnik  
Auditor Berg  
Deputy Director Toews  
Minutes – Nelson  
Attorney Chmelik

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Putney called the meeting to order at 1:00 p.m.

II. APPROVAL OF AGENDA:

**Commissioner Hanke moved to approve the Agenda as presented.  
Commissioner Tucker seconded the motion.  
Motion carried by unanimous vote.**

III. EMPLOYEE RECOGNITION:

Chris Sparks, Maintenance Manager recognized Laura Snodgrass, Facilities and Grounds Maintenance, for her ten years of service with the Port and Shawn Wiles, Maintenance Lead/Mechanic II for his twenty years of service. Commissioner Tucker and Deputy Director Toews expressed their thanks and appreciation.

IV. PUBLIC COMMENTS (00:03:07):

Kitt Kittredge commented on the IDD levy. She asked how Quilcene would benefit.

Ron Hayes commented on the IDD levy and requested a plan on how the money would be spent.

Bertram Levy commented on water meter installation, including expense and revenue.

V. CONSENT AGENDA (00:18:42):

A. Approval of Regular Business Meeting Minutes – April 24, 2019

B. Resolution No. 701-19 – Warrant Cancellations

C. Approval of Warrants

Warrant #060485 through #060499 in the amount of \$66,397.17 for Payroll & Benefits

Electronic Payment in the amount of \$98,284.69 for Payroll & Benefits

Warrant #060500through #060545 in the amount of \$90,850.59 for Accounts Payable

**Commissioner Tucker moved to approve the Consent Agenda as presented.**

**Commissioner Hanke seconded the motion.**

**Motion carried by unanimous vote.**

VI. SECOND READING (Action Items):

VII. FIRST READING (Discussion Only):

A. Resolution No. 700-19 – Climate Mitigation & Adaptation (00:19:01):

Mr. Toews explained this resolution is in response to the Port's role as a participating member of the local Climate Action Committee. He discussed the Climate Action Plan adopted by the City and County in 2009. The Plan is to address the ongoing effects of climate change and the need for entities to take on a leadership role.

Commissioner Putney asked if the Port has performed a cost analysis or energy audit to learn the feasibility of adapting to more energy-efficient ways. Mr. Toews explained a Port-wide facility assessment was done in 2015 prior to completing the Capital Repair and Replacement Plan and most retrofit recommendations did relate to energy efficiency.

**B. Stormwater Rate Increase (00:31:17):**

Ms. Berg reminded this is a First Reading. She explained the City recently increased stormwater fees, and the Port mirrors their rates. This increase would be effective June 1, 2019. She stated the Port has spent \$1.1M + on stormwater and has only collected \$38K in stormwater revenue. It was explained that in 2014 the City waived the Port's stormwater fees and since the Port is required to maintain its own stormwater system, the Port needs to charge for this. Ms. Berg reminded the Port has not increased stormwater fees since 2014.

Commissioner Tucker stated it helps to see the Port's cost and what the Port has taken in. He added this is important to discuss when determining lease fees.

Commissioner Putney stated it's also important to discuss the tax stipend the Port receives and the strict regulatory requirements that are increasingly costlier.

**VIII. REGULAR BUSINESS:**

**A. BUMS Lease (00:35:51):**

Mr. Pivarnik stated that Joe von Volkli transferred his business, "BUMS" (Bottoms Up Marine Services) to his employee, James Yobaggy, who has also hired a good business manager. He explained Mr. von Volkli was on a month-to-month lease and Mr. Yobaggy has requested a two-year with three one-year options. He added the leased space consists of two boatyard spaces. Mr. Pivarnik discussed other lease terms.

**Commissioner Hanke moved to approve the BUMS Lease as presented.**

**Commissioner Tucker seconded the motion.**

**Motion carried by unanimous vote.**

**B. PUD Transformer Easements in the Boatyard (00:38:42):**

Mr. Pivarnik reported PUD is anxious to begin electrical upgrades to the Port facility. The upgrades consist of 480 volt three-phase transformers. He explained the PUD needs easements from the Port for this project.

**Commissioner Tucker moved to approve the two easements to PUD as presented.**

**Commissioner Hanke seconded the motion.**

**Motion carried by unanimous vote.**

**C. Key FOB Pricing (00:42:11):**

Mr. Pivarnik reported the Boat Haven main restrooms have been locked, which has helped with security issues. New locks have been installed and key FOBS will be distributed to tenants. He stated staff would like to provide one FOB at no cost to permanent tenants and if they would like a second FOB, staff recommends a \$10 fee.

For lost or stolen FOBS, staff recommends a \$25 replacement fee. He explained these fees would cover the cost of the FOB and staff time. Mr. Pivarnik added FOB access can easily be activated and deactivated by staff. He reported staff is still working out how to handle transient and yard access. He explained that eventually, the FOBS would connect to the washdown facility.

**Commissioner Hanke moved to adopt the FOB procedure as discussed with the first key at no charge, a second FOB at a rate of \$10 and a lost or stolen FOB replacement at a rate of \$25.**

**Commissioner Tucker seconded the motion.**

**Motion carried by unanimous vote.**

D. Support Letter for "Puget Sound Day" in Washington, DC (00:46:29):

Mr. Pivarnik discussed an email received from County Commissioner Kate Dean regarding Salish Sea Recovery. He explained the letter of support she asks for is a plea to the Federal Government to continue funding for Puget Sound restoration. Mr. Pivarnik recommends moving forward with the letter of support, as requested.

(Attorney Chmelik read the form Letter of Support aloud.)

**Commissioner Tucker moved to authorize support with a Letter of Support.**

**Commissioner Hanke seconded the motion.**

**Motion carried by unanimous vote.**

IX. STAFF COMMENTS (01:04:30):

None

X. COMMISSIONER COMMENTS (01:04:48):

Commissioner Putney reported he recently attended the Linger Longer Advisory Committee meeting in Quilcene.

XI. NEXT REGULAR BUSINESS MEETING:

Next regular business meeting will be held Wednesday, May 22, 2019 at 5:30 p.m. in the Port Commission Building, 333 Benedict St, Port Townsend.

XII. EXECUTIVE SESSION:

The regular session recessed into Executive Session at 2:05 p.m. to review the performance of a public employee, pursuant to RCW 42.30.110 (1) (g), duration of one hour with no action.

XIII. ADJOURNMENT:

The meeting reconvened and adjourned at 3:05 p.m. there being no further business to come before the Commission.

ATTEST:

\_\_\_\_\_  
Stephen R. Tucker, Secretary

\_\_\_\_\_  
William W. Putney III, President

\_\_\_\_\_  
Peter W. Hanke, Vice President

# PORT OF PORT TOWNSEND AGENDA COVER SHEET

<b>MEETING DATE</b>	May 22, 2019
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input checked="" type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	V. A) Resolution No. 700-19 – Climate Mitigation & Adaptation
<b>STAFF LEAD</b>	Eric Toews, Deputy Director
<b>REQUESTED</b>	<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Resolution No. 700-19

**RESOLUTION NO. 700-19**

**A Resolution of the Commission of the Port of Port Townsend**

**A RESOLUTION COMMITTING TO  
CLIMATE MITIGATION & ADAPTATION MEASURES**

The Port Commission for the Port of Port Townsend, Washington resolves as follows:

**WHEREAS:** numerous scientific organizations, including the Intergovernmental Panel on Climate Change, have determined that human induced changes to the earth's climate system are unequivocal as evidenced by increases in global average air and ocean temperatures, receding glaciers, decreasing snow pack, ocean acidification and coral bleaching, and by rising global mean sea levels, and further, are damaging to the biosphere, including human systems; and

**WHEREAS:** energy consumption, specifically the burning of fossil fuels (e.g., coal, oil and natural gas) accounts for more than 80% of U.S. greenhouse gas emissions, and the U.S. produces nearly one quarter of global greenhouse gas emissions; and

**WHEREAS:** in response to this issue, Jefferson County and the City of Port Townsend have established a Climate Action Committee (CAC) by way of a joint resolution adopted in 2009 (County Resolution No. 06-09 and City Resolution No. 09-0002) to develop a Climate Action Plan and provide recommendations to implement the Plan; and

**WHEREAS:** the Port of Port Townsend is a participant in the proceedings of the fifteen (15) member CAC, together with representatives from the County, City, PUD, Public Health, Jefferson Healthcare, Jefferson Transit, the Port Townsend Paper Company, as well as citizen representatives; and

**WHEREAS:** the CAC has unanimously recommended that participating members demonstrate environmental leadership and stewardship by adopting organizational goals to reduce (mitigate) greenhouse gas emissions and to take steps to prepare for the biophysical changes occasioned by climate change (adaptation); and

**WHEREAS:** the Port of Port Townsend can influence land use, building construction, waste management, and reduce energy use within its facilities; and

**WHEREAS:** the Port can also provide leadership by motivating and supporting its tenants in efficiently using energy within Port facilities, and encouraging and supporting citizens throughout the County in improving energy use within businesses, industries, schools, churches and homes; and



**WHEREAS:** the Port of Port Townsend recognizes that the adverse effects of human induced climate change on the biosphere pose serious and increasing risks to our community's future economy and livability; and

**WHEREAS:** actions taken to reduce greenhouse gas emissions and efficiently use energy are required, and provide multiple local benefits by decreasing air pollution, supporting employment, reducing energy expenditures, saving money, and reducing tax burdens for governments, businesses and citizens; and

**NOW, THEREFORE BE IT HEREBY RESOLVED:** by the Commission of the Port of Port Townsend, that it shall be the policy of the Port of Port Townsend to reduce greenhouse gas emissions and prepare for human induced climate impacts by implementing the following mitigation and adaptation measures:

**I. Mitigation Measures:**

1. To the extent allowed by available funding, prioritize energy efficiency repairs and upgrades to Port owned buildings in the five-year Capital Facilities Plan and annual capital budget. Such improvements should include but are not necessarily limited to: window and door replacement, attic/under-floor and wall insulation, and heating/ventilation system upgrades to structures at Point Hudson and Boat Haven.
2. Prioritize fuel efficiency, durability and long-term reliability as decision criteria in the purchase of all new Port fleet vehicles and equipment.
3. Consistent with Port Resolution No. 683-18, consider the use of biofuels and electrification in all future procurement decisions for Port vehicles, vessels and construction equipment. Such consideration shall consider lifecycle costing, comparing not only procurement costs, but lifecycle operational costs.
4. Establish and document adherence to a Port fleet vehicle and equipment maintenance and servicing schedule to optimize efficient, economical operation and service life.
5. Require that all new office equipment purchases by the Port be ENERGY STAR certified.
6. Develop and implement a strategy to replace all Port lighting with energy efficient fixtures.

**II. Adaptation Measures:**

1. To the extent practicable, seek to diversify Port operations and lines of business in preparation for the physical/environmental and economic dislocations (e.g., sea level rise) likely to be caused by climate change.
2. Continue to explore opportunities to support expansion of the agricultural sector of the local economy (e.g., siting, feasibility, funding of an agricultural processing, storage and distribution center).
3. Focus capital resources on maintaining the Boat Haven Boatyard, recognizing that the practical skills hosted at this facility are vital to the community, both now, and in a future that may be simpler and more local.

**ADOPTED** this 22<sup>nd</sup> day of May 2019, by the Commission of the Port of Port Townsend and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.

**ATTEST:**

\_\_\_\_\_  
Stephen R. Tucker, Secretary

\_\_\_\_\_  
William W. Putney III, President

\_\_\_\_\_  
Peter W. Hanke, Vice President

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Port Attorney

# PORT OF PORT TOWNSEND AGENDA COVER SHEET

<b>MEETING DATE</b>	May 22, 2019
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input checked="" type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	V. B) Stormwater Rate Increase
<b>STAFF LEAD</b>	Abigail Berg, Director of Finance & Administration
<b>REQUESTED</b>	<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Info Memo from May 8, 2019 Commission Meeting

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 5/8/2019  
**TO:** Port Commission  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Stormwater Rate increase

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### **BACKGROUND**

In 2014, the Port started billing Boat Haven tenants for Stormwater at the same rates used by the City of Port Townsend. This rate was implemented to help pay for a small portion of the costs to the Port for Stormwater requirements of the Boat Haven Yard and Properties. The Port is responsible for its Stormwater compliance, so these fees go directly to paying for the ongoing compliance costs. The Port has spent over \$1.153 million since 2014 to work on Stormwater compliance. In that time, based on the current tenants, it is estimated that \$38,465 has been paid by Port tenants; whereas these fees do not come close to covering the cost of compliance, they do assist.

### **DISCUSSION**

The City recently increased their Stormwater utility rates. The Port needs to do the same to continue to support the Boat Haven Stormwater utility to tenants.

### **FISCAL IMPACT**

The increase in cost to tenants will be between \$3.32 and \$16.47, depending on square footage. The average tenant increase will be approximately \$7.17 per month.

### **RECOMMENDATION**

This is a first reading for this proposal, for discussion.

# PORT OF PORT TOWNSEND AGENDA COVER SHEET

<b>MEETING DATE</b>	May 22, 2019
<b>AGENDA ITEM</b>	<input checked="" type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VI. A) Leasing Policy
<b>STAFF LEAD</b>	Executive Staff
<b>REQUESTED</b>	<input type="checkbox"/> Motion <input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Memo B. Draft Policy with staff mark-up C. Draft Policy – clean version

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 5/20/2018  
**TO:** Commission  
**FROM:** Executive Staff  
**SUBJECT:** Leasing Policy – Final Staff Recommended Draft

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**BACKGROUND:** At the April 24<sup>th</sup> Commission meeting, representatives of the Leasing Policy Advisory Committee (LPAC) presented their recommendations for revisions to the policy draft prepared by staff. The LPAC identified four principal concerns in the transmittal memorandum which accompanied their “bill format” recommendations:

- “Highest and best use” language that appears to conflict with the triple bottom line approach to decision-making reflected in the Port’s Strategic Plan.
- Periodic market rate assessments - both how often they should be prepared, and who should prepare them.
- Elimination of the “+ 1%” portion of the CPI-U rental rate adjustment language.
- Proposed common area maintenance (CAM) fee requirements, particularly for areas outside of multi-tenant buildings (e.g., parking areas, landscaping).

During the workshop of May 8<sup>th</sup>, the LPAC’s recommendations were reviewed and discussed by staff and Commission. Staff indicated that it largely agreed with the LPAC, and recommended adoption of the policies in a form substantially similar to the LPAC’s draft.

**DISCUSSION:** As indicated during the May 8<sup>th</sup> workshop, staff thinks that the LPAC’s recommendations have improved the proposed policy document. However, there are two (2) provisions that staff would recommend revising, one of which is not entirely consistent with the committee’s recommendations. The staff recommended revisions are as follows:

- **Reinstate language allowing common area maintenance (CAM) fees within Port-owned multi-tenant buildings.** Staff agrees with the LPAC that the imposition of common area maintenance fees for landscaping, parking, and other exterior areas enjoyed by a diversity of tenants and the public is problematic. We agree with the LPAC that a better and more fair way of generating revenue to maintain such areas is through the Port’s standard rate of return on lease agreements. However, the fairness challenges posed by CAM fees applied to exterior common areas used by a myriad of user groups at cost centers like Point Hudson or Boat Haven do not apply in the context

of multi-tenant buildings owned by the Port. In such instances (which are few), apportioning fees among tenants within a structure that all directly benefit from the maintenance of interior common areas (e.g., restroom facilities, entrance lobbies, etc.) is both straightforward and reasonable. For this reason, the attached staff recommended draft of the policies reinstates CAM fee language in sections (B)(8), (C)(2), (C)(3), (C)(5) and (D)(2).

- **Include a new provision in all leases requiring that the rents escalate to 125% if in “holdover” status.** A “holdover” tenant is one that stays on after the expiration of a standard (or extended) lease term. Generally, such instances create a tenancy “at sufferance”, where a renter is legally permitted to stay on the premises, subject to the original lease conditions, including the payment of rent. The Port has far too many former lessees that are now tenants at sufferance. In order to incentivize lessees to negotiate new leases with the Port prior to expiration of their leases, staff recommends that all future leases include standard language that would escalate the rent for holdover tenancies to 125% of the rate in effect at the time of lease expiration. Encouraging tenants to have lease agreements with Port, rather than month to month tenancies at sufferance, will help to build more stable and predictable lease revenue streams for the Port. This language is set forth in section (C)(13).

**RECOMMENDATION:** This is a first reading, for Commission review and discussion. A second reading and adoption is anticipated to occur at the Commission’s June 12 regular meeting.

**ATTACHMENTS:**

1. Staff recommended version of Lease Policy in “bill format”, with changes shown in strikeouts and double-underlining; and
2. Staff recommended version of Lease Policy in “clean copy” format.

PLEASE NOTE: The “bill format” version of the document distinguishes LPAC recommended changes from staff recommended changes with gray highlights. LPAC changes are in line-in/out and highlighted in light gray. Staff changes are in line-in/out and in dark gray.

# PORT OF PORT TOWNSEND

## ORGANIZATIONAL MANAGEMENT AND BUSINESS PRACTICES

### A. BUSINESS PRACTICES

**INTRODUCTION:** The Port is the steward of public assets and provides essential public services for all the citizens of Jefferson County. The business practices of the Port of Port Townsend are directed toward faithful stewardship of public assets and achieving the Port's Strategic Plan objectives and strategies. Flexibility is needed, however, to adapt to changing conditions of a competitive market and to remain mindful of community values. Accordingly, the statements that follow are typical business practices of the Port, subject to change as conditions warrant.

1. The Port will maintain a sound financial plan. The financial plan will integrate the Port's guiding documents: The Comprehensive Scheme of Harbor Improvements & Strategic Plan; Business Plan; and Capital Improvement Plan. These plans will consider market conditions and identified and expected costs for capital maintenance, operations, and replacement of existing capital facilities.
2. The Port will be a good steward of the public assets entrusted to the Port.
  - a. The Port will seek to maintain, preserve and enhance the public assets under its stewardship.
  - b. The Port will comply with applicable environmental laws and require its tenants to follow environmental "best management practices".
  - c. The Port will seek to charge fees and rents for the use of Port facilities at "fair market value" to ensure that over time the Port remains a good steward of public assets by providing sufficient revenue to maintain and enhance the public assets and the services provided by the Port.
3. The Port has a long-term goal of enhancing the public assets entrusted to it. Therefore, it must operate in a fiscally prudent manner today and tomorrow to achieve this long-term goal.
4. The Port will be a good and reliable business partner for its tenants and users.
  - a. The Port will provide fair and equal treatment to all tenants and users.
  - b. The Port will seek to provide facilities and services that enhance business success for Port tenants and users while maintaining a sound financial footing for the Port.
  - c. The Port will seek to provide a business environment that attracts new tenants.
5. The Port will be a good and reliable partner with other local governments, state agencies, Tribes and the federal government.
  - a. The Port will seek ways to cooperate with other government partners to enhance the economic, environmental and community quality of life in Jefferson County.



- b. The Port will meet regularly with other local governments to explain the needs of the Port, to hear the needs of other governments and to seek common approaches and goals for the betterment of the citizens.
6. The Port will be a good and reliable business partner to the business community in Jefferson County.
- a. The Port will seek ways to cooperate with the business community of Jefferson County to enhance the economic, environmental and community quality of life in Jefferson County.
  - b. The Port will meet regularly with business and civic organizations to explain the needs of the Port, to hear the needs of others and to seek common approaches and goals for the betterment of the citizens.
7. The Port will use a "cost approach" for asset management. The Port seeks to manage its real and personal property utilizing a "cost center" approach in order that each facility be as self-supporting as possible.
- a. This cost center approach will include projections for operating revenue, operating costs and capital asset ~~and common area~~ maintenance, operation and replacement.
  - b. Capital asset maintenance and operation costs should be funded by operating income from the cost center.
  - c. Capital replacement costs should be funded by the following:
    - i. Operating income from the respective cost center;
    - ii. Grant funds, if available; ~~and~~
    - iii. Debt serviced by general tax levy revenue, if available; and
    - iv. Special assessments (where costs are shared by benefitted businesses).

## B. LEASING POLICY

**INTRODUCTION:** ~~Central to the long-term viability of the Port is the Leasing Policy~~ A sound Leasing Policy is key to the long-term viability of the Port. ~~It is primarily through leasing that the~~ The Port generates significant revenues which it uses to preserve and enhance its properties and facilities and thereby help drive the ~~economic vitality~~ economy of Jefferson County. It is the policy of the Port of Port Townsend to (i) retain and recruit businesses that will provide sustainable community-wage jobs, and (ii) seek rents and charges for the use of public real and personal property that provide a fair rate of return to the citizens of Jefferson County.

~~The~~ The Strategic Plan articulates how the Port intends to fulfill its mission to the community. ~~The Strategic Plan makes clear that the Port takes its~~ Port takes seriously its mission to generate countywide economic vitality and employment opportunities seriously, but that it wishes to do so in a manner that balances the economic, environmental and social consequences of its decision-making, retain existing businesses, attract new business, and add good jobs that will provide local employment opportunities. ~~The Port competes with other regional and national governments and entities for these jobs.~~ Accordingly Consistent with the Strategic Plan, it is the Port's policy to negotiate leases that will: (i) attract and retain businesses based on sound business, financial and operational plans; and (ii) provide a fair rate of return for the Port so that the Port can continue to invest in the economic vitality of the community Jefferson County.

The general policies of the Port regarding industrial/commercial land and buildings are as follows:

1. Rental rates and charges for Port real and personal property should be the fair market rental rate and charges. It is recognized that fair market value rental rates and charges help the Port to maintain the public assets thereby providing a predictable environment for Port tenants and quality facilities and services to the citizens of Jefferson County. The Port will generally charge fair market value lease rates, rental rates and charges for the use of Port real and personal property assets.
2. Fair market value rental rates should be based upon the value of the Port real property and improvements thereon multiplied by a Port standard rate of return. The value of Port property and improvements multiplied by a Port standard rate of return will provide a fair and equitable method of determining rental rates that treats all tenants fairly and provides a fair return to the citizens of Jefferson County.
3. ~~The value of Port real property and improvements should generally be based upon the "highest and best use" unless the Port has established a "preferred use". The fee simple fair market value for Port real property and the improvements located thereon should generally be based upon the fee simple value based upon the "highest and best use" of the subject Port property under applicable market conditions and land use regulations (emphasis added). The Port Commission may decide to deviate from "highest and best use" by establishing a particular "preferred use" that would apply to a particular area of Port property or to all similarly situated tenants that utilize the Port real property or improvements.~~
  - a. ~~The deviation from "highest and best use" to a "preferred use" will usually result in a decrease in Port revenues but should provide other economic or social benefits to the citizens of Jefferson County. Factors that may be considered, include but are not limited to (i) the historical use of Port real or personal property, (ii) economic, social and environmental impact of a particular industry or user, (iii) the potential of a particular industry or user to grow and thereby enhance to economic environment of Jefferson County or (iv) the competitive market pressures on a particular industry or user. Of necessity, the definition of the term is specific to a particular type of use and is likely to change over time based upon economic and social conditions and therefore a preferred use designation should be revisited and reevaluated over time to ensure that it is providing benefit to the citizens of Jefferson County and not unfairly subsidizing Port tenants or users.~~
  - b. ~~It is recognized that over time the Port must generate sufficient revenue to cover all proportionate direct and indirect costs of operations associated with the use of that asset, including but not limited to all expenses, including general and administrative, replacement costs, and debt service, and some return to the Port. Therefore, consideration may be given to the overall economic impact that a "preferred use" will have on the community as opposed to "highest and best use". In addition, over time the Port must continually reevaluate this approach to confirm that the Port is acting as a good steward of the public assets.~~

- 4 ~~3~~. The value of Port property and improvements should be determined by recurring market analyses. The Port should conduct recurring market analyses (i.e., at least once every ~~three~~ five (5) years) to establish and maintain appropriate rental rates for Port-owned land and buildings. The Port will conduct periodic rental surveys of comparable properties in the Western Washington area (including land, buildings, and private and public assets). Market analyses and rental surveys may be completed by a ~~licensed real estate MAI (Member of the Appraisal Institute) appraiser, a real estate firm, by subscribing to a real estate listing service that provides market data or by gathering market information by experienced professionals or staff.~~ The Port will also consider other indicators (modifiers) of reasonable fair market rental value in setting rental rates, including parcel size, location, inflation occurring since the date of the last survey, changes in the rental market since the date of the last survey, waiting lists, competing offers for the same properties, the overall economic climate and any other evidence of fair market rental value.
- a. The Port should provide a table of the fair market value rental rates for all its classes of properties.
  - b. Absent a compelling reason, generally, the Port will charge the fair market value rental rates and refrain from providing a special rate to a particular tenant because this is generally unfair to other similarly situated tenants and is not in keeping with the Port's stewardship responsibilities.
  - c. Depending on the particular circumstances, tenants may be allowed an ~~equitable a~~ reasonable period (not to exceed two (2) years) to reach fair market value rent.
- 3 ~~4~~. The Port's standard rate of return. Fair market rental value is based on the fee simple value of the Port real property and improvement thereon (~~either based upon "highest and best use" or a "preferred use"~~) multiplied by at least nine and one-half percent (9.5%) ~~eight percent (8%).~~<sup>3</sup>
- 4 ~~5~~. Rental rates should be adjusted annually and reevaluated periodically. Generally Port expenses, such as personnel, maintenance and repair, increase over time. Likewise, rental rates should increase over time and in-step with increases in the private sector rental market in Jefferson County. Therefore, each lease will include a provision that allows the Port to adjust rental rates to the fair market rental rates then prevailing for comparable properties in the Western Washington area at five (5) year intervals (beginning January 1, 2020), bearing in mind all allowable uses of the property and all services and amenities available to the property by virtue of its location. These adjustments are intended to minimize the misalignment that may occur between a fixed rate with CPI escalations and a reviewed market rate. However, periodic market rate adjustments should not result in more than a five percent (5%) increase in rent from the rent paid in the prior year. Alterations or improvements undertaken by a tenant to make a property suitable for a tenant's purposes should not be included factored in the valuation of the rental rate for a renewal or extension term of that tenant's lease.
- a. Between periodic rate adjustments in rent, adjustments equal to the amount found on the Consumer Price Index for all urban consumers (CPI-U) for Seattle-

<sup>3</sup>The Port previously established a policy that seeks a 9.5% return.

Tacoma-Bellevue (compiled by the US Department of Labor, Bureau of Statistics) plus an additional 1% will take effect annually.

- b. Each lease will allow for the automatic CPI increase on the anniversary of its effective date. Each lease, regardless of the date of its effective date, will allow for the automatic CPI adjustment as of January 1<sup>st</sup> each year. Any adjustment for the first year will be prorated for that part of the year between the effective date and January 1<sup>st</sup>. Rent adjustments should not result in a reduction in rent from the rate paid in the prior year.

- 5 6. Lease term & options to extend. An initial lease term for either land or buildings will be determined in consideration of the needs of the tenant, the investment of the tenant, design standards of any improvements, the useful life of the improvements, the economic value provided to the community, and the needs of the Port. The lease may provide options granted to the tenant to extend the lease.
  - a. The initial term may be extended, provided that: the tenant has met the maintenance standards outlined in the lease, made upgrades extending the useful life of any improvements (including buildings), and the proposed additional term is supported by outside professionals such as structural engineers and/or architects, licensed inspectors, the generation of economic value to the community, and the needs of the Port.
  - b. Generally, the initial lease term and option periods together should not exceed the anticipated useful life of the improvements, or thirty (30) years. Pursuant to state law, in no circumstance shall the initial lease term exceed fifty (50) years and the initial lease term and options may not exceed eighty (80) years on Port property except seventy-five (75) years at the airport.
  - c. Longer term leases may require the tenant to periodically upgrade improvements.

7. Special Assessments for Capital Improvements. Different classes of Port tenants and facility users benefit from particular Port capital infrastructure and improvements (e.g., Boat Yard stormwater system improvements, haul-out piers, etc.). From time to time, the Port may apply special assessments to fund the cost of capital improvements that directly benefit specific tenant classes and user groups. These special assessments should ensure that all directly benefited users equitably share in the cost of such capital improvements. The Commission will ensure that special assessments are subject to adequate public notice and opportunity for input prior to adoption and implementation.

~~6. Non-exclusive common areas. The Port recognizes that it has limited real property and improvements and that multiple tenants may use common areas such as parking lots or storage areas. Use of common areas by multiple tenants allows the Port to maximize the economic activity on its properties and provide the tenants with cost effective services. The Port may require all All tenants that utilize use common areas will be required to pay fair market rent for the non-exclusive use, and share in an equitable manner, in the maintenance and upkeep of the common areas with the Port and other common area users.~~

8. Non-exclusive common areas – Multi-tenant buildings. The Port recognizes that multiple tenants may use common areas within Port-owned multi-tenant buildings such

as entrance lobbies, restrooms, hallways, stairways and storage areas. The Port may require tenants that use common areas in multi-tenant buildings to pay fair market rent for the non-exclusive use, and share in an equitable manner, in the maintenance and upkeep of the common areas with the Port and other common area users.

### C. STANDARD LEASE PROVISIONS

**INTRODUCTION:** Prudent business practice requires that a standard Port lease be the basis of all lease negotiations. A standard lease provides fairness to all Port tenants and protection of public assets. It is noted that as the steward of public assets the Port is a unique landlord that must act in the public interest. Such standard provisions include but are not limited to the following: indemnification and hold harmless, environmental, the Port's right of entry for inspection, maintenance of the premises, taxes, fixtures and equipment, liability and casualty insurance, retention of air rights, FAA requirements, condemnation, default, costs and attorney fees, notices, waivers, and month-to-month "holdover" tenancy upon termination of lease.

1. Use. The Port will seek to limit the use on its leaseholds to a specific purpose. Leases that allow that provide for "all use allowed by zoning" or "all legal uses" will not be used be approved.

2. Rent. The Port leases will contain standard provisions related to rent including late charges and penalties. The calculation of rent will include exclusive use areas ~~and non-exclusive (common area) use areas~~ and non-exclusive (common area) use areas within Port-owned multi-tenant buildings.

3. ~~Common Area Charges.~~ Tenants using common areas will ~~may~~ be required to pay an equitable share of the cost of maintaining and operating such areas.

3. Multi-tenant buildings – Common area charges. Tenants using common areas within Port-owned buildings may be required to pay an equitable share of the cost of maintaining and operating such areas.

4. Utility charges. In addition to rent, tenants will pay for utilities used by the tenant and billed to the Port. Where possible, Port tenants should establish their own accounts with utility providers. Port utility charges, including water, should be priced to allow the Port to maintain and operate the system.

5. Rent security. ~~Pursuant to RCW 53.08.085, all~~ All leases in excess of one-year ~~must~~ should be secured by a rent performance bond or other security (cash deposit, blocked account) acceptable to the Port in an amount of not less than three (3) months' rent, applicable Washington state leasehold excise tax, ~~anticipated common area charges,~~ anticipated common area charges, and anticipated utility charges. Leases of one year or less (including all options to renew) may be secured by one months' rent, applicable Washington state leasehold excise tax, ~~anticipated common area charges,~~ and anticipated utility charges. However, pursuant to RCW 53.08.085, the Port Commission, in its sole discretion, may raise, lower, or waive the required rent security on leases of real property.



6. Structural Changes or Improvements. Structural changes to buildings require the prior written consent of the Port. Upon termination of the lease, all tenant owned improvements must be removed at the cost of the tenant, or, if not removed by the tenant and at the Port's option, either (i) removed by the Port at the tenant's expense or (i) become the property of the Port. Alterations or improvements undertaken by a tenant to make a property suitable for the tenant's purposes should not be included in the valuation of the rental rate for a renewal or extension term of that tenant's lease.
7. Assignment. The Port generally prohibits any assignment or sublease by a tenant without the prior written consent of the Port having first been obtained. The Port will allow assignment of the tenant's leasehold interest as collateral for a loan where the proceeds will be used on the leasehold.
8. Liability Insurance. Insurance provisions require the tenant to obtain and maintain commercial general liability insurance with the Port endorsed as an additional insured and prohibit cancellation of insurance without prior notice to the Port. The current amount of required insurance is \$1,000,000 combined single limit. The Port may periodically revise this amount to keep pace with market conditions. The Port may require additional forms of insurance or additional limits of insurance for particular uses (for example pollution legal liability for a fueling operation).
9. Damage or destruction of tenant property on leasehold. The tenant will be solely responsible for damage or destruction of its property on the leasehold. This risk should be covered by tenant insurance.
10. Limited waiver of immunity under the Industrial Insurance Act. The Port will require all tenants to provide a limited waiver of immunity under the Industrial Insurance Act or other similar federal scheme for personal injury lawsuit against the Port brought by employees of the tenant.
11. Indemnifications. The tenant will be required to save, defend and indemnify the Port from (i) any claims arising from injuries on Port property or their leasehold as a result of their activities, (ii) any release of hazardous substances on the leasehold (iii) a violation of law by the tenant.
12. Lease enforcement. The leases will contain standard provisions (such as default, termination and attorney fees) to allow the Port to expeditiously enforce the terms of the lease.
13. Holding over. The leases will contain standard language which provides that continuing in possession of a premises after the expiration of a lease (i.e., "holding over") creates a month-to-month tenancy, subject to the same terms and conditions set forth in the prior lease, except that the rent will be increased to 125% of the rate in effect during the month preceding expiration of the lease.

#### **D. — PERFORMANCE BASED LEASES**

**INTRODUCTION:** The Port recognizes its obligation to ensure development and continued operation of viable industrial and commercial enterprises on its property as well as an obligation to incentivize businesses to operate in the best interests of the larger community. A business on the basis of stated capital investment amounts, employment of a minimum number of persons (from the local labor force when practical), type of jobs (sustainable community wage), production above a certain level, or some other reasonable measure to ensure a viable activity may request a performance-based lease rate to better attain its objectives.

1. Performance based lease rate. The rate will generally be calculated by providing a reduced rate of return for some period in exchange for achievement of measurable objectives. When such a performance-based lease rental rate is granted by the Port, it shall include the rental rate based upon the standard rate of return and the special rate based upon a reduced rate of return so that the value of the concession can be calculated.
2. Percentage rents. Where appropriate, a lease rate may include a percentage of gross revenues paid to the Port.
3. Reporting of measurable objectives. The performance-based lease rate must include requirement for reporting of measurable objectives to monitor the business with respect to those stated benefits. Failure to meet the agreed upon performance goals will result in the lease reverting to base terms as stated in the lease. It is not the intent to establish such performance requirements at a maximum level, but rather, at a threshold level of viability for operation of the business within the preferential terms of their lease with the Port.

#### **E D. MAINTENANCE RESPONSIBILITIES & COSTS**

1. Maintenance responsibilities - Port-owned buildings.
  - a. The Port is responsible for maintaining in good condition the structural parts of the buildings it leases, including the foundations, bearing and exterior walls, subflooring and roofs, the unexposed electrical, plumbing and sewerage systems (including those portions of the systems lying outside the leasehold), exterior doors, window frames, gutters, downspouts, and the heating, and the ventilating and air conditioning system serving such buildings (if any).
  - b. Lessees are responsible for maintaining and repairing all interior walls, floors, ceilings, doors, interior and exterior windows and fixtures, and for repairing damage caused to any portion of Port-owned buildings.
- 1.2. Maintenance costs – Port-owned buildings. As may be applicable, the Port will schedule and coordinate all landscape, stormwater, HVAC system, sprinkler system, parking lot, and gutter maintenance and may bill each tenant as part of its common area maintenance fees.
2. Maintenance costs – Port-owned buildings. As may be applicable, the Port will schedule and coordinate all HVAC system, fire alarm and suppression system and gutter maintenance and may bill each tenant as part of its common area maintenance fees.

~~2.3. Land leases and common areas. As may be applicable, The the Port will may schedule landscape and parking lot maintenance for tenants and bill each tenant as part of its common area maintenance fees.~~

**F E. CAPITAL IMPROVEMENTS**

Plan for Port-Owned Improvements. For Port-owned buildings or other improvements, Port staff will develop management plans that include maintenance and capital improvement schedules and budgets for each building. The maintenance and capital improvement budgets will be included in the Port's annual operating and capital improvement budgets and six-year capital facility plan (updated annually). This will include a reserve sinking fund for replacement of deteriorating items like roofs, asphalt, building poles, parking lots, landscaping, etc.

**G. DUE DILIGENCE**

Port staff will conduct due-diligence. For new tenants Port staff will conduct appropriate due diligence, which will include gathering financial data concerning the prospective tenants using a standard form developed by Port staff. In addition, for appropriate proposed transactions, Port staff will conduct appropriate additional due diligence (such as site visits, interviews of previous landlords and public records check). Port staff may also conduct appropriate due diligence for significant lease renewals or modifications.

**H. OPEN PUBLIC RECORDS**

All records public. All information provided to the Port is subject to the requirements of the Washington Public Records Act (chapter 42.56 RCW). All prospective tenants will be informed that anything submitted to the Port is a public record. If a public records request is made, the Port will notify the party (typically a prospective lessee) submitting the records.

**I. VARIATIONS FROM POLICY**

The policy set forth above may be varied from time to time to fit instances as is deemed advisable by the Port.

**J. REVIEW OF POLICY**

This leasing policy will be reviewed from time to time as deemed appropriate by the Port Commission.





# PORT OF PORT TOWNSEND

## ORGANIZATIONAL MANAGEMENT & BUSINESS PRACTICES

### A. BUSINESS PRACTICES

**INTRODUCTION:** The Port is the steward of public assets and provides essential public services for all the citizens of Jefferson County. The business practices of the Port of Port Townsend are directed toward faithful stewardship of public assets and achieving the Port's Strategic Plan objectives and strategies. Flexibility is needed, however, to adapt to changing conditions of a competitive market and to remain mindful of community values. Accordingly, the statements that follow are typical business practices of the Port, subject to change as conditions warrant.

1. The Port will maintain a sound financial plan. The financial plan will integrate the Port's guiding documents: The Comprehensive Scheme of Harbor Improvements & Strategic Plan; Business Plan; and Capital Improvement Plan. These plans will consider market conditions and identified and expected costs for capital maintenance, operations, and replacement of existing capital facilities.
2. The Port will be a good steward of the public assets entrusted to the Port.
  - a. The Port will seek to maintain, preserve and enhance the public assets under its stewardship.
  - b. The Port will comply with applicable environmental laws and require its tenants to follow environmental "best management practices".
  - c. The Port will seek to charge fees and rents for the use of Port facilities at "fair market value" to ensure that over time the Port remains a good steward of public assets by providing sufficient revenue to maintain and enhance the public assets and services provided by the Port.
3. The Port has a long-term goal of enhancing the public assets entrusted to it. Therefore, it must operate in a fiscally prudent manner today and tomorrow to achieve this long-term goal.
4. The Port will be a good and reliable business partner for its tenants and users.
  - a. The Port will provide fair and equal treatment to all tenants and users.
  - b. The Port will seek to provide facilities and services that enhance business success for Port tenants and users while maintaining a sound financial footing for the Port.
  - c. The Port will seek to provide a business environment that attracts new tenants.
5. The Port will be a good and reliable partner with other local governments, state agencies, tribes and the federal government.
  - a. The Port will seek ways to cooperate with other government partners to enhance the economic, environmental and community quality of life in Jefferson County.

- b. The Port will meet regularly with other local governments to explain the needs of the Port, to hear the needs of other governments and to seek common approaches and goals for the betterment of the citizens.
6. The Port will be a good and reliable business partner to the business community in Jefferson County.
- a. The Port will seek ways to cooperate with the business community of Jefferson County to enhance the economic, environmental and community quality of life in Jefferson County.
  - b. The Port will meet regularly with business and civic organizations to explain the needs of the Port, to hear the needs of others and to seek common approaches and goals for the betterment of the citizens.
7. The Port will use a “cost approach” for asset management. The Port seeks to manage its real and personal property utilizing a “cost center” approach in order that each facility be as self-supporting as possible.
- a. This cost center approach will include projections for operating revenue, operating costs and capital asset maintenance, operation and replacement.
  - b. Capital asset maintenance and operation costs should be funded by operating income from the cost center.
  - c. Capital replacement costs should be funded by the following:
    - i. Operating income from the respective cost center;
    - ii. Grant funds, if available;
    - iii. Debt serviced by general tax levy revenue, if available; and
    - iv. Special assessments (where costs are shared by benefitted businesses).

## **B. LEASING POLICY**

**INTRODUCTION:** A sound Leasing Policy is key to the long-term viability of the Port. The Port generates significant revenues which it uses to preserve and enhance its properties and facilities and thereby help drive the economy of Jefferson County. It is the policy of the Port of Port Townsend to (i) retain and recruit businesses that will provide sustainable community-wage jobs, and (ii) seek rents and charges for the use of public real and personal property that provide a fair rate of return to the citizens of Jefferson County.

The Strategic Plan articulates how the Port intends to fulfill its mission to the community. The Strategic Plan makes clear that the Port takes its mission to generate countywide economic vitality and employment opportunities seriously, but that it wishes to do so in a manner that balances the economic, environmental and social consequences of its decision-making. Consistent with the Strategic Plan, it is the Port’s policy to negotiate leases that will: (i) attract and retain businesses based on sound business, financial and operational plans; and (ii) provide a fair rate of return for the Port so that the Port can continue to invest in the economic vitality of the community.

The general policies of the Port regarding industrial/commercial land and buildings are as follows:

1. Rental rates and charges for Port real and personal property should be the fair market rental rate and charges. It is recognized that fair market value rental rates and charges

help the Port to maintain the public assets thereby providing a predictable environment for Port tenants and quality facilities and services to the citizens of Jefferson County. The Port will generally charge fair market value lease rates, rental rates and charges for the use of Port real and personal property assets.

2. Fair market value rental rates should be based upon the value of the Port real property and improvements thereon multiplied by a Port standard rate of return. The value of Port property and improvements multiplied by a Port standard rate of return will provide a fair and equitable method of determining rental rates that treats all tenants fairly and provides a fair return to the citizens of Jefferson County.
3. The value of Port property and improvements should be determined by recurring market analyses. The Port should conduct recurring market analyses (i.e., at least once every five (5) years) to establish and maintain appropriate rental rates for Port-owned land and buildings. The Port will conduct periodic rental surveys of comparable properties in the Western Washington area (including land, buildings, and private and public assets). Market analyses and rental surveys may be completed by a MAI (Member of the Appraisal Institute) appraiser. The Port will also consider other indicators (modifiers) of reasonable fair market rental value in setting rental rates, including parcel size, location, inflation occurring since the date of the last survey, changes in the rental market since the date of the last survey, waiting lists, competing offers for the same properties, the overall economic climate and any other evidence of fair market rental value.
  - a. The Port should provide a table of the fair market value rental rates for all its classes of properties.
  - b. Absent a compelling reason, generally, the Port will charge the fair market value rental rates and refrain from providing a special rate to a particular tenant because this is generally unfair to other similarly situated tenants and is not in keeping with the Port's stewardship responsibilities.
  - c. Depending on the particular circumstances, tenants may be allowed a reasonable period (not to exceed two (2) years) to reach fair market value rent.
4. The Port's standard rate of return. Fair market rental value is based on the fee simple value of the Port real property and improvement thereon multiplied by at least nine and one-half percent (9.5%).
5. Rental rates should be adjusted annually and reevaluated periodically. Generally Port expenses, such as personnel, maintenance and repair, increase over time. Likewise, rental rates should increase over time and in-step with increases in the private sector rental market in Jefferson County. Therefore, each lease will include a provision that allows the Port to adjust rental rates to the fair market rental rates then prevailing for comparable properties in the Western Washington area at five (5) year intervals (beginning January 1, 2020), bearing in mind all allowable uses of the property and all services and amenities available to the property by virtue of its location. These adjustments are intended to minimize the misalignment that may occur between a fixed rate with CPI escalations and a reviewed market rate. However, periodic market rate adjustments should not result in more than a five percent (5%) increase in rent from the rent paid in the prior year. Alterations or improvements undertaken by a tenant to

make a property suitable for a tenant's purposes should not be factored in the valuation of the rental rate for a renewal or extension term of that tenant's lease.

- a. Between periodic rate adjustments in rent, adjustments equal to the amount found on the Consumer Price Index for all urban consumers (CPI-U) for Seattle-Tacoma-Bellevue (compiled by the US Department of Labor, Bureau of Statistics) will take effect annually.
  - b. Each lease will allow for the automatic CPI increase on the anniversary of its effective date. Rent adjustments should not result in a reduction in rent from the rate paid in the prior year.
6. Lease term & options to extend. An initial lease term for either land or buildings will be determined in consideration of the needs of the tenant, the investment of the tenant, design standards of any improvements, the useful life of the improvements, the economic value provided to the community, and the needs of the Port. The lease may provide options granted to the tenant to extend the lease.
- a. The initial term may be extended, provided that: the tenant has met the maintenance standards outlined in the lease, made upgrades extending the useful life of any improvements (including buildings), and the proposed additional term is supported by outside professionals such as structural engineers and/or architects, licensed inspectors, the generation of economic value to the community, and the needs of the Port.
  - b. Generally, the initial lease term and option periods together should not exceed the anticipated useful life of the improvements, or thirty (30) years.
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7. Special Assessments for Capital Improvements. Different classes of Port tenants and facility users benefit from particular Port capital infrastructure and improvements (e.g., Boat Yard stormwater system improvements, haul-out piers, etc.). From time to time, the Port may apply special assessments to fund the cost of capital improvements that directly benefit specific tenant classes and user groups. These special assessments should ensure that all directly benefited users equitably share in the cost of such capital improvements. The Commission will ensure that special assessments are subject to adequate public notice and opportunity for input prior to adoption and implementation.
8. Non-exclusive common areas – Multi-tenant buildings. The Port recognizes that multiple tenants may use common areas within Port-owned multi-tenant buildings such as entrance lobbies, restrooms, hallways, stairways and storage areas. The Port may require tenants that use common areas in multi-tenant buildings to pay fair market rent for the non-exclusive use, and share in an equitable manner, in the maintenance and upkeep of the common areas with the Port and other common area users.

## C. STANDARD LEASE PROVISIONS

**INTRODUCTION:** Prudent business practice requires that a standard Port lease be the basis of all lease negotiations. A standard lease provides fairness to all Port tenants and protection of public assets. It is noted that as the steward of public assets the Port is a unique landlord that must act in the public interest. Such standard provisions include but are not limited to the

following: indemnification and hold harmless, environmental, the Port's right of entry for inspection, maintenance of the premises, taxes, fixtures and equipment, liability and casualty insurance, retention of air rights, FAA requirements, condemnation, default, costs and attorney fees, notices, waivers, and month-to-month "holdover" tenancy upon termination of lease.

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3. Multi-tenant buildings – Common area charges. Tenants using common areas within Port-owned buildings may be required to pay an equitable share of the cost of maintaining and operating such areas.
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5. Rent security. All leases in excess of one-year should be secured by a rent performance bond or other security (cash deposit, blocked account) acceptable to the Port in an amount of not less than three (3) months' rent, applicable Washington state leasehold excise tax, anticipated common area charges, and anticipated utility charges. Leases of one year or less (including all options to renew) may be secured by one months' rent, applicable Washington state leasehold excise tax, and anticipated utility charges. However, pursuant to RCW 53.08.085, the Port Commission, in its sole discretion, may raise, lower, or waive the required rent security on leases of real property.
6. Structural Changes or Improvements. Structural changes to buildings require the prior written consent of the Port. Upon termination of the lease, all tenant owned improvements must be removed at the cost of the tenant, or, if not removed by the tenant and at the Port's option, either (i) removed by the Port at the tenant's expense or (i) become the property of the Port. Alterations or improvements undertaken by a tenant to make a property suitable for the tenant's purposes should not be included in the valuation of the rental rate for a renewal or extension term of that tenant's lease.
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periodically revise this amount to keep pace with market conditions. The Port may require additional forms of insurance or additional limits of insurance for particular uses (for example pollution legal liability for a fueling operation).

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#### **D. MAINTENANCE RESPONSIBILITIES & COSTS**

1. Maintenance responsibilities - Port-owned buildings.
  - a. The Port is responsible for maintaining in good condition the structural parts of the buildings it leases, including the foundations, bearing and exterior walls, subflooring and roofs, the unexposed electrical, plumbing and sewerage systems (including those portions of the systems lying outside the leasehold), exterior doors, window frames, gutters, downspouts, and the heating, and the ventilating and air conditioning system serving such buildings (if any).
  - b. Lessees are responsible for maintaining and repairing all interior walls, floors, ceilings, doors, interior and exterior windows and fixtures, and for repairing damage caused to any portion of Port-owned buildings.
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**G. OPEN PUBLIC RECORDS**

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**H. VARIATIONS FROM POLICY**

The policy set forth above may be varied from time to time to fit instances as is deemed advisable by the Port.

**I. REVIEW OF POLICY**

This leasing policy will be reviewed from time to time as deemed appropriate by the Port Commission.



# PORT OF PORT TOWNSEND AGENDA COVER SHEET

<b>MEETING DATE</b>	May 22, 2019
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. A) Airport Garbage
<b>STAFF LEAD</b>	Jim Pivarnik, Executive Director
<b>REQUESTED</b>	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Memo B. 2 Photos

# PORT OF PORT TOWNSEND INFORMATIONAL MEMO

**DATE:** 5/22/2019  
**TO:** Port Commission  
**FROM:** Jim Pivarnik, Executive Director  
**SUBJECT:** Airport Garbage

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## **ISSUE**

JCIA Environmental Center Garbage.

## **DISCUSSION**

Port Staff and Commission will discuss the garbage situation at JCIA.

## **RECOMMENDATION**

For discussion and direction.

## **ATTACHMENTS**

2 photos of over-flowing garbage at the JCIA Environmental Center.







# PORT OF PORT TOWNSEND AGENDA COVER SHEET

<b>MEETING DATE</b>	May 22, 2019
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. B) April 2019 Financials
<b>STAFF LEAD</b>	Abigail Berg, Director of Finance & Administration
<b>REQUESTED</b>	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. April 2019 Financials

**Port of Port Townsend - UPDATED BUDGET TIMING**  
**Summary of Operating & Non-Operating Revenues & Expenses**  
**2019 Activity with Comparison to Prior Year and Budget**

Highlighted areas indicate timing changes made to budget lines items and the resulting totals that changed.	YTD April 2018	YTD April 2019	Variance to prior year - 2018 v 2019	notes	YTD Budget 2019	Variance to Budget YTD
<b>REVENUES</b>						
Boat Haven Moorage	554,275	589,116	34,841		571,179	17,937
Yard Operations	530,599	596,586	65,987		572,432	24,154
Boat Haven Properties	209,317	231,529	22,212		206,163	25,366
Pt. Hudson Marina, RV & Prop	369,259	388,049	18,790		384,698	3,351
Quilcene	41,783	49,339	7,555	a	42,811	6,528
Ramps	13,657	17,154	3,497	b	15,200	1,954
JCIA	44,531	51,681	7,150		46,047	5,634
<b>Total Operating Revenues</b>	<b>1,763,421</b>	<b>1,923,454</b>	<b>160,033</b>		<b>1,838,530</b>	<b>84,924</b>
<b>OPERATING EXPENSES</b>						
Salaries & Wages	660,599	557,615	(102,984)	c	690,756	(133,141)
Payroll Taxes	68,793	59,627	(9,166)	c	75,722	(16,095)
Employee Benefits	243,552	187,507	(56,045)	d	186,323	1,184
Uniform Expense	812	3,434	2,622		2,856	578
Contract Services	63,647	84,428	20,781	e	95,255	(10,827)
Consulting Services	24,525	19,538	(4,987)		36,000	(16,462)
Legal & Auditing	62,332	45,064	(17,268)	f	33,332	11,732
Facilities & Operations	201,631	136,138	(65,493)	g	125,267	10,871
Utilities	174,125	223,021	48,896	h	217,363	5,658
Marketing	12,651	15,749	3,098		14,852	897
Economic Development	-	-	-		-	-
Travel & Training	6,909	11,879	4,970	i	9,513	2,366
Cost of Goods - Fuel	1,654	2,599	946		1,654	945
Community Relations	-	35	35		-	35
<b>Total Operating Expenses</b>	<b>1,521,229</b>	<b>1,346,634</b>	<b>(174,595)</b>		<b>1,488,893</b>	<b>(142,258)</b>
<b>Income from Operations w/o Depr</b>	<b>242,192</b>	<b>576,820</b>	<b>334,628</b>		<b>349,638</b>	<b>227,182</b>
<b>Non-Operating Revenue</b>						
Capital Contributions/Grants	73,287	196,726	123,439		138,028	58,698
Interest	6,367	10,195	3,827		4,400	5,795
Property & other taxes	350,594	537,734	187,139	j	496,302	41,432
Misc Non-Operating Revenue	15,560	9,697	(5,863)		9,060	637
<b>Total Non-Operating Revenues</b>	<b>445,809</b>	<b>754,351</b>	<b>308,543</b>		<b>647,790</b>	<b>106,561</b>
<b>Non-Operating Expenses</b>						
Bond Interest	105,767	51,375	(54,392)	k	51,375	-
Bond Mgmt, Issuance & Misc Exp	200	200	-		415	(215)
Election Expense	-	-	-		-	-
<b>Total Non-Operating Expenses</b>	<b>105,967</b>	<b>51,575</b>	<b>(54,392)</b>		<b>51,790</b>	<b>(215)</b>
<b>Net Non-Operating Income (Expense)</b>	<b>339,841</b>	<b>702,776</b>	<b>362,935</b>		<b>596,000</b>	<b>106,776</b>
<b>Net Income (Loss)</b>	<b>582,033</b>	<b>1,279,596</b>	<b>697,563</b>		<b>945,638</b>	<b>333,958</b>

**Notes:**

- (a) Late 2018, added 3 water meters and increased rates to match current Jefferson PUD water rates. In addition, fuel sales increased substantially when compared to last year when the pump needed repair and took 1-2 months to obtain parts and repair.
- (b) Ramp Fee revenues more than 2018 by \$2,444 YTD.
- (c) Variance year to year, shows a greater variance Cash Basis since the last April payroll was paid in May. If you included the final April payroll, the Salaries & Wages variance would be \$18,634. Similarly for budget comparison, the variance would lower to \$48,790.
- (d) Part of moving to Cash Basis reporting, this amount was corrected from Qtr. 1, where Qtr. 4 LNI pmt had been included prior to declaring the use of an open period.
- (e) Part of year to year variance is timing related to Cash Basis reporting, while part of the variance is Engineer Rpt on Linear Dock (\$4,382), Stormwater Sampling (\$2,750), Vault Cleaning (\$2,449) and Kidder Matthews appraisal for New Day bldg. (\$2,500).
- (f) Substantial invoice for legal services related to current litigation.
- (g) Variance to prior year, primarily due to Cash Basis reporting; specifically, insurance is no longer allocated monthly, but recognized when paid (~September annually). Budget on target.
- (h) With an unusually cold February and a full Boat Yard, the electricity cost was significantly larger than 2018 (~\$4,000). Also, garbage fees are increasing.
- (i) Variance to prior year, 2019 is higher due to Hazwoper training for staff (\$4,181), and both Commission and Executive departments are higher by ~\$1,000 each.
- (j) Variance to prior year due to Cash Basis change, Prop. Tax not allocated monthly by budget, but recorded as received so the year to year comparison is large. Budget on target.
- (k) When comparing to prior year, the Bond Int. exp. not allocated monthly, but recognized when paid. Budget on target.

**Port of Port Townsend  
YTD Cashflow report**

		<u>YTD April 2019</u>
<b>Net Income w/out Depreciation</b>	notes	<b>1,279,596</b>
<b>Net Change in Accruals from Balance Sheet*</b>		<b><u>(169,043)</u></b>
<b>Less: Capital Expenses:</b>		
JCIA Runway Replacement project		(138,461)
PTBH Water Meters project		(4,849)
PTBH Restroom Remodel 2019		(36,056)
BH Breakwater Repair 2019		(243)
Land		-
Buildings		-
Improvements		-
Equipment replacement	a	(62,195)
<b>Total Capital Expenses</b>		<b><u>(241,804)</u></b>
<b>Less: Principal Payments on Debt:</b>		
Point Hudson - 2015 LTGO Refunding Bond		-
PTBH Marina - 2010 LTGO Bond		-
<b>Total Principal Payments</b>		<b><u>-</u></b>
<b>Increase (Decrease) in Cash Y-T-D</b>		<b>868,749</b>
<b>Beginning Cash at 1/1/2019</b>		<b>1,885,761</b>
<b>Ending Cash at 4/30/2019</b>		<b><u><u>2,754,510</u></u></b>

*\*These are current assets and current liabilities.*

**Notes:**

- (a) Purchase of the following equipment & vehicles:  
 Vector truck from City of Port Townsend (\$10,432)  
 Maintenance pick-up truck (\$24,161)  
 deposit on BH Restroom Fob Locking system (\$3,841)  
 (2) replacement tires for 300 ton Travelift (\$23,762)