

Public Comments, May 11, 2022, Port of Port Townsend Commission Meeting

From: Liz Hoenig <lizhoenig@gmail.com>
Sent: Sunday, May 8, 2022 9:16 PM
To: Pam Petranek <Pam@portofpt.com>; Pete Hanke <phanke@portofpt.com>; Carol Hasse <Carol@portofpt.com>
Cc: Eron Berg <Eron@portofpt.com>; Charley Kanieski <kanieskicharley@gmail.com>; Eric Toews <eric@portofpt.com>; Ernie Baird <erniebaird@gmail.com>
Subject: Private Property, Lease Policy Changes and a Vision for Our Port

Dear Commissioners,

We have recently been asked to get involved in a discussion with staff and a Port tenant about a lease and pricing related issue at our Port. We are providing our formal input here - but we want to comment about the bigger picture at our Port. It is our hope that these issues will soon be dealt with through clear policies rather than on a case by case, and that Commissioners will not be spending time on issues that we consider day-to-day operations. We understand that this has been brewing for nearly 6 months.

As our Commissioners - we want to see you focusing on creating and imagining our community's vision for our Port. Establishing a vibrant and compelling message to community members about what the future holds! Visit Ports that inspire you and bring back stories about what is possible for our community. Hold meetings and conversations with community members about how they would like to see our Port respond to sea level rise and maintain a vibrant working waterfront and amazing visitor experience. Create a Strategic Plan - and a budget, capital facilities plan and Comprehensive Scheme of Harbor Improvements that work together to realize our community's vision. That is the critical work for our Commissioners.

For the private property issue at hand, we recommend the following:

- Approve Ernie Baird's request for an extension on his ground lease immediately. We want to see private investment in our Port's working waterfront nourished and encouraged! We want Ernie and other property owners to be able to get a fair market return on their investment.
- Add language to our Port's existing lease policy to address the purchase and sale of private buildings on Port property. Because these are always associated with a ground lease agreement, we think this clearly fits in the existing Lease Policy. We encourage Commissioners to adopt simple changes soon (our suggestions are attached), so that this becomes a policy and gives Port staff and our community clear direction.

We appreciate your leadership and your willingness to listen.

Sincerely,

Liz Hoenig Kanieski and Charley Kanieski

LIZ HOENIG KANIESKI (ki/kin)

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Coast Salish Territory

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Liz and Charley muse on adventures at inwardoutwardus.com

From: Ernie Baird <erniebaird@gmail.com>
Sent: Thursday, May 5, 2022 11:02 AM
To: Pam Petranek <Pam@portofpt.com>; Carol Hasse <Carol@portofpt.com>; Pete Hanke <phanke@portofpt.com>
Cc: Eron Berg <Eron@portofpt.com>; Eric Toews <eric@portofpt.com>
Subject: Buildings belonging to Ernie Baird located at 305 8th Street

May 5, 2022

Port Commissioner Carol Hasse
Port Commissioner Peter Hanke
Port Commissioner Pam Petranic,
Honorable Commissioners,

Since 2015 I have sought an extension of the term of my land lease at 305 8th Street within the uplands of Boat Haven at the Port of Port Townsend. The Port has not granted an extension in spite of my investments to construct additional improvements on the property in 2015. At this time I wish to sell the buildings to the Port. Port Staff have expressed an interest in purchasing the buildings. The purchase price of the buildings is a matter of dispute. I have offered the buildings to the Port at the valuation established by an appraisal from the firm of Clarke, White, and Veenstra. The Port has offered me the value of the net rent I can collect from my tenants until the lease expires in 2029. The difference between the two figures is approximately \$350,000.

The Port purchase of my buildings at the appraised value of \$720,000 would be a wise investment of the taxpayers money. The appraised value was established by Nick Veenstra using an "income approach". Mr. Veenstra inspected my buildings and 7 comparable properties within the uplands at Boat Haven. Based on his inspection of my buildings he estimates the buildings have a remaining economic life of 40 years. The comparable properties inspected are a building owned by Mark Burn, the two buildings that were the original home of the Shipwrights Co-op, and 4 buildings originally constructed by Bill Sperry. The Sperry buildings are currently occupied by Admiral Ship Supply, PT Brewing, Key City Fish, and Lowest Hadlock Shipwrights. Based on market rate rents established by the comparable properties Mr. Veenstra calculated the value of my buildings by applying a recapitalization rate of 7.5%. As recently as 2020 the Port acquired the original Shipwrights Co-op buildings on the basis of a similar appraisal made by Mr. Veenstra. Commissioner Hanke was quoted in the January 8, 2020 edition of the Peninsula Daily News as saying that the purchase of the buildings formerly occupied by the Shipwrights Co-op was a "win-win for everyone". Subsequent use of the buildings have proved him right. The Port's purchase of my buildings at full value would be an equally sound investment.

The Port purchase of my buildings at the appraised value of \$720,000 would be consistent with the "Triple Bottom Line" adopted in the Port's Strategic Plan. The Strategic Plan directs the Port to weigh "social, environmental and economic factors equally". It seeks to "foster sustainable outcomes". The Port should maintain a sustainable incentive structure for Marine Trades business investment by purchasing my buildings at full appraised value. I accepted the risks of investment and debt in 1988, 1997, and 2015 in the context of incentives established by long Port practice with the investors who preceded me. That practice was to reward investment with renewed leases or purchase of buildings at market value. In 2018 Interim Executive Director Pavarnik assured me I need not worry about the Port enforcing the reversion clause of my land lease. He said I should expect the lease to be renewed in 2029. That same year he offered similar assurances to another Marine Trades business in an attempt to induce that business to construct a building at Point Hudson. The Port will lose the confidence of the Marine Trades if it starts to enforce the reversion clause of the land lease now. It will undermine trust within our community. Likewise, it will create a disincentive to investments by businesses on behalf of the environment, for example the installation of rooftop solar panels. To quote from Mr. Veenstra's discussion of Port policy in the appraisal document:

“It is important to note that while the current ground lease with the Port of Port Townsend expires in less than seven years, on February 28, 2029, Port Policy has historically supported economic development and the sale of existing leasehold improvements at the Port by negotiating new ground leases or extending existing ground leases to accommodate financing. This is a traditional approach used by most government agencies, including the State of Washington, Department of Natural Resources, Counties, and Port Authorities. While the existing ground lease specifies that there is a legal right to improvements at the termination of the lease, it is not in the best interest of the Port of Port Townsend, existing tenants at the Port, and local tax payers to do so, as it would limit incentives for economic expansion. If the Port were to adopt such a policy, no new leasehold improvements would be financially viable or economically viable for the leasehold position.”

By contrast, here are contributions I made to the Port within the existing incentive structure:

- In 1997 I negotiated the deal between the Port and the Marine Trades that persuaded the Port Commission to fund the 300 ton Travelift. The Marine Trades helped pay off a 25 year bond by contributing 3% of their gross earnings from every heavy haul out boat they worked on for the life of the bond. The annual contribution from the Trades was approximately \$100,000 per year for 20 years.
- The first 10 boats hauled by the 300 ton lift for contracted work came to my shop. We were able to demonstrate that a viable profit could be achieved working on those boats even while sharing 3% of gross with the Port. Once Baird Boat proved the concept would work, other shops started to solicit work on boats that required the 300 ton lift to haul out.
- I identified and developed several markets made accessible by the 300 ton lift: the Seattle longline fleet, large classic wooden yachts, and large wooden sail training vessels. The second boat hauled by the 300 ton lift was the F/V Constitution, a halibut schooner from Seattle. That job became a cover story on National Fisherman. Other boats from the Seattle longline fleet followed, both to my shop and the Co-op. We expanded our work on vessels belonging to the Classic Yacht Association by convincing the M/V Olympus, then flagship of the Seattle Yacht Club, to do extensive work at Baird Boat. Others of that type who followed are M/V Montego, M/V Malibu, M/V Blue Peter, and M/V Thea Foss. We were finally able to haul out the Schooner Adventuress, and do extensive repair on her. That opened the market for work on large sail training vessels in Port Townsend.
- In 1997 mine was the first shop of modest size to build a travel lift accessible building. In the following years the Shipwrights Co-op constructed another travel lift accessible building at its original site at 3109 Jefferson Street. Other businesses of modest size to build new buildings in the Boat Haven uplands in the following years were PTR Rigging and Olfar Andersen's machine shop. The proof of concept for others was the success of the building I constructed and the work it made possible.
- In 2004 I rented my buildings to Haven Boatworks LLC. While Haven rented the buildings at market rate, they inherited my book of business at no cost, the use of the stationary tools for 4 years at the rate of \$1.00, and the use of the inventory of timber to be purchased as they used it. Our relationship allowed Haven to develop into the very successful business it is today. In 2014 Haven purchased Shoreline Marine Diesel. In order that Haven might bring all its operations under one roof. I took on further debt in 2015 to fund the construction of an addition to the wood frame building on my land lease.

My experience is not unique. Every successful Marine Trades business at the Port that built its own facility offers rich examples of adaptation, innovation, and creativity. Our vital interconnected community depends in part on its trust in the Port.

Port Staff has consulted with Murray Brackett of CBRE to evaluate Nick Veenstra's appraisal of my buildings. Port Staff has informed me that Mr. Murray feels that Veenstra's appraisal is "fatally flawed" and "does not meet Appraisal Institute standards" because it fails to consider the remaining term of the lease as a determining condition of value. Both gentlemen are Members of the Appraisal

Institute and Certified Real Estate Appraisers within the State of Washington. One way to understand the difference in their positions might be to see them in the context of their areas of practice. Mr. Veenstra is one of three partners in the firm of Clarke, White, and Veenstra, located in Edmonds. Mr. Veenstra's geographical area of focus is Western Washington, particularly Kitsap, Jefferson and Clallam counties. His online presence lists experience in analysing commercial, marina, and industrial properties. Mr. Brackett is the Director of Right of Way, Aviation and Public Projects - Northwest Region of CBRE. According to its website CBRE has its home office in Dallas, Texas, has 500 offices in more than 100 countries. It employs over 105,000 people and serves more than 90 of the top Fortune 100 corporations. The Port might think about using an appraiser more familiar with the Port of Port Townsend and Jefferson county. An example is Kidder Mathews, the firm the Port hired to conduct market surveys of Port properties in 2006 and 2018.

Port Staff proposes to acquire 40 years of income from the buildings I constructed for the price of 7 years of rent. This seems to me to be unjust and unwise. I urge you to authorize the purchase of my buildings at 305 8th Street for the appraised value of \$720,000. It is a sound investment of the taxpayers money that will result in a sustainable environment for investment in the Marine Trades. The Port is not yet built out. Future investors will be needed to develop the area to the west of the Boat Haven shipyard. By purchasing my buildings at full appraised value you can give fair compensation to a long term investor in the Marine Trades and provide assurance to those who would build for the future in the Port.

Respectfully, Ernie Baird
231 Robbins Road, Nordland WA

5/8/2022

We are writing to shine light on the short-sighted proposal by current Port of Port Townsend staff to purchase the buildings of long-time port influencer, contributor, and proponent, Ernie Baird, at a price other than fair market value (FMV).

In the 1970s Ernie Baird was among a group of shipwrights who would put Port Townsend on the map as a world renown place to have boat work done. Mr. Baird's decision to construct a building on Port leased land is a role model for public private partnership. This and other similar partnerships have resulted in a robust local marine economy.

Businesses, including Baird Boatworks, who built in cooperation with the Port of Port Townsend have done so with the assurance of prior Port executive directors and commissioners that lease terms and endings would be fairly negotiated. Ernie Baird commissioned a fair market value appraisal of his buildings. Current port staff is proposing a contrary evaluation method which has never been used in this Port. We further understand that Port staff boldly informed Mr. Baird that they believe his private property will revert to the Port at the end of the lease term. In fact, this is an untested concept also never used in this Port.

The history is that the Port of Port Townsend has on its own built only a handful of buildings in the Boat Haven. Although the taxpayers paid for those buildings none of them have directly contributed to the grass roots growth of the marine trades and the revenue it returns to the tax base. In fact, Port owned buildings are exempt from property tax unlike the privately owned buildings on Port property.

Private investors built all the buildings in the Port which are being utilized by marine trades.

- 1) Former Skookum building now ACI built by the Arthur Brothers purchased by the Port at FMV
- 2) The former Sperry buildings including Admiral Ship Supply, Sunrise Coffee, PT Brewery and more built by Bill Sperry and sold to the Port at FMV
- 3) Current PT Shipwrights building formerly Admiral Marine Works built by investors sold to PT Shipwrights at FMV
- 4) Former PT Shipwrights buildings built by the Shipwrights currently owned by the Port
- 5) Former Shoreline diesel buildings now owned by Mark Jochems
- 6) Anderson Machine shop
- 7) Port Townsend Rigging
- 8) Haven Boatworks buildings owned by Ernie Baird
- 9) Former J&S building

The Port of Port Townsend has greatly benefitted from the investment of Ernie Baird and the other private risk takers who monetarily stretched themselves to create jobs and revenue. Mr. Baird and the others paid interest, mortgages, taxes, and upkeep on their properties for many years with reasonable expectation of a fair return on their investment.

We urge the commissioners to direct staff to strike a fair agreement with Ernie Baird. A fair agreement will renew and enforce the commitment of the Port of Port Townsend to the continued economic development of the marine trades in Port Townsend.

Respectfully Dan Kulin and Lisa Vizzini



9 May 2022

Port of Port Townsend Commissioners:

Carol Hasse

Peter Hanke

Pam Petranek

I write to you out of concern for our business here at Point Hudson, SEA Marine, particularly related to the topic of equitable and consistent treatment of Lessees. It is common knowledge that we have been seeking to extend and expand the footprint of our current lease. This effort was first initiated in 2016 and has spanned the tenure of 3 previous Executive Directors. We are now in conversations with the fourth.

We are encouraged that we might be able to culminate a long term lease agreement, as current staff has been much more receptive and responsive than any previous administration. From our understanding and perspective, the only obstacles and current status of those are:

1. Final footprint for the expanded bare land lease

There is a proposed footprint that, though not our preferred, is acceptable to better ensure long term viability of our operations.

2. The cost per square foot of that bare land

SEA has proposed a lease rate that is slightly higher than other leases recently agreed upon with some of our Marine Trades colleagues in the Boat Haven for the same use. This rate is supported by the work of an accredited appraiser selected by the Port for whose services SEA paid half the cost. There has been no counter discussion with staff on this point.

3. An answer to whether SEA's expanded use will require new or different permitting requirements from both the State and the City

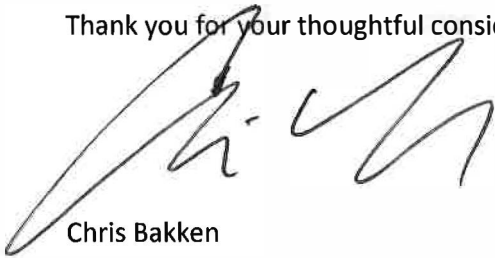
We have been in contact with the State's Department of Ecology Water Quality Permit Manager for the Southwest Region. Dr. Adonia McKinzi has reported that there is no further change or modification of our current Boatyard Permit required. The proposed use of the new land is identical to the current use and the permit is not granted based on the square footage, but on the location. No further action is required. We are in discussion with the City for Port Townsend. Though we have not received unequivocal confirmation, thus far there does not seem to be anything more required than standard permits for electrical work and ballasting. We are getting a Customer Assistance Meeting scheduled to confirm.

All of the above seem to be in progress or easily enough addressed. The most significant to us is the bare land cost.

Further to our current efforts, we are concerned about the process and change in policy as it applies to another long term Lessee. We are just one of many marine trades business whose success dovetails and shares a co-dependency with the Port's own success. Historically the Port has acted in a like manner with other Port Authorities in recognizing the investment made by tenants. This investment is both good for the Port and tenant. Improvements are made to Port land and the tenant has the opportunity to recover the costs and realize a reasonable return in an industry rife with risk. That expectation is one of the keys to SEA's ability to make long term plans for ongoing viability beyond the tenure of the current ownership. All of the Trades depend on the Port's acceptance of and adherence to the Triple Bottom Line as defined in the Port's Strategic Plan. That is why, when there is a move that seems to ignore that goal, we all take notice. Specifically we are thinking of Ernie Baird and the ongoing discussion he is having with Port Staff to receive fair, equitable and consistent treatment of his holdings on Port Land.

Our concern is compounded by the relative contribution to the Trades and the community at large made by Mr. Baird. SEA cannot hope to compare ourselves to what Ernie has done for the Port, City, and those who were under his employ. Without Ernie there is arguably no 300 lift, limited fishing fleet work and the recognition garnered by the work done here on many iconic vessels. We believe that Ernie deserves fair, equitable and consistent treatment if only due to his long and reliable history with the Port and how it impacts the process. His significant contributions should ensure that this is a given.

Thank you for your thoughtful consideration.



Chris Bakken
General Manager, SEA Marine
(SEA Green Partners, LLC)

From: bob@admiralshipsupply.com <bob@admiralshipsupply.com>

Sent: Wednesday, May 11, 2022 9:43:01 AM

To: Pete Hanke <phanke@portofpt.com>; Pam Petranek <Pam@portofpt.com>; Carol Hasse <Carol@portofpt.com>

Cc: Eron Berg <Eron@portofpt.com>; Chris Sparks <Chris@portofpt.com>; Kristian Ferrero <kristian@portofpt.com>

Subject: Port Haul Out Waiting List

Dear Commissioners,

Last week I received two phone calls from a customer about twenty minutes apart. The first was to inquire if I rented vacuum sanders for a potential upcoming haul out. The second was to see if I'd mind if they rented the sander and took it to Everett. In only twenty minutes the customer discovered that he could not haul his boat in Port Townsend and found a place that could.

It was recently stated that the current Port waiting list is job security for the marine trades. This couldn't be farther from the truth. Many customers that have traditionally hauled here have been turned away the past two years. The effect this has had on my business has been sizeable. Commercial fishing fleet vessels that are accustomed to call in March and April have been told the earliest they can haul is July, after their seasons start.

It took just twenty minutes for myself and the Port of Port Townsend to lose a customer. The caller incidentally was a Port Commissioner from Poulsbo. I got his name and phone number and had a short talk with him concerning our current situation.

As it stands the discount has expired. It has not been needed during the recent economic boom as evidenced by a haul out waiting list of over 50 boats. If the need arises in the future, a similar measure can be reinstated. The hangover of the yard rate discount into the busy spring season must be fixed before another season is impacted!

Sincerely,

Robert Frank, President
Admiral Ship Supply II Inc.
Phone (360) 379-9921
Fax (360) 379-9947