



**Port of Port Townsend
Public Workshop
Wednesday, April 13, 2022, 9:30 AM**

**Port Townsend Yacht Club, 2503 Washington Street & via Zoom <https://zoom.us/>
or call (253) 215-8782 – and use Webinar ID: 862 6904 3651, Password: 911887**

AGENDA

- Seasonal 70/75 Ton Boatyard Rates

This workshop is open to Commissioners, Management, other Port staff, Consultants and the public. It is not the opportunity to give public testimony, but if Commissioners request input from individuals in the audience, those people may speak. The principal purpose of the workshop is to allow Port staff and the Board of Commissioners to communicate with each other and/or Consultants, answer Commission questions, and get the Commission's opinions and input regarding the subject topic(s).

DATE: 4/7/2021
TO: Port Townsend Port Commission
FROM: Executive Staff
SUBJECT: 2022-2023 Seasonal Work Yard Discount

BACKGROUND: The Port first implemented a seasonal Work Yard discount rate (Seasonal Rate) in October of 2018. The Seasonal Rate sought to achieve three key objectives:

1. Fill the Work Yard;
2. Drive more business to Boat Haven-based marine trades; and
3. Increase Port revenues (i.e., from both additional haul-outs and a more vessels on the hard).

In November of last year, the Commission voted to continue the discount through March 31, 2022, and revisit the Seasonal Rate thereafter. Essential features of the Seasonal Rate have been as follows:

- 50% discount applied to the regular daily Work Yard rate (note: does not apply to the 300-ton Yard)
- Effective only for the period October 1 through March 31
- Available only to customers with accounts in good standing (i.e., not past due)
- One-month must be paid in advance

March was an exceedingly busy month in the Work Yard, with very limited space to maneuver and accommodate additional vessels. As was true last year, this resulted in delays in hauling vessels and complaints from some customers who were unable to schedule haul-outs and perform work.

DISCUSSION: The deadlines for marketing and communicating our rate structure to the wider world are once again fast approaching (i.e., summer). The objective of this memorandum is to report the occupancy and revenue data collected for the past five years to inform the Commission’s decision regarding what, if any, Seasonal Rate should be implemented for 2022-2023. The graphs and tables presented below help to tell the story.

Haul-Out Activity: The graph below plots 75-Ton Haul-Out Trends from 2017 through March 2022.

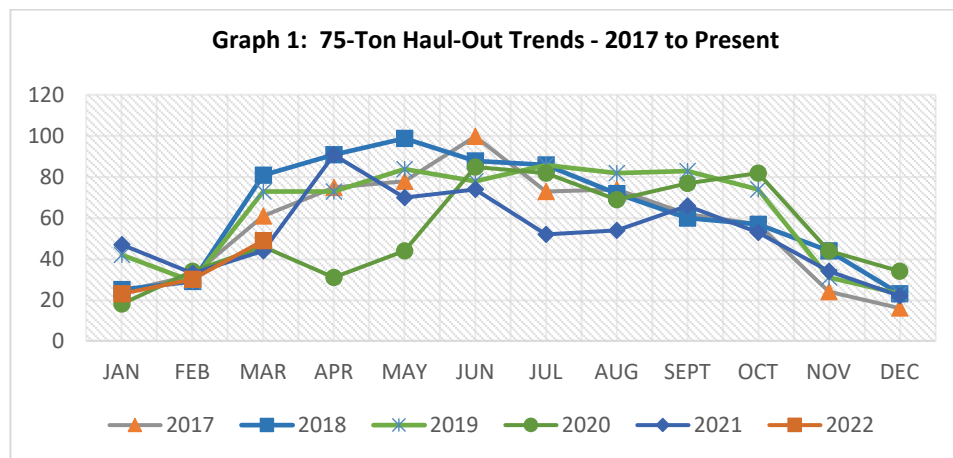


Table #1, below, provides the number of 75-Ton lift operations by month from January of 2017 through March 31, 2022.

Table 1: Work Yard - 75-Ton Haul-Outs by the Numbers - 2017 to Present													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
2017	24	32	61	75	78	100	73	74	62	57	24	16	676
2018	25	29	81	91	99	88	86	72	60	57	44	23	755
2019	42	29	73	73	84	78	86	82	83	74	31	23	758
2020	18	34	46	31	44	85	82	69	77	82	44	34	646
2021	47	33	44	91	70	74	52	54	66	53	34	22	640
2022	23	30	49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	102

The above data appears to show that 75-Ton Haul-Out lift operations increased as the Work Yard reached capacity following adoption of the Seasonal Rate, and then slowed, with reduced “turnover” thereafter. However, the combination of the COVID-19 pandemic response, together with reduced turnover and limited Work Yard space would appear evident in the data for 2020 and 2021.

Notably, haul-outs for the month of March over the period 2017 through 2020 averaged 71 hoists. By comparison, March 2021 saw only 41 haul-outs, with 49 haul-outs in March of 2022, suggesting the potential emergence of a trend.

Haul-Out Revenues: 75-Ton Haul-out revenues for the last five years are presented in Graph 2 and Table 2, below. As would be expected, revenues track with haul-out activity.

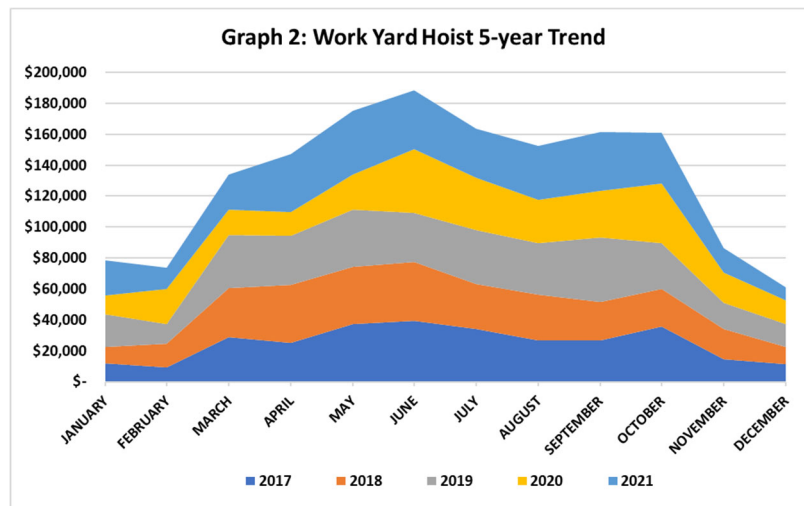


Table 2: Work Yard - 75-Ton Haul-Out Revenues - 2017 to Present

Table 2: Work Yard Hoist	2017	2018	2019	2020	2021	2022
JANUARY	\$ 11,894	\$ 10,665	\$ 21,065	\$ 11,920	\$ 22,762	\$ 22,762
FEBRUARY	9,509	14,875	12,900	22,742	13,513	13,513
MARCH	29,058	31,565	34,014	16,812	22,512	22,512
APRIL	24,887	37,902	31,666	15,450	37,230	37,230
MAY	37,221	37,201	37,005	22,626	41,368	41,368
JUNE	39,425	37,909	31,912	41,055	38,352	38,352
JULY	33,960	29,421	34,601	33,811	31,951	31,951
AUGUST	26,872	29,420	33,335	28,130	34,695	34,695
SEPTEMBER	26,941	24,410	41,768	30,463	37,798	37,798
OCTOBER	35,556	24,307	30,003	38,513	32,543	32,543
NOVEMBER	14,310	19,718	17,085	19,636	15,636	15,636
DECEMBER	11,231	11,473	14,770	15,114	8,656	8,656
Total/Ending Balance:	\$ 300,863	\$ 308,865	\$ 340,124	\$ 296,273	\$ 337,016	\$ 337,016

Work Yard Occupancy: Graph #3, below, depicts Work Yard occupancy by month from 2017 through March of 2022.

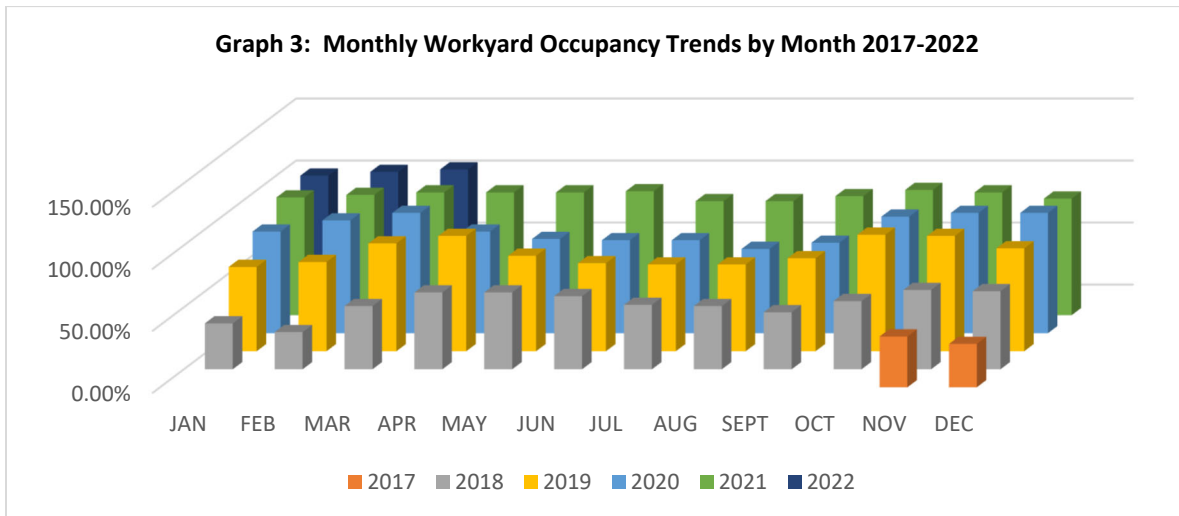


Table #3, on the following page, provides the percentage occupancy of available Work Yard spaces for the period November 2017 through to the end of March 2022.

Table 3: Work Yard Occupancy Levels - 2017 to Present												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41%	35%
2018	37%	30%	51%	62%	62%	59%	52%	51%	46%	55%	64%	63%
2019	68%	72%	87%	93%	77%	71%	70%	70%	75%	94%	93%	83%
2020	82%	91%	97%	82%	76%	75%	75%	68%	73%	94%	97%	97%
2021	95%	97%	99%	99%	99%	100%	92%	92%	96%	101%	99%	94%
2022	98%	101%	103%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The data tells the story of steadily rising occupancy rates in the 75-Ton Work Yard: 53% in 2018; 79% in 2019; 84% in 2020; 97% in 2021; and 101% thus far in 2022.

The consistently high occupancy levels in the Work Yard 2020 and 2021 appear to correlate with a reduction in hoist operations over this same period. As the Yard has filled, turn-over of spaces has also slowed, and so too has haul-out activity.

Work Yard Revenues: Work Yard revenues for the last five years are presented in Graph 4 and Table 4, below. Again, and as expected, Work Yard revenues correlate with the rate of occupancy.

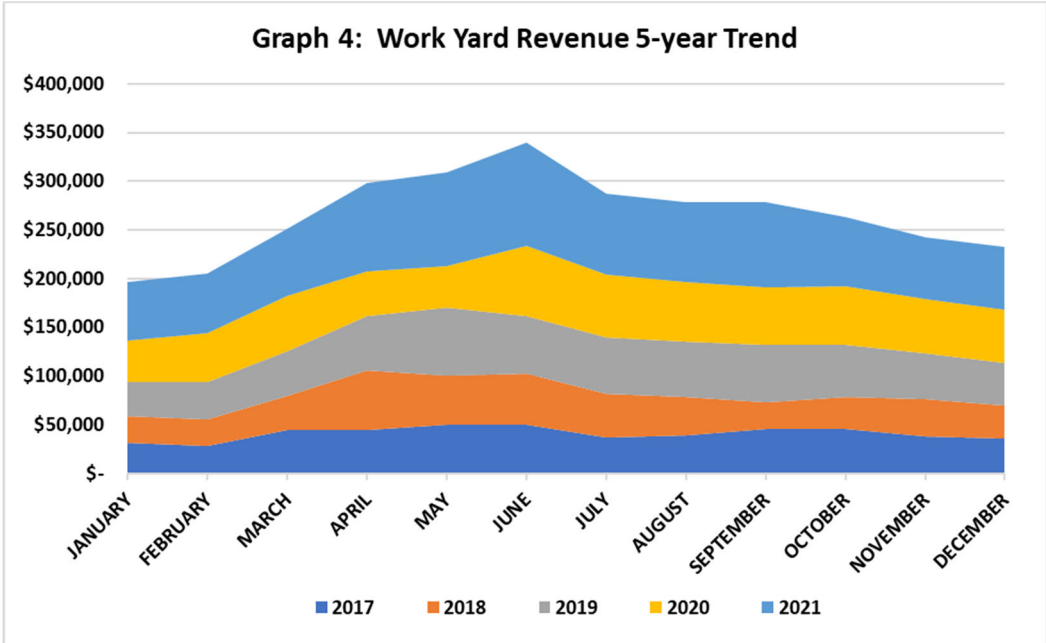


Table 4: Work Yard Revenues - 2017 to Present

Table 4: Work Yard Revenue	2017	2018	2019	2020	2021
JANUARY	\$ 31,533	\$ 27,461	\$ 34,833	\$ 42,825	\$ 59,706
FEBRUARY	28,102	27,839	37,741	50,782	60,514
MARCH	44,443	35,488	45,300	56,703	69,388
APRIL	44,155	61,808	55,586	45,774	90,281
MAY	49,812	50,773	70,168	42,053	96,687
JUNE	49,457	52,931	59,416	71,413	106,934
JULY	37,150	44,743	58,076	64,412	82,566
AUGUST	39,234	39,568	56,585	60,798	82,271
SEPTEMBER	45,620	26,831	59,966	58,957	87,334
OCTOBER	45,284	32,962	54,184	59,827	70,477
NOVEMBER	38,306	37,556	47,705	55,217	64,126
DECEMBER	36,043	33,413	43,940	55,074	64,359
Total/Ending Balance:	\$ 489,139	\$ 471,374	\$ 623,501	\$ 663,833	\$ 934,644

TOTAL WY HOIST & YARD REVENUE \$ 790,003 \$ 780,239 \$ 963,625 \$ 960,107 \$ 1,271,660

OBSERVATIONS:

The rationale for the Seasonal Rate was to incentivize use and occupancy of the Work Yard, which was not full. The Port sought to establish a rate that would increase customer access and use of the Yard, and Port revenues, until the Work Yard was full. The rate appears to have been successful in achieving these twin objectives. It is perhaps also worth noting, however, that other factors may be contributing to our occupancy rates, including the closure of several yards in the region (e.g., Foss, Jensen's, Fishermen Vessel Owners' Association).

A Work Yard that is consistently at or near capacity suggests that the Port may unintentionally be incentivizing storage, rather than active projects that result in increased work for local marine trades. The consistently full Yard is also leading to unhappy customers and stressed customer service staff, who bear the burden of delivering unwelcome news that "we're full" to many long-standing Port customers.

Potential Responses to Consider:

To mitigate the issue discussed above, the Commission may wish to consider several alternative responses, as follows:

1. Continue to consistently raise rates, including the discounted Seasonal Rate, commensurate with annual CPI;
2. Limit the Seasonal Rate to five, rather than six months – October 1 through February 28;
3. Limit the Seasonal Rate to any two-month period during a five- or six-month window (i.e., October 1 through either February 28 or March 31);
4. Limit the Seasonal Rate to vessel owners who employ marine trades to complete their refit work (e.g., apply a discount for each month a trades person is working on a project) – the goal of such a limitation is to incentivize "active work" projects versus "static storage"; and/or
5. Limit Seasonal Rate eligibility to one year (i.e., if a vessel has remained static for 12+ months, it no longer qualifies for the reduced rate).

If any of the above responses are of interest to the Commission, staff will prepare additional information for your review and consideration at the April 27 regular meeting.

RECOMMENDATION: None. Presented for information and discussion only.