



PO Box 1180 • Port Townsend, WA 98368

Administration: (360) 385-0656

Operations: (360) 385-2355

Fax: (360) 385-3988

**Port of Port Townsend  
1st Monthly Business Meeting  
Wednesday, November 13, 2019, 1:00 p.m.  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA**

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Welcome New Commissioner
- IV. Public Comments (related to/not related to the agenda)
- V. Consent Agenda
  - A. Approval of Special Business Meeting Minutes – October 23, 2019 ..... 1-4
  - B. Approval of Warrants
  - C. Maritime Center Parking Lot letter of intent ..... 5-8
- VI. First Reading
  - A. Team Jefferson EDC Contract Negotiations for 2020 ..... 9-17
- VII. Regular Business
  - A. 2020 Rates ..... 18-29
  - B. Adopt Resolutions to Formalize the 2020 Operating and Capital Budget ..... 30-63
    - i. Resolution 709-19: 2020-Budget .....64
    - ii. Resolution 710-19: 2020 Budget Tax Levy .....65
    - iii. Resolution 711-19: IDD Multi-year Levy.....66
  - C. The Artful Sailor - New Lease ..... 67-92
  - D. Key City Fish Lease..... 93-116
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Special Business Meeting:  
November 26, 2019. Meeting at 1:00 pm  
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Adjournment

## PORT COMMISSION SPECIAL BUSINESS MEETING – October 23, 2019

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

Present: Commissioners Hanke, Putney & Tucker  
Executive Director Pivarnik  
Finance Director & Port Auditor Berg  
Recorder Erickson  
Deputy Director Toews  
Excused: Attorney Chmelik

### I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

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

### II. APPROVAL OF AGENDA (01:04):

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

### III. PUBLIC COMMENTS (01:12):

None

### IV. CONSENT AGENDA (00:01:26):

- A. Approval of Public Workshop Minutes – October 9, 2019
  - B. Approval of Regular Business Meeting Minutes – October 9, 2019
  - C. Approval of Warrants
    - Warrant #061185 through #061195 in the amount of \$16,943.05 for Payroll & Benefits and Electronic Payment in the amount of \$45,024.21 for Payroll & Benefits.
    - Warrant #061196 through #061241 in the amount of \$175,444.88 for Accounts Payable.
    - Electronic Debit in the amount of \$13,361.35, combined excise tax return for September, 2019.
- Commissioner Tucker moved to approve the Consent Agenda as presented.**  
**Commissioner Hanke seconded the motion.**  
**Motion carried by unanimous vote.**

### V. STAFF COMMENTS (00:01:33):

Ms. Berg stated that a few changes to the budget had been made since the printing: union-represented health care costs are more than anticipated, raising the budget by approximately \$5,500. The Port also received positive feedback on the budget from a citizen, with a request that we parse out the insurance line item for Port-wide insurance.

That will be broken out in the final budget; this line item is about \$300,000, and is currently under facilities and operations in the consolidated budget.

Executive Director Pivarnik commented that 2 commissioners (Putney and Tucker), himself, and Finance Director Berg were heading out at noon for the WPPA Small Ports Conference in Leavenworth, WA, and will be gone for the rest of the week.

VI. COMMISSIONER COMMENTS (00:03:43):

Commissioner Hanke commented that this is the last Commission meeting for Commissioner Tucker before the election. He thanked Commissioner Tucker for his service.

Commissioner Putney also thanked Commissioner Tucker for his leadership and diligence.

VIII. REGULAR BUSINESS (00:02:32):

A. YTD September 2019 Financials. (00:05:05)

Ms. Berg stated that we continue to do well, and at 75% through the year, expenses are below budget, and revenues are strong. Overall the Port is looking healthy and is moving in a positive direction.

Commissioner Tucker asked if the \$88,000 on Write-off Register on the consent agenda was more than usual this year, and where the loss shows up on the budget?

Ms. Berg explained that most of it is from prior years – people who owed the Port money, and the expense is in the current year. We are reimbursed by the DNR for 90% of destruction costs for boats left on our dock and declared derelict.

Recessed at 9:43 AM for a break until 10:00 AM for the Public Hearing on the Budget (00:13:17).

VII. Public Hearing on Draft 2020 Operating & Capital Budget - reconvened at 10:00 AM (00:13:20)

Commissioner Putney read the rules of the hearing.

Ms. Berg introduced the Draft 2020 Operating and Capital Budget for the Port of Port Townsend, which includes narrative, a message from the Executive Director, the Org Chart, a consolidated operations statement as well as by department. The Port is anticipating overall to get close to \$6.4 million in revenues next year in operations while holding down operating expenditures to \$5.1 million. The Port has a large capital project at the airport which is almost fully funded by the FAA, and some other smaller projects in planning stages. The Budget includes our general operating levy as dictated by the County Assessor, which is just over \$1 million; and includes our current debt service.

Executive Director Pivarnik pointed out that for the first time in awhile the budget document presented to them integrates both the operating and capital budgets. He congratulated Finance Director Berg and staff on the final product.

Having no public comments, Commissioner Putney closed the public portion of the meeting and stated that it was now in order for the commission to discuss the matter. (00:17:37)

Commissioner Hanke stated that the budget document was outstanding work, laid out clearly and including both operating and capital. He reminded others that in the past there were times when no budget was presented, and he complemented staff for this year's budget. He stated that it shows acutely what the Port's needs are, and commented that these needs are dramatic and can't be fulfilled, given our current operations and taxing structure.

Commissioner Tucker stated that this was the eighth budget he'd looked at, and that he found it the best prepared and laid out one he's seen. He commented that we have a lot of constraints ahead of us as a Port, but he felt that the Port's operations are working to balance that. The Port is not yet able to fund the needed capital projects but it is on the right track. This document shows that and it should also give the general population confidence in how the Port spends their tax money. He congratulated staff on the budget and commended them on coordinating the capital budget with the operating budget.

Commissioner Putney added his complements to the staff on the budget, and said he felt that progress had been made in his short time on the commission to being completely open and proactively presenting to the public information that they need to understand where their port is financially. He then closed the public hearing at 10:21 AM and reconvened the special commission meeting at 10:21 AM.

#### VIII. REGULAR BUSINESS:

##### B. 2020 Operating & Capital Budget, 3<sup>rd</sup> Draft (00:22:22):

Commissioner Tucker asked if the budget included rates, or if that were a separate discussion.

Commissioner Hanke posed the question to Ms. Berg about what was done, or what is anticipated as far as rates were concerned.

Ms. Berg stated that we anticipated that we would discuss a 3% rate increase (which is actually slightly below the most recent CPI) along with ramp fees at the next Commission Meeting.

Commissioner Hanke felt that a rates discussion after adopting the budget would not risk a substantial change in the budget, and would be fair to do after passing the budget.

Commissioner Tucker agreed that he felt we could adopt the budget and tweak the rates in small ways that would not affect the budget substantially.

Executive Director Pivarnik stated that the one exception was the increase of \$5,500 for health care costs, which would be changed in the budget presented today.

**Commissioner Tucker moved to adopt the 2020 Operating and Capital Budget as amended with the \$5,500 increase for health care. (00:27:03)**

**Commissioner Hanke seconded the motion.**

**Motion carried by unanimous vote.**

Commission deferred discussion and adoption of the Resolution fixing the amount of tax to be levied, and the resolution establishing the year 2020 operating and capital budgets until their next meeting.

IX. NEXT PUBLIC WORKSHOP AND REGULAR BUSINESS MEETING (00:34:34):

Wednesday, November 13, 2019. Public Workshop at 9:30 a.m., Meeting at 1:00 p.m.  
Port Commission Building, 333 Benedict Street, Port Townsend, WA

X. ADJOURNMENT (00:34:58):

The meeting adjourned at 10:35 a.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

**LETTER OF INTENT (LOI):**  
**Between the Port of Port Townsend & the Northwest Maritime Center**  
**for Development & Use of the Landfall Site**

November 2019

1. The Port of Port Townsend ("Port") is a Washington port district and municipal corporation and is the owner of property commonly referred to as the "Landfall Site", a drawing and legal description of which is contained in Exhibit A attached hereto (the "Property").
2. The Northwest Maritime Center (NWMC), is a Washington non-profit corporation that desires to develop, lease and operate a \_\_\_\_\_ on the Property (hereinafter referred to as the "Project").
3. This Letter of Intent ("LOI") is intended to outline the general terms of the written agreements to be negotiated by the parties regarding the Project ("agreements"). The general terms of the agreements are stated as follows:
  - a. The agreements will grant the NWMC an option or other interest in the Property whereby the Property will be reserved for development of the Project for a period of Five (5) years starting November 1, 2019.
  - b. Upon execution of this LOI, the NWMC will deposit with the Port \$10,000 (i.e., roughly equivalent to twelve (12) month's rental of the Property). This LOI is not effective until full deposit is made with the Port. This sum shall be held by the Port as security for reserving the property for the NWMC. Any interest earned on this deposit will be retained by the Port.
  - c. The NWMC will be granted from November 1, 2019 to October 31, 2024 to complete a due diligence inquiry and may elect to terminate the parties' agreements for any reason, and without penalty, on or before October 31, 2024.
  - d. In the event the NWMC elects to terminate the parties' agreements on or before October 31, 2024, the monies required under subparagraph 3(b), above, shall be returned to the NWMC less \$2500. If the NWMC elects to terminate the parties' agreements at any time following \_\_\_\_\_, 20\_\_\_\_, the Port will retain the deposit. However, if the NWMC proceeds with the development and long-term lease of the Property, the amount deposited will be credited to the NWMC as a security deposit and pre-paid rent under the future lease agreement.
  - e. The NCMW will initiate lease negotiations with the Port within sixty (60) days of the date of this LOI.
  - f. If NWMC has not started construction of the Project by October 31, 2024, then the Port may terminate the parties' agreements and retain the \$10,000

- amount deposited under subparagraph (b), above. During the reservation period, the Port may use the Property for other purposes, so long as such uses do not interfere with the development of the Project.
- g. The NWMC will raise all funds necessary to develop the Project, including but not limited to planning, design, permitting, and construction. The conceptual development plan for the Project and all material changes thereto, will be subject to Port Commission review and approval as consistent with Port's development guidelines and policies with respect to the Property and the Project prior to the NWMC seeking permits or entitlements from the City of Port Townsend.
  - h. Upon completion of construction of the Project, the Port will grant a long-term lease of the Property and improvements to the NWMC or an operator designated by the NWMC.
  - i. The NWMC, or its designated operator, will raise all funds necessary to maintain and operate the Project continuously and in a first-class manner.
4. This LOI does not contain all essential terms of the agreement or agreements to be entered into by the parties regarding the Project. The parties shall not be bound to any development agreement or other agreement, nor to any particular terms of any such agreements, and the parties will have no liability to one another with respect to such agreements or any particular terms thereof, unless and until final definitive written agreements containing all essential terms of the transaction are negotiated and approved by the parties' respective boards, and signed by the parties.
5. For the duration of this LOI (as defined in paragraph 6, below) the parties will engage in exclusive negotiations with one another regarding the Project; PROVIDED, that the parties are permitted to also have discussions with governmental and other regulatory agencies, and potential users, regarding the Project. The parties will work diligently to complete the negotiation of all terms of final agreements and all necessary documents related to such final agreements before construction begins.
6. The duration of this LOI shall begin on the date this LOI has been signed by both parties, and shall end on the earliest of the following:
- a. The date that the Port and the NWMC enter into final written agreements regarding the Project (i.e. including a long-term lease agreement); or
  - b. The date either party withdraws from the LOI; or
  - c. October 31, 2024.

The duration of this LOI may be extended for additional periods by written agreement of the parties.

7. During the time that the parties are negotiating a final agreement and related documents, the NWMC will commit substantial resources to evaluate, design and plan the Project, including but not be limited to market studies, engineering and architectural design, and environmental and geotechnical review. The Port will also be committing resources to the Project, including but not limited to review and approval of conceptual designs and other materials provided by the NWMC, negotiation with the NWMC regarding final agreements, and support of the Project. If this LOI terminates and the NWMC does not develop the Project, then the NWMC will convey and assign to the Port all of his entire ownership interest in, and all other right, title, and interest of the NWMC in and to, all reports, studies, designs, plans, permits, and other documents resulting from those efforts, and all other documents and information related to the investigation and development of the Project; PROVIDED, HOWEVER, that the NWMC shall not be required to provide or convey or assign to the Port any document or information to the extent protected by attorney work product or attorney/client privilege; and PROVIDED FURTHER, that such assignment shall not preclude the NWMC's use of any part or all of such documents or information.
8. This LOI contains the entire agreement of the Parties with respect to its subject matter and supersedes any and all other written or oral understandings or agreements. No amendment, change, or modification of this LOI shall be valid, unless in writing and signed by the parties hereto.
9. The Parties agree that no failure or delay by either party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. No waiver of any provision of this LOI shall be valid unless in writing and signed by the party charged with the waiver.
10. If any provision of this LOI is found to violate any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalidity shall not be deemed to affect any other provision hereof or the validity of the remainder of this LOI, and such invalid provision shall be deemed deleted herefrom to the minimum extent necessary to cure such violation.
11. This LOI shall be construed and interpreted in accordance with and shall be governed and enforced in all respects according to the laws of the State of Washington, without regard to conflict of law principles, and venue of any action or proceeding regarding this LOI shall be in Jefferson County, Washington.
12. This LOI does not confer any rights or benefits on any person or entity other than the undersigned Parties and may not be assigned.



LOI dated this \_\_\_\_ day of November 2019, and effective upon the receipt of a \$10,000 deposit from the NWMC.

**THE NORTHWEST MARITIME CENTER (NWMC)**

\_\_\_\_\_  
Jake Beattie, for the NWMC

**PORT OF PORT TOWNSEND**

**APPROVED AS TO FORM**

\_\_\_\_\_  
Jim Pivarnik, Executive Director

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

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	November 13, 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. Team Jefferson EDC Contract Negotiations for 2020
<b>STAFF LEAD</b>	Name, Title
<b>REQUESTED</b>	<input checked="" type="checkbox"/> Information <input type="checkbox"/> Motion <input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	<ol style="list-style-type: none"><li>1. Informational Memo</li><li>2. Draft Contract/Scope (2 pages)</li><li>3. Draft Scope of Services (5 pages)</li></ol>

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 11/13/2019  
**TO:** Port Townsend Port Commission  
**FROM:** Eric Toews, Deputy Director  
**SUBJECT:** Team Jefferson/EDC 2020 Contract & Scope – Presentation & Discussion

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**ISSUE:** Should the Commission authorize a new contract for EDC-Team Jefferson to provide Associated Development Organization (ADO) services to the Port in 2020?

**BACKGROUND & DISCUSSION:** Team Jefferson remains the designated Associated Development Organization (ADO) for Jefferson County under RCW 43.330. In January of 2012, the Port and the Economic Development Council of Jefferson County (“Team Jefferson”) entered into a professional services agreement for the provision of economic development services. Successive contracts have been approved by the Port in subsequent years. However, no contract was entered for 2019, following the expiration of Team Jefferson’s contract in December of 2018.

A proposed 2020 agreement has been prepared for the Commission’s consideration that reflects specific Port-related tasks to be completed by Team Jefferson, thereby ensuring a direct benefit to the Port, local workers, businesses and the public, as required under RCW 53.08.245.<sup>1</sup> In addition to undertaking specific Port-related tasks, Team Jefferson would continue to fulfill its core mission as an information and technical assistance center.

The attached draft contract and scope of services for 2020 is presented to the Commission to facilitate discussion regarding the necessity, benefits, and value to the community that would result from approval of a new agreement.

The draft contract and scope of services anticipate that Team Jefferson will make periodic presentations to the Port, County and community business leaders describing the progress made in completing the contract deliverables.

**FISCAL IMPACT:** The proposed compensation for fulfillment of the Scope of Services is \$30,000 in direct cash support, consistent with the Port’s adopted budget for 2020.

**RECOMMENDATION:** The proposed contract and scope are presented for information and discussion. Brian Kuh, Team Jefferson/EDC Executive Director, along with Team Jefferson Board members, will be available to present and discuss the proposed agreement.

**ATTACHMENTS:** Two documents, are attached, as follows:

1. The proposed Port/EDC contract for ADO services, consisting of 3 pages; and
2. The proposed Scope of Services to be fulfilled by Team Jefferson, consisting of 6 pages.

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<sup>1</sup> RCW 53.08.245 authorizes ports to contract with nonprofit corporations in furtherance of job training and education programs relating to economic development. Economic development programs include programs for job training and placement, pre-apprenticeship training or educational programs associated with port tenants, customers, and local economic development related to port activities.

## Port of Port Townsend

### Personal Services Agreement For Associate Development Organization (ADO) Services

THIS AGREEMENT is entered into between the PORT OF PORT TOWNSEND, hereinafter referred to as the "PORT," and the ECONOMIC DEVELOPMENT COUNCIL OF JEFFERSON COUNTY, a Washington State Non-Profit, 501(c)(3) Corporation, hereinafter referred to as "TEAM JEFFERSON," in consideration of the mutual benefits, terms, and conditions hereinafter specified.

1. Project Designation. TEAM JEFFERSON is retained by the Port to provide economic development services consistent with RCW 43.330.080 and 53.08.245.
2. Consultant Qualification. TEAM JEFFERSON warrants that it has the required skills to perform the work specified in this agreement.
3. Scope of Services. TEAM JEFFERSON shall provide the services delineated within the Scope of Services, attached, which shall expressly include requirement that Team Jefferson shall submit to the Port annually quantitative information on program outcomes including: the number of workers trained, recruited, and placed in jobs; the types of jobs and range of compensation; the number and types of businesses that are served; and any other tangible benefits realized by the Port, the workers, businesses, and the public, as required by RCW 53.08.245.
4. Time and Duration of Agreement. This contract shall be for the period December 1, 2019 through December 31, 2020, unless otherwise terminated (see provision 12 below.)
5. Compensation. TEAM JEFFERSON shall be compensated \$30,000 in direct funding support and for services to be provided under this agreement, as follows: \$15,000.00 on January 22, 2020; and \$15,000.00 on July 1, 2020.
6. Compliance with laws. TEAM JEFFERSON shall, in performing the services contemplated by this agreement, faithfully observe and comply with all federal, state, and local laws, ordinances and regulations applicable to the services to be rendered under this agreement.
7. Hold Harmless and Indemnification. TEAM JEFFERSON shall indemnify, defend and hold harmless the PORT, its officers, agents, elected officials and employees, from and against any and all claims, losses or liability, or any portion thereof, including attorneys' fees and costs, arising from any acts, omissions or in any way related to the performance of this contract by TEAM JEFFERSON.
8. Independent Contractor. TEAM JEFFERSON and the PORT agree that TEAM JEFFERSON is an independent contractor with respect to the services provided pursuant to this agreement. Nothing in this agreement shall be considered to create the relationship of employer and employee between the parties hereto. TEAM JEFFERSON shall not be entitled to any benefits accorded PORT employees by virtue of the services provided under this agreement. The PORT shall not be responsible for withholding or otherwise deducting federal income tax or social security or for contributing to the State Industrial Insurance program, otherwise assuming the duties of an employer with respect to TEAM JEFFERSON.

9. Assignment. TEAM JEFFERSON shall not sublet or assign any of the services covered by this agreement without the expressed written consent of the PORT.
10. Drug-Free Workplace Policy. The PORT has adopted a Drug-Free Workplace Policy that the workplace will be a drug free environment conducive to conducting the PORT's business free from unlawful manufacture, distribution, dispensing, possession or use of controlled substances. This policy applies to PORT Commissioners, PORT employees, and contractors conducting business on PORT property.
11. Equal Opportunity Policy. All persons or entities performing work for the Port shall provide equal opportunity to all of its employees and applicants for employment and assure that there is no discrimination on the basis of race, color, region, national origin, sex, sexual orientation, age, marital status, or physical disability unless based upon a bona fide occupational qualification. All persons or entities performing services for the PORT must insure that the foregoing extend to all areas of employment and to all relations with employees including recruitment, selection, placement, compensation, promotion and transfer, training, daily working conditions, awards and benefits, and all other terms and conditions of employment as provided for in state and national laws. TEAM JEFFERSON hereby agrees to abide by applicable regulations during the course of this agreement.
12. Termination. It is agreed that the PORT has the right to terminate this agreement at any time by giving ten (10) days written notice.
13. Integrated Agreement. This agreement together with attachments or addenda represents the entire and integrated agreement between the PORT and TEAM JEFFERSON and supersedes all prior negotiations, representations, or agreements written or oral. This agreement may be amended only by written instrument signed by both PORT and TEAM JEFFERSON.

DATED this \_\_\_\_ day of December 2019.

TEAM JEFFERSON

PORT OF PORT TOWNSEND

\_\_\_\_\_  
Brian Kuh, Executive Director

\_\_\_\_\_  
Jim Pivarnik, Executive Director

Approved as to Form:

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

## I. PROJECT BACKGROUND & UNDERSTANDING

Over the years, EDC Team Jefferson has built a team of qualified professional supported committed and knowledgeable volunteers that have contributed significantly to the economic successes of our community. We have been Jefferson County's designated Associate Development Organization (ADO) under RCW 43.330, since 2011. As the County's ADO, we have operated under a Contract and Scope of Services with the Washington State Department of Commerce. In May 2019, Jefferson County again designated Team Jefferson as the ADO for the biennium ending June 30, 2021.

Previously, we have been funded by a combination of State and Jefferson County investments, augmented by generous contributions of space, office infrastructure and staffing by Washington State University's Jefferson County Extension Service. That funding and support model has changed, with State funds being reduced, and WSU's support curtailed. As a result, Team Jefferson is now collaborating with the Port of Port Townsend, Jefferson County, and the City of Port Townsend to provide ADO services in return for direct financial assistance.

Team Jefferson understands the need to provide good value to the community, and to document the services it is committed to providing. Accordingly, we intend to fulfill a Scope of Services that adheres closely to the statutory requirements of RCW 43.330 – concentrating our efforts on accomplishing our core mission as an information and technical assistance center and economic development leader by:

- **Providing direct business assistance**, including business planning, to companies who need support to stay in business, expand, or relocate to Jefferson County; and
- **Supporting regional economic research and planning** efforts to implement target industry sector strategies and other economic development strategies (e.g., the Joint Economic Development Strategy), including cluster-based approaches that support increased living standards and increased direct investment in our community.

This Scope of Services (see Section 4 below) describes how Team Jefferson will fulfill its core statutory mission as the primary partner in local economic development activities, in a manner that is broadly representative of community and economic interests.

## II. INTENDED AUDIENCE

The intended audience for this Scope of Services is the Port of Port Townsend, and its tenants.

## III. COMMUNICATIONS & PERFORMANCE REPORTS

Team Jefferson believes that frequent, sustained, and clear communication with the sponsoring jurisdictions and the public is necessary to ensure our successful collaboration and responsiveness to the community needs. We intend to continue to work together with the Port, County, and City as a team to communicate more frequently and effectively. To this end, Team Jefferson will:

- Meet with the sponsoring jurisdictions in committee to review and preview economic activities and the actions of the organization at least twice over the course of the year; and
- Continue to meet with the inter-jurisdictional staff team as needed to monitor the progress on developing and implementing a Joint Economic Development Strategy for Jefferson County, share information, and to stay informed of emerging inter-governmental issues as they arise.

Finally, and consistent with our statutory reporting requirements to the Washington State Department of Commerce, we will present and discuss with you our 38 performance measure report annually, demonstrating the return on investment we provide to the public.

#### **IV. DETAILED SCOPE OF SERVICES**

##### **Task #1: Direct Business Assistance**

###### **Purpose**

The purpose of Task #1 is to ensure that Team Jefferson serves as a professional and responsive resource for the Jefferson County business community, and those wishing to join the business community. This task outlines the activities Team Jefferson will undertake in advising and assisting current and potential businesses in growing or locating their business in Jefferson County.

###### **Subtasks**

Team Jefferson Activities will include the following:

1. Working with the appropriate partners throughout the County, including but not limited to: Jefferson County, and the City of Port Townsend; the Olympic Workforce Development Council; the Port of Port Townsend; community, technical colleges, and other education institutions; export assistance providers; Washington Manufacturing Services; the Washington Small Business Development Council (SBDC); small business assistance programs; and other federal, state, and local programs to facilitate the alignment of planning efforts and the seamless delivery of business support services within the entire County.
2. Providing information on state and local permitting processes, tax issues, export assistance, and other essential information for operating, expanding, or locating a business in Jefferson County and Washington State.
3. Marketing Jefferson County and Washington State as an excellent location to expand or relocate a business, and positioning Washington as a globally competitive place to grow business.
4. Working with businesses on site selection assistance.
5. Providing business retention and expansion services throughout Jefferson County, including business outreach and monitoring efforts to identify and address challenges and opportunities faced by businesses.
6. Participating in economic development system-wide discussions regarding gaps in business start-up assistance in Washington.
7. Providing or facilitating the provision of export assistance through workshops or one-on-one assistance.
8. Helping to market Jefferson County as an excellent place to locate a business through the following means:
  - a. Reputation and outreach and by being accessible to business interests; and
  - b. Engaging with urban-based organizations to raise awareness of Jefferson County as a place to start a business (e.g. Washington Technology Industry Association (WTIA), Washington Biotechnology & Biomedical Association (WBBA), Northwest Entrepreneur Network (NWEN), and the Alliance of Angels.
9. Participating in economic development planning and research, as follows:

- a. By being the key point of contact with state departments in identifying, collecting, interpreting and disseminating relevant research and planning efforts; and,
  - b. By providing forums and conducting focus groups with business interest to identify their needs and priorities. Prepare dynamic reports that effectively communicate them to all jurisdictions and the community at large.
- 10. Working collaboratively with all jurisdictions to gain and maintain adequate knowledge of available sites available and by assist businesses with site selection and development. To this end, Team Jefferson will serve as first point of contact to businesses, referring them, when appropriate to the relevant agency or jurisdiction to obtain permits and licenses.
- 11. Partnering with other organizations to improve business support services. To this end, Team Jefferson will work with Jefferson County Chamber of Commerce, Port Townsend Main Street, North Hood Canal Chamber of Commerce, and others to identify activities that will be beneficial to economic growth, with the support of all organizations.

## **Task #2: Support for Regional Economic Research & Planning Efforts**

### **Purpose**

The purpose of Task #2 is to engage with business, the community and all jurisdictions to develop, maintain, and interpret research and planning efforts throughout Jefferson County.

### **Subtasks**

Team Jefferson activities will include the following:

- 1. Participating in regional planning efforts with workforce development councils involving coordinated strategies around workforce development and economic development policies and programs. Coordinating planning efforts will include, but not limited to, assisting industry clusters in the region.
- 2. Participating with the state board for community and technical colleges as created in RCW 30 28B.50.050, and any community and technical colleges in providing for the coordination of the job skills training programs and the customized training programs within its region.
- 3. Collecting and reporting data as specified by the contract with the Department of Commerce ("Commerce") for statewide systemic analysis. Commerce must consult with the Washington State Economic Development Commission in the establishment of such uniform data as is needed to conduct a statewide systemic analysis of the state's economic development programs and expenditures, in cooperation with other local, regional, and state planning efforts. Team Jefferson may provide insight into the needs of target industry clusters, business expansion plans, early detection of potential relocation or layoffs, training needs, and other appropriate economic information.
- 4. In conjunction with other governmental jurisdictions and institutions, participating in the development of a Countywide economic development plan, consistent with the state comprehensive plan for economic development developed by the Washington State Economic Development Commission.
- 5. In conjunction with other governmental and private agencies, curate key economic datasets, inventory of available commercial properties, and potential uses of those properties based on current or proposed zoning.

## **Task #3: Port-Specific Activities**



## **Purpose**

The purpose of Task #3 is to ensure that tangible benefits are realized by the Port of Port Townsend, local workers, businesses and the public of Jefferson County as mandated by RCW 53.08.245.

Team Jefferson Activities will include, but are not limited to the following:

1. Providing direct technical assistance, training, and support to the marine trades industry in Jefferson County.
2. Assisting Port staff, as needed, in developing and implementing a marketing and promotional plan for Port properties and facilities that highlights available business opportunities.
3. Assisting the Port in convening and facilitating ongoing meetings involving key partners such as the County, City, and other business stakeholders to identify actions that might be taken by both public and private partners to improve the economic health of the community.
4. Supporting Port staff to enhance capacity around priority efforts designated and led by the Port.

## **Deliverables**

In addition to the general support efforts noted above, Team Jefferson will complete the following specific deliverables during the term of this contract:

1. Produce an update through Martin and Associates of the Marine Trades Economic Impact Study in 2020.
2. Deliver quarterly status reports to the Port Commission and Staff, and present to the Commission as requested.
3. Produce a MOU that supports collaboration and cooperation between the Port, City, County, and the industry sectors / stakeholders that are the economic tax base in Jefferson County.
4. Organize and facilitate one or more inter-jurisdictional meetings (i.e., County, City, Port) to coordinate the activities to improve the economic health of Jefferson County.

## **IV. ENSURING ALIGNMENT**

Upon contract approval, Team Jefferson will meet with Port staff to identify forthcoming projects and initiatives to leverage their resources to accomplish the following objectives:

- Delineate mutually aligned issues; and
- Discuss the individual priorities for the Port of Port Townsend outlined in Task #3 above.

## **V. OUTCOMES & BENCHMARKS**

In addition to the tasks outlined in Section III, Team Jefferson will submit annual quantitative information on outcomes to the Port of Port Townsend (and the other sponsoring jurisdictions) to document the public's return on investment in the program. Such outcomes and benchmarks may include, but are not limited to the following:

- Number of workers trained, recruited and placed in jobs;
- Types of jobs and the range of compensation;
- Number and type of businesses that are served;
- Number of jobs that are created or retained;
- Percentage of jobs created above County annual average wage;

- Number of business sited;
- Amount of existing and new tax revenue generated; and
- Any other tangible benefits realized by the Port, the workers, businesses, and the public.

In addition to the above quantitative reporting, Team Jefferson will appear on a semi-annual basis before the Port Commission, or more frequently if desired, to provide briefings on the progress made in fulfilling the tasks outlined above.

Together, the quarterly reports to the Department of Commerce and the in-person briefings to the Port Commission will serve as the mechanisms for satisfying the statutory requirements of both RCW 43.330.080 and 53.08.245.

#### **VI. POINTS OF CONTACT**

Brian Kuh, Executive Director – (360) 379-4693

Bill Lowry, President – (360) 385-3837

Nothing in this scope of work supersedes or replaces the specific requirements of the RCW 43.330.80 placed upon the ADO by the State of Washington and under whose jurisdiction the Economic Development Council of Jefferson County (EDC Team Jefferson) falls.

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	November 13, 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. 2020 Rates
<b>STAFF LEAD</b>	Abigail Berg, Director of Finance and Administration
<b>REQUESTED</b>	<input type="checkbox"/> Information <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	Draft 2020 Rate Schedules

## 2020 Rate Schedule

### BOAT HAVEN

360.385.6211

**Service Rates - Effective January 1, 2020**

*2020 rates approved by Port Commission on 11/13/2019*

*Moorage rate is based on overall length or slip length, whichever is greater*

#### **YEAR-ROUND NIGHTLY MOORAGE**

Vessels Under 18' Wide	\$ 1.35 ft/nt
Over Wide Vessels (18' +)	\$ 1.85 ft/nt

#### **TEMPORARY TIE-UP**

	\$ 10.00
(Up to 4 hours)	\$ 20.00 over 35'

#### **PERMANENT MOORAGE**

25'	\$ 225.57 /mo*
27'	\$ 249.93 /mo*
30'	\$ 282.49 /mo*
35'	\$ 345.21 /mo*
40'	\$ 395.38 /mo*
45'	\$ 470.66 /mo*
50'	\$ 523.49 /mo*
Linear Rate Under 25'	\$ 9.02 ft/mo*
Linear rate 51'+	\$ 11.28 ft/mo*

#### **ACTIVE COMMERCIAL FISHING**

Up to 70'	\$ 7.44 ft/mo*
71'+	\$ 8.47 ft/mo*
Limited Access	\$ 7.36 ft/mo*
Undesirable	\$ 6.38 ft/mo*
Business/Ltd Access - Same as permanent rate, per ft/mo*	
Overwide Vessels - Vessel length + 50% of beam	
(18'+ wide) x Established Rate*	

#### **FEES**

Liveaboard Fee	\$ 80.15 /month*
----------------	------------------

#### **ELECTRICAL FEES**

Nightly Electric	\$ 6.00
Nightly Electric over 55'	\$ 12.00
Electric Connect Fee	\$ 30.00
Metered Electric/Base Fee	\$ 11.00 /mo + KWHs used
Electric Charges @	\$ 0.1007 per KWH

*(subject to change with utility increases)*

Non-metered Electrical	\$ 1.55 ft/mo
------------------------	---------------

\* 12.84% WA State Leasehold Excise Tax is assessed in addition to Port charges for stays of 30 days or more. If stay exceeds 30 days, the leasehold tax is added to the first 29 days' charges.

\*\* Subject to 9% WA State Sales Tax

## 2020 Rate Schedule

### BOAT HAVEN

360.385.6211

**Service Rates - Effective January 1, 2020**

*2020 rates approved by Port Commission on 11/13/2019*

*Moorage rate is based on overall length or slip length, whichever is greater*

#### WINTER GUEST MONTHLY, based on availability

**October 1 – April 30 :**

25'	\$ 260.94 /month*
27'	\$ 288.43 /month*
30'	\$ 326.15 /month*
35'	\$ 396.23 /month*
40'	\$ 455.82 /month*
45'	\$ 540.08 /month*
50'	\$ 626.69 /month*
Linear Rate Under 25'	\$ 10.43 ft/mo*
Linear Rate 51'+	\$ 13.53 ft/mo*

#### SUMMER GUEST MONTHLY, based on availability

**May 1 – September 30:**

25'	\$ 317.87 /month*
27'	\$ 350.19 /month*
30'	\$ 396.12 /month*
35'	\$ 483.37 /month*
40'	\$ 552.55 /month*
45'	\$ 658.83 /month*
50'	\$ 732.56 /month*
Linear Rate Under 25'	\$ 12.71 ft/mo*
Linear Rate 51'+	\$ 16.36 ft/mo*

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\*\* Subject to 9% WA State Sales Tax

## 2020 Rate Schedule

### POINT HUDSON

360.385.2828

**Service Rates - Effective January 1, 2020**

*2020 rates approved by Port Commission on 11/13/2019*

Moorage rate is based on overall length or slip length, whichever is greater.

#### **YEAR-ROUND NIGHTLY MOORAGE**

Vessels under 18' in width	\$ 1.35 ft/nt
Overwide Vessels (18'+)	\$ 1.85 ft/nt

#### **TEMPORARY TIE-UP** (up to 4 hrs)

\$ 10.00
\$ 20.00 over 35'

#### **WINTER MONTHLY MOORAGE** (October 1 – April 30)

25'	\$ 260.94 /month*
27'	\$ 288.43 /month*
30'	\$ 326.15 /month*
35'	\$ 396.23 /month*
40'	\$ 455.82 /month*
45'	\$ 540.08 /month*
50'	\$ 626.69 /month*
Linear Rate Under 25'	\$ 10.43 ft/mo*
Linear Rate 51'+	\$ 13.53 ft/mo*

#### **LIMITED ACCESS MOORAGE**

\$ 7.54 ft/mo*
----------------

#### **UNDESIRABLE MOORAGE**

\$ 6.38
---------

#### **BUSINESS MOORAGE** same as PTBH Permanent Rate, per ft/mo\*

#### **KAYAK OR ROWING SHELL STORAGE**

\$ 30.00 /month
-----------------

#### **DORY ON DOCK**

\$ 64.00 /month
-----------------

#### **FEES**

Reservation Fee	\$ 11.00 per reservation
Live-aboard Fee	\$ 80.15 /month

#### **ELECTRICAL FEES**

Nightly Electric	\$ 6.00
Nightly Electric over 55'	\$ 12.00
Electric Connect Fee	\$ 30.00
Electric Base Fee	\$ 11.00 per mo + KWHs Used
Electric Charges @ (subject to change w/utility rate increases)	\$ 0.1007 per KWH
Non-metered Electrical	\$ 1.55 ft/mo

Commercial Passenger Fee \$ 1.05 /person, per trip

\* 12.84% WA State Leasehold Excise Tax is assessed in addition to Port charges for stays of 30 days or more. If stay exceeds 30 days, the leasehold tax is added to the first 29 days' charges.

\*\* Subject to 9% WA State Sales Tax

## 2020 Rate Schedule

### POINT HUDSON

360.385.2828

**Service Rates - Effective January 1, 2020**

2020 rates approved by Port Commission on 11/13/2019

Moorage rate is based on overall length or slip length, whichever is greater.

#### **RV PARK - SUMMER** (May 1 – September 30)

Nightly – Premium Waterfront	\$ 63.00 /night
Nightly - Hookup	\$ 52.00 /night

#### **RV PARK – WINTER** (October 1 – April 30)

Nightly – Premium Waterfront	\$ 52.00 /night
Nightly - Hookup	\$ 45.00 /night

**RV PARK – BACK ROW (Year-round)** \$ 45.00 per night

**RV PARK – DRY CAMP (Year-round)** \$ 32.00 per night

#### **RV PARK – WINTER GUEST MONTHLY**

Oct-Jun, back row only	\$ 550.00 /month*
Nov-Apr, front row	\$ 625.00 /month*

**RV Space - Extra Vehicle** \$ 6.00 /night

**RV Holding Tank – Dump Fee** \$ 12.00

#### **EVENT PARKING "Back 40 Lot":**

Daily:	\$ 6.00 /day
Weekly:	\$ 30.00
Monthly	\$ 55.50 *

#### **"Landfall Site Parking"** (across from NW Maritime Center):

Daily (Apr 1–Sept 30):	\$ 10.00 /day
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\*\* Subject to 9% WA State Sales Tax



## 2020 Rate Schedule

### QUILCENE

360.765.3131 or 360.385.6211

**Service Rates - Effective January 1, 2020**

2020 rates approved by Port Commission on 11/13/2019

<b>NIGHTLY MOORAGE</b>	\$ 0.85	ft/nt
<b>TEMPORARY TIE-UP</b>	\$ 6.00	
Over 35'	\$ 12.00	

#### **PERMANENT MOORAGE**

Up to 24 ft.	\$ 6.91	ft/mo*
25-29 ft.	\$ 7.45	ft/mo*
30-35 ft.	\$ 7.97	ft/mo*
36-45 ft.	\$ 8.52	ft/mo*
46-50 ft.	\$ 9.58	ft/mo*
Limited Access – Up to 18'	\$ 4.79	ft/mo*

<b>LIVEABOARD FEE</b>	\$ 80.15	/mo*
<b>RESERVATION FEE</b>	\$ 11.00	/mo*

#### **ELECTRICAL FEES**

Nightly Electric	\$ 6.00	
Nightly Electric over 55'	\$ 12.00	
Connect Fee	\$ 30.00	
Base Electric Fee	\$ 11.00	/mo
Metered Electric @	\$0.1007	per KWH
<i>(subject to change with utility rate increase)</i>		

#### **LAUNCH RAMP**

Launch ramp fee	\$ 10.00	per day**
<i>(Daily Launch pass includes 1 day of boat trailer parking)</i>		
Annual Ramp Pass (Jan.-Dec)	\$ 100.00	per year**

\*\*Free with verified DVA determination

#### **STORAGE**

Empty Boat Trailer (1 day included w/launch fee)	\$ 6.00	per day
	\$ 30.00	per wk
	\$ 55.00	per mo

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\*\* Subject to 9% WA State Sales Tax



## 2020 Rate Schedule

### YARD RATES

360.385.6211

Service Rates - Effective January 1, 2020

2020 rates approved by Port Commission on 11/13/2019

#### 70/75 TON LIFTS

31' or less	\$ 9.27	per ft. **
32'-41'	\$ 10.30	per ft. **
42'-51'	\$ 11.33	per ft. **
52'-61'	\$ 12.36	per ft. **
62'+	\$ 14.42	per ft. **
Minimum Hoist	\$ 215.00	*
Off-Port Blocking <i>(subject to Tarp Fee)</i>	\$ 2.25	ft/mo*, **
One-way Haul Out	75% RT or Min. Hoist**	
One-way Launch	50% RT or Min. Hoist**	
Re-block Fee	75% RT or Min. Hoist**	
Inspections	Roundtrip Rate**	
Hang Overnight	Roundtrip Rate	
Wash Down	\$ 2.25	per ft/30 mins
Environmental Fee	.75 ft haul/mo or Min. \$20	
Delay of Lift	\$ 67.00	per half hour
Labor Rate	\$ 67.00	per person/hour **
Overtime Rate & Call-in Labor Rate	\$ 100.00	per person per hour**

#### 300 TON TRAVEL LIFT

70' or less	\$ 18.40	per ft**
71'-89'	\$ 19.80	per ft**
90' or over	\$ 24.47	per ft**
Minimum Hoist	\$ 824.00	*
Off-Port Blocking <i>(subject to Tarp Fee)</i>	\$ 3.00	ft./month*, **
Trimaran hulls	150% RT or minimum**	
One-way Haul Out/Reblock	75% RT or minimum**	
Inspections	Roundtrip Rate**	
Hang Overnight	Roundtrip Rate	
Wash Down	\$ 3.25	ft/hr
Delay of Lift	\$ 67.00	per half hour
Labor Rate	\$ 67.00	person /hour**
Overtime Rate & Call-in Labor Rate	\$ 100.00	person /hour**

#### WORKYARD STORAGE

Daily	\$ 0.77	ft/day
Monthly	\$ 0.62	ft/day*

#### Seasonal Workyard (Oct 1, 2019-Mar 31, 2020 )

1 month minimum prepayed	\$ 0.36	ft/day*
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#### Non-working Long-term

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## 2020 Rate Schedule

### YARD RATES

360.385.6211

Service Rates - Effective January 1, 2020

2020 rates approved by Port Commission on 11/13/2019

(3-month minimum, No power)	\$ 8.24	ft/mo*
Non-working Long-term		
(6-month minimum, No power)	\$ 6.70	ft/mo*
Trailer Vessel (storage only)	\$ 6.70	ft/mo*
Electrical Rate:	\$ 1.50	/ day
(applicable year-round)	\$ 30.00	/ month + L.E. Tax

#### SHIPYARD STORAGE

Daily	\$ 1.18	ft/day**
Monthly	\$ 0.95	ft/day*
Misc. Storage	\$ 0.88	sq ft/mo*
Mast Storage	\$ 0.77	sq ft/mo*

#### ELECTRIC

Metered Electric	\$ 5.00	per day + KWH
KWH (subject to utility increases)	\$ 0.1007	

#### TARP FEES (for Off Port Property)

20 x 20	\$ 26.00
20 x 30	\$ 36.00
20 x 40	\$ 46.00
26 x 40	\$ 62.00
30 x 40	\$ 72.00
30 x 60	\$ 103.00
40 x 60	\$ 140.00

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\*\* Subject to 9% WA State Sales Tax

**2020 Rate Schedule**  
**JEFFERSON COUNTY**  
**INTERNATIONAL AIRPORT**

**360.385.6211**

**Service Rates - Effective January 1, 2019**

**2020 Rates approved by Port Commission 11/13/2019**

<b>Prevailing Ground Lease Rate</b>	\$	0.59	sq ft/year*
<b>Daily Tie-down</b>	\$	6.00	
<b>Monthly Grass Tie-down</b>	\$	42.00	*
<b>Annual Grass (must pay in advance)</b>	\$	435.00	*
<b>Monthly Paved Tie-down</b>	\$	58.00	*
<b>Monthly Hangar</b>	\$	191.52	*
<b>Commercial Landing Fee</b>	\$	0.31	/1000 # of max loaded gross weight

**VEHICLE PARKING**

Weekly (7 days)	\$	12.00	(rate includes WA State Sales Tax)
Monthly	\$	32.00	(rate includes Leasehold Tax)
Annual	\$	206.00	

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## 2020 Rate Schedule

# UNION WHARF & CITY DOCK, EVENT FACILITIES, GOODS & GUEST SERVICES

360-385-2828 or 360-385-6211

Service Rates – Effective January 1, 2020

2020 Rates approved by Port Commission on 11/13/2019

### NIGHTLY MOORAGE (3 night maximum stay)

Vessels up to 35'	\$ 30.00 /night
Vessels 35'-79'	\$ 40.00 /night
Vessels over 80'*	\$ 1.85 ft/nt

*\*Union Wharf only, advanced notice required*

### TEMPORARY TIE-UP (up to 4 hours)

up to 4 hours	\$ 5.00
up to 4 hours - over 35'	\$ 10.00

### COMMERCIAL PASSENGER FEES

*(payable monthly during season)*

\$ 1.05 per person

### EVENT FACILITIES RENTAL – UNION WHARF & CITY DOCK

Daily Rental Fee	\$ 310.00 /day
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### EVENT FACILITIES -POINT HUDSON MARINA ROOM

Daily Rental Fee - Individual (8 am – 11 pm)	\$ 155.00 /day
Daily Rental Fee – Group (8 am – 11 pm)	\$ 55.00 /day
Hourly Rental Fee (2 hr min.)	\$ 26.00 /hour
Damage & Cleaning Deposit (refundable)	\$ 50.00

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## 2020 Rate Schedule

### MISCELLANEOUS RATES & FEES

Service Rates – Effective January 1, 2020

2020 Rates approved by Port Commission on 11/13/2019

Mini Storage Units	\$ 1.05 sq ft/mo*
Port Labor Rate	\$ 67.00 hr/per person
Overtime Labor Rate	\$ 100.00 hr/per person
Docking Fee	\$ 1.85 ft/day
Commercial Vessel Pass. Fee	\$ 1.05 per person
Relocate Vessel by Hand	\$ 77.00
Relocate Vessel w/ Port Skiff	\$ 155.00
Emergency Pumps	\$ 130.00
Bail Skiff Fee	\$ 52.00
Bilge Water	\$ 0.77 per gallon

#### LAUNCH RAMP

Daily Launch Pass	\$ 15.00
<i>(Daily Launch pass includes 1 day of boat trailer parking)</i>	
Annual Pass (Jan.-Dec.)	\$ 100.00 per year
<i>(free with DAV determination)</i>	

#### Commercial Truck Fee

Daily	\$ 200.00 **
Monthly	\$ 600.00 **
Annual (Jan.-Dec.)	\$ 1,500.00 **

	<u>1<sup>st</sup> Offense</u>	<u>2<sup>nd</sup> Offense</u>	<u>3<sup>rd</sup> Offense</u>
Best Management Practices Violation Fees	\$ 200.00	\$ 500.00	\$ 1,000.00
Chain-up Fee	\$ 150.00	\$ 250.00	\$ 400.00
Impound Fee	\$ 200.00	\$ 300.00	\$ 500.00
Non-payment of Parking Fees	\$ 30.00	\$ 100.00	and beyond

	<u>Sign-up</u>	<u>Renewal</u>
Wait List Fee	\$ 100.00	\$ 50.00

Leave of Absence \$ 100.00

Illegal Garbage Dump Fee \$ 350.00

Late Charge \$ 10.00 minimum or 1.5%

NSF Check Charge \$ 50.00 per occurrence

Fax first page \$ 3.00 \$ 1.50 ea. add'l page

Notary Service \$ 12.00

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## 2020 Rate Schedule

### MISCELLANEOUS RATES & FEES

Service Rates – Effective January 1, 2020

2020 Rates approved by Port Commission on 11/13/2019

#### PORT HADLOCK DOCK-DINGHY/SKIFF TIE-UP

	monthly	annually
Dock	\$ 26.00	\$ 150.00
Beach	\$ 21.00	\$ 93.00

#### WORK FLOAT MOORAGE/LIFT PIER ACCESS *(Reserve with Yard Office)*

Daily Rate, includes Top Side Access	\$ 2.15	ft/day, \$50 min
Lift Pier Access/Top Side Usage	\$ 27.00	one hour
	\$ 50.00	per extra hour

#### OTHER FEES

Lease Assignment Review & Approval	\$ 275.00
Use License preparation fee	\$ 100.00
Use License (varies by location, space & duration)	
Miscellaneous Storage (with agreement)	\$0.25/sq ft

#### GOODS & AMENITIES

Laundry Soap	\$ 1.00
Dryer Sheets	\$ 1.00
Showers	\$ 0.25 per 90 seconds (0.50/3 minute
Laundry	\$ 2.75 Washer / \$2.00 Dryer

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# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	November 13, 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. 2020 Operating & Capital Budget with Resolutions
<b>STAFF LEAD</b>	Abigail Berg, Director of Finance and Administration
<b>REQUESTED</b>	<input type="checkbox"/> Information <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	2020 Operating & Capital Budget i. Resolution 709-19: 2020-Budget ii. Resolution 710-19: 2020 Budget Tax Levy iii. Resolution 711-19: IDD Multi-year Levy

# ***PORT OF PORT TOWNSEND***



## **2020 OPERATING & CAPITAL BUDGET**



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## MESSAGE FROM THE EXECUTIVE DIRECTOR

### Introduction

The Port of Port Townsend provides many important facilities and services to Jefferson County residents and visitors. These facilities and services provide the basis for our thriving marine trades industries, a wide variety of outdoor public recreational opportunities (from marinas to boat ramps to an RV park), as well as important air and water transportation links to the wider Puget Sound region. Maintaining and replacing the public infrastructure that supports these activities continues to be an enormous challenge. The Port's infrastructure is both extensive, and very expensive.

Port facilities encompass some 550 total acres in East Jefferson County and include three marinas, six boat ramps, two large public docks, an international airport and 30 buildings leased to private businesses. These buildings and infrastructure constantly require maintenance and repair. The marinas are hit with winter storms that batter the breakwaters protecting them. Docks, piers and floats need periodic rehabilitation. Harbor entrance channels require regular dredging. Industrial stormwater systems must be maintained and improved to treat runoff from shipbuilding and repair activities. In sum, Port facilities and operations are complex, and involve many moving parts. Planning, programming and funding the repair and replacement of this infrastructure is a constant challenge.

### Economic & Financial Outlook

Assuming that macro-economic conditions remain stable (i.e., nationally and globally), the economic outlook for Jefferson County for the year ahead appears positive. (Source: Washington State Department of Employment Security). However, federal and state funding for capital projects remains highly constrained, particularly for rehabilitating existing infrastructure, and we will need to build successful community partnerships to assist us in securing increasingly scarce funds.

The Port's operating finances continue to improve. Comparing 2018 actual operating expenses to the 2019 budget reveals that Port spending has decreased by approximately \$85,000. This has been achieved through cuts in administration, and reductions in the use of outside contractors, travel and training expenses. In addition, retirement of debt in 2018 increased cash flow in 2019 by about \$400,000.

The same 2018 to 2019 budget comparison shows the Port is generating almost \$300,000 more in operating revenues. This is a byproduct of successes in attracting new business, new tenants and incrementally raising rates toward market levels.

Despite these positive indicators, the Port remains financially challenged to repair and replace some critical infrastructure that provides the basis for many businesses and family-wage jobs in Jefferson County. At the top of the infrastructure list are the overlapping breakwaters protecting the Point Hudson Marina. The failure of either of these 85-year-old, storm-damaged structures would impact every Point Hudson business and moorage customer, and many businesses in downtown Port Townsend. Even a scaled-down plan for their repair is estimated to require about \$7.5 million.

Tallying only the near-term, infrastructure repair and renovation priorities reveals that nearly \$15 million is required Port-wide. Meanwhile, the Port's capacity to take on additional debt is presently limited to around \$6 million.

In synopsis, the Port remains financially healthy with respect to day-to-day operations: it generates more money than it spends and continues to set aside reserves. However, the Port has no ready source of funds and insufficient debt capacity to handle many high-priority capital repair and replacement projects.

### Capital Investment Needs – Present & Future

A list of high-priority capital projects has been discussed with the Commission and public for some time now. To the extent our financial capacity allows, we must begin to address these needs now. Consistent with the Port's Strategic Plan, our primary focus remains the repair and renovation of existing facilities that defend the Port's core revenue streams. The following list outlines our most immediate project priorities and provides cost estimates – the majority of which are beyond the Port's present ability to fund:

• Rehabilitate/re-build the North and South Point Hudson jetties: .....	\$7.5 million
• Repair 2018 storm damage to the Main Breakwater at Boat Haven: .....	\$300,000
• Boat Haven Boatyard resurfacing (to maintain stormwater compliance): .....	\$250,000
• Dredge the entrance to the Quilcene Marina: .....	\$250,000
• Repair buildings at the Quilcene Marina: .....	\$150,000
• Rebuild the Boat Ramp at the Quilcene Marina: .....	\$300,000
• Remediate asbestos in historic Point Hudson buildings: .....	\$125,000
• Replace and repair aging roofs and structures at Boat Haven: .....	\$275,000
• Renovate C and D and Linear Dock at Boat Haven Marina: .....	\$1.7 million
• Replace creosote pilings at all Port marinas and boat launch facilities: .....	\$510,000
• Upgrade electrical service at Boat Haven Marina and Boatyard: .....	\$275,000
• Re-pave roads at Point Hudson: .....	\$165,000
• Repair Docks at Quilcene Marina: .....	\$256,000
• Rehabilitate the Mats Mats Bay Boat Ramp: .....	\$300,000
• Replace and repair aging roofs on Point Hudson buildings: .....	\$800,000
• Renovate Jefferson County International Airport (JCIA) hangars:.....	\$600,000
• Replace fuel tanks at the JCIA: .....	\$300,000
• Dredge the entrance to the Boat Haven Marina: .....	\$550,000
Total: .....	\$14,606,000

This list is extensive and will take many years to accomplish, but further delay will only increase both the scope and cost of the projects identified.

### A Way Forward

To begin to address these mounting capital infrastructure challenges, the following step-by-step approach is recommended:

1. Build net operating revenues through a combination of growing income and reducing expenses.
2. Actively seek to lease vacant spaces in all of our port facilities.
3. Complete infrastructure upgrades at Jefferson County International Airport while federal funds remain available.
4. Continue with the Port's recently adopted business practices and leasing policy in the management of our properties and operations.
5. Diligently maintain Boat Haven stormwater infrastructure and effectively administer and enforce Best Management Practices (BMPs) to comply with state regulatory standards and keep our adjacent marine waters clean.
6. Continue to cultivate, improve and nurture relationships with all of our community partners.

### Preparing for Tough Choices

As I said last year, we need to prepare ourselves for some tough choices ahead. Adoption of the 2020 budget is only the beginning. Our current revenue streams, tax receipts and debt capacity are inadequate to fund the capital needs outlined on the previous page. Many of these projects were not included in our five-year capital plan and will need to be pushed out further in the planning cycle.

This suggests that we will be required to undertake management responses that may include a combination of the following:

1. Increasing rates and fees to recoup costs;
2. Critically evaluating expenses and reducing wherever possible;
3. Pursuing the surplus and sale of non-performing assets that do not advance our central mission of economic development; and
4. Consistently communicating in a manner that seeks to align community expectations with our financial realities.

Over time, Port users and the public should prepare for incrementally lower levels of service, and facilities that are clean and functional, but not necessarily first-class.

Port staff and I look forward to working with the Commission to ensure the continued financial stability of the Port of Port Townsend and to support a vibrant and healthy local economy.

Respectfully,

Jim Pivarnik  
Executive Director



# INTRODUCTION

## About Us

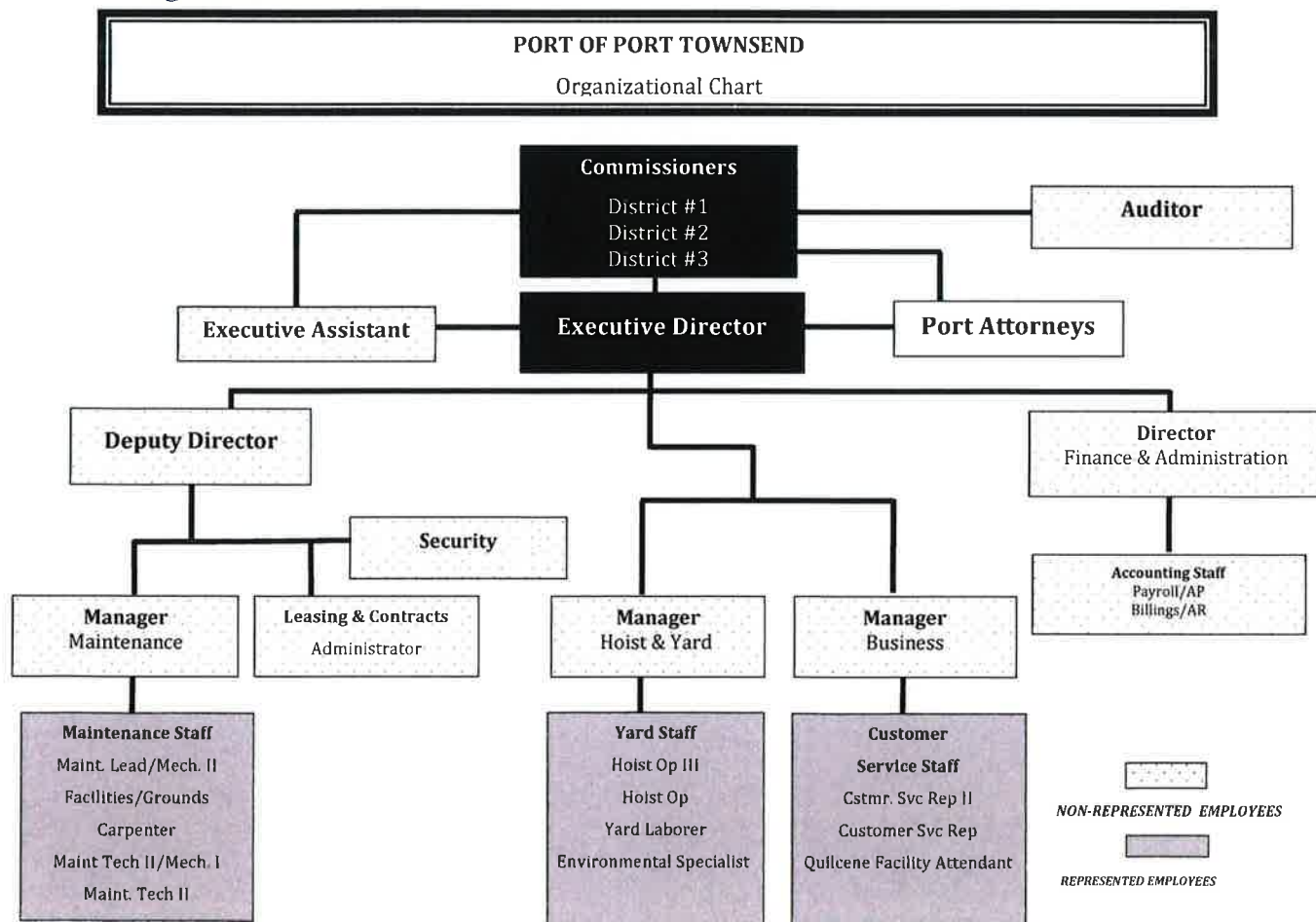
The Port of Port Townsend is a municipal corporation authorized by Washington State statute (Revised Code of Washington [RCW] Title 53) to provide for the development and maintenance of harbors and terminals and to promote tourism and foster economic activity. Created in 1924, the Port is a special purpose district independent from other local or state governments. The Port's geographical boundaries consist of all of Jefferson County, Washington.

The Port is governed by a three-member Board of Commissioners; each elected to a four-year term. The Commission delegates administrative authority to an Executive Director who manages staff to conduct operations of the Port. The County levies and collects taxes on the Port District's behalf, as determined by the Board of Commissioners, and acts as treasurer for the Port as defined under RCW 53.36.010.

## Mission

The Mission of the Port of Port Townsend is to serve the citizens of Jefferson County by responsibly maintaining and developing property and facilities to promote sustainable economic growth, to provide community access to Port facilities and services, and to protect and maintain our community resources and maritime heritage.

## Organizational Chart



Adapted 1/10/2019



## PORT COMMISSIONERS

**District 1 Commissioner:** *Stephen R. Tucker, Secretary*

**Term of Office:** *January 1, 2015 – December 31, 2019*

Commissioner Tucker was first elected Port Commissioner in 2011 and re-elected in 2015. He is a retired business owner and an avid boater, RV enthusiast, and fisherman. Over the years, through the Coast Guard Auxiliary and the Power Squadron, Steve has taught many courses in boating safety, maintenance, navigation and electronics.



**District 2 Commissioner:** *William Putney III, President*

**Term of Office:** *January 1, 2018 – December 31, 2021*

Commissioner Putney is serving his first term as Port Commissioner. He is a retired technologist and entrepreneur. Since his retirement in 2009, he has devoted himself to volunteering. Currently, Bill serves as the Chief Engineer at KPTZ, and volunteers for PTFF, Northwind Art Center and AAUW. He has his private pilot's license and holds an FAA Airframe and Powerplant Mechanic's certificate.

**District 3 Commissioner:** *Peter W. Hanke, Vice President*

**Term of Office:** *January 1, 2018 – December 31, 2021*

Commissioner Hanke was elected Port Commissioner in 2013 and re-elected in 2018. Mr. Hanke owns and operates Puget Sound Express, a family-owned passenger ferry and whale watch operation located at the Point Hudson marina. Besides being a boat captain and a business owner, Pete is also a pilot who has enjoyed flying out of Jefferson County International Airport since 1998.



# OPERATING BUDGET 2020

## Overview

The goal of the 2020 Operating and five-year Capital Budget is to align our business practices and objectives to support both our organizational capital needs and our short and long-term financial sustainability. The Port Commission has instructed staff to prepare a budget that supports economic vitality while increasing our net cash position.

## Organizational Initiatives

As part of our efforts to improve the Port's financial position over the course of the coming year, we intend to:

- Develop a comprehensive set of planning documents that reflect Commission direction.
- Continue to develop a comprehensive review of all Port business operations, carefully examining the value proposition each provides to the Port and to our customers.
- Modernize business and administrative procedures across our operations.
- Complete the development of a robust Capital Plan and develop funding strategies for the near term.
- Directly pursue and develop business to increase the Port's Operating Revenue and Net Operating Income by utilizing capacity in the Boatyard, the Marinas, RV park, and Properties in Boat Haven and Point Hudson.
- Develop marketing and brand strategies to better position the Port in successfully attracting businesses and customers.
- Conduct a comprehensive review of existing pricing structures across all Port business operations.

## Operating Revenues

The 2020 budget reflects total operating revenues of \$6,389,249, an increase of 3% from the 2019 budget. The key aspect of Port revenue is that it is trending upward over the past two years and should continue increasing. The goal is to grow Operating Revenue and Net Operating Income by approximately \$200K or more year-over-year while controlling expenses to contribute to our Capital Improvement Program. Overall, the Port's revenues are generated throughout the operating units with Boat Haven providing 30.1%, Yard 30%, PTBH Properties 9.7%, Point Hudson 24.4%, Quilcene 2.7%, Ramps 2.4%, and Airport 0.8%.

## Operating Expenses

Port-wide operating expenses are budgeted to be \$5,114,823 in 2020, a 1.5% increase from the 2019 budget. Despite unavoidable staff cost increases (COLA, healthcare and pension contributions) and anticipating a 4-5 month overlap with the replacement Executive Director position, a moderate increase in expenses was obtained by holding other expenses down wherever possible. General & Administrative (G & A) expenses total \$1,385,903 or 27% of total operating expenses. This is reduction of 4% over 2019's Budget. Part of this was the result of a new position (Leasing & Contracts Administrator) which is primarily a front-line employee for all Port property and part was due to the elimination of the Director of Operations and Business Development position. G & A costs are allocated to each operating unit based on a percentage of that unit's operating revenues.

## Net Operating Income

The 2020 budget reflects a net operating income of \$1,274,426, an increase of 10% when compared to 2019. Much of the increase in net operating income over the prior year is from projected increased revenues of nearly \$194,000 and a moderate expense increase of \$76,554.



### Non-Operating Revenue & Expenses

The 2020 budget reflects a \$1,030,000 tax levy, which is an increase of 2.2% (which includes estimates for new construction). This was calculated and recommended by the County Assessor. Interest income is budgeted conservatively at \$54,000 for 2020, which includes the ARRA Bond Interest Subsidy received semi-annually on the 2010 Limited Tax General Obligation (LTGO) bond. Grant revenue is budgeted at \$3,396,200 in anticipation of completing the Jefferson County International Airport Runway Reconstruction and Taxiway Connector project as well as the County PIF grant for the Point Hudson South Jetty Renovation design and permitting. Non-operating expenses consist of interest expense on the debt service of \$269,588 as well as other non-operating expenses of \$1,500.

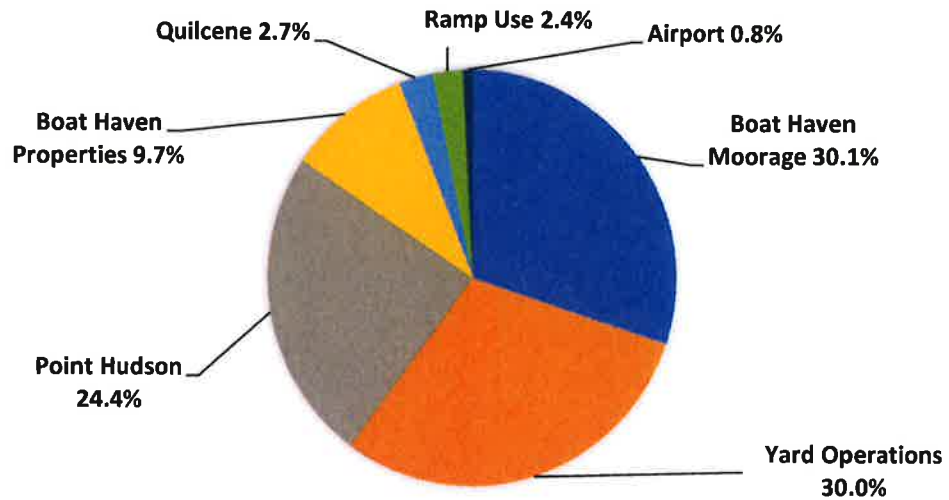


## Summary of Operating Budget

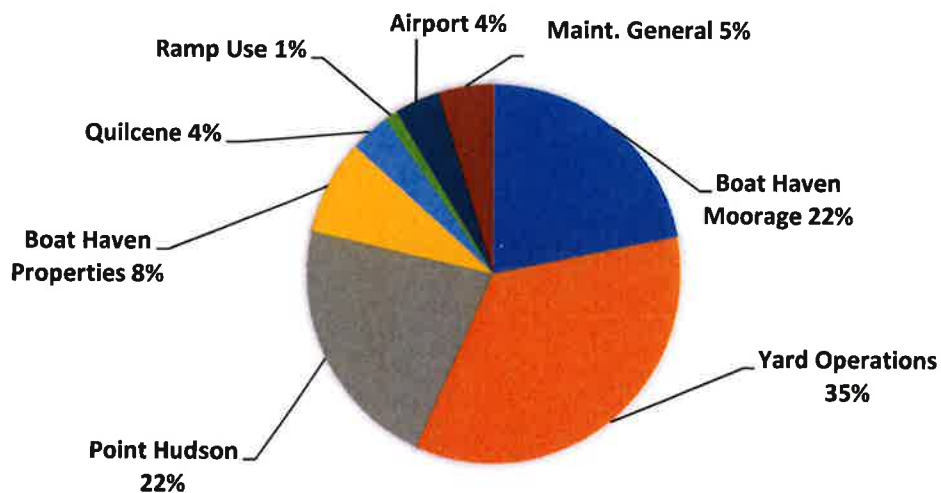
## 2020 OPERATING BUDGET REVENUES

2020 Operating Budget Revenue

Boat Haven Moorage	\$ 1,920,231
Yard Operations	1,918,841
Point Hudson	1,560,446
Boat Haven Properties	616,651
Quilcene	170,045
Ramp Use	151,735
Airport	\$ 51,300
	<u>\$ 6,389,249</u>



## 2020 OPERATING BUDGET EXPENSES

2020 Operating Budget Expenses

Boat Haven Moorage	\$ 1,113,728
Yard Operations	1,782,467
Point Hudson	1,121,846
Boat Haven Properties	413,289
Quilcene	180,036
Ramp Use	56,343
Airport	195,831
Maint. General	251,283
	<u>\$ 5,114,823</u>

**Consolidated Operating & Non-Operating 2020 Budget**  
with comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
Boat Haven Moorage	1,680,606	1,815,115	1,894,872	1,920,231	25,359
Yard Operations	1,451,461	1,659,047	1,830,288	1,918,841	88,553
Point Hudson Marina, RV & Property	1,379,053	1,431,420	1,480,374	1,560,446	80,072
Boat Haven Properties	611,849	668,897	644,660	616,651	(28,009)
Quilcene Herb Beck Marina	147,250	156,455	159,472	170,045	10,573
JCIA Operations	134,175	134,721	138,958	151,735	12,777
Ramp Use	46,210	43,211	46,700	51,300	4,600
<b>Total Operating Revenues</b>	<b>\$ 5,450,604</b>	<b>\$ 5,908,865</b>	<b>\$ 6,195,324</b>	<b>\$ 6,389,249</b>	<b>\$ 193,925</b>
<b>OPERATING EXPENSES</b>					
Salaries & Wages	2,103,069	2,163,134	2,118,526	2,240,037	121,511
Payroll Taxes	217,816	218,246	231,824	228,034	(3,790)
Employee Benefits	731,355	745,646	771,238	796,650	25,412
Uniform Expense	6,736	6,853	8,426	8,650	224
Contract Services	306,052	313,540	281,185	257,016	(24,169)
Consulting Services	177,941	59,756	136,000	40,000	(96,000)
Legal fees	120,027	180,458	100,000	100,000	-
Audit	3,034	24,273	-	17,200	17,200
Insurance	202,025	237,198	236,867	298,396	61,529
Facilities & Operations	544,140	469,533	472,037	428,483	(43,554)
Utilities	552,180	549,970	553,383	565,100	11,717
Marketing & Advertising	32,737	80,630	53,805	53,257	(548)
Economic Development	30,000	30,000	30,000	30,000	-
Travel & Training	30,590	28,844	34,013	35,000	987
Cost of Goods - Fuel	16,730	15,112	10,965	17,000	6,035
Community Relations	2,610	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 5,077,041</b>	<b>\$ 5,123,193</b>	<b>\$ 5,038,269</b>	<b>\$ 5,114,823</b>	<b>\$ 76,554</b>
<b>Income (Loss) from Operations</b>	<b>\$ 373,563</b>	<b>\$ 785,672</b>	<b>\$ 1,157,055</b>	<b>\$ 1,274,426</b>	<b>\$ 117,371</b>
<b>Non-Operating Revenue</b>					
Capital Contributions/Grants	280,658	113,113	4,368,028	3,396,200	(971,828)
Interest	45,108	56,046	42,200	54,000	11,800
Property & other taxes	1,037,038	1,089,297	1,064,490	1,095,090	30,600
Misc Non-Operating Revenue	535,856	61,639	35,000	75,000	40,000
<b>Total Non-Operating Revenues</b>	<b>\$ 1,898,660</b>	<b>\$ 1,320,096</b>	<b>\$ 5,509,718</b>	<b>\$ 4,620,290</b>	<b>\$ (889,428)</b>
<b>Non-Operating Expenses</b>					
Bond Interest	341,943	290,990	293,838	269,588	(24,250)
Bond Mgmt, Issuance, Investment	1,458	1,558	1,500	1,500	-
Election Expense	11,951	-	9,500	-	(9,500)
<b>Total Non-Operating Expenses</b>	<b>\$ 355,352</b>	<b>\$ 292,548</b>	<b>\$ 304,838</b>	<b>\$ 271,088</b>	<b>\$ (33,750)</b>
<b>Net Non-Operating Income(Expense)</b>	<b>\$ 1,543,308</b>	<b>\$ 1,027,548</b>	<b>\$ 5,204,880</b>	<b>\$ 4,349,202</b>	<b>\$ (855,678)</b>
<b>Net Income (Loss)</b>	<b>\$ 1,916,870</b>	<b>\$ 1,813,219</b>	<b>\$ 6,361,935</b>	<b>\$ 5,623,628</b>	<b>\$ (738,307)</b>

*Note: The actual ending balance of the 2019 Budget is closer to \$2,356,749 since the JCIA Runway Project construction was pushed to 2020.*

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## 2020 Departmental Operating Budgets

### Boat Haven Moorage

Boat Haven moorage revenues are estimated to increase \$25,359, in part due to a rate increase of CPI and in part due to occupancy utilization. The reduction in Permanent Moorage is the result of changing to a Cash Basis reporting. When a permanent moorage customer leaves their slip, it can be rented out while they're gone. With accrual basis, this was shown as an expense when the Port reimbursed the permanent tenant a portion of this additional revenue; however, with cash basis, this reimbursement reduces the permanent moorage revenue. In 2019, the main Boat Haven restroom was locked to customers only, thereby reducing Shower revenues. However, this has saved more than that amount in repair and maintenance costs. Finally, after combining Moorage and Yard customer service representatives (CSRs) to one location, the customer service overall has improved.





Port of Port Townsend  
**BOAT HAVEN MOORAGE OPERATIONS**  
 2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
PTBH - Permanent Moorage	1,050,478	1,122,610	1,185,989	1,169,496	(16,493)
PTBH - Liveaboard Fee	20,006	26,397	26,391	24,749	(1,642)
PTBH - Work Float/Lift Pier Usage	12,417	11,911	7,081	9,000	1,919
PTBH - Monthly Guest	268,583	322,147	331,931	343,803	11,872
PTBH - Nightly Guest	211,180	194,524	209,631	232,883	23,252
PTBH - Miscellaneous Revenue	13,139	13,985	11,575	14,500	2,925
PTBH - Promotional Sales	-	753	400	650	250
PTBH - Showers	21,777	21,364	21,510	11,200	(10,310)
PTBH - Laundry	687	6,252	6,864	6,350	(514)
PTBH - Restroom Fobs	-	-	-	1,000	1,000
PTBH - Electric	82,340	95,172	93,500	106,600	13,100
<b>Total Operating Revenues</b>	<b>\$ 1,680,606</b>	<b>\$ 1,815,115</b>	<b>\$ 1,894,872</b>	<b>\$ 1,920,231</b>	<b>\$ 25,359</b>
<b>OPERATING EXPENSES</b>					
Moorage Pay	217,225	161,400	216,412	173,136	(43,276)
Moorage Taxes	26,769	19,612	23,807	20,428	(3,379)
Moorage Benefits	75,195	59,279	76,336	60,873	(15,463)
Uniform Expense	122	278	1,076	1,076	-
Maint Pay	44,123	34,517	34,404	35,196	792
Maint Taxes	5,337	4,250	3,785	4,162	377
Maint Benefits	15,626	12,722	11,316	10,580	(736)
Enviro Pay	1,205	-	-	6,456	6,456
Enviro Taxes	133	-	-	816	816
Enviro Benefits	416	-	-	2,280	2,280
Contract Services	33,480	38,032	36,000	40,000	4,000
Consulting Services	1,750	-	-	-	-
Insurance	54,195	57,586	55,582	72,509	16,927
Facilities & Operations	107,942	70,113	106,270	72,286	(33,984)
Utilities	169,432	172,845	172,441	186,728	14,287
Marketing & Advertising	7,856	13,359	7,615	9,681	2,066
Travel & Training	1,361	1,791	1,000	1,000	-
General & Administrative	488,855	553,297	482,314	416,521	(65,793)
<b>Total Operating Expenses</b>	<b>\$ 1,251,021</b>	<b>\$ 1,199,081</b>	<b>\$ 1,228,358</b>	<b>\$ 1,113,728</b>	<b>\$ (114,630)</b>
<b>Net Income from Operations</b>	<b>\$ 429,585</b>	<b>\$ 616,033</b>	<b>\$ 666,514</b>	<b>\$ 806,503</b>	<b>\$ 139,989</b>

### Boat Haven Yard

Overall Yard revenue is expected to increase by \$88,553, over 2019 levels, which was an aggressive year for revenue growth. Workyard revenue is anticipated to increase due to the discounted rates, developed in collaboration with the Marine Trades, for pre-payment of over 30 day stays. New fees for Workyard Electric and Environmental fees will help boost revenues and recover expenses.

The Boatyard is expected to increase in both hoist revenue and storage with direct marketing by both the Port staff and Marine Trades. The discounted Workyard rate is anticipated to be in effect until March, 2020, at which time the two years of seasonal discounts on Workyard rates will be re-examined to determine if the rates effectively increased demand and use of the Workyard, as well as revenue, as anticipated.

As mentioned with Boat Haven Moorage, by combining the customer service staff in one location, the CSR time has shifted to a bit more in the Yard.

Overall, with the reduction in operating expenses and modest revenue increases, the net effect should be a positive net income from operations of \$136,374.



Port of Port Townsend  
**WORK & SHIP YARD OPERATIONS**  
2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
Yard - Work Yard Revenue	489,139	471,374	559,293	580,687	21,394
Yard - 70/75 Ton Hoist Revenue	300,863	308,865	332,758	334,479	1,721
Yard - Ship Yard Revenue	276,768	368,890	415,022	419,824	4,802
Yard - 300 Ton Hoist Revenue	148,530	217,684	196,408	200,291	3,883
Yard - Washdown Revenue	68,896	85,859	96,158	86,684	(9,474)
Yard - Bilge Water Revenue	4,162	5,869	6,971	6,480	(491)
Yard - L/T Storage	63,134	73,417	72,326	75,804	3,478
Yard - Blocking Rent	29,397	35,519	36,943	56,430	19,487
Yard - Off Port Property Tarp Fee	400	885	29,405	1,500	(27,905)
Customer Revenue Share	-	-	30,000	-	(30,000)
Yard - Liveaboard Fee	35	937	140	924	784
Yard - Miscellaneous Revenue	7,325	26,825	6,364	4,480	(1,884)
Yard - WY Port Labor	-	-	-	3,500	3,500
Yard - SY Port Labor	-	-	-	4,500	4,500
Yard - Enviro Clean-up Fee	140	610	-	-	-
Yard - WY Enviro Fee	-	18,120	-	51,306	51,306
Yard - SY Enviro Fee	-	2,900	20,000	16,932	(3,068)
Yard - Marine Trades 3% Revenue	32,919	-	-	-	-
Yard - WY electric	2,503	707	2,100	31,980	29,880
Yard - SY Electric	27,160	40,587	26,400	43,040	16,640
<b>Total Operating Revenues</b>	<b>\$ 1,451,371</b>	<b>\$ 1,659,047</b>	<b>\$ 1,830,288</b>	<b>\$ 1,918,841</b>	<b>\$ 88,553</b>
<b>OPERATING EXPENSES</b>					
Yard Pay	518,842	518,562	548,995	589,518	40,523
Yard Taxes	58,411	61,079	59,944	68,403	8,459
Yard Benefits	181,853	188,165	201,648	211,759	10,111
Uniform Expense	4,215	4,450	3,480	3,704	224
Maint Pay	56,727	39,838	42,891	48,516	5,625
Maint Taxes	6,717	4,800	4,718	5,737	1,019
Maint Benefits	20,019	14,668	14,100	15,926	1,826
Enviro Pay	5,764	-	-	24,384	24,384
Enviro Taxes	669	-	-	3,084	3,084
Enviro Benefits	1,913	-	-	8,711	8,711
Contract Services	75,011	24,131	45,440	27,900	(17,540)
Insurance	48,805	50,437	52,760	64,858	12,098
Facilities & Operations	166,918	211,806	186,459	172,329	(14,130)
Utilities	90,976	94,363	91,579	100,331	8,752
Marketing & Advertising	10,494	27,149	17,896	17,975	79
Travel & Training	2,184	2,957	3,413	3,113	(300)
General & Administrative	439,750	498,774	461,622	416,219	(45,403)
<b>Total Operating Expenses</b>	<b>\$ 1,689,270</b>	<b>\$ 1,741,180</b>	<b>\$ 1,734,945</b>	<b>\$ 1,782,467</b>	<b>\$ 47,522</b>
<b>Net Income from Operations</b>	<b>\$ (237,899)</b>	<b>\$ (82,132)</b>	<b>\$ 95,343</b>	<b>\$ 136,374</b>	<b>\$ 41,031</b>

### Point Hudson

Overall, Point Hudson revenue is expected to increase about \$80,000 over the 2019 budget. Point Hudson RV Park revenue is expected to increase approximately \$22,000 as staff promotes winter monthly stays to customers as well as nightly revenue year-round. There is an estimated \$15,565 increase in nightly marina guest business in 2020, and a nominal monthly guest increase of almost \$6,000. These revenues reflect normal operations and revenue goals. Point Hudson properties are being leased, which is reflected in an increase of approximately \$12,000 over 2019.

A new position, Leasing & Contracts Administrator, was created in 2019 and as a front-line, customer-oriented staff person, has increased the personnel cost for this and other departments that have leases and rentals. A savings in utilities is expected with a change in cable service providers to the RV Park.





Port of Port Townsend  
POINT HUDSON OPERATIONS  
2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
Pt Hudson - Permanent Moorage	136,068	134,070	141,562	145,557	3,995
Pt Hudson - Liveaboard Fee	4,720	5,504	4,750	6,084	1,334
Pt Hudson - Monthly Guest	100,122	124,680	108,983	114,876	5,893
Pt Hudson - Nightly Guest	214,362	218,480	207,343	222,908	15,565
City Pier & Union Wharf Usage	9,262	14,608	20,494	19,975	(519)
Pt Hudson - Monthly R.V.	41,249	66,632	64,990	68,604	3,614
Pt Hudson - Nightly R.V.	325,204	343,354	364,509	382,726	18,217
Pt Hudson - Kayak Racks	9,271	10,548	9,304	11,869	2,565
Pt Hudson - Reservation Fee	38,696	41,970	44,240	43,150	(1,090)
Pt Hudson - Showers	7,087	8,267	8,428	8,740	312
Pt Hudson - Laundry	9,218	12,580	12,201	11,302	(899)
Pt Hudson - Passenger Fee	6,110	8,972	14,324	17,002	2,678
Pt Hudson - Promotional Sales	-	1,323	327	950	623
Pt Hudson - Miscellaneous Rev	3,814	1,160	2,420	1,700	(720)
Pt Hudson - Building Lease Revenue	379,917	336,763	374,464	386,843	12,379
Pt Hudson - Parking	587	2,465	3,760	10,150	6,390
Pt Hudson - Event Facility Rev	24,974	30,756	28,415	30,700	2,285
Pt Hudson - Electric	32,987	31,951	31,850	34,810	2,960
Pt Hudson - Property Utility Reimb	35,406	37,338	38,010	42,500	4,490
<b>Total Operating Revenues</b>	<b>\$ 1,379,053</b>	<b>\$ 1,431,420</b>	<b>\$ 1,480,374</b>	<b>\$ 1,560,446</b>	<b>\$ 80,072</b>
<b>OPERATING EXPENSES</b>					
Point Hudson Pay	125,237	140,837	152,674	177,552	24,878
Point Hudson Taxes	16,997	18,229	16,073	20,466	4,393
Point Hudson Benefits	41,575	46,376	52,027	61,943	9,916
Uniform Expense	164	260	960	960	-
Maint Pay	108,459	104,923	120,660	110,020	(10,640)
Maint Taxes	13,218	13,144	13,273	13,073	(200)
Maint Benefits	38,850	38,376	39,660	35,939	(3,721)
Enviro Pay	108	-	-	2,844	2,844
Enviro Taxes	(377)	-	-	300	300
Enviro Benefits	14	-	-	876	876
Contract Services	41,588	36,928	46,989	37,260	(9,729)
Insurance	27,264	46,901	47,710	64,571	16,861
Facilities & Operations	63,071	61,231	68,212	66,252	(1,960)
Utilities	184,839	180,953	188,481	175,670	(12,811)
Marketing & Advertising	6,399	19,170	9,355	15,041	5,686
Travel & Training	274	824	600	600	-
General & Administrative	387,524	430,118	375,576	338,479	(37,097)
<b>Total Operating Expenses</b>	<b>\$ 1,055,203</b>	<b>\$ 1,138,271</b>	<b>\$ 1,132,250</b>	<b>\$ 1,121,846</b>	<b>\$ (10,404)</b>
<b>Net Income from Operations</b>	<b>\$ 323,850</b>	<b>\$ 293,148</b>	<b>\$ 348,124</b>	<b>\$ 438,600</b>	<b>\$ 90,476</b>

### Boat Haven Properties

Properties are expected to decrease by approximately \$28,000, due to the loss of three (3) tenants in 2019. However, staff is focused on alternative leasing options at the Boat Haven. All assets are marine dependent or related uses for manufacturing, warehousing and related office requirements.

A new position, Leasing & Contracts Administrator, was created in 2019 and as a front line, customer-oriented staff person, has increased the personnel cost for this and other departments that have leases and rentals. This position enhances and supports the Port's drive to lease and rent all of its available property. In addition, an environmental position was filled and particularly in Boat Haven, works regularly with tenants to understand and comply with environmental standards that support a healthy boat yard.

Port of Port Townsend  
**BOAT HAVEN PROPERTIES OPERATIONS**  
 2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
PTBH Prop - Lease Revenue	549,067	599,747	584,918	552,371	(32,547)
PTBH Prop - Water, Swr, Garbage, Other	21,308	27,405	20,300	25,400	5,100
PTBH Prop - Stormwater Fees	7,493	7,196	7,500	7,800	300
PTBH Prop - Electric	1,802	3,151	2,662	2,800	138
PTBH Prop - Fuel Dock Lease	21,158	20,788	21,000	20,000	(1,000)
PTBH Prop - Storage Unit Revenue	6,334	9,005	8,280	8,280	-
PTBH Prop - Miscellaneous	4,688	1,605	-	-	-
<b>Total Operating Revenues</b>	<b>\$ 611,849</b>	<b>\$ 668,897</b>	<b>\$ 644,660</b>	<b>\$ 616,651</b>	<b>\$ (28,009)</b>
<b>OPERATING EXPENSES</b>					
PTBH Property Pay	2,708	4,192	6,188	59,057	52,869
PTBH Property Taxes	368	484	681	4,693	4,012
PTBH Property Benefits	969	1,690	2,730	21,268	18,538
Maint Pay	44,446	50,026	49,018	52,920	3,902
Maint Taxes	5,454	6,215	5,392	6,258	866
Maint Benefits	15,782	18,312	16,116	17,386	1,270
Enviro Pay	214	485	-	20,585	20,585
Enviro Taxes	25	-	-	2,786	2,786
Enviro Benefits	96	157	-	7,487	7,487
Contract Services	13,164	6,990	9,000	3,500	(5,500)
Insurance	9,330	12,079	13,420	18,565	5,145
Facilities & Operations	67,753	17,315	23,546	19,174	(4,372)
Utilities	38,203	41,871	43,724	45,612	1,888
Marketing & Advertising	-	639	639	239	(400)
General & Administrative	180,640	199,886	162,592	133,759	(28,833)
<b>Total Operating Expenses</b>	<b>\$ 379,153</b>	<b>\$ 360,343</b>	<b>\$ 333,046</b>	<b>\$ 413,289</b>	<b>\$ 80,243</b>
<b>Net Income from Operations</b>	<b>\$ 232,695</b>	<b>\$ 308,554</b>	<b>\$ 311,614</b>	<b>\$ 203,362</b>	<b>\$ (108,252)</b>

### Quilcene

Quilcene revenues are projected to increase by approximately \$10,000 which is largely due to having a dedicated staff member onsite year around. With this committed staff position comes increased cost, however, over time we anticipate a steady shift from the nominal loss in net operating income of \$10,000 to a positive net income within about a year. In addition, some of the projected 2020 net loss is due to the elimination of RV use which is against County zoning.

Port of Port Townsend  
**QUILCENE OPERATIONS**  
2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
Quilcene - Permanent Moorage	38,028	46,875	48,117	49,222	1,105
Quilcene - Liveaboard Fee	-	377	225	936	711
Quilcene - Nightly Moorage	4,397	3,356	3,645	3,645	-
Quilcene - Monthly R.V.	-	3,545	2,985	-	(2,985)
Quilcene - Nightly R.V.	1,209	1,007	1,208	-	(1,208)
Quilcene - Showers	2,451	3,412	3,074	3,074	-
Quilcene - Miscellaneous Revenue	-	247	215	215	-
Quilcene - Reservations	345	330	400	700	300
Quilcene - Rental Property Revenue	1,000	-	-	-	-
Quilcene - Lease Revenue	58,760	60,055	62,028	63,694	1,666
Quilcene - Fuel Sales	20,629	16,498	14,700	19,500	4,800
Quilcene - Recreational Ramp Fees	9,512	7,719	9,600	10,470	870
Quilcene - Commercial Use Fees	4,600	3,000	4,600	3,000	(1,600)
Quilcene - Water	5,431	8,679	7,486	14,400	6,914
Quilcene - Electric	888	1,355	1,189	1,189	-
<b>Total Operating Revenues</b>	<b>\$ 147,250</b>	<b>\$ 156,455</b>	<b>\$ 159,472</b>	<b>\$ 170,045</b>	<b>\$ 10,573</b>
<b>OPERATING EXPENSES</b>					
Quilcene Pay	24,166	19,755	22,282	37,419	15,137
Quilcene Taxes	4,061	2,784	2,451	4,923	2,472
Quilcene Benefits	3,755	3,808	5,444	13,666	8,222
Maint Pay	29,942	22,263	23,566	22,051	(1,515)
Maint Taxes	3,589	2,740	2,592	2,608	16
Maint Benefits	10,913	8,173	7,752	7,216	(536)
Enviro Pay	-	-	-	360	360
Enviro Taxes	-	-	-	48	48
Enviro Benefits	-	-	-	120	120
Contract Services	24,127	5,415	9,120	7,220	(1,900)
Insurance	5,919	4,783	4,943	6,232	1,289
Facilities & Operations	38,811	20,721	15,830	10,313	(5,517)
Utilities	14,386	11,539	12,015	13,175	1,160
Marketing & Advertising	72	-	700	700	-
Travel & Training	-	28	200	100	(100)
Cost of Fuel Sold	16,730	15,112	10,965	17,000	6,035
General & Administrative	41,712	46,771	40,222	36,885	(3,337)
<b>Total Operating Expenses</b>	<b>\$ 218,185</b>	<b>\$ 163,892</b>	<b>\$ 158,082</b>	<b>\$ 180,036</b>	<b>\$ 21,954</b>
<b>Net Income from Operations</b>	<b>\$ (70,935)</b>	<b>\$ (7,437)</b>	<b>\$ 1,390</b>	<b>\$ (9,991)</b>	<b>\$ (11,381)</b>

## Ramps

The Port has boat launch ramps located in Port Townsend, Port Hadlock, Gardiner and Mats Mats in Port Ludlow. All these boat ramps are single ramps, except for the one in Port Townsend which is a double ramp. There's a slight increase in Ramp revenues of approximately 10%, or \$4,600, largely from increases in Ramp fees, and some due to increased Dinghy Float use. Port staff will work in 2020 with tribal leaders to establish a commercial rate structure for tribal fisheries.

### Port of Port Townsend BOAT RAMP OPERATIONS 2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
Ramp Fees	37,868	37,112	40,000	43,700	3,700
PTBH - Commercial Use Fees	7,200	5,800	5,600	5,600	-
Dinghy Float Revenue	1,142	299	1,100	2,000	900
<b>Total Operating Revenues</b>	<b>\$ 46,210</b>	<b>\$ 43,211</b>	<b>\$ 46,700</b>	<b>\$ 51,300</b>	<b>\$ 4,600</b>
<b>OPERATING EXPENSES</b>					
Ramps Pay	4,849	3,861	4,800	5,596	796
Ramps Taxes	551	547	480	736	256
Ramps Benefits	1,199	879	1,752	2,016	264
Maint Pay	10,504	6,705	7,070	13,236	6,166
Maint Taxes	1,268	822	778	1,564	786
Maint Benefits	3,742	2,459	2,328	2,328	-
Enviro Pay	72	-	-	1,800	1,800
Enviro Taxes	8	-	-	180	180
Enviro Benefits	25	-	-	636	636
Contract Services	-	-	-	1,500	1,500
Insurance	2,304	3,435	3,050	4,084	1,034
Facilities & Operations	3,608	3,234	4,408	4,735	327
Utilities	3,726	3,557	3,750	4,104	354
Marketing & Advertising	2,350	2,000	2,900	2,700	(200)
General & Administrative	15,230	13,246	11,778	11,128	(650)
<b>Total Operating Expenses</b>	<b>\$ 49,437</b>	<b>\$ 40,745</b>	<b>\$ 43,094</b>	<b>\$ 56,343</b>	<b>\$ 13,249</b>
<b>Net Income from Operations</b>	<b>\$ (3,227)</b>	<b>\$ 2,466</b>	<b>\$ 3,606</b>	<b>\$ (5,043)</b>	<b>\$ (8,649)</b>



### Jefferson County International Airport (JCIA)

JCIA revenues are estimated to increase by approximately 9% primarily due to applying CPI to leases and increased hangar rentals. Expenses will be more, approximately 20%, than the previous year. These increases are primarily due to the new Leasing & Contracts Administrator and Environmental specialist positions as well as increases in maintenance staff work. In addition, the insurance cost for the underground fuel storage tank and the cost to mow contribute to expense increases.

Port of Port Townsend  
JEFFERSON COUNTY INTERNATIONAL AIRPORT OPERATIONS  
2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>REVENUES</b>					
JCIA - Lease Revenue	106,350	106,897	110,287	112,452	2,165
JCIA - Hangar Revenue	20,362	21,713	22,424	32,175	9,751
JCIA - Vehicle Parking Revenue	540	604	720	720	-
JCIA - Aircraft Parking	1,471	223	615	1,476	861
JCIA - Fuel Lease Revenue	3,270	3,313	3,165	3,165	-
JCIA - Electric	1,883	1,821	1,647	1,647	-
JCIA - Miscellaneous Revenue	300	150	100	100	-
<b>Total Operating Revenues</b>	<b>\$ 134,175</b>	<b>\$ 134,721</b>	<b>\$ 138,958</b>	<b>\$ 151,735</b>	<b>\$ 12,777</b>
<b>OPERATING EXPENSES</b>					
JCIA Pay	3,278	1,380	6,188	9,530	3,342
JCIA Taxes	445	202	681	1,287	606
JCIA Benefits	1,172	512	2,730	3,583	853
Maint Pay	29,424	35,278	34,878	39,691	4,813
Maint Taxes	3,731	4,625	3,837	4,694	857
Maint Benefits	10,587	12,906	11,360	13,031	1,671
Enviro Pay	324	1,562	-	2,304	2,304
Enviro Taxes	37	180	-	216	216
Enviro Benefits	108	568	-	816	816
Contract Services	21,272	16,003	19,680	18,080	(1,600)
Insurance	21,766	25,091	24,258	31,686	7,428
Facilities & Operations	11,501	6,579	5,772	13,700	7,928
Utilities	19,362	17,310	18,693	22,800	4,107
Marketing & Advertising	-	-	-	1,500	1,500
General & Administrative	40,909	40,274	35,048	32,913	(2,135)
<b>Total Operating Expenses</b>	<b>\$ 163,915</b>	<b>\$ 162,470</b>	<b>\$ 163,125</b>	<b>\$ 195,831</b>	<b>\$ 32,706</b>
<b>Net Income from Operations</b>	<b>\$ (29,739)</b>	<b>\$ (27,749)</b>	<b>\$ (24,167)</b>	<b>\$ (44,096)</b>	<b>\$ (19,929)</b>





### Maintenance - General

The Port's Maintenance department activity is typically recorded in the Port department in which it occurs. Maintenance costs not specific to any particular department are included here under Maintenance-General. Variances between 2019 and 2020 simply show year-to-year activity variances for non-specific departmental maintenance activity.

Port of Port Townsend  
**MAINTENANCE - GENERAL OPERATIONS**  
 2020 Budget with Comparison to Prior Years

	2017 Actual	2018 Actual	2019 Budget	2020 Budget	2019-2020 variance
<b>OPERATING EXPENSES</b>					
Salaries & Wages	126,330	168,681	137,157	134,731	(2,426)
Payroll Taxes	11,445	15,726	15,087	13,962	(1,125)
Employee Benefits	43,080	56,650	45,084	40,817	(4,267)
Uniform Expense	2,235	1,728	2,910	2,910	-
Contract Services	-	1,711	-	600	600
Insurance	7,552	12,282	16,910	15,070	(1,840)
Facilities & Operations	27,906	26,707	20,520	34,893	14,374
Utilities	8,223	7,585	6,800	7,400	600
Advertising (legal)	-	2,289	500	500	-
Travel & Training	266	265	400	400	-
<b>Total Operating Expenses</b>	<b>227,036</b>	<b>293,623</b>	<b>245,368</b>	<b>251,283</b>	<b>5,916</b>



## CAPITAL BUDGET 2020

### Overview

A limited number of capital projects are currently funded, as capital needs far exceed available resources. Capital projects not identified in this budget will be examined on a case by case basis. If a project can be funded through rents or on a reimbursable basis and will break even or better within the current fiscal year, it may be considered. Capital projects may also be funded by reallocating operating expenses currently categorized as “Maintenance & Repair” expenses to capital projects as needs warrant.

### JCIA Runway Reconstruction

The Jefferson County International Airport (JCIA) runway was constructed in 1990 with an anticipated design life of 20 years. Although the runway has been well-maintained, it is now beyond its anticipated design life. The Capital Improvement Plan anticipates the completion of this multi-year, FAA supported, effort with construction work commencing as soon as weather conditions permit in the spring. The bidding process has been completed and a Notice of Award letter issued for this project.

### Boat Haven Workyard Resurfacing

Although the Port is in compliance with the Boatyard General Stormwater Permit administered by the Washington State Department of Ecology, on-going maintenance of the Workyard surface is necessary both to improve the working conditions for customers, and to remove and/or cap soils and sediments containing high concentrations of regulated substances (e.g., copper and zinc). The work will involve scarification of the existing surface, excavation to transition and blend existing edges and establish a new gravel surface grade. The effort is anticipated to maintain or improve stormwater system performance and compliance.

### Boat Haven Breakwater Repair

The eastern 600 feet of the main breakwater at Boat Haven was originally constructed in 1935. This portion of the breakwater suffered considerable damage during a storm on December 20, 2018. The damage is similar in nature to storm damage that occurred in 2016. Permitting for this project is not yet complete, which will necessitate formal consultation with the National Marine Fisheries Service (NMFS). Due to the length of the permitting process, the repair work is not anticipated to occur until the in-water work window re-opens in July of 2020. Ongoing maintenance and repair of the breakwater is critical to all operations and activities at Boat Haven.

### WDFW Leasehold Improvements

A majority of the “Hospital Building” at Point Hudson is occupied by the Washington State Department of Fish and Wildlife (WDFW) under a five-year lease with the Port. The lease agreement commits the Port to undertake capital improvements to mitigate creosote odors within the premises. In 2019, the Port undertook the installation of an air-to-air exchange system to increase fresh air circulation within the building. The project for 2020 anticipates the replacement of floor coverings within the premises to remove carpets that retain creosote odors with laminate surfaces less prone to odor absorption. This phase should complete the Port’s agreement to capital improvements outlined in the lease.

### Point Hudson Jetty (South) Renovation

The comprehensive renovation of the Point Hudson Jetty, particularly the 258-foot long South Jetty, is among the Port’s highest capital priorities due to the importance of Point Hudson to the community’s economic vitality and character. The existing structure is severely compromised and in need of complete renovation (i.e., either progressive reconstruction or replacement) in the near-term in order to maintain



uninterrupted use of the historic marina. The work for 2020 involves continuing to advance the engineering design and permitting process for renovation of the South Jetty arm. The preliminary design anticipates the construction of a steel batter-pile and stainless-steel mesh lagging system that would encapsulate the existing deteriorated structure. At present, considerable uncertainty exists with regard to the time that will be required to complete formal consultation with the National Marine Fisheries Service (NMFS) to ensure Endangered Species Act compliance. Both the duration of this process, as well as the off-site mitigation that may be required by NMFS and the US Army Corps of Engineers are unknown at this time.

### **Point Hudson Jetty Repair – Contingency Funding**

Because the time frame for obtaining permits for the Jetty (South) renovation project outlined above is uncertain, contingency funding is budgeted for potential emergency repair work that may be necessary to safeguard continued operation of the Point Hudson Marina until the more comprehensive structural rehabilitation can be completed.

### **Quilcene Marina Entrance Channel Dredging**

The entrance channel to the Quilcene Marina requires periodic maintenance dredging to ensure safe navigation and continued recreational and commercial use of this important south Jefferson County facility. The work on this project anticipated for 2020 involves retaining a consultant to scope the extent of dredging needed and obtain necessary permits; the actual dredging work is not planned to take place until 2021.

### **Small Capital Projects**

These projects will be reviewed and considered on a case by case basis and each is estimated to be less than \$30,000.



## 5-YEAR CAPITAL PROJECTIONS

5 Year Capital Projections  
years 2020-2024  
as of October 23, 2019

	note	2020 estimate	2021 estimate	2022 estimate	2023 estimate	2024 estimate	total
<b>JEFFERSON COUNTY INTERNATIONAL AIRPORT (JCIA)</b>							
JCIA Runway Reconstruction - Phase III (Runway & Taxiway Connector)							
Construction		2,964,000					2,964,000
Construction Administration		340,000					340,000
<b>BOAT HAVEN</b>							
Workyard Resurfacing		90,000			95,000	95,000	280,000
Piling Replacement				300,000			300,000
Breakwater Repair - Construction		300,000					300,000
Yard Transformers Upgrade (PUD)							
C&D & Linear Dock Renovation	1	5,000					5,000
Engineering/Design			200,000				200,000
Construction			500,000	1,000,000			1,500,000
<b>POINT HUDSON</b>							
WDFW roof					64,000		64,000
WDFW Leasehold Improvements		35,000					35,000
Point Hudson South Jetty Renovation							
Design/Permitting	2	100,000					100,000
Construction			5,000,000				5,000,000
Shanghai Roof			107,000				107,000
CONTINGENCY - Jetty Repair		250,000					250,000
<b>QUILCENE</b>							
Marina Entrance Dredging							
Permitting		40,000					40,000
Dredging			250,000				250,000
Marina Dock Repairs					256,000		256,000
Ramp Upgrade					300,000		300,000
<b>OTHER CAPITAL</b>							
Small Capital projects (<=\$30k)		125,000	125,000	125,000	125,000	125,000	625,000
Port Vehicle replacement		-	-	30,000	30,000	30,000	90,000
<b>Total Estimated Project Expenses</b>		<b>4,249,000</b>	<b>6,182,000</b>	<b>1,455,000</b>	<b>870,000</b>	<b>250,000</b>	<b>13,006,000</b>

Port of Port Townsend  
2020-2024 Capital Project Plan related Cashflow Projection

## CAPITAL FUNDING

FUNDING SOURCES	note	2020 estimate	2021 estimate	2022 estimate	2023 estimate	2024 estimate
<b>GRANTS</b>						
FAA - JCIA Runway Reconstruction & Taxiway Connector		(3,288,400)				
WSDOT - JCIA Taxiway Connector		(7,800)				
County PIF - PH South Jetty -Design/Permitting	2	(100,000)				
<b>NEW DEBT</b>						
PH South Jetty Renovation - Construction			(5,000,000)			
<b>INSURANCE RECOVERY</b>						
Boat Haven Breakwater Repair - Construction		(50,000)				
<b>PORT WIDE CAPITAL RESERVE</b>						
Workyard Resurfacing		(90,000)			(95,000)	(95,000)
C&D & Linear Dock - Construction (partial funding)			(285,766)			
WDFW Leasehold Improvements		(35,000)				
WDFW Roof					(64,000)	
<b>BOAT HAVEN RESERVE</b>						
Boat Haven Breakwater Repair - Construction		(250,000)				
C&D & Linear Dock - Construction (partial funding)			(307,234)			
<b>NET OPERATING INCOME</b>						
JCIA match - Construction & Construction Administration		(7,800)				
Boat Haven Piling Replacement				(300,000)		
Yard Transformers Upgrade (PUD)		(5,000)				
C&D & Linear Dock - Engineering/Design			(105,000)			
C&D & Linear Dock - Construction (partial funding)			(2,000)			
Point Hudson - Shanghai Roof			(107,000)			
CONTINGENCY - Jetty Repair		(250,000)				
Quilcene Marina Entrance Dredging - Permitting		(40,000)				
Quilcene Marina Entrance Dredging - Construction						
Quilcene Dock Repairs			(250,000)			
Quilcene Ramp Upgrade					(256,000)	
Small Capital projects		(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Vehicle replacement		-	-	(30,000)	(30,000)	(30,000)
<b>Total Funding Sources supported by Cashflow projections</b>	3	(4,249,000)	(6,182,000)	(455,000)	(870,000)	(250,000)
<b>Unknown Funding Source</b>						
<b>C&amp;D &amp; Linear Dock Renovation Construction</b>				(1,000,000)		
<b>Total Funding Sources supported by Cashflow &amp; Unknown</b>		(4,249,000)	(6,182,000)	(1,455,000)	(870,000)	(250,000)

Port of Port Townsend  
2020-2024 Capital Project Plan related Cashflow Projection

# CASH FLOW PROJECTIONS

5 YEAR PROJECTED CASHFLOW					2020	2021	2022	2023	2024
	note	Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Revenues - Operating	4	6,389,249	6,580,926	6,778,354	6,981,705	7,191,156			
Revenues - Prop Tax Levy	5	1,030,000	1,040,300	1,050,703	1,061,210	1,071,822			
Revenues - Other Non Op	6	3,590,290	5,183,790	148,320	152,770	157,353			
<b>Total INFLOW</b>		<b>11,009,539</b>	<b>12,805,016</b>	<b>7,977,377</b>	<b>8,195,685</b>	<b>8,420,331</b>			
Expenses - Operating	7	5,114,823	5,268,268	5,426,316	5,589,105	5,756,778			
Expenses - Loan/Bond Interest	8	269,587	443,763	415,338	386,088	355,788			
Expenses - Other Non Op	9	1,500	22,530	2,581	13,632	13,905			
<b>Total OUTFLOW</b>		<b>5,385,910</b>	<b>5,734,561</b>	<b>5,844,234</b>	<b>5,988,825</b>	<b>6,126,471</b>			
<b>Net Op/NonOp Inflow/Outflow</b>		<b>5,623,629</b>	<b>7,070,456</b>	<b>2,133,143</b>	<b>2,206,859</b>	<b>2,293,860</b>			
Debt Service Principal	10	(715,000)	(1,005,000)	(1,035,000)	(1,060,000)	(1,085,000)			
Net Capital Project Estimates Supported by Cashflow	3	(4,249,000)	(6,182,000)	(455,000)	(870,000)	(250,000)			
Change in Cash balance		659,629	(116,544)	643,143	276,859	958,860			
Beginning Year Cash		2,232,785	2,892,414	2,775,870	3,419,013	3,695,872			
<b>Total Ending Year Cash &amp; Investments</b>		<b>2,892,414</b>	<b>2,775,870</b>	<b>3,419,013</b>	<b>3,695,872</b>	<b>4,654,731</b>			
<b>Total Ending Cash Reserves</b>		<b>1,062,234</b>	<b>955,484</b>	<b>1,618,922</b>	<b>1,892,265</b>	<b>2,400,234</b>			
<b>Total Unreserved Cash</b>		<b>1,830,180</b>	<b>1,820,386</b>	<b>1,800,091</b>	<b>1,803,607</b>	<b>2,254,497</b>			
<b>RESERVES</b>									
Contingency		75,000	75,000	75,000	75,000	75,000			
Hazardous Waste		25,000	25,000	25,000	25,000	25,000			
Unemployment		10,000	10,000	10,000	10,000	10,000			
Operating Reserve	11	315,000	551,250	964,688	1,147,031	1,500,000			
PT&H Renovation	12	307,234	-	-	-	-			
Port-wide Capital	13	330,000	294,234	544,234	635,234	790,234			
<b>Target Oper. Reserve (25% of Operating Expense)</b>	11	<b>1,278,706</b>	<b>1,317,067</b>	<b>1,356,579</b>	<b>1,397,276</b>	<b>1,439,195</b>			

**Capital Budget & Cashflow Notes:**

1. Project total is \$10,000 and estimated to be half way done by end of 2019 with the remainder in 2020.
2. Design/Permitting on the South Jetty Reconstruction project started in 2019, partially funded by the Jefferson County PIF grant in the amount of \$150,000.
3. This line item is the total capital projects that are supported by the Cashflow projections, which include awarded grants, various capital reserves and net operating income. Under "Unknown Funding Sources" for 2021 is the remaining 2/3 of the C&D & Linear Dock Renovation construction.
4. Revenues - Operating were increased conservatively each year by 3.0% after 2020, based on averaging 8-year historical results.
5. Revenues - Prop Tax Levy was increased annually by 1.0% as allowed by statute (actual may vary by AV and new construction estimates calculated annually by County Assessor).
6. Revenues - Other Non-Operating in all periods, are based on an 8-year historical average for 2021 and subsequently increased annually at 3%. 2020 includes the FAA and WSDOT grants for the JCIA Runway Rehabilitation project. 2021 includes estimates for new debt for Point Hudson South Jetty Renovation Construction. The jetty project estimates are preliminary.
7. Expenses - Operating is increased annually at 3% after 2020, based on averaging 8-year historical results.
8. Expenses - Bond Interest is based on bond amortization schedules of current debt, plus, starting in 2021, an estimated annual Loan or Bond repayment for the Point Hudson South Jetty Renovation (principal \$5m @ 3% for 20 years).
9. Expenses - Other Non-Operating start with 2020 budget and increased annually by 2%, based on an 8-year historical average. This line item has historically varied quite a lot, but the amount is not significant to this analysis. Future election years are in 2021, district 2 and 3, and 2023 for district 1.
10. Debt principle is current debt, based on bond amortization schedules, plus starting in 2021, an estimated annual Loan or Bond repayment for the Point Hudson South Jetty Renovation (principal \$5m @ 3% for 20 years).
11. In January 2019, the Port commission approved a minimum cash reserve for operations to ensure the long-term sustainability of the Port. The target is 25% of annual operating expenses. With progressive savings, this reserve should be fully funded by 2024, estimated to total approximately \$1.5m (25% of Operating Expenses).
12. The Port Townsend Boat Haven Reserve is anticipated to be spent down by the end of 2021 with various Boat Haven capital projects.
13. The Port-Wide Capital Reserve will be used for projects and grant match, as applicable. In August 2016, the Commission established this reserve to be funded at \$120,000/year and, starting in 2021, the plan is to increase this reserve funding to \$250,000/year. Throughout this 5-year projection, these funds will be used for various projects as noted above.



### Cash Flow Projection Assumptions

Year-to-date August is 67% through the year, and yet revenues were at 70% of budget and expenses were at 61% of budget.

For years 2020-2024, we projected annual increases in revenue and expense both by 3%. These are based on an 8-year historical average of Port increases.

Non-Operating Revenues and Expenses are based on 2020 known and anticipated projections such as grants, the property tax levy, debt service interest, and both the JCIA Runway Reconstruction and Point Hudson South Jetty Reconstruction project grant revenues. Projections after 2020 are based on known and anticipated inflows and outflows, to include future elections.

Capital Expenses in 2020 include the JCIA Runway Reconstruction project, the Point Hudson South Jetty Reconstruction design and permitting, the Boat Haven Breakwater Repair project and a contingency for an emergency repair of the Point Hudson South Jetty. Some smaller capital projects in various stages are included, as well. For years 2021-2024, there is a capital expense placeholder for small capital projects (not yet unidentified) and in 2022 vehicles are placed back on the schedule annually. This is very early in the project stage, however, we're estimating approximately \$5,000,000 in bond debt will be necessary in 2021 to fund the Point Hudson South Jetty Reconstruction, if the Commission so chooses. In 2022, there is \$1,000,000 in unfunded project costs for the C&D Dock Renovation and in subsequent years, the ability to fund projects dwindles.

Debt Service principle is in accordance with the bond amortization schedules. New debt is anticipated to occur in 2021 for the Point Hudson South Jetty Reconstruction.



## PROPERTY TAX LEVY

### Regular Tax Levy

The preliminary total assessed value (AV) for the Port District for 2020, as of budget adoption, is \$5,980,649,107. Per the County Assessor, the total recommended general tax levy to budget for 2020 is projected to be approximately \$0.17 per \$1,000 of AV, which calculates to \$1,030,000, including new construction estimates.

The Jefferson County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on the property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required annually, which includes physical inspections every six (6) years while the remainder is performed with a combination of statistics, sales studies and inspections.

The Port is permitted by law to levy up to 45 cents per \$1,000 of assessed valuation for general port purposes. The rate may be reduced for either of the following reasons:

1. Washington State Law in Revised Code (RCW) 84.55.010 limits tax growth to 1% per year, plus adjustments for new construction,
2. If the assessed valuation increases by more than the tax limitations due to revaluation, the levy rate is decreased accordingly so that no more than the tax limit is collected.

### Special Tax Levies

Special levies approved by the voters are not subject to the above limitation. The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed \$0.45 per \$1,000 of AV of taxable property.

### Industrial Development District (IDD) Tax Levy

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two (2) multiyear levy periods only. (A third multiyear levy is allowed for counties bordering the Pacific Ocean, but first must be brought to the voters for approval.) The IDD levy may not exceed the sum of \$2.70 per \$1,000 of AV for taxable property in the Port District for taxes collected in the base year and the maximum allowable amount that could have been collected under RCW 84.55.010 for the first six (6) collection years of the levy period. The levy period may not exceed twenty years from the date the initial levy is made, and the levy rate in any year may not exceed \$0.45 per \$1,000 of AV. If a Port District intends to levy this tax over a second multiyear levy period, the Port must publish notice of intent to impose such a levy, and if signatures of at least eight (8) percent of the voters protest the levy a special election must be held with a majority approval required.

### Tax Levy Uses

The Port Commission has directed that the funds collected by the tax levy will be used for debt service for general obligation bonds.

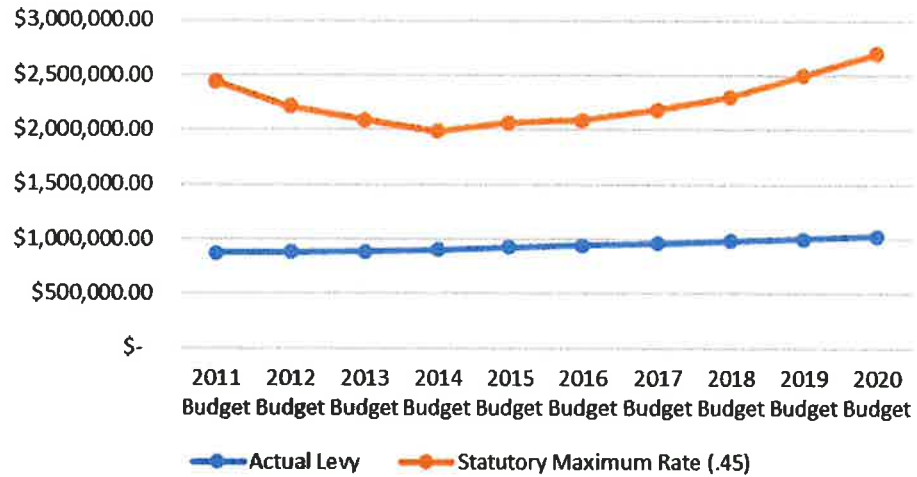
### Tax Levy Graph

The following graph depicts the actual tax levy for the last 10 years (blue line) as compared to the statutory maximum rate for the same period. This maximum by statute depicted by the graph's orange line, would require approval of the Port District's voters, as discussed above. Annually, the Port is restricted to increases in the levy by 1% (RCW 84.55.010) or more if there is banked capacity. A banked capacity can only occur



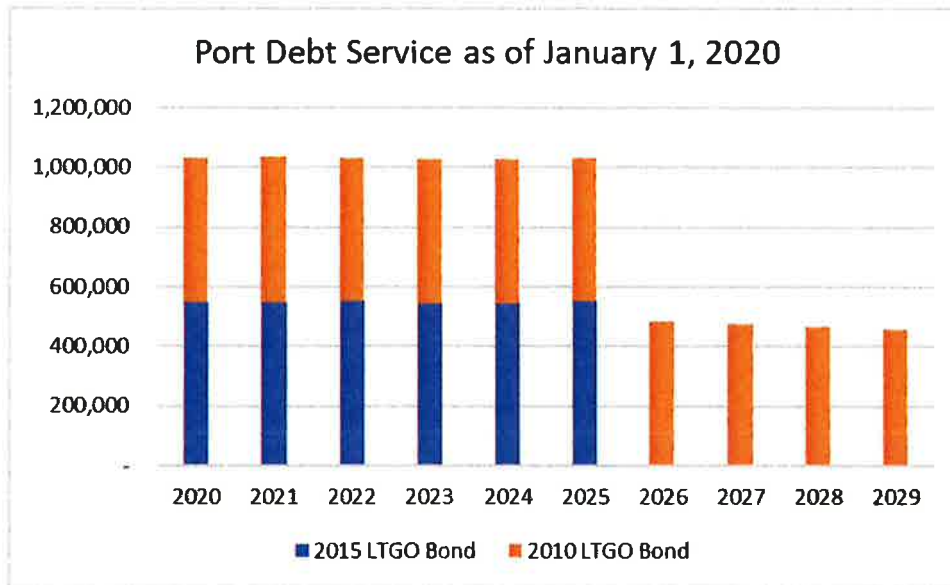
when a taxing district opts not to take an increase in any given tax year. The Port currently does not have any banked capacity.

Property Tax Levy - 10 year trend



## DEBT SERVICE

Debt	Principal Balance	Interest Balance	Pay-Off Date
2015 LTGO Refunding Bond	\$3,294,950	\$ 275,325	December 2025
2010 LTGO Bond	\$3,605,000	\$1,173,713	December 2029
<b>Total</b>	<b>\$6,899,950</b>	<b>\$ 1,449,038</b>	
		<b>\$ 8,348,988</b>	



### Schedule and Purpose of Debt:

2015 LTGO Bond – Refunding of 2005 LTGO Bond used for Point Hudson Marina Construction

2010 LTGO Bond – Reconstruction of Boat Haven A/B Dock (83%) and 75 Ton Lift Pier (17%)

**RESOLUTION NO. 709-19**

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

**RESOLUTION ESTABLISHING THE YEAR 2020 OPERATING AND CAPITAL BUDGETS AND  
AUTHORIZING CERTAIN DISBURSEMENTS TO MEET EXPENSES OF THE PORT OF PORT TOWNSEND  
FOR THE YEAR 2020.**

**WHEREAS**, under the provisions of RCW 53.35.030 the Port Commission of the Port of Port Townsend is authorized to adopt final operating and capital budgets for the year 2020; and

**WHEREAS**, notice of a public hearing for this action was published on October 9, 2019, and again on October 16, 2019, and a public hearing was held on October 23, 2019; and

**WHEREAS**, following the public hearing conducted on October 23, 2019 the Port Commission voted unanimously to approve the 2020 Operating and Capital Budgets by way of a motion and vote, and now wishes to formalize and affirm that decision by way of this Resolution; and

**WHEREAS**, the required filing, notice and public hearing on the preliminary operating budget, as provided in RCW 53.35.020 and RCW 53.35.045 have been met; and

**WHEREAS**, the 2020 Operating and Capital Budgets describes and provides budget authorization for day-to-day operations and specific capital projects throughout the Port; and

**NOW, THEREFORE BE IT HEREBY RESOLVED** by the Port Commission of the Port of Port Townsend, that estimated receipts and disbursements for the Port of Port Townsend operations and capital activities, for the year 2020 shall be as per the attached marked "Exhibit A", Port of Port Townsend 2020 Operating and Capital Budgets.

**ADOPTED this 13<sup>th</sup> day of November 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:**

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

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

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

**APPROVED AS TO FORM:**

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

**RESOLUTION NO. 710-19**

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

**RESOLUTION FIXING THE AMOUNT OF TAX TO BE LEVIED, AND  
LEVYING THE TAX UPON TAXABLE PROPERTY IN THE PORT OF PORT TOWNSEND DISTRICT, BOTH  
REAL, PERSONAL AND UTILITIES TO MEET EXPENSES OF SAID PORT OF PORT TOWNSEND FOR  
COLLECTION IN THE YEAR 2020.**

**WHEREAS**, the Port Commission properly gave notice of the public hearing held October 23, 2019 to consider the Port of Port Townsend's current expense budget for the calendar year 2020, pursuant to RCW 53.35.020; and

**WHEREAS**, the Port Commission, after hearing and duly considering all relevant evidence and testimony presented, has determined that the Port of Port Townsend requires an increase in property tax revenue from the previous year, other than the increase resulting from the addition of new construction and improvements to property, and any increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, if such facilities generate electricity and the property is not included elsewhere under Chapter 84.55 RCW for purposes of providing an additional dollar amount, whether classified as real or personal property, and refunds from the previous year, and any increase in the value of state-assessed property, in order to discharge the expected expenses and obligations for the Port of Port Townsend and in its best interest;

**NOW, THEREFORE BE IT HEREBY RESOLVED:** by the Port Commission of the Port of Port Townsend that a tax levy in the amount of \$1,013,580.77 is authorized for collection in the year 2020, which is an increase of one (1.0) percent (\$10,034.45) from the previous year's levy.

**ADOPTED this 13<sup>th</sup> day of November 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:**

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

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

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

**APPROVED AS TO FORM:**

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

**RESOLUTION NO. 711-19**

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

**REAFFIRMING AND RATIFYING RESOLUTION 698-19 WHICH AUTHORIZED AN INDUSTRIAL DEVELOPMENT DISTRICT (IDD) MULTIYEAR LEVY PERIOD PURSUANT TO RCW 53.36.160(2) AND AUTHORIZING A TAX LEVY FOR COLLECTION IN THE YEAR 2020**

**WHEREAS**, the Commission of the Port of Port Townsend adopted Resolution 698-19 at its regular Meeting on March 27, 2019, approving the use of a second multi-year levy period of up to twenty years under the authority of RCW 53.36.160; and

**WHEREAS**, consistent with RCW 53.36.160(2), a petition was filed with the Jefferson County Auditor containing a sufficient number of signatures of registered voters in the County to submit the levy period adopted under Resolution 698-19 to the voters for ratification under the ballot title "Port of Port Townsend Special Election – Proposition 1"; and

**WHEREAS**, in the election conducted on November 5, 2019 the voters of Jefferson County voted to approve Proposition 1, thereby affirming the multiyear levy period adopted by the Commission of the Port of Port Townsend under Resolution 698-19; and

**WHEREAS**, the Port of Port Townsend has now complied with all of the requirements of the law relating to the adoption of a second multiyear levy period and intends to authorize an industrial development district tax levy for collection in the year 2020;

**NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:**

1. The Port Commission of the Port of Port Townsend hereby ratifies and affirms the terms of Resolution 698-19.
2. Pursuant to RCW 53.36.100, the Port Commission hereby authorizes an industrial development district levy in the amount of \$809,354 (with a current estimated levy rate of \$0.13 per \$1,000 dollars of assessed value on all taxable property within the Port districts) for collection in the year 2020.

**ADOPTED this 13<sup>th</sup> day of November 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:**

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

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

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

**APPROVED AS TO FORM:**

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

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	November 13, 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. C) The Artful Sailor - New Lease
<b>STAFF LEAD</b>	Eric Toews, Deputy Director & Sue Nelson, Lease & Contracts Administrator
<b>REQUESTED</b>	<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Info Memo B. Key Terms C. The Artful Sailor Lease D. Exhibit A – Location of Lease Subject E. Exhibit B - Hazardous Substances Warranty & Agreement

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 11/13/2019  
**TO:** Port Commission  
**FROM:** Sue Nelson, Lease & Contracts Administrator  
**SUBJECT:** The Artful Sailor – Proposed Armory Building Lease Agreement

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**BACKGROUND:** Pami-Sue Alvarado, d/b/a The Artful Sailor is a “Whole Earth Nautical Supply that promotes and perpetuates traditional skills in the rigging, working and maintenance of sailing craft.” The space includes a shop with canvas-related items and tools, and they repurpose/recycle sails. Small sized classes and seminars are held in the space periodically.

The Artful Sailor has been a Port tenant in good standing, located in Point Hudson, since 2017.

**DISCUSSION:** The Artful Sailor has been paying a \$400/month for 600 sf of shop space since 2017. The proposed monthly rate of \$412.80 (\$0.69 s/f) includes the CPI-U increase of 3.2%. In addition, they have added an additional 120 sf of storage space in what has been known as the “common area” of the Armory Building. The storage space is based on \$0.585/sf. Proposed grand total monthly lease rate for the shop space and storage space is \$483.00 plus Leasehold Tax.

Lease term is one-year with four (4) one-year options.

In the event The Artful Sailor were to become a “holdover” tenant at the end of the lease term, the rent would increase to 125% of that paid in the month preceding lease termination.

The proposed security deposit is equal to three (3) months’ rent, to be paid within a six-month installment term. Port staff is both pleased and happy to secure these craftspeople to a term lease.

**RECOMMENDATION:** Authorize the Executive Director to execute the attached lease with The Artful Sailor, a sole proprietorship.

### **ATTACHMENTS**

- Summary of Key Terms – Point Hudson Armory (portion of) Lease
- Draft Port-The Artful Sailor Lease; “Exhibit A”, graphic depiction of the premises; and, “Exhibit B”, Hazardous Substances Warranty & Agreement)



**PORT OF PORT TOWNSEND:**  
**Summary of Key Terms - Point Hudson Armory Building (Portion of) Lease**  
**(November 13, 2019)**

1. **TENANT:** Pami-Sue Alvarado, d/b/a The Artful Sailor, a sole proprietorship.
2. **PREMISES:** Approximately 600 square feet of marine-related, light-industrial building shop space and 120 square feet of storage space, both on the ground floor of the Armory Building at Point Hudson on the Washington Street side.
3. **TERM:** One (1) year, beginning on December 1, 2019, and ending on November 30, 2020. Option to extend the lease term by four (4) one-year terms. Notification to extend the Lease will be done in writing ninety (90) days prior to the end of the lease or any extended term.
4. **RENT:** \$483.00 per month (calculated at approximately 0.69¢ per square foot for 600 sf of shop space, and 0.59¢ per square foot for 120 sf of storage space) plus LHT (i.e., \$483.00 + 12.84% (\$62.02) = \$545.02). Rent adjusted per CPI-U beginning year 2; base rent may be adjusted beginning in year three (i.e., based on market rate study).
5. **HOLDING OVER:** In the event Lessee allows the lease to expire without negotiating a new agreement with the Port, the tenancy will roll over into a month-to month basis, with all other provisions of the lease agreement remaining in effect, except that the rent will increase to 125% of the rent due in the month preceding the holdover (e.g., if the rent were \$483.00 + LHT, the rent in holdover status would be + 25%, or \$603.75 + LHT).
6. **USE OF PREMISES:** Shop and manufacturing space for canvas handiwork and other marine related uses, including classes and seminars, and storage space for dinghies.
7. **SECURITY:** Three (3) month security + LHT (\$1,635.06) at lease inception; lessee already has a deposit of \$400.00 on file with the Port from an agreement to be superseded by this lease; thus, \$1,235.06 deposit balance to be paid within a six-month period, with the first installment to be paid upon execution of this lease.
8. **UTILITIES:** All utilities are the responsibility of the Lessee.
9. **MAINTENANCE & REPAIR:** All maintenance and repairs are the Lessee's responsibility.
10. **INSURANCE:** Per Port policy. Commercial General Liability of \$1,000,000 combined single limit; Workers Compensation Insurance of not less than \$1,000,000 per occurrence; insurance certificates naming the Port as an additional insured; proof of insurance must be provided prior to occupancy.
11. **ASSIGNMENT/SUBLEASE:** Permitted only by prior written consent of the Port.
12. **DEFAULTS/TERMINATION:** Time is of the essence. Failure to pay rent, or to abide by the covenants/agreements contained in the lease, may serve as a basis for termination. Lessee will be provided with fifteen (15) days' written notice to cure defaults. Port may also terminate upon one-hundred and twenty (120) days' written notice, at its sole discretion, for public or private use in connection with the operation of the business of the Port.

## PORT OF PORT TOWNSEND POINT HUDSON BUILDING LEASE

**THIS LEASE AGREEMENT** made this \_\_\_\_ day of November 2019, by and between the PORT OF PORT TOWNSEND, a municipal corporation organized and existing under the laws of the State of Washington, Lessor, hereinafter referred to as "the Port," and Pami-Sue Alvarado, d/b/a THE ARTFUL SAILOR, a sole proprietorship, hereinafter referred to as "Lessee,"

### WITNESSETH:

That the parties hereto do mutually agree as follows:

1. **LEASED PREMISES:** The Port hereby leases to Lessee, and Lessee hereby hires and leases from the Port, the following described premises situated in the City of Port Townsend, Jefferson County, State of Washington:

600 square feet of shop space located on the northwest corner of the ground floor of the Armory Building at Point Hudson with an address of 410 Washington Street, and approximately 120 square feet of storage space located near the northeast corner of the ground floor of the Armory Building at Point Hudson Port Townsend, Jefferson County, Washington.

hereinafter referred to as "the premises." All grounds and parking areas surrounding the Armory Building are excluded from the leased premises. The premises are depicted on Exhibit "A" which is attached hereto and which by this reference is incorporated herein as if fully set forth herein.

2. **TERM:** The term of this Lease is one (1) year, beginning December 1, 2019, ending at midnight, November 30, 2020, unless extended or sooner terminated as provided in this Lease. The Lessee shall also have options to extend the lease term by four (4) one-year terms. Notification to extend the Lease will be done in writing ninety (90) days prior to end of the initial lease term.
3. **RENT:** Lessee agrees to pay as rental for the leased premises the sum of **Four Hundred Eighty-Three Dollars (\$483.00)** plus all applicable taxes.<sup>1</sup> The rent for each month shall be paid to the Port in advance on or before the first day of each and every month of the lease term, and shall be payable at such place as the Port may hereinafter designate. Beginning in year three (3) and every three (3) years thereafter, the rental rate may be adjusted to the fair market rental rate then prevailing for comparable commercial and/or industrial property in the Western Washington area, bearing in mind all allowable uses of the property and all services and amenities available to the property by virtue of its location.

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<sup>1</sup> Calculated as follows: approximately 69¢ per s.f. x 600 s.f. = \$412.80 building rent, plus 58.5¢ per s.f. x 120 s.f. = \$70.20 storage rent, total of \$483.00; LHT @ 12.84% x \$483.00 = \$62.02; total = \$545.02.

In the event that the parties are unable to reach agreement on the fair market rate adjustment, the rate shall be determined by arbitration before a single arbitrator who shall be jointly selected by the parties or by the Jefferson County Court. The rental rate beginning in year two (2) and annually throughout the term of the lease will be adjusted by an amount equal to the accumulative amount found on the Consumer Price Index for all urban consumers (CPI-U) for Seattle-Tacoma-Bremerton, which is compiled by the Department of Labor, Bureau of Statistics. In no event shall any rent adjustment result in a reduction in rent from the rate paid in the prior year.

4. **LATE CHARGE:** In the event that any installment of rent remains unpaid more than twenty (20) days after it is due, then Lessee shall also be obliged to pay a "late charge" as per the Port of Port Townsend Rate Schedule then in effect.
5. **SECURITY DEPOSIT:** Upon the execution of this Lease, Lessee shall deposit with the Port security in the amount of **One Thousand Six Hundred Thirty-Five Dollars and 06 Cents (\$1,635.06)**<sup>2</sup> in order to guarantee performance under this Lease. However, Lessee has an existing deposit of **Four Hundred Dollars (\$400.00)** currently on file with the Port under an agreement now superseded by this Lease. Accordingly, Lessee shall deposit an additional **One Thousand Two Hundred Thirty-Five Dollars and Six Cents (\$1,235.06)**; and each month for six months thereafter, Lessee shall deposit an additional **Two Hundred Five Dollars & Eighty-Five Cents (\$205.35)** in order to satisfy the requirements of this paragraph 5. This Lease shall not be effective until the full deposit of **One Thousand Six Hundred Thirty-Five Dollars and Six Cents (\$1,635.06)** is on file with the Port. The deposit shall be held by the Port as security for Lessee's faithful performance of all of its obligations under this Lease. Any interest earned on amounts deposited shall be retained by the Port. The deposit shall be returned to Lessee upon termination of this Lease, less any charges owing to the Port or expenses incurred by the Port in repairing damage caused by Lessee or restoring the leased premises to the condition required upon termination of this Lease.
6. **USE OF PREMISES:** Lessee shall use the premises as shop and manufacturing space for canvas handiwork, classes, storage space for dinghies, and other marine-related uses, and shall not use them for any other purpose without the prior consent of the Port. Lessee shall use the entire premises for the conduct of said business continuously during the entire term of this Lease, with the exception of temporary closures for such periods as may reasonably be necessary for repairs or for reasons beyond Lessee's reasonable control. Lessee agrees that it will not disturb the Port or any other tenant of the Port's by making or permitting any disturbance or any unusual noise, vibration or other condition on or in the premises.

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<sup>2</sup> Required security for all Port leases is three (3) months (minimum) + LHT, calculated as follows: \$483.00 per month x 3 = \$1,449.00; \$1,449.00 x 12.84% = \$186.06; \$1,449.00 + \$186.06 = \$1,635.06.

7. **UTILITIES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all utility services furnished to the premises, including, but not limited to, light, heat, electricity, gas, water, sewerage, garbage disposal.
8. **ACCEPTANCE OF PREMISES:** Lessee has examined the leased premises and accepts them in their present condition "as is" and without further maintenance liability on the part of the Port. The Port makes no representations or warranties with respect to the condition, suitability, zoning restrictions, or usability, except the Port's right to grant a lease of the premises. Lessee acknowledges that Lessee has fully inspected the premises and is not relying on any statement or representation made by the Port or the Port's agents with respect to the condition of the premises, and Lessee assumes the responsibility and risks of the same, including any defects or conditions that cannot be observed by casual inspection.
9. **MAINTENANCE AND REPAIR:** Maintenance and repair of the premises and all improvements thereon is the sole responsibility of Lessee. Accordingly, at the expiration or sooner termination of this Lease, Lessee shall return the premises to the Port in the same condition in which received (or, if altered by Lessee with the Port's consent, then the premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or unavoidable casualty excepted. Lessee's obligation to make repairs shall not extend to any repairs to the roof (structure of covering), to the foundations of the building or structure and exterior walls, of which the leased premises are a part, unless such repairs are necessitated by Lessee's negligence or failure to maintain the interior. Lessee shall, at its' own expense, and at all times:
  - a. Keep the premises, and the adjoining roadways and sidewalks, neat, clean and in a safe and sanitary condition;
  - b. Maintain and keep the leased premises in a good state of repair; and
  - c. Not commit waste of any kind.
10. **ALTERATIONS AND IMPROVEMENTS:** Lessee shall make no alterations or improvements to or upon the premises or install any fixtures (other than trade fixtures which can be removed without injury to the premises) without first obtaining written approval from the Executive Director of the Port. When seeking the Port's approval, Lessee shall submit full plans and specifications for any proposed alterations and shall furnish proof of compliance with all applicable building codes and other regulations and shall apply for and obtain all necessary permits for such work. If the proposed improvements are estimated to cost more than \$25,000, the Port may require the posting of a completion bond as security for the completion of the improvements. Upon conclusion of the alterations, Lessee shall furnish "as-built" drawings of all improvements and alterations. The Port's approval of alterations shall also include agreement for disposition of the improvements upon termination of this Lease.
11. **INSPECTION - "FOR RENT" SIGNS:** The Port reserves the right to inspect the leased premises at any and all reasonable times throughout the term of this Lease, PROVIDED, that it shall not interfere unduly with Lessee's operations. The right of inspection reserved to the Port

hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the premises and shall impose no liability upon the Port for failure to make such inspections. The Port shall have the right to place and maintain "For Rent" signs in conspicuous places on the premises for thirty (30) days prior to the expiration or sooner termination of this Lease.

- 12. POSSESSION:** If the Port shall be unable for any reason to deliver possession of the premises, or any portion thereof, at the time of the commencement of the term of this Lease, the Port shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable, nor shall the term specified herein be in any way extended, but in such event Lessee shall not be liable for any rent until such time as the Port can deliver possession, PROVIDED, that if Lessee shall, in the interim, take possession of any portion of the premises, it shall pay as rental the full rental specified herein reduced pro rata for the portion of the premises not available for possession by Lessee, AND PROVIDED FURTHER, that if the Port shall be unable to deliver possession of the premises at the commencement of the term of this Lease, Lessee shall have the option to terminate this Lease by at least thirty (30) days written notice, unless the Port shall deliver possession of the premises prior to the effective date of termination specified in such notice. If Lessee shall, with the Port's consent, take possession of all or any part of the premises prior to the commencement of the term of this Lease, all of the terms and conditions of this Lease shall immediately become applicable.

**13. DAMAGE OR DESTRUCTION:**

- a. Should the premises or the buildings or structures of which the premises are a part be damaged by fire or other casualty, and if the damage is repairable within four (4) weeks from the date of the occurrence (with the repair work and the preparations therefore to be done during regular working hours on regular work days), the premises shall be repaired with due diligence by the Port, and in the meantime the monthly minimum rental shall be abated in the same proportion that the untenable portion of the premises bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs.
- b. Should the premises or any buildings or structures of which the premises are a part be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot be repaired within four (4) weeks of the occurrence, the Port shall have the option to terminate this Lease on thirty (30) days' notice, effective as of any date not more than sixty (60) days' after the occurrence. In the event that this paragraph shall become applicable, the Port shall advise Lessee within thirty (30) days after the happening of any such damage whether the Port has elected to continue the lease in effect or to terminate it. If the Port shall elect to continue this Lease in effect, it shall commence and prosecute with due diligence any work necessary to restore or repair the premises. If the Port shall fail to notify Lessee of its election within said thirty (30) day period, the Port shall be deemed to have elected to terminate this Lease, and the lease shall automatically terminate sixty (60) days after the occurrence of the damage.

For the period from the occurrence of any damage to the premises to the date of completion of the repairs to the premises (or to the date of termination of the lease if the Port shall elect not to restore the premises), the monthly minimum rental shall be abated in the same proportion as the untenable portion of the premises bears to the whole thereof.

14. **INDEMNIFICATION AND HOLD HARMLESS:** The Port, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property, regardless of how such injury or damage be caused, sustained, or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the premises) or occurrence whatsoever related in any way to the premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of the premises and of the areas adjacent thereto except to the extent attributable to the negligence or other wrongdoing of the Port or its employees, contractors or agents. Lessee agrees to defend and to hold and save the Port harmless from all liability or expense of litigation in connection with any such items of actual or alleged injury or damage.
15. **INSURANCE:** Lessee agrees to maintain during the lease term liability insurance as set forth below, at Lessee's sole expense. All such insurance shall name the Port of Port Townsend as an additional insured and shall be with insurance companies acceptable to the Port.
- a. Comprehensive General Liability Insurance against claims for injury or death to persons or damage to property with minimum limits of liability of \$1,000,000.00 combined single limit for each occurrence. Such insurance shall include but not be limited to bodily injury liability, personal injury liability, property damage liability, broad form property damage liability, contractual liability, and products/completed operations liability.
  - b. Workers Compensation Insurance as will protect tenant's employees from claims under Washington Workers Compensation Act as well as all Federal Acts applicable to the tenant's operations at the site such as but not limited to U.S. Longshoremen and Harborworkers Act, Jones Act, and Federal Employers Liability section of the Washington Workers Compensation Policy and all Federal Acts Insurance shall not be less than \$1,000,000.00 for each occurrence.

The Lessee agrees to supply the Port with appropriate evidence to establish that its insurance obligations have been met, and that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice to the Port. The conditions set forth in subparagraphs (a) and (b) of this paragraph 15 shall be met prior to occupancy.

16. **LIMITED WAIVER OF IMMUNITY UNDER WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW AND OTHER SIMILAR INDUSTRIAL INSURANCE SCHEMES:** For purposes of the indemnification provision set forth in paragraph 14, above, and only to the extent of claims against Lessee by the Port under such indemnification provision, Lessee specifically waives any immunity it may be granted under the Washington State Industrial Insurance Act, Title 51 RCW, The United States Longshore and Harbor Workers

Compensation Act, 33 USC §901-950, or any other similar workers' compensation schemes. The indemnification obligation under this lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefit acts. The foregoing provision was specifically negotiated and agreed upon by the parties hereto.

17. **WAIVER OF SUBROGATION:** The Port and Lessee hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective fire insurance contracts, including any extended coverage endorsements thereto, PROVIDED, that this paragraph 17 shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of the Port or Lessee.
18. **INCREASE IN COST OF INSURANCE:** Lessee shall not use the demised premises in such a manner as to increase the existing rates of insurance applicable to the buildings or structures of which the premises are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the leased premises are a part, and to the extent allocable to the term of this Lease, may be added to the amount of rental hereinabove specified and shall be paid by Lessee to the Port upon the monthly rental day next thereafter occurring.
19. **HAZARDOUS SUBSTANCES WARRANTY AND AGREEMENT:** Lessee has examined the Hazardous Substance Warranty and Agreement, consisting of six (6) pages, which is attached as Exhibit "B" hereto and which by this reference is incorporated herein as fully set forth herein, and acknowledges full understanding of its obligations under said Hazardous Substances Warranty and Agreement.
20. **TAXES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all license and excise fees and occupation taxes covering the business conducted on the premises, and all taxes on property of Lessee on the leased premises and any taxes on the leased premises or leasehold interest created by this Lease Agreement.
21. **COMPLIANCE WITH PORT REGULATIONS AND WITH ALL LAWS:** Lessee agrees to comply with all applicable rules and regulations of the Port pertaining to the building or other realty of which the premises are a part now in existence or hereafter promulgated for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public. Lessee also agrees to comply with all applicable federal, state, and municipal laws, ordinances, and regulations. Lessee further agrees that all buildings, structures or other improvements, approved by the Port, will be properly permitted by Jefferson County. Any fees for any inspection of the premises during or for the lease term by any federal, state or municipal officer and the fees for any so-called "Certificate of Occupancy" shall be paid by Lessee.



**22. ASSIGNMENT OR SUBLEASE:**

- a. Lessee shall not assign or transfer this Lease or any interest therein nor sublet the whole or any part of the premises, nor shall this Lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, otherwise, without the written consent of the Port first had and obtained.
- b. If Lessee is a corporation, Lessee further agrees that if at any time during the term of this Lease more than one-half (1/2) of the outstanding shares of any class of stock of Lessee corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the execution of this Lease or to members of their immediate families, such change in the ownership of the stock of the Lessee shall be deemed an assignment of this Lease within the meaning of this paragraph.
- c. Lessee shall reimburse the Port, within thirty (30) days of presentment of a bill for attorney fees incurred by the Port regarding a consent to assignment for the purpose of obtaining a loan or other consideration from a third party.
- d. If the Port shall give its consent to any assignment or sublease, this paragraph shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without the Port's consent.

**23. DEFAULTS:** Time is of the essence of this Lease Agreement, and in the event of the failure of Lessee to pay the rentals or other charges at the time and in the manner herein specified, or to keep any of the covenants or agreements herein set forth to be kept and performed, the Port may elect to terminate this Lease and reenter and take possession of the premises with or without process of law, PROVIDED, however, that Lessee shall be given fifteen (15) days' notice in writing stating the nature of the default in order to permit such default to be remedied by Lessee within said fifteen (15) day period. If upon such reentry there remains any personal property of Lessee or of any other person upon the leased premises, the Port may, but without the obligation so to do, remove said personal property and hold it for the owners thereof or may place the same in a public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse the Port for any expense incurred by the Port in connection with such removal and storage. The Port shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, and third to the payment of any other amounts which may then be due from Lessee to the Port, and the balance, if any, shall be paid to Lessee. Notwithstanding any such reentry, the liability of Lessee for the full rental provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee shall make good to the Port any deficiency arising from a re-letting of the leased premises at a lesser rental than that hereinbefore agreed upon. Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Port. Any failure by the owners, officers, or principals of Lessee to pay rentals, storage fees, moorage or any other charges owed to the Port under separate contract shall constitute default under provisions of this Lease Agreement.

24. **TERMINATION BY PORT:** In the event that the Port, at its sole discretion, shall require the use of the premises for any purpose for public or private use in connection with the operation of the business of the Port, then this Lease may be terminated by the Port by written notice delivered or mailed by the Port to the Lessee **one hundred and twenty (120)** or more days before the termination date specified in the notice. Lessee and the Port Executive Director will agree compensation to Lessee for loss of use, cost of relocation, and/or cost of improvement. In the event that the parties are unable to reach agreement on the compensation to Lessee, the amount shall be determined by arbitration before a single arbitrator who shall be jointly selected by the parties or by the Jefferson County Court if the parties cannot agree.
25. **TERMINATION FOR GOVERNMENT USE:** In the event that the United States Government or any agency or instrumentality thereof shall, by condemnation or otherwise, take title, possession or the right to possession of the premises or any part thereof, the Port may, at its option, terminate this Lease as of the date of such taking, and, if Lessee is not in default under any of the provisions of this Lease on said date, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
26. **TERMINATION BECAUSE OF COURT DECREE:** In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
27. **SIGNS:** No signs or other advertising matter, symbols, canopies or awnings shall be attached to or painted or within the leased premises, including the windows and doors thereof, without the approval of the Executive Director of the Port first had and obtained. At the termination or sooner expiration of this Lease, all such signs, advertising matter, symbols, canopies or awnings attached to or painted by Lessee shall be removed by Lessee at its own expense, and Lessee shall repair any damage or injury to the premises, and correct any unsightly condition, caused by the maintenance and removal of said signs, etc.
28. **INSOLVENCY:** If Lessee shall file a petition in bankruptcy, or if Lessee shall be adjudged bankrupt or insolvent by any court, or if a receiver of the property of Lessee shall be appointed in any proceeding brought by or against Lessee, or if Lessee shall make an assignment for the benefit of creditors, or if any proceedings shall be commenced to foreclose any mortgage or any other lien on Lessee's interest in the premises or on any

personal property kept or maintained on the premises by Lessee, the Port may at its option, terminate this Lease.

- 29. WAIVER:** The acceptance of rental by the Port for any period or periods after a default by Lessee hereunder shall not be deemed a waiver of such default unless the Port shall so intend and shall so advise Lessee in writing. No waiver by the Port of any default hereunder by Lessee shall be construed to be or act as a waiver of any subsequent default by Lessee. After any default shall have been cured by Lessee, it shall not thereafter be used by the Port as a ground for the commencement of any action under the provisions of paragraph 23 hereof.
- 30. PROMOTION OF PORT COMMERCE:** Lessee agrees that throughout the term of this Lease it will, insofar as practicable, promote and aid the movement of passengers and freight through facilities within the territorial limits of the Port. Lessee further agrees that all incoming shipments of commodities that it may be able to control or direct shall be made through facilities within the territorial limits of the Port if there will be no resulting cost or time disadvantage to Lessee.
- 31. SURRENDER OF PREMISES – ATTORNEY'S FEES:**
- a. At the expiration or earlier termination of the term, Lessee shall surrender to the Port the possession of the premises and all improvements. Surrender or removal of fixtures, trade fixtures and improvements shall be as directed in paragraph 10 of this Lease on ownership of improvements at termination. Lessee shall leave the surrendered premises and any other property in broom-clean condition except as provided to the contrary in provisions of this Lease on maintenance and repair of improvements. All property that Lessee is required to surrender shall become the Port's property at termination of this Lease. All property that Lessee is not required to surrender but that Lessee does abandon shall, at the Port's election, become the Port's property at termination. If Lessee fails to surrender the premises at the expiration or sooner termination of this Lease, Lessee shall defend and indemnify the Port from all liability and expense resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender.
  - b. In the event that either party shall commence legal action to interpret or to enforce any of the provisions of this Lease, the substantially prevailing party shall be entitled to an award for all reasonable costs and attorney fees incurred in any such action. Any action brought under the terms of this Lease shall be maintained in Jefferson County, Washington.
- 32. HOLDING OVER:** Any holding over by the Lessee after the expiration of this Lease shall be construed as a tenancy at sufferance (unless such occupancy is with the written consent of the Port) in which event the Lessee will be a tenant from month to month, upon the same terms and conditions of this Lease, except at a rent for such holdover period of

125% of the rental rate in effect for the month preceding such holdover. Acceptance by the Port of rent after such termination shall not constitute a renewal.

33. **ADVANCES BY PORT FOR LESSEE:** If Lessee shall fail to do anything required to be done by it under the terms of this Lease, except to pay rent, the Port may, at its sole option, do such act or thing on behalf of Lessee, and upon notification to Lessee of the cost thereof to the Port, Lessee shall promptly pay the Port the amount of that cost.
34. **LIENS AND ENCUMBRANCES:** Lessee shall keep the leased premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the said premises by Lessee. At the Port's request, Lessee shall furnish the Port with written proof of payment of any item that would or might constitute the basis for such a lien on the leased premises if not paid.
35. **NOTICES:** All notices hereunder may be delivered or mailed. If mailed, they shall be sent by certified or registered mail to the following respective addresses:

To Lessor:

THE PORT OF PORT TOWNSEND  
P.O. Box 1180  
Port Townsend, Washington 98368

To Lessee:

Pami-Sue Alvarado, d/b/a THE ARTFUL SAILOR  
410 Washington Street  
PO Box 375  
Port Townsend, WA 98368

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices sent by mail shall be deemed to have been given when properly mailed, and the postmark affixed by the United States Post Office shall be conclusive evidence of the date of mailing.

36. **JOINT AND SEVERAL LIABILITY:** Each and every party who signs this Lease, other than in a representative capacity, as Lessee, shall be jointly and severally liable hereunder.

37. **"LESSEE" INCLUDES LESSEE, ETC.:** It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of incorporation of the party who is, or of the parties who are, the actual Lessee or Lessee under this Lease Agreement.
38. **CAPTIONS:** The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.
39. **SEVERABILITY:** If any term or provision of this Lease Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.
40. **NON-DISCRIMINATION - SERVICES:** The Lessee agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, creed, color, sex, sexual orientation, or national origin in furnishing, or by refusing to furnish, to such person, or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby.

It is agreed that the Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease. In the event of such noncompliance, the Port may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

41. **NON-DISCRIMINATION - EMPLOYMENT:** The Lessee covenants and agrees that in all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its business in a manner which assures fair, equal and non-discriminatory treatment of all persons without respect to race, creed or national origin and, in particular:
- a. Lessee will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities, and
  - b. Lessee will comply strictly with all requirements of applicable federal, state or local laws or regulations issued pursuant thereto relating to the establishment of non-discriminatory requirements in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, creed, color, sex, sexual orientation, or national origin.
42. **EASEMENTS:** The Parties recognize that the Port facilities are continuously being modified to improve the utilities and services used and provided by the Port. The Port or its agents shall have the right to enter the demised premises of the Lessee, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair and operate the sewer, water, and drainage lines, and the electrical service, and all other services required by the Port for its

use. The Port is hereby granted a continuous easement or easements that the Port believes is necessary within the lease premises of the Lessee, without any additional cost to the Port for the purposes expressed hereinabove; PROVIDED however, that the Port by virtue of such use does not permanently deprive the Lessee from its beneficial use or occupancy of its leased area.

In the event that the Port does permanently deprive the Lessee from such beneficial use or occupancy, then an equitable adjustment in rent or in the cost required to modify its premises to allow the Lessee to operate its business, will be negotiated and paid by the Port to the Lessee. In the event that such entry by the Port is temporary in nature, then the Port shall reimburse the Lessee for the cost required to modify its premises for the temporary period that the Lessee is inconvenienced by such Port entry. The Port will not be responsible to the Lessee for any reduced efficiency, or loss of business occasioned by such entry.

43. **LESSEE'S ACKNOWLEDGEMENT OF PRESENCE OF CERTAIN SUBSTANCES:** Lessee acknowledges that, because the buildings at Point Hudson were constructed many years ago, that they may contain asbestos, creosote, lead paint and other substances that would not be allowed in modern construction. The Port will comply with the directives of any lawful authority that may require the removal or remediation of such substances and will not use any such substances during the renovation or remodeling of the Point Hudson facility, but Lessee agrees not to demand the removal of any such substances which do not impose a hazard to the health of Lessee and its employees, guests and invitees. In the event that any such substances need to be removed from the leased premises, Lessee agrees to cooperate with the Port and allow the removal of such materials, including the temporary cessation of Lessee's business activities, Lessee's rent shall be abated during any such period of disruption, but Lessee shall not be entitled to any damages or compensation for business interruption or loss of revenue, PROVIDED the Port moves expeditiously to complete such activities.
44. **ENTIRE AGREEMENT:** This Lease Agreement contains all of the understandings between the parties. Each party represents that no promises, representations or commitments have been made by the other as a basis for this Lease which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Lease executed with all necessary legal formalities by the Commission of the Port of Port Townsend.

Lease Agreement dated this \_\_\_\_ day of November 2019 is hereby approved by the Port of Port Townsend, on this \_\_\_\_ day of November 2019 and effective upon the receipt of a deposit and liability insurance documentation from the Lessee.

THIS AGREEMENT HAS BEEN NEGOTIATED BETWEEN THE PARTIES AND CONTAINS A LIMITED WAIVER OF IMMUNITY UNDER TITLE 51 RCW, AN INDEMNIFICATION AND A RELEASE.

**LESSEE: THE ARTFUL SAILOR**

By: \_\_\_\_\_  
Pami-Sue Alvarado, d/b/a  
The Artful Sailor, a sole proprietorship

**ATTEST:**

**PORT OF PORT TOWNSEND**

**APPROVED AS TO FORM**

\_\_\_\_\_  
Jim Pivarnik, Executive Director

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



STATE OF WASHINGTON     )  
  ) ss.  
COUNTY OF JEFFERSON    )

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, PAMI-SUE ALVARADO, to me known to be d/b/a THE ARTFUL SAILOR, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
Signature

NOTARY PUBLIC in and for the State of Washington,  
residing at Port Townsend

My commission expires: \_\_\_\_\_

**STATE OF WASHINGTON**           )  
  ) **ss.**  
**COUNTY OF JEFFERSON**         )

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, JIM PIVARNIK, to me known to be the EXECUTIVE DIRECTOR of the PORT OF PORT TOWNSEND, and acknowledged the said instrument to be the free and voluntary act and deed of said port district, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument on behalf of the port district.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_ 2019.

Signature

NOTARY PUBLIC in and for the State of Washington,  
residing at Port Townsend

My commission expires: \_\_\_\_\_

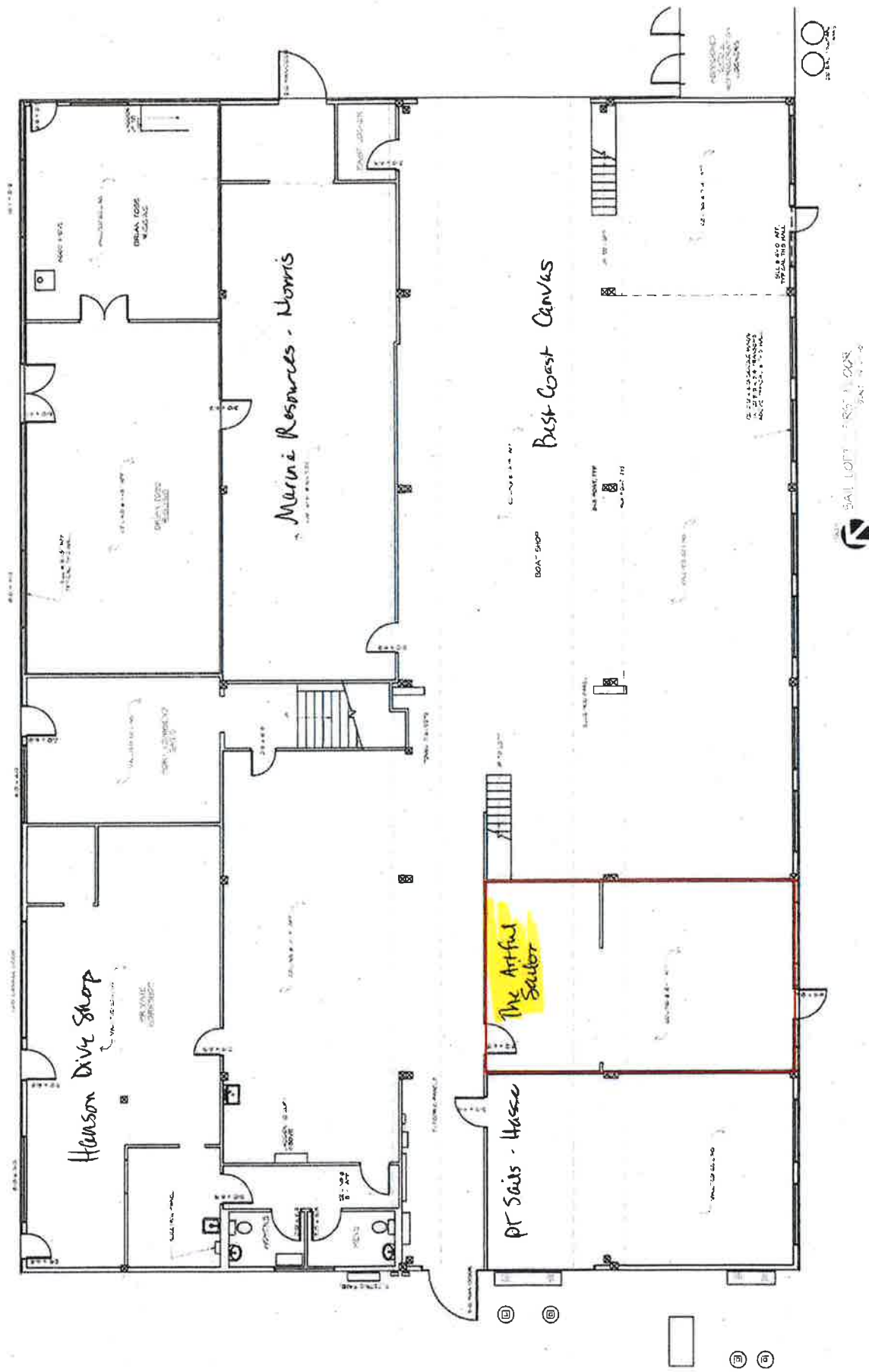
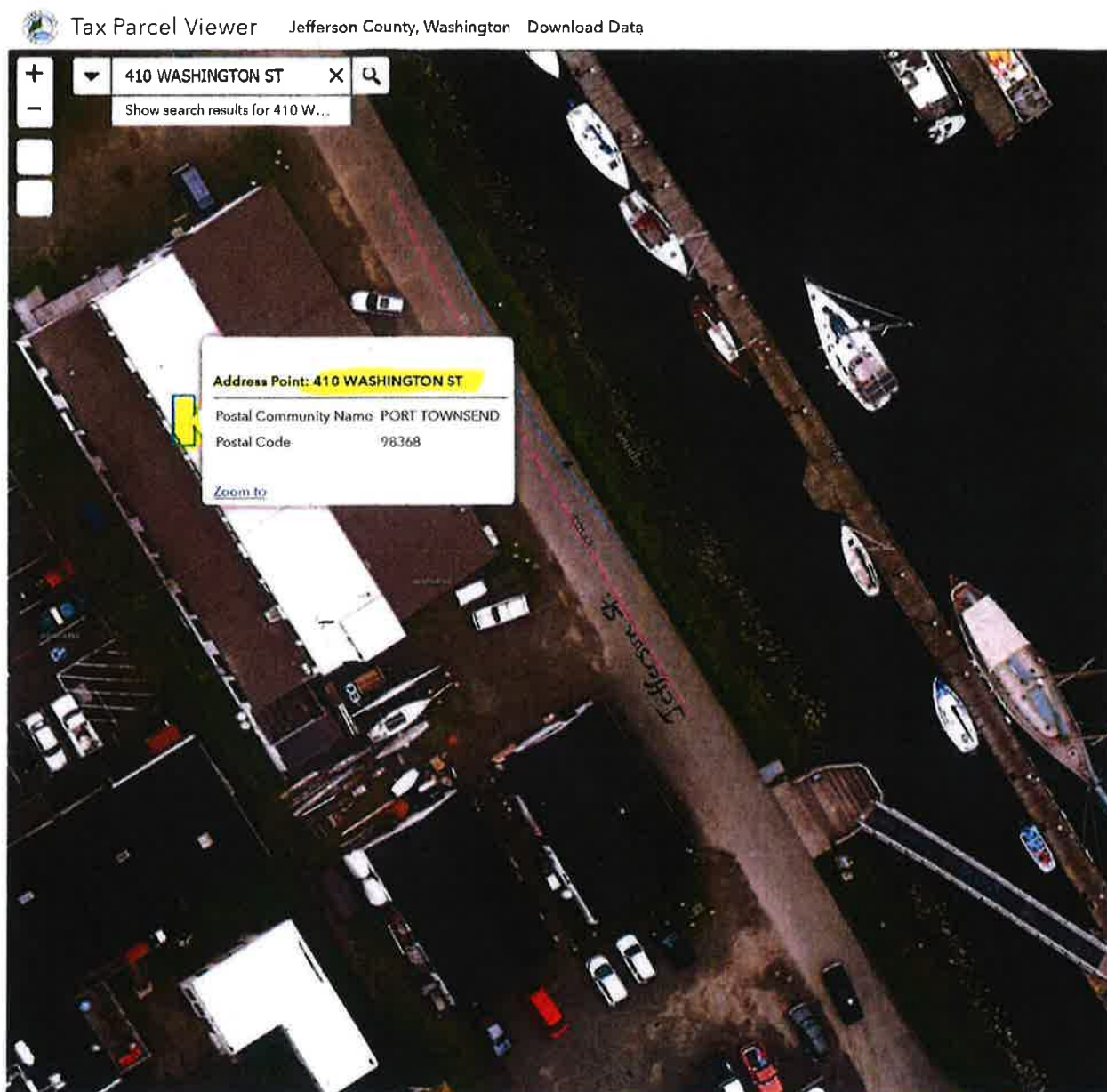


Exhibit A



## EXHIBIT B

### HAZARDOUS SUBSTANCES WARRANTY AND AGREEMENT

RIDER TO LEASE AGREEMENT DATED: November \_\_\_\_\_, 2019, BETWEEN THE PORT OF PORT TOWNSEND and PAMI-SUE ALVARADO, d/b/a THE ARTFUL SAILOR.

IT IS HEREBY AGREED THAT THE LEASE AGREEMENT IDENTIFIED ABOVE SHALL BE SUPPLEMENTED AND MODIFIED AS FOLLOWS:

1. **HAZARDOUS SUBSTANCES ON PREMISES.** Without the express written permission of Lessor, Lessee shall not store, use or have present on or adjacent to the premises any hazardous or toxic substances, including those substances defined as "hazardous" or "extremely hazardous" under federal or Washington State environmental statutes or regulation (including but not limited to 42 USC 9601 et seq., 40 CFR Part 302, RCW Chapter 70.105D.020 and WAC 173-340-200, and any successor statutes and regulation), except as follows: \_\_\_\_\_  
\_\_\_\_\_
2. **STORAGE AND USE OF HAZARDOUS SUBSTANCES.** Lessee agrees at all times to restrict its storage and use of substances identified in Paragraph 1 to the inside of the permanent building(s) at the premises, and specifically to those locations within such buildings(s) having concrete flooring or such other impermeable flooring as Lessor may in its sole discretion approve in writing upon request by Lessee.
3. **HANDLING AND DISPOSAL.** The Lessee agrees to use said substances identified in paragraph 2 only on areas which have impermeable surfaces and or other means for preventing accidental contact by such substances with the soils upon the leasehold or its surrounding area.
4. **RELEASES OF HAZARDOUS SUBSTANCES PROHIBITED.** Lessee shall not release, dispose of, or permit a release of, any of the substances described or identified in paragraph 1 onto the premises or into the environment surrounding the premises.
5. **REGULATORY COMPLIANCE.** Lessee warrants and agrees that, during the term of this lease and any extensions thereof, it will take all steps necessary to comply with all applicable federal, state and local requirements for the containment, storage, use and disposal of any and all hazardous or toxic substances at the premises, including but not limited to obtaining and maintaining all necessary federal, state and local permits or licenses, and obtaining any required federal or state hazardous waste generator or

transporter identification numbers. Lessee shall provide to Lessor a copy of each such existing permit, license, and identification number before occupancy, and shall provide a copy of any such permit, license, and identification number which Lessee may obtain in the future within seven days of receipt by Lessee.

6. **DISPOSAL OF HAZARDOUS WASTES.** In the event Lessee has occasion or need to dispose of hazardous or toxic substances or wastes, and unless otherwise agreed in writing, Lessee shall retain an independent hazardous waste disposal firm to dispose of any and all such substances at an off-site facility which has been properly approved, licensed and authorized to accept such substances. Lessee shall ensure that the disposal firm is properly licensed and in good standing with the applicable regulatory authorities for such work, and that it has all required transporter identification numbers.
7. **LESSEE'S WARRANTY OF NO CONTAMINATION.** Except as may be disclosed in Attachment No. 1 hereto, Lessee warrants and represents (1) that it has not released any toxic or hazardous substances onto the premises or into the environment in connection with its activities at the premises, (2) that it has inspected the premises and is not aware of any indication that a release of any hazardous substances has ever occurred at the premises, including prior to Lessee's occupancy, (3) that it has never been formally accused or cited, at the premises or elsewhere, for any violation of environmental laws, regulations or any hazardous waste-related governmental permit, and (4) that no claims or litigation have ever been pending against it by any person or governmental agency involving any use, storage, release or disposal of hazardous or toxic waste. If any such releases, formal accusations, citations, claims or litigation against Lessee arise during the term of this lease or any extension thereof, then Lessee shall notify Lessor in writing within seven (7) days of such event, and shall provide Lessor with a copy of each document reflecting such event.
8. **INDEMNIFICATION AND HOLD HARMLESS.** Lessee shall indemnify and hold Lessor harmless with respect to any and all direct or indirect expenses, losses of damages, including all consequential damages, Attorney's fees, and litigation-related expenses and costs, incurred by Lessor which result from (1) Lessee's breach of provision of this Rider, (2) claims, actions, suites, proceedings, judgments, fines or remedial orders (including orders to clean up contamination at the premises) which arise because of Lessee's breach of this Rider, (3) Lessee's violation of environment laws or regulations, or (4) Lessee's release of a toxic or hazardous substance onto the premises or into the surrounding environment. This provision shall apply regardless of whether Lessee has been negligent or at fault for such breach, violation, or release. This obligation by the Lessee shall survive the expiration or termination of the lease agreement and the sale of the property. If Lessor so requests, Lessee shall accept the tender of defense of, and shall retain counsel of Lessor's selection and at Lessee's expense to defend, any third-party claim asserted against Lessor in

connection with alleged conduct by Lessee which, if true, would be in breach of the provision of this Rider.

9. **NOTIFICATION TO LESSOR OF CHANGES IN OPERATION.** Lessee agrees to notify Lessor in writing at least seven (7) days in advance of any previously undisclosed action which the Lessee plans to take which poses a material risk of a release of hazardous substance into the environment, including but not limited to material changes in Lessee's methods of hazardous waste disposal, material increases in the volume of Lessee's hazardous waste disposal, or material changes in the nature of any hazardous wastes which Lessee anticipates it will generate.
10. **COPIES OF ENVIRONMENTAL CORRESPONDENCE.** Lessee agrees to provide Lessor with copies of all past and future correspondence to or from the Washington Department of Ecology, the U.S. Environmental Protection Agency, and any other government agency which has had or may have contact with Lessee regarding environmental concerns pertaining to the premises.
11. **NOTIFICATION OF SPILLS OR RELEASES.** Lessee shall comply with all notification requirements under the applicable federal, state and local environmental statutes and regulations, including but not limited to the timely notification of the appropriate government authorities of any spills or releases of toxic or hazardous substances into the environment or onto the premises. Lessee shall notify Lessor within 24 hours of discovery of any such spills or releases and shall provide copies of all correspondence and documents related to such spills or releases to Lessor with seven days after receipt or creation, as the case may be.
12. **LESSOR'S REMEDY FOR BREACH OR VIOLATION.** In the event Lessee permits a release of a hazardous substance to occur at or near the premises, or breaches any provision of this Rider, Lessor shall be entitled (1) to terminate the lease agreement immediately, (2) to require Lessee to cease all operation which pose a risk of releasing a hazardous substance into the environment, and (3) to require Lessee to begin an immediate cleanup of any and all contamination at the premises to the extent necessary to achieve full compliance with the applicable environmental laws and regulations. Lessor shall be entitled to obtain immediate injunctive relief from a court of competent jurisdiction to enforce this provision. These remedies shall be in addition to, and not in substitution for, any other remedies available to Lessor under applicable law.
13. **ANNUAL DECLARATION OF COMPLIANCE.** Within ten (10) days of receipt of a written request by Lessor, Lessee shall provide to lessor a declaration of Lessee's compliance or non-compliance with the applicable environmental laws and regulations and with the



provisions of this Rider, in the form set forth in Attachment No. 2. Lessor anticipates that it will request such a declaration annually, approximately on the anniversary date of this Rider.

14. **INSPECTION OF PREMISES.** Lessee agrees to permit and cooperate with any on-site inspections and testing requested by Lessor, including inspections and testing conducted by consultants or engineers hired by Lessor to evaluate Lessee's compliance with the applicable environmental requirements and the provisions of this Rider. Lessor shall provide Lessee within 24 hours advance notice of Lessor's intent to conduct such inspection or testing.
15. **DESIGNATED REPRESENTATIVE RESPONSIBLE FOR COMPLIANCE.** PAMI-SUE ALVARADO, whose work telephone number is 360-344-8120 and whose cell phone number is 360-821-1213, shall be the Lessee's designated representative who shall be primarily responsible (1) for Lessee's compliance with the provision of this Rider, (2) for handling contact with Lessor pertaining to environmental compliance, and (3) for signing on behalf of Lessee the annual declaration of compliance pursuant to Paragraph 12 above. Lessee shall promptly notify Lessor of any changes in the identity or telephone numbers of the designated representative.
16. **ADDITIONAL PROVISIONS.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

LESSOR:

LESSEE:

\_\_\_\_\_  
Jim Pivarnik

\_\_\_\_\_  
Pami-Sue Alvarado

Title: Executive Director

Title: d/b/a The Artful Sailor

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**(Attachment No. 1 to Hazardous Substances Rider)**

## DISCLOSURE BY LESSEE

The Lessee makes the following disclosure pursuant to Paragraph 6 of the Hazardous Substances Warranty and Agreement (Attach Additional page(s) if necessary):

1. Release(s) of Hazardous Substances by Lessee:  
(If none, initial here: \_\_\_\_\_)
2. Indication(s) of Contamination at Premises:  
(If none, initial here: \_\_\_\_\_)
3. Lessee Violation(s) of Environmental Regulations:  
(If none, initial here: \_\_\_\_\_)
4. Environmental Claims or Litigation Against Lessee:  
(If none, initial here: \_\_\_\_\_)

Lessee: THE ARTFUL SAILOR

By: \_\_\_\_\_/\_\_\_\_\_  
(Printed Name) (Signature)

Title: \_\_\_\_\_/Date: \_\_\_\_\_

(Attachment No. 2 to Hazardous Substances Rider)

**DECLARATION OF COMPLIANCE**

Pami-Sue Alvarado, as the designated representative of Lessee primarily responsible for environmental compliance pursuant to Paragraph 12 of the Hazardous Substances Warranty and Agreement dated: November \_\_\_\_\_, 2019, hereby declare and represent as follows on behalf of Lessee:

1. I have read, and am familiar with, Lessee's obligations and representations as set forth in the Hazardous Substances Warranty and Agreement applicable to Lessee.
2. I am not aware of, and do not believe there have been any violations by Lessee of any of the provisions in the Hazardous Substances Warranty and Agreement, or of any requirements imposed on Lessee by federal, state or local environment laws and regulations.
3. I have no reason to believe, and do not believe, that any of the representations in Paragraph 6 of the Hazardous Substances Warranty and Agreement are inaccurate as of the date indicated below.
4. Lessee has not stored, used or had present on or adjacent to the premises any hazardous or toxic substances except those that have been disclosed in writing to Lessor.
5. Lessee has not released, disposed of, or permitted the release of any hazardous or toxic substances onto the premises or into the environment surrounding the premises, except as has been disclosed in writing to Lessor.

Lessee: Pami-Sue Alvarado d/b/a THE ARTFUL SAILOR

By: \_\_\_\_\_  
Signature

Title: \_\_\_\_\_/Date: \_\_\_\_\_

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	November 13, 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. D) Key City Fish – New Lease
<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. Memo B. Term Sheet C. Key City Fish Lease D. Exhibit 'A'-Location E. Exhibit 'B' – Hazardous Materials Agreement

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 11/13/2019  
**TO:** Port Commission  
**FROM:** Eric Toews, Deputy Director and Sue Nelson, Lease & Contracts Administrator  
**SUBJECT:** Key City Fish Company - Proposed New Lease Agreement

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**BACKGROUND:** A while back, Key City Fish Company owner Johnpaul Davies expressed interest in the building that was most recently vacated by PYR, and prior to that, occupied by Taku Marine.

Mr. Davies plans are to expand his operations and use this building to house a large refrigeration unit. Upon lease execution, he requests to remodel the interior of the building, at his expense, upon formal approval of the Executive Director.

This lease would be a combined building and land agreement, to include a pad site for installation of an approximate 32 square foot enclosure to house the refrigeration unit's motor and fans, on the southeast side of the building.

Key City Fish has been a tenant in good standing since 2004, with the main Key City Fish Company market and operations located at 307 – 10<sup>th</sup> Street. Mr. Davies was originally a tenant of the Sperry's prior to the Port's purchase of the Sperry buildings.

**DISCUSSION:** The proposed monthly rate of \$743.55 plus Leasehold Excise Tax is based on a proposed building rate at \$0.785/sf (937 sf) and a proposed land rate at \$0.25/sf (32 sf).

Lease term is five (5)-years with two five (5)-year options.  
The lease includes an annual CPI-U increase, with the option to adjust the rate to the fair market rental rate every three (3) years.

In the event Key City Fish were to become a "holdover" tenant at the end of the lease term, the rent would increase to 125% of that paid in the month preceding lease termination.

The proposed security deposit is equal to three (3) months' rent. Port staff is very pleased to lease this space to a long-term tenant who is growing his business.

**RECOMMENDATION:** Authorize the Executive Director to execute the attached lease with Key City Fish Company, a Washington Corporation.

**PORT OF PORT TOWNSEND:**  
**Summary of Key Terms – Key City Fish Company, 325-B Haines Place**  
**(November 13, 2019)**

1. **TENANT:** Johnpaul Davies, dba Key City Fish Company, Washington Corporation.
2. **PREMISES:** Approximately 937 square feet of light industrial building space and 32 square feet of land for refrigeration equipment enclosure, located at 325-B Haines Place, Boat Haven.
3. **TERM:** Five (5) year, beginning on December 1, 2019, and ending on November 30, 2024. Option to extend the lease term by two (2) five (5)-year terms. Notification to extend the Lease will be done in writing ninety (90) days prior to the end of the lease or any extended term.
4. **RENT:** \$743.55 per month (calculated at 0.785¢ per square foot for 937 sf of shop space, and 0.25¢ per square foot for 32 sf of land) plus LHT (i.e.,  $\$743.55 + 12.84\% (\$95.47) = \$839.02$ ). Rent adjusted per CPI-U beginning year 2; base rent may be adjusted beginning in year three (i.e., based on market rate study).
5. **HOLDING OVER:** In the event Lessee allows the lease to expire without negotiating a new agreement with the Port, the tenancy will roll over into a month-to month basis, with all other provisions of the lease agreement remaining in effect, except that the rent will increase to 125% of the rent due in the month preceding the holdover (e.g., if the rent were  $\$743.55 + \text{LHT}$ , the rent in holdover status would be + 25%, or  $\$929.44 + \text{LHT}$ ).
6. **USE OF PREMISES:** Freezer storage, handling, preparation and processing of seafood and meat.
7. **SECURITY:** Three (3) month security + LHT (\$2,517.07) at lease inception.
8. **UTILITIES:** All utilities are the responsibility of the Lessee.
9. **MAINTENANCE & REPAIR:** All maintenance and repairs are the Lessee's responsibility.
10. **INSURANCE:** Per Port policy. Commercial General Liability of \$1,000,000 combined single limit; Workers Compensation Insurance of not less than \$1,000,000 per occurrence; insurance certificates naming the Port as an additional insured; proof of insurance must be provided prior to occupancy.
11. **ASSIGNMENT/SUBLEASE:** Permitted only by prior written consent of the Port.
12. **DEFAULTS/TERMINATION:** Time is of the essence. Failure to pay rent, or to abide by the covenants/agreements contained in the lease, may serve as a basis for termination. Lessee will be provided with fifteen (15) days' written notice to cure defaults. Port may also terminate upon one-hundred and twenty (120) days' written notice, at its sole discretion, for public or private use in connection with the operation of the business of the Port.



**PORT OF PORT TOWNSEND  
BOAT HAVEN LAND & BUILDING LEASE**

**THIS LEASE AGREEMENT** made this \_\_\_\_\_ day of November 2019, by and between the PORT OF PORT TOWNSEND, a municipal corporation organized and existing under the laws of the State of Washington, Lessor, hereinafter referred to as "the Port," and KEY CITY FISH COMPANY, a Washington corporation, hereinafter referred to as "Lessee,"

**WITNESSETH:**

That the parties hereto do mutually agree as follows:

1. **LEASED PREMISES:** The Port hereby leases to Lessee, and Lessee hereby hires and leases from the Port, the following described premises situated in the City of Port Townsend, Jefferson County, State of Washington:

Approximately 937 square feet of building space together with approximately 32 square feet of appurtenant exterior area located at 325-B Haines Place, Port Townsend WA 98368

hereinafter referred to as "the premises." All grounds and parking areas surrounding the building are excluded from the leased premises, with the exception of the appurtenant exterior area described above. The premises are depicted on Exhibit "A" which is attached hereto and which by this reference is incorporated herein as if fully set forth herein. Although not included within the leased premises, Lessor has agreed to grant dedicated forklift and truck access to the premises via the roll-up door located on the south wall of the building.

2. **TERM:** The term of this Lease is five (5) years, beginning December 1, 2019, ending at midnight, November 30, 2024, unless extended or sooner terminated as provided in this Lease. The Lessee shall also have an option to extend the lease term by two five (5)-year terms. Notification to extend the Lease will be done in writing ninety (90) days prior to end of the initial lease term.
3. **RENT:** Lessee agrees to pay as rental for the leased premises the sum of **Seven Hundred and Forty-Three Dollars and Fifty-Five Cents (\$743.55)** plus all applicable taxes.<sup>1</sup> The rent for each month shall be paid to the Port in advance on or before the first day of each and every month of the lease term and shall be payable at such place as the Port may hereinafter designate. Beginning in year three (3) and every three (3) years thereafter, the rental rate may be adjusted to the fair market rental rate then prevailing for comparable commercial and/or industrial property in the Western Washington area, bearing in mind all allowable uses of the property and all services and amenities available to the property by virtue of its location. In the event that the parties are unable to reach agreement on the

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<sup>1</sup> Calculated as follows: 78.5¢ per s.f. x 937 s.f. = \$735.55 for building space; 0.25¢ per s.f. x 32 s.f. = \$8.00 for exterior space = **\$743.55 total rent**; \$743.55 x 12.84% = \$95.47 LHT; **grand total rent + LHT = \$839.02.**

fair market rate adjustment, the rate shall be determined by arbitration before a single arbitrator who shall be jointly selected by the parties or by the Jefferson County Court. The rental rate beginning in year two (2) and annually throughout the term of the lease will be adjusted by an amount equal to the accumulative amount found on the Consumer Price Index for all urban consumers (CPI-U) for Seattle-Tacoma-Bremerton, which is compiled by the Department of Labor, Bureau of Statistics. In no event shall any rent adjustment result in a reduction in rent from the rate paid in the prior year.

4. **LATE CHARGE:** In the event that any installment of rent remains unpaid more than twenty (20) days after it is due, then Lessee shall also be obliged to pay a "late charge" as per the Port of Port Townsend Rate Schedule then in effect.
5. **SECURITY DEPOSIT:** Upon the execution of this Lease, Lessee shall deposit with the Port security in the amount of **Two Thousand Five Hundred Seventeen Dollars & Six Cents (\$2,517.06)**<sup>2</sup> in order to satisfy the requirements of this paragraph 5. This Lease shall not be effective until the full deposit of **Two Thousand Five Hundred Seventy-Nine Dollars and Six Cents (\$2,517.06)** is on file with the Port. The deposit shall be held by the Port as security for Lessee's faithful performance of all of its obligations under this Lease. Any interest earned on amounts deposited shall be retained by the Port. The deposit shall be returned to Lessee upon termination of this Lease, less any charges owing to the Port or expenses incurred by the Port in repairing damage caused by Lessee or restoring the leased premises to the condition required upon termination of this Lease.
6. **USE OF PREMISES:** Lessee shall use the premises for freezer storage, handling, preparation and processing of seafood and meat and shall not use them for any other purposes without the prior written consent of the Port. Lessee shall use the entire premises for the conduct of said business in a first-class manner continuously during the entire term of this Lease, with the exception of temporary closures for such periods as may reasonably be necessary for repairs or redecorating or for reasons beyond Lessee's reasonable control. Except for ordinary and routine noises and vibrations associated with refrigeration, seafood and meat processing, and loading and unloading of products, Lessee agrees that it will not disturb the Port or any other tenant of the Port's by making or permitting any disturbance or any unusual noise, vibration or other condition on or in the premises.
7. **UTILITIES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all utility services furnished to the premises, including, but not limited to, light, heat, electricity, gas, water, sewerage, garbage disposal, stormwater.
8. **ACCEPTANCE OF PREMISES:** Lessee has examined the leased premises and accepts them in their present condition "as is" and without further maintenance liability on the part of the Port.

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<sup>2</sup> Required security for all Port leases is three (3) months (minimum) + LHT; calculated as follows: \$839.02 (i.e., monthly rent of \$743.55 plus LHT of \$95.47 = \$839.02) x 3 = **\$2,517.06**.

The Port makes no representations or warranties with respect to the condition, suitability, zoning restrictions, or usability, except the Port's right to grant a lease of the premises. Lessee acknowledges that Lessee has fully inspected the premises and is not relying on any statement or representation made by the Port or the Port's agents with respect to the condition of the premises, and Lessee assumes the responsibility and risks of the same, including any defects or conditions that cannot be observed by casual inspection.

9. **MAINTENANCE AND REPAIR:** Maintenance and repair of the premises and all improvements thereon is the sole responsibility of Lessee. Accordingly, at the expiration or sooner termination of this Lease, Lessee shall return the premises to the Port in the same condition in which received (or, if altered by Lessee with the Port's consent, then the premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or unavoidable casualty excepted. Lessee's obligation to make repairs shall not extend to any repairs to the roof (structure or covering), to the foundations of the building or structure and exterior walls, of which the leased premises are a part, unless such repairs are necessitated by Lessee's negligence or failure to maintain the interior. Lessee shall, at its' own expense, and at all times:
  - a. Keep the premises, and the adjoining roadways and sidewalks, neat, clean and in a safe and sanitary condition;
  - b. Maintain and keep the leased premises in a good state of repair; and
  - c. Not commit waste of any kind.
10. **ALTERATIONS AND IMPROVEMENTS:** Lessee shall make no alterations or improvements to or upon the premises or install any fixtures (other than trade fixtures which can be removed without injury to the premises) without first obtaining written approval from the Executive Director of the Port. When seeking the Port's approval, Lessee shall submit full plans and specifications for any proposed alterations and shall furnish proof of compliance with all applicable building codes and other regulations and shall apply for and obtain all necessary permits for such work. If the proposed improvements are estimated to cost more than \$25,000, the Port may require the posting of a completion bond as security for the completion of the improvements. Upon conclusion of the alterations, Lessee shall furnish "as-built" drawings of all improvements and alterations. The Port's approval of alterations shall also include agreement for disposition of the improvements upon termination of this Lease.
11. **INSPECTION - "FOR RENT" SIGNS:** The Port reserves the right to inspect the leased premises at any and all reasonable times throughout the term of this Lease, PROVIDED, that it shall not interfere unduly with Lessee's operations. The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the premises and shall impose no liability upon the Port for failure to make such inspections. The Port shall have the right to place and maintain "For Rent" signs in conspicuous places on the premises for thirty (30) days prior to the expiration or sooner termination of this Lease.

- 12. POSSESSION:** If the Port shall be unable for any reason to deliver possession of the premises, or any portion thereof, at the time of the commencement of the term of this Lease, the Port shall not be liable for any damage caused thereby to Lessee, nor shall this Lease thereby become void or voidable, nor shall the term specified herein be in any way extended, but in such event Lessee shall not be liable for any rent until such time as the Port can deliver possession, PROVIDED, that if Lessee shall, in the interim, take possession of any portion of the premises, it shall pay as rental the full rental specified herein reduced pro rata for the portion of the premises not available for possession by Lessee, AND PROVIDED FURTHER, that if the Port shall be unable to deliver possession of the premises at the commencement of the term of this Lease, Lessee shall have the option to terminate this Lease by at least thirty (30) days written notice, unless the Port shall deliver possession of the premises prior to the effective date of termination specified in such notice. If Lessee shall, with the Port's consent, take possession of all or any part of the premises prior to the commencement of the term of this Lease, all of the terms and conditions of this Lease shall immediately become applicable.
- 13. DAMAGE OR DESTRUCTION:**
- a. Should the premises or the buildings or structures of which the premises are a part be damaged by fire or other casualty, and if the damage is repairable within four (4) weeks from the date of the occurrence (with the repair work and the preparations therefore to be done during regular working hours on regular work days), the premises shall be repaired with due diligence by the Port, and in the meantime the monthly minimum rental shall be abated in the same proportion that the untenable portion of the premises bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs.
  - b. Should the premises or any buildings or structures of which the premises are a part be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot be repaired within four (4) weeks of the occurrence, the Port shall have the option to terminate this Lease on thirty (30) days' notice, effective as of any date not more than sixty (60) days' after the occurrence. In the event that this paragraph shall become applicable, the Port shall advise Lessee within thirty (30) days after the happening of any such damage whether the Port has elected to continue the lease in effect or to terminate it. If the Port shall elect to continue this Lease in effect, it shall commence and prosecute with due diligence any work necessary to restore or repair the premises. If the Port shall fail to notify Lessee of its election within said thirty (30) day period, the Port shall be deemed to have elected to terminate this Lease, and the lease shall automatically terminate sixty (60) days after the occurrence of the damage. For the period from the occurrence of any damage to the premises to the date of completion of the repairs to the premises (or to the date of termination of the lease if the Port shall elect not to restore the premises), the monthly minimum rental shall be abated in the same proportion as the untenable portion of the premises bears to the whole thereof.
- 14. INDEMNIFICATION AND HOLD HARMLESS:** The Port, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property, regardless

of how such injury or damage be caused, sustained, or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the premises) or occurrence whatsoever related in any way to the premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of the premises and of the areas adjacent thereto except to the extent attributable to the negligence or other wrongdoing of the Port or its employees, contractors or agents. Lessee agrees to defend and to hold and save the Port harmless from all liability or expense of litigation in connection with any such items of actual or alleged injury or damage.

- 15. INSURANCE:** Lessee agrees to maintain during the lease term liability insurance as set forth below, at Lessee's sole expense. All such insurance shall name the Port of Port Townsend as an additional insured and shall be with insurance companies acceptable to the Port.

- a. Comprehensive General Liability Insurance against claims for injury or death to persons or damage to property with minimum limits of liability of \$1,000,000.00 combined single limit for each occurrence. Such insurance shall include but not be limited to bodily injury liability, personal injury liability, property damage liability, broad form property damage liability, contractual liability, and products/completed operations liability.
- b. Workers Compensation Insurance as will protect tenant's employees from claims under Washington Workers Compensation Act as well as all Federal Acts applicable to the tenant's operations at the site such as but not limited to U.S. Longshoremen and Harborworkers Act, Jones Act, and Federal Employers Liability section of the Washington Workers Compensation Policy and all Federal Acts Insurance shall not be less than \$1,000,000.00 for each occurrence.

The Lessee agrees to supply the Port with appropriate evidence to establish that its insurance obligations have been met, and that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice to the Port. The conditions set forth in subparagraphs (a) and (b) of this paragraph 15 shall be met prior to occupancy.

- 16. LIMITED WAIVER OF IMMUNITY UNDER WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW AND OTHER SIMILAR INDUSTRIAL INSURANCE SCHEMES:** For purposes of the indemnification provision set forth in paragraph 14, above, and only to the extent of claims against Lessee by the Port under such indemnification provision, Lessee specifically waives any immunity it may be granted under the Washington State Industrial Insurance Act, Title 51 RCW, The United States Longshore and Harbor Workers Compensation Act, 33 USC §901-950, or any other similar workers' compensation schemes. The indemnification obligation under this lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefit acts. The foregoing provision was specifically negotiated and agreed upon by the parties hereto.

- 17. WAIVER OF SUBROGATION:** The Port and Lessee hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured

against under their respective fire insurance contracts, including any extended coverage endorsements thereto, PROVIDED, that this paragraph 17 shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of the Port or Lessee.

18. **INCREASE IN COST OF INSURANCE:** Lessee shall not use the demised premises in such a manner as to increase the existing rates of insurance applicable to the buildings or structures of which the premises are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the leased premises are a part, and to the extent allocable to the term of this Lease, may be added to the amount of rental hereinabove specified and shall be paid by Lessee to the Port upon the monthly rental day next thereafter occurring.
19. **HAZARDOUS SUBSTANCES WARRANTY AND AGREEMENT:** Lessee has examined the Hazardous Substance Warranty and Agreement, consisting of six (6) pages, which is attached as Exhibit "B" hereto and which by this reference is incorporated herein as fully set forth herein, and acknowledges full understanding of its obligations under said Hazardous Substances Warranty and Agreement.
20. **TAXES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all license and excise fees and occupation taxes covering the business conducted on the premises, and all taxes on property of Lessee on the leased premises and any taxes on the leased premises or leasehold interest created by this Lease Agreement.
21. **COMPLIANCE WITH PORT REGULATIONS AND WITH ALL LAWS:** Lessee agrees to comply with all applicable rules and regulations of the Port pertaining to the building or other realty of which the premises are a part now in existence or hereafter promulgated for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public. Lessee also agrees to comply with all applicable federal, state, and municipal laws, ordinances, and regulations. Lessee further agrees that all buildings, structures or other improvements, approved by the Port, will be properly permitted by Jefferson County. Any fees for any inspection of the premises during or for the lease term by any federal, state or municipal officer and the fees for any so-called "Certificate of Occupancy" shall be paid by Lessee.
22. **ASSIGNMENT OR SUBLEASE:**
  - a. Lessee shall not assign or transfer this Lease or any interest therein nor sublet the whole or any part of the premises, nor shall this Lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, otherwise, without the written consent of the Port first had and obtained.
  - b. If Lessee is a corporation, Lessee further agrees that if at any time during the term of this Lease more than one-half (1/2) of the outstanding shares of any class of stock of Lessee corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the

execution of this Lease or to members of their immediate families, such change in the ownership of the stock of the Lessee shall be deemed an assignment of this Lease within the meaning of this paragraph.

- c. Lessee shall reimburse the Port, within thirty (30) days of presentment of a bill for attorney fees incurred by the Port regarding a consent to assignment for the purpose of obtaining a loan or other consideration from a third party.
- d. If the Port shall give its consent to any assignment or sublease, this paragraph shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without the Port's consent.

- 23. DEFAULTS:** Time is of the essence of this Lease Agreement, and in the event of the failure of Lessee to pay the rentals or other charges at the time and in the manner herein specified, or to keep any of the covenants or agreements herein set forth to be kept and performed, the Port may elect to terminate this Lease and reenter and take possession of the premises with or without process of law, PROVIDED, however, that Lessee shall be given fifteen (15) days' notice in writing stating the nature of the default in order to permit such default to be remedied by Lessee within said fifteen (15) day period. If upon such reentry there remains any personal property of Lessee or of any other person upon the leased premises, the Port may, but without the obligation so to do, remove said personal property and hold it for the owners thereof or may place the same in a public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse the Port for any expense incurred by the Port in connection with such removal and storage. The Port shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, and third to the payment of any other amounts which may then be due from Lessee to the Port, and the balance, if any, shall be paid to Lessee. Notwithstanding any such reentry, the liability of Lessee for the full rental provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee shall make good to the Port any deficiency arising from a re-letting of the leased premises at a lesser rental than that hereinbefore agreed upon. Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Port. Any failure by the owners, officers, or principals of Lessee to pay rentals, storage fees, moorage or any other charges owed to the Port under separate contract shall constitute default under provisions of this Lease Agreement.

- 24. TERMINATION BY PORT:** In the event that the Port, at its sole discretion, shall require the use of the premises for any purpose for public or private use in connection with the operation of the business of the Port, then this Lease may be terminated by the Port by written notice delivered or mailed by the Port to the Lessee sixty (60) or more days before the termination date specified in the notice.
- a. In the event of early termination of this Lease Agreement by the Port, the parties shall use their best efforts to agree upon a reasonable compensation amount to Lessee by direct negotiations, factoring the following potential costs:
    - i. Lessee's reasonable moving expenses;
    - ii. Lessee's reasonable claims for lost business; and



- iii. Damage to Lessee's personal property, if any.
  - b. If a compensation amount for early lease termination is not agreed upon through negotiation, the parties shall submit the dispute to mediation under the then-applicable Mediation Rules of the American Arbitration Association. The parties shall share equally the mediator's fees and any administrative fee, but shall otherwise bear their own expenses.
  - c. Thereafter, any unresolved dispute arising out of or relating to the early termination of this Lease Agreement shall be decided by a court of competent jurisdiction.
- 25. TERMINATION FOR GOVERNMENT USE:** In the event that the United States Government or any agency or instrumentality thereof shall, by condemnation or otherwise, take title, possession or the right to possession of the premises or any part thereof, the Port may, at its option, terminate this Lease as of the date of such taking, and, if Lessee is not in default under any of the provisions of this Lease on said date, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
- 26. TERMINATION BECAUSE OF COURT DECREE:** In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
- 27. SIGNS:** No signs or other advertising matter, symbols, canopies or awnings shall be attached to or painted or within the leased premises, including the windows and doors thereof, without the approval of the Executive Director of the Port first had and obtained. At the termination or sooner expiration of this Lease, all such signs, advertising matter, symbols, canopies or awnings attached to or painted by Lessee shall be removed by Lessee at its own expense, and Lessee shall repair any damage or injury to the premises, and correct any unsightly condition, caused by the maintenance and removal of said signs, etc.
- 28. INSOLVENCY:** If Lessee shall file a petition in bankruptcy, or if Lessee shall be adjudged bankrupt or insolvent by any court, or if a receiver of the property of Lessee shall be appointed in any proceeding brought by or against Lessee, or if Lessee shall make an assignment for the benefit of creditors, or if any proceedings shall be commenced to foreclose any mortgage or any other lien on Lessee's interest in the premises or on any personal property kept or maintained on the premises by Lessee, the Port may at its option, terminate this Lease.
- 29. WAIVER:** The acceptance of rental by the Port for any period or periods after a default by Lessee hereunder shall not be deemed a waiver of such default unless the Port shall so intend

and shall so advise Lessee in writing. No waiver by the Port of any default hereunder by Lessee shall be construed to be or act as a waiver of any subsequent default by Lessee. After any default shall have been cured by Lessee, it shall not thereafter be used by the Port as a ground for the commencement of any action under the provisions of paragraph 23 hereof.

30. **PROMOTION OF PORT COMMERCE:** Lessee agrees that throughout the term of this Lease it will, insofar as practicable, promote and aid the movement of passengers and freight through facilities within the territorial limits of the Port. Lessee further agrees that all incoming shipments of commodities that it may be able to control or direct shall be made through facilities within the territorial limits of the Port if there will be no resulting cost or time disadvantage to Lessee.
31. **SURRENDER OF PREMISES – ATTORNEY’S FEES:**
  - a. At the expiration or earlier termination of the term, Lessee shall surrender to the Port the possession of the premises and all improvements. Surrender or removal of fixtures, trade fixtures and improvements shall be as directed in paragraph 10 of this Lease on ownership of improvements at termination. Lessee shall leave the surrendered premises and any other property in broom-clean condition except as provided to the contrary in provisions of this Lease on maintenance and repair of improvements. All property that Lessee is required to surrender shall become the Port’s property at termination of this Lease. All property that Lessee is not required to surrender but that Lessee does abandon shall, at the Port’s election, become the Port’s property at termination. If Lessee fails to surrender the premises at the expiration or sooner termination of this Lease, Lessee shall defend and indemnify the Port from all liability and expense resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender.
  - b. In the event that either party shall commence legal action to interpret or to enforce any of the provisions of this Lease, the substantially prevailing party shall be entitled to an award for all reasonable costs and attorney fees incurred in any such action. Any action brought under the terms of this Lease shall be maintained in Jefferson County, Washington.
32. **HOLDING OVER:** Any holding over by the Lessee after the expiration of this Lease shall be construed as a tenancy at sufferance (unless such occupancy is with the written consent of the Port) in which event the Lessee will be a tenant from month to month, upon the same terms and conditions of this Lease, except at a rent for such holdover period of 125% of the rental rate in effect for the month preceding such holdover. Acceptance by the Port of rent after such termination shall not constitute a renewal.
33. **ADVANCES BY PORT FOR LESSEE:** If Lessee shall fail to do anything required to be done by it under the terms of this Lease, except to pay rent, the Port may, at its sole option, do such act or thing on behalf of Lessee, and upon notification to Lessee of the cost thereof to the Port, Lessee shall promptly pay the Port the amount of that cost.

**34. LIENS AND ENCUMBRANCES:** Lessee shall keep the leased premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the said premises by Lessee. At the Port's request, Lessee shall furnish the Port with written proof of payment of any item that would or might constitute the basis for such a lien on the leased premises if not paid.

**35. NOTICES:** All notices hereunder may be delivered or mailed. If mailed, they shall be sent by certified or registered mail to the following respective addresses:

To Lessor:

THE PORT OF PORT TOWNSEND  
P.O. Box 1180  
Port Townsend, Washington 98368

To Lessee:

KEY CITY FISH COMPANY  
Johnpaul Davies  
PO Box 278  
Port Townsend, WA 98368  
(360) 379-5516

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices sent by mail shall be deemed to have been given when properly mailed, and the postmark affixed by the United States Post Office shall be conclusive evidence of the date of mailing.

**36. JOINT AND SEVERAL LIABILITY:** Each and every party who signs this Lease, other than in a representative capacity, as Lessee, shall be jointly and severally liable hereunder.

**37. "LESSEE" INCLUDES LESSEE, ETC.:** It is understood and agreed that for convenience the word "Lessee" and verbs and pronouns in the singular number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of incorporation of the party who is, or of the parties who are, the actual Lessee or Lessee under this Lease Agreement.

**38. CAPTIONS:** The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.

**39. SEVERABILITY:** If any term or provision of this Lease Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease Agreement or the application of such term or provision to persons or circumstances

other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

- 40. NON-DISCRIMINATION - SERVICES:** The Lessee agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, creed, color, sex, sexual orientation, or national origin in furnishing, or by refusing to furnish, to such person, or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby.

It is agreed that the Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease. In the event of such noncompliance, the Port may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

- 41. NON-DISCRIMINATION - EMPLOYMENT:** The Lessee covenants and agrees that in all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its business in a manner which assures fair, equal and non-discriminatory treatment of all persons without respect to race, creed or national origin and, in particular:

- a. Lessee will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities, and
- b. Lessee will comply strictly with all requirements of applicable federal, state or local laws or regulations issued pursuant thereto relating to the establishment of non-discriminatory requirements in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, creed, color, sex, sexual orientation, or national origin.

- 42. EASEMENTS:** The Parties recognize that the Port facilities are continuously being modified to improve the utilities and services used and provided by the Port. The Port or its agents shall have the right to enter the demised premises of the Lessee, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair and operate the sewer, water, and drainage lines, and the electrical service, and all other services required by the Port for its use. The Port is hereby granted a continuous easement or easements that the Port believes is necessary within the lease premises of the Lessee, without any additional cost to the Port for the purposes expressed hereinabove; PROVIDED however, that the Port by virtue of such use does not permanently deprive the Lessee from its beneficial use or occupancy of its leased area.

In the event that the Port does permanently deprive the Lessee from such beneficial use or occupancy, then an equitable adjustment in rent or in the cost required to modify its premises to allow the Lessee to operate its business, will be negotiated and paid by the Port to the Lessee. In the event that such entry by the Port is temporary in nature, then the Port shall reimburse the Lessee for the cost required to modify its premises for the temporary period

that the Lessee is inconvenienced by such Port entry. The Port will not be responsible to the Lessee for any reduced efficiency, or loss of business occasioned by such entry.

44. **ENTIRE AGREEMENT:** This Lease Agreement contains all of the understandings between the parties. Each party represents that no promises, representations or commitments have been made by the other as a basis for this Lease which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Lease executed with all necessary legal formalities by the Commission of the Port of Port Townsend.

Lease Agreement dated this \_\_\_\_ day of November 2019 is hereby approved by the Port of Port Townsend, on this \_\_\_\_ day of \_\_\_\_\_ 2019 and effective upon the receipt of a deposit and liability insurance documentation from the Lessee.

THIS AGREEMENT HAS BEEN NEGOTIATED BETWEEN THE PARTIES AND CONTAINS A LIMITED WAIVER OF IMMUNITY UNDER TITLE 51 RCW, AN INDEMNIFICATION AND A RELEASE.

**LESSEE: KEY CITY FISH COMPANY**

By: \_\_\_\_\_  
Johnpaul Davies, dba Key City Fish Company

**ATTEST:**

**PORT OF PORT TOWNSEND**

**APPROVED AS TO FORM**

\_\_\_\_\_  
Jim Pivarnik, Executive Director

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

STATE OF WASHINGTON     )  
   ) ss.  
 COUNTY OF JEFFERSON    )

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, JOHNPAL DAVIES, dba KEY CITY FISH COMPANY, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Printed Name

NOTARY PUBLIC in and for the State of Washington,  
 residing at Port Townsend

My commission expires: \_\_\_\_\_

**STATE OF WASHINGTON            )**  
   **) ss.**  
**COUNTY OF JEFFERSON          )**

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, JIM PIVARNIK, to me known to be the EXECUTIVE DIRECTOR of the PORT OF PORT TOWNSEND, and acknowledged the said instrument to be the free and voluntary act and deed of said port district, for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute the said instrument on behalf of the port district.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

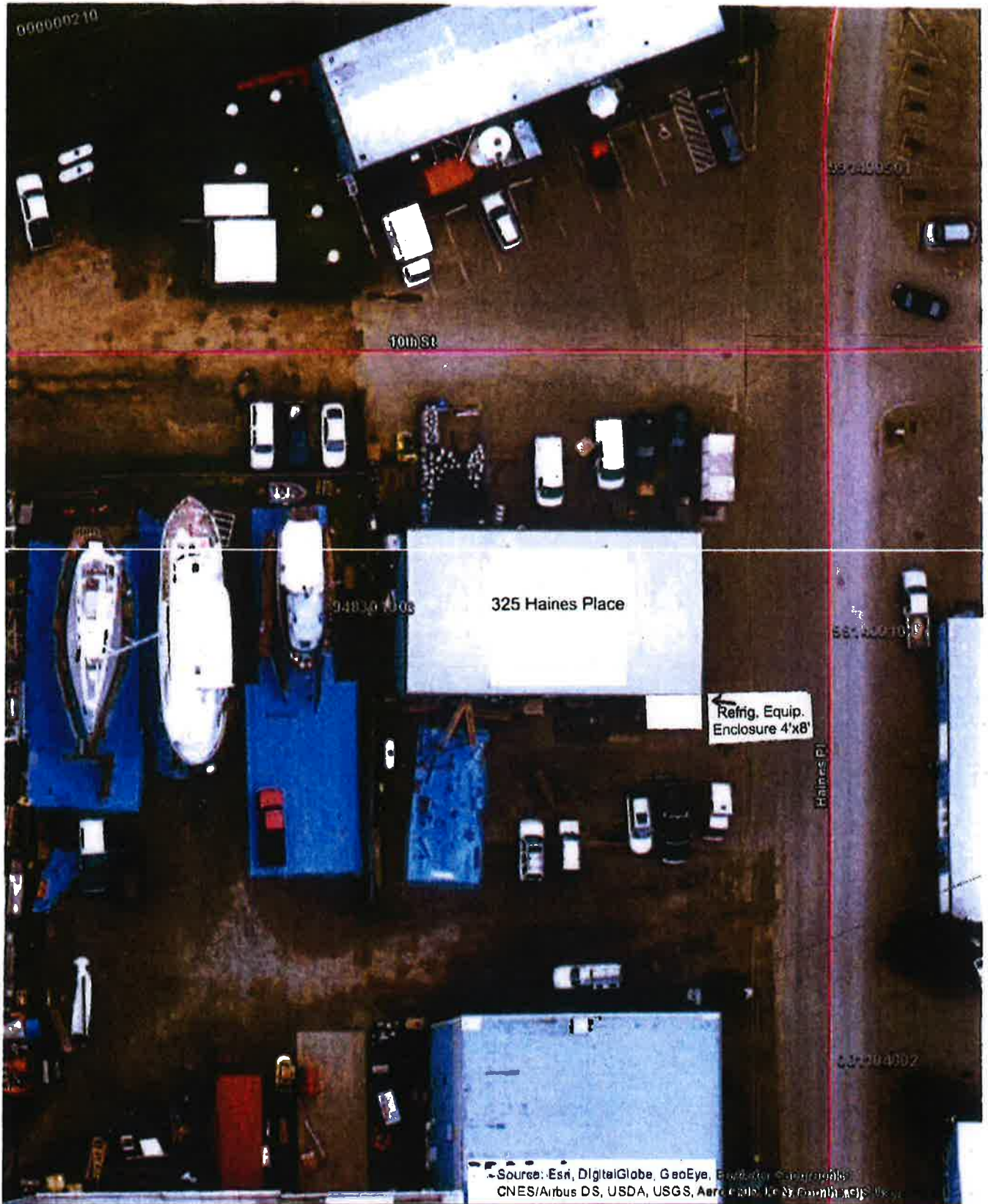
Signature

Printed Name \_\_\_\_\_

NOTARY PUBLIC in and for the State of Washington,  
residing at Port Townsend

My commission expires:





These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

## Jefferson County, WA Map

1:564

Date: 8/13/2019



## EXHIBIT "B"

### HAZARDOUS SUBSTANCES WARRANTY AND AGREEMENT

RIDER TO LEASE AGREEMENT DATED: \_\_\_\_\_, 2019, BETWEEN THE PORT OF PORT TOWNSEND and KEY CITY FISH COMPANY.

IT IS HEREBY AGREED THAT THE LEASE AGREEMENT IDENTIFIED ABOVE SHALL BE SUPPLEMENTED AND MODIFIED AS FOLLOWS:

1. **HAZARDOUS SUBSTANCES ON PREMISES.** Without the express written permission of Lessor, Lessee shall not store, use or have present on or adjacent to the premises any hazardous or toxic substances, including those substances defined as "hazardous" or "extremely hazardous" under federal or Washington State environmental statutes or regulation (including but not limited to 42 USC 9601 et seq., 40 CFR Part 302, RCW Chapter 70.105D.020 and WAC 173-340-200, and any successor statutes and regulation), except as follows: \_\_\_\_\_  
\_\_\_\_\_
2. **STORAGE AND USE OF HAZARDOUS SUBSTANCES.** Lessee agrees at all times to restrict its storage and use of substances identified in Paragraph 1 to the inside of the permanent building(s) at the premises, and specifically to those locations within such buildings(s) having concrete flooring or such other impermeable flooring as Lessor may in its sole discretion approve in writing upon request by Lessee.
3. **HANDLING AND DISPOSAL.** The Lessee agrees to use said substances identified in paragraph 2 only on areas which have impermeable surfaces and or other means for preventing accidental contact by such substances with the soils upon the leasehold or its surrounding area.
4. **RELEASES OF HAZARDOUS SUBSTANCES PROHIBITED.** Lessee shall not release, dispose of, or permit a release of, any of the substances described or identified in paragraph 1 onto the premises or into the environment surrounding the premises.
5. **REGULATORY COMPLIANCE.** Lessee warrants and agrees that, during the term of this lease and any extensions thereof, it will take all steps necessary to comply with all applicable federal, state and local requirements for the containment, storage, use and disposal of any and all hazardous or toxic substances at the premises, including but not limited to obtaining and maintaining all necessary federal, state and local permits or licenses, and obtaining any required federal or state hazardous waste generator or

transporter identification numbers. Lessee shall provide to Lessor a copy of each such existing permit, license, and identification number before occupancy, and shall provide a copy of any such permit, license, and identification number which Lessee may obtain in the future within seven days of receipt by Lessee.

6. **DISPOSAL OF HAZARDOUS WASTES.** In the event Lessee has occasion or need to dispose of hazardous or toxic substances or wastes, and unless otherwise agreed in writing, Lessee shall retain an independent hazardous waste disposal firm to dispose of any and all such substances at an off-site facility which has been properly approved, licensed and authorized to accept such substances. Lessee shall ensure that the disposal firm is properly licensed and in good standing with the applicable regulatory authorities for such work, and that it has all required transporter identification numbers.
7. **LESSEE'S WARRANTY OF NO CONTAMINATION.** Except as may be disclosed in Attachment No. 1 hereto, Lessee warrants and represents (1) that it has not released any toxic or hazardous substances onto the premises or into the environment in connection with its activities at the premises, (2) that it has inspected the premises and is not aware of any indication that a release of any hazardous substances has ever occurred at the premises, including prior to Lessee's occupancy, (3) that it has never been formally accused or cited, at the premises or elsewhere, for any violation of environmental laws, regulations or any hazardous waste-related governmental permit, and (4) that no claims or litigation have ever been pending against it by any person or governmental agency involving any use, storage, release or disposal of hazardous or toxic waste. If any such releases, formal accusations, citations, claims or litigation against Lessee arise during the term of this lease or any extension thereof, then Lessee shall notify Lessor in writing within seven (7) days of such event, and shall provide Lessor with a copy of each document reflecting such event.
8. **INDEMNIFICATION AND HOLD HARMLESS.** Lessee shall indemnify and hold Lessor harmless with respect to any and all direct or indirect expenses, losses of damages, including all consequential damages, Attorney's fees, and litigation-related expenses and costs, incurred by Lessor which result from (1) Lessee's breach of provision of this Rider, (2) claims, actions, suites, proceedings, judgments, fines or remedial orders (including orders to clean up contamination at the premises) which arise because of Lessee's breach of this Rider, (3) Lessee's violation of environment laws or regulations, or (4) Lessee's release of a toxic or hazardous substance onto the premises or into the surrounding environment. This provision shall apply regardless of whether Lessee has been negligent or at fault for such breach, violation, or release. This obligation by the Lessee shall survive the expiration or termination of the lease agreement and the sale of the property. If Lessor so requests, Lessee shall accept the tender of defense of, and shall retain counsel of Lessor's selection and at Lessee's expense to defend, any third-party claim asserted against Lessor in

connection with alleged conduct by Lessee which, if true, would be in breach of the provision of this Rider.

9. **NOTIFICATION TO LESSOR OF CHANGES IN OPERATION.** Lessee agrees to notify Lessor in writing at least seven (7) days in advance of any previously undisclosed action which the Lessee plans to take which poses a material risk of a release of hazardous substance into the environment, including but not limited to material changes in Lessee's methods of hazardous waste disposal, material increases in the volume of Lessee's hazardous waste disposal, or material changes in the nature of any hazardous wastes which Lessee anticipates it will generate.
10. **COPIES OF ENVIRONMENTAL CORRESPONDENCE.** Lessee agrees to provide Lessor with copies of all past and future correspondence to or from the Washington Department of Ecology, the U.S. Environmental Protection Agency, and any other government agency which has had or may have contact with Lessee regarding environmental concerns pertaining to the premises.
11. **NOTIFICATION OF SPILLS OR RELEASES.** Lessee shall comply with all notification requirements under the applicable federal, state and local environmental statutes and regulations, including but not limited to the timely notification of the appropriate government authorities of any spills or releases of toxic or hazardous substances into the environment or onto the premises. Lessee shall notify Lessor within 24 hours of discovery of any such spills or releases and shall provide copies of all correspondence and documents related to such spills or releases to Lessor with seven days after receipt or creation, as the case may be.
12. **LESSOR'S REMEDY FOR BREACH OR VIOLATION.** In the event Lessee permits a release of a hazardous substance to occur at or near the premises, or breaches any provision of this Rider, Lessor shall be entitled (1) to terminate the lease agreement immediately, (2) to require Lessee to cease all operation which pose a risk of releasing a hazardous substance into the environment, and (3) to require Lessee to begin an immediate cleanup of any and all contamination at the premises to the extent necessary to achieve full compliance with the applicable environmental laws and regulations. Lessor shall be entitled to obtain immediate injunctive relief from a court of competent jurisdiction to enforce this provision. These remedies shall be in addition to, and not in substitution for, any other remedies available to Lessor under applicable law.
13. **ANNUAL DECLARATION OF COMPLIANCE.** Within ten (10) days of receipt of a written request by Lessor, Lessee shall provide to lessor a declaration of Lessee's compliance or non-compliance with the applicable environmental laws and regulations and with the

provisions of this Rider, in the form set forth in Attachment No. 2. Lessor anticipates that it will request such a declaration annually, approximately on the anniversary date of this Rider.

14. **INSPECTION OF PREMISES.** Lessee agrees to permit and cooperate with any on-site inspections and testing requested by Lessor, including inspections and testing conducted by consultants or engineers hired by Lessor to evaluate Lessee's compliance with the applicable environmental requirements and the provisions of this Rider. Lessor shall provide Lessee within 24 hours advance notice of Lessor's intent to conduct such inspection or testing.
15. **DESIGNATED REPRESENTATIVE RESPONSIBLE FOR COMPLIANCE.** JOHNPAL DAVIES whose work telephone number is 360-379-5516 and whose cell phone number is 360-301-2108 shall be the Lessee's designated representative who shall be primarily responsible (1) for Lessee's compliance with the provision of this Rider, (2) for handling contact with Lessor pertaining to environmental compliance, and (3) for signing on behalf of Lessee the annual declaration of compliance pursuant to Paragraph 12 above. Lessee shall promptly notify Lessor of any changes in the identity or telephone numbers of the designated representative.

16. **ADDITIONAL PROVISIONS.**

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LESSOR:

LESSEE:

\_\_\_\_\_  
Jim Pivarnik

\_\_\_\_\_  
Johnpaul Davies

Title: Executive Director

Title: Owner, Key City Fish Company

Date: \_\_\_\_\_

Date: \_\_\_\_\_

(Attachment No. 1 to Hazardous Substances Rider)

**DISCLOSURE BY LESSEE**

The Lessee makes the following disclosure pursuant to Paragraph 6 of the Hazardous Substances Warranty and Agreement (Attach Additional page(s) if necessary):

1. Release(s) of Hazardous Substances by Lessee:  
(If none, initial here: \_\_\_\_\_)
2. Indication(s) of Contamination at Premises:  
(If none, initial here: \_\_\_\_\_)
3. Lessee Violation(s) of Environmental Regulations:  
(If none, initial here: \_\_\_\_\_)
4. Environmental Claims or Litigation Against Lessee:  
(If none, initial here: \_\_\_\_\_)

Lessee: KEY CITY FISH COMPANY

By: \_\_\_\_\_/\_\_\_\_\_  
(Printed Name) (Signature)

Title: \_\_\_\_\_/Date: \_\_\_\_\_



(Attachment No. 2 to Hazardous Substances Rider)

**DECLARATION OF COMPLIANCE**

\_\_\_\_\_, as the designated representative of Lessee primarily responsible for environmental compliance pursuant to Paragraph 12 of the Hazardous Substances Warranty and Agreement dated: \_\_\_\_\_, 2019, hereby declare and represent as follows on behalf of Lessee:

1. I have read, and am familiar with, Lessee's obligations and representations as set forth in the Hazardous Substances Warranty and Agreement applicable to Lessee.
2. I am not aware of, and do not believe there have been any violations by Lessee of any of the provisions in the Hazardous Substances Warranty and Agreement, or of any requirements imposed on Lessee by federal, state or local environment laws and regulations.
3. I have no reason to believe, and do not believe, that any of the representations in Paragraph 6 of the Hazardous Substances Warranty and Agreement are inaccurate as of the date indicated below.
4. Lessee has not stored, used or had present on or adjacent to the premises any hazardous or toxic substances except those that have been disclosed in writing to Lessor.
5. Lessee has not released, disposed of, or permitted the release of any hazardous or toxic substances onto the premises or into the environment surrounding the premises, except as has been disclosed in writing to Lessor.

Lessee: KEY CITY FISH COMPANY

By: \_\_\_\_\_  
Signature

Title: \_\_\_\_\_/Date: \_\_\_\_\_